



Dave Yost • Auditor of State

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Financial Condition
Auglaize County
209 South Blackhoof Street
Wapakoneta, Ohio 45895

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 Auglaize Industries, Inc. discretely presented component unit, each major fund, and the remaining fund information of Auglaize County, Ohio (the County), as of and for the year ended December 31, 2012, 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 the component unit, Auglaize Industries, Inc., which represents 80.6 percent of the assets, 81.9 percent of the net position, and 43.2 percent of the revenues, of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for the Auglaize Industries, Inc., 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.

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

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

Summary of Opinions

Opinion Unit	Type of Opinion	Opinion Unit	Type of Opinion
Governmental Activities	Unmodified	Governmental Fund Job and Family Services	Unmodified
Business-Type Activities	Unmodified	Governmental Fund Permanent Improvement	Unmodified
Discretely Presented Component Units	Qualified	Governmental Fund ACDD	Unmodified
		Governmental Fund Community Alternatives	Unmodified
Governmental Fund General	Unmodified	Enterprise Fund Auglaize Acres	Unmodified
Governmental Fund MVGT	Unmodified	Enterprise Fund Sewers	Unmodified
Governmental Fund SWM	Unmodified	Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on the Discretely Presented Component Units

The financial statements of the Auglaize County Airport Authority were not audited, and we were not engaged to audit the Auglaize County Airport Authority's financial statements as part of our audit of the County's basic financial statements. The Auglaize County Airport Authority's financial activities are included in the County's basic financial statements as a discretely presented component unit and represents *19.4 percent of the assets, 18.1 percent of the net position, and 56.8 percent of the revenues*, of the County's discretely presented component units.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion on the Discretely Presented Component Units" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component units of Auglaize County, Ohio (the County), as of and for the year ended December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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, each major fund, and the aggregate remaining fund information of Auglaize County, Ohio, as of December 31, 2012, and the respective changes in financial position and where applicable, its cash flows thereof and the respective budgetary comparisons for the General, Motor Vehicle and Gas Tax, Solid Waste Management, Job and Family Services, Auglaize County Department of Disability, and Community Alternatives funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the County restated the January 1, 2012 Net Position of the Governmental Activities and the fund balance of the ACDD Fund. Also as described in Note 3, during the year ended December 31, 2012, the County adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items previously reported as assets and liabilities*". We did not modify our opinion regarding these matters.

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2013, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

September 24, 2013

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**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

As management of Auglaize County (the County), we offer readers of the County's financial statement this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2012.

FINANCIAL HIGHLIGHTS

The assets of the County exceed liabilities at December 31, 2012 by \$73,330,252. Of this amount \$25,459,186 may be used to meet ongoing obligations. As of December 31, 2012, the County's governmental funds reported net position of \$68,784,978 an increase of \$126,920, after restating the December 31, 2011 net position (see Note 3) in comparison with the prior year. Neither change in net position was significant. At the end of the current fiscal year the unassigned fund balance for the general fund was \$6,151,449 which is available for spending at the County's discretion. The County's outstanding debt, not considering any additions, decreased by \$337,953 in governmental activities and decreased \$5,000 in business type activities. In the general fund actual revenues were 10.4 percent higher than budgeted and expenditures were 9 percent less than the budgeted amount not considering other financing sources and uses.

OVERVIEW OF THE FINANCIAL STATEMENTS

The County's basic financial statements are comprised of three parts: 1) government-wide financial statements, 2) fund financial statements including budgetary statements for major special revenue funds, and 3) notes to the financial statements.

Government-wide Financial Statements - These statements are intended to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all County assets and liabilities with the difference between the two reported as net position.

The statement of activities distinguish functions of the County that are mainly supported by taxes and intergovernmental revenues (governmental) from functions that are intended to recover a significant portion of their costs through user fees and charges (business-type). Governmental activities include general government (legislative, executive and judicial), public safety, public works, health, human services, and other.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. 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.

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

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(Continued)**

The county maintains 444 governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Motor Vehicle and Gasoline Tax (MVGT) Fund, Solid Waste Management (SWM) Fund, Jobs and Family Services (JFS) Fund, Auglaize County Developmental Disabilities (ACDD) Fund, and new for 2012 the Community Alternatives Fund, Permanent Improvement Fund, all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation. The County adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided for the general fund and each major special revenue fund to demonstrate compliance with the budget.

Proprietary Funds – The County maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its sewer operations and County Home (Auglaize Acres). Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its health insurance, 125 plan, and various rotary funds. Because this service benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

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

Notes to the Financial Statements- The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 33-77.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$73,330,252 as of December 31, 2012.

**Table 1
Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and Other Assets	\$35,071,280	\$36,130,278	\$1,796,814	\$1,364,990	\$36,868,094	\$37,495,268
Capital Assets, Net	44,740,520	43,577,819	3,338,046	3,481,062	48,078,566	47,058,881
Total Assets	<u>79,811,800</u>	<u>79,708,097</u>	<u>5,134,860</u>	<u>4,846,052</u>	<u>84,946,660</u>	<u>84,554,149</u>
Liabilities:						
Current and Other Liabilities	9,040,337	9,231,170	511,322	474,101	9,551,659	9,705,271
Long-Term Liabilities	1,986,485	2,176,493	78,264	62,172	2,064,749	2,238,665
Total Liabilities	<u>11,026,822</u>	<u>11,407,663</u>	<u>589,586</u>	<u>536,273</u>	<u>11,616,408</u>	<u>11,943,936</u>
Net Position:						
Net Investment in						
Capital Assets	44,535,520	43,337,819	3,335,546	3,473,562	47,871,066	46,811,381
Restricted	16,721,338	17,902,609			16,721,338	17,902,609
Unrestricted	7,528,120	7,060,006	1,209,728	836,217	8,737,848	7,896,223
Total Net Position	<u>\$68,784,978</u>	<u>\$68,300,434</u>	<u>\$4,545,274</u>	<u>\$4,309,779</u>	<u>\$73,330,252</u>	<u>\$72,610,213</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(Continued)**

The largest portion of the County's net position 65.3 percent reflects its investment in capital assets (land and improvements, construction in progress, buildings and improvements, equipment/furniture/fixtures, and infrastructure), less any related debt used to acquire those assets that are still outstanding. These capital assets are used 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.

As of December 31, 2012, the County is able to report positive balances in all three categories of net positions, both for the government as a whole, as well as for its separate governmental and business-type activities.

Analysis of the County's Operation – The following table provides a summary of the County's operations for 2012. There is an increase in Capital Grants due to a federal stimulus grant received to renovate the courthouse. The more significant changes are as follows:

**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Program Revenues:						
Charges for Services	\$ 7,134,080	\$ 7,144,998	\$5,528,916	\$5,499,813	\$12,662,996	\$12,644,811
Operating Grants	7,383,196	7,496,093			7,383,196	7,496,093
Capital Grants/Contributions	2,502,552	601,779		110,356	2,502,552	712,135
General Revenues:						
Property Taxes	5,695,148	5,407,460			5,695,148	5,407,460
Sales Tax	8,240,210	7,792,771			8,240,210	7,792,771
Intergovernmental	821,570	788,234			821,570	788,234
Gain/Loss on Sale of Assets	(384,345)	(135,158)			(384,345)	(135,158)
Miscellaneous	441,464	457,793	70,924	38,986	512,388	496,779
Interest	165,571	210,189			165,571	210,189
Total Revenues	31,999,446	29,764,159	5,599,840	5,649,155	37,599,286	35,413,314
Program Expenses						
Legislative/executive/judicial	7,340,565	6,899,692			7,340,565	6,899,692
Public Safety	5,710,866	5,549,463			5,710,866	5,549,463
Public Works	7,043,056	6,821,682			7,043,056	6,821,682
Health	6,347,127	6,399,303			6,347,127	6,399,303
Human Services	3,631,117	3,673,087			3,631,117	3,673,087
Other	1,746,469	1,642,963			1,746,469	1,642,963
Interest & Fiscal Charges	53,326	68,265			53,326	68,265
Sewer			362,668	481,743	362,668	481,743
Auglaize Acres			5,001,677	5,078,972	5,001,677	5,078,972
Total Expenses	31,872,526	31,054,455	5,364,345	5,560,715	37,236,871	36,615,170
Changes in Net Position	126,920	(1,290,296)	235,495	88,440	362,415	(1,201,856)
Net Position January 1	68,658,058	69,590,730	4,309,779	4,221,339	72,967,837	73,812,069
Net Position December 31	\$68,784,978	\$68,300,434	\$4,545,274	\$4,309,779	\$73,330,252	\$72,610,213

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest offsetting those services. Table 3 shows the total cost of services and the net cost of services for governmental activities for 2012 and 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. This table also shows the cost of services for business type activities along with the related charges for services to offset the costs or providing the services. There is a negative in the Judicial Net Cost of Services due to a federal stimulus grant received to renovate the courthouse.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(Continued)**

**Table 3
Total Costs vs. Net Costs
Governmental Type Activities**

	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Current:				
General Government:				
Legislative and Executive	\$ 5,151,915	\$ 3,639,874	\$ 4,733,319	\$ 3,218,135
Judicial	2,188,650	(461,974)	2,166,373	873,377
Public Safety	5,710,866	4,767,951	5,549,463	4,751,970
Public Works	7,043,056	644,923	6,821,682	700,188
Health	6,347,127	3,734,513	6,399,303	3,890,100
Human Services	3,631,117	729,616	3,673,087	668,987
Other	1,746,469	1,744,469	1,642,963	1,640,563
Interest and Fiscal Charges	53,326	53,326	68,265	68,265
Total Expenses	\$31,872,526	\$14,852,698	\$31,054,455	\$15,811,585
Business Type Activities				
	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Auglaize Acres	\$5,001,677	(\$176,459)	\$5,078,972	(\$183,076)
Sewer	362,668	11,888	481,743	133,622
Total Expenses	\$5,364,345	(\$164,571)	\$5,560,715	(\$49,454)

Financial Analysis of the Government's Funds - As noted earlier, Auglaize County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, Auglaize County's governmental funds reported total fund balances of \$23,106,552. Of this \$6,151,449 constitutes unassigned fund balance of the general fund, which is available for spending at the County's discretion. The remainder of the fund balances includes \$216,438 for debt service payments and \$439,414 for usage by the County's capital projects fund.

The general fund is the chief operating fund of the county. At the end of the current fiscal year, the unassigned balance was \$6,151,449 while the total fund balance was \$8,499,350.

The other major governmental funds of the County are Motor Vehicle and Gasoline Tax (MVGT), Solid Waste Management (SWM), Job and Family Services (JFS), Auglaize County Developmental Disabilities (ACDD), Community Alternatives and Permanent Improvement.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(Continued)**

The MVGT fund balance increased by \$278,458 to \$1,593,769. The increase is due to an increase in revenue. The SWM fund balance increased by \$325,192 to (\$1,311,025). The increase is due to the per parcel fee assessed to the 2011 taxes collected in 2012. The JFS fund balance increased by \$74,202 to \$949,162. The increase is due to an increase in intergovernmental revenue. The ACDD fund balance decreased by \$1,167,149 to \$3,988,099. The decrease is due to a decrease in intergovernmental revenue. The Community Alternatives fund balance increased by \$904,976 to \$3,560,537. The State match requirements are the reason why both dollars and activity in this fund have increased over the last several years, requiring it to become a major fund in 2012. The Permanent Improvement fund balance decreased by \$1,576,821 to \$75,634. The decrease is due to expenditures incurred for the Courthouse renovation project.

Enterprise Funds - The County's enterprise funds had an increase in net position. These funds comprise the County's business type activities.

The county home (Auglaize Acres) net position increased by \$247,383 to \$944,763. In 2003 the facility became a Certified Long-term Care Facility. The various sewer fund net position decreased by \$11,888 to \$3,600,511.

General Fund Budgeting Highlights

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

For the General Fund, actual budget basis revenues and other financing sources were \$2,374,963 higher than final budget estimates of \$11,544,795.

Total actual expenditures and other financing uses were \$286,575 less than the final budgeted expenditures. The decrease in actual versus budgeted expenditures is due to an overall decrease in expenditures by all departments.

Capital Assets and Debt Administration

**Table 4
Capital Assets at Year-End
Net of Accumulated Depreciation**

	Governmental Activities		Business-Type		Total	
	2012	2011	2012	2011	2012	2011
Land & Improvements	\$ 3,513,928	\$ 3,827,624	\$ 56,298	\$ 56,298	\$ 3,570,226	\$ 3,883,922
Infrastructure	20,833,321	21,084,531	3,024,193	3,133,426	23,857,514	24,217,957
Buildings/Improvements	16,097,131	9,635,079	176,300	198,300	16,273,431	9,833,379
Construction in Progress	311,325	6,274,038			311,325	6,274,038
Equipment, Furniture/Fixtures	3,984,815	2,756,547	81,255	93,038	4,066,070	2,849,585
Total	\$44,740,520	\$43,577,819	\$3,338,046	\$3,481,062	\$48,078,566	\$47,058,881

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(Continued)**

**Table 5
Outstanding Debt at Year End
Governmental Activities**

	<u>2012</u>	<u>2011</u>
General Obligation Bonds		
Human Services	\$ 205,000	\$ 240,000
Special Assessment Bonds	120,000	230,000
Ohio Public Works Loan	56,259	61,373
Special Assessment Notes	737,330	839,347
Total	<u>\$1,118,589</u>	<u>\$1,370,720</u>

Sixty six percent of the debt is in the form of ditch notes which are issued primarily for drainage improvement.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The budget centers on a stable economic climate. The county unemployment rate is 6.3 percent, .7 percent lower than the state rate of 7.0 percent (January, 2013). The state legislature has indicated uncertainty regarding local government and state funded grant programs which may require more local financial support.

Business-type activities should remain relatively unchanged for 2013.

Ditch note debt incurred since January 1, 2013 is \$210,373.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors and creditors with general overview of the County's finances. If you have questions about this report or wish to obtain the separately issued financial statements of the County's component units contact the Auglaize County Auditor's Office by calling 419-739-6705 or writing the County Auditor at 209 S Blackhoof St, Suite 102, Wapakoneta Ohio 45895.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF NET POSITION
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2012**

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Airport Authority</u>	<u>Auglaize Industries</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$18,044,285	\$1,385,003	\$19,429,288		
Cash and Cash Equivalents in Segregated Accounts				\$109,529	\$710,184
Cash and Cash Equivalents With Fiscal Agent	2,291,350		2,291,350		
Cash and Cash Equivalents With Escrow Agent	28,560		28,560		
Materials and Supplies Inventory	684,509	40,074	724,583	31,984	
Accrued Interest Receivable	83,638		83,638		
Accounts Receivable	124,944	576,659	701,603	8,586	19,676
Internal Balances	209,253	(209,253)			
Due from Other Governments	3,486,217		3,486,217		14,045
Prepaid Items	261,197	3,081	264,278		1,000
Sales Taxes Receivable	2,100,094		2,100,094		
Property Taxes Receivable	6,142,951		6,142,951		
Notes Receivable	589,504	1,250	590,754		
Special Assessments Receivable	1,024,778		1,024,778		
Non-Depreciable Assets	2,254,254	56,298	2,310,552	46,432	
Depreciable Capital Assets, Net	42,486,266	3,281,748	45,768,014		73,721
Total Assets	79,811,800	5,134,860	84,946,660	196,531	818,626
Liabilities:					
Accounts Payable	988,687	253,349	1,242,036	8,155	
Contracts Payable	49,374		49,374		
Accrued Wages	396,438	78,773	475,211		1,665
Due to Other Governments	377,587	71,303	448,890	472	5,565
Due to Clients		10,578	10,578		
Accrued Interest Payable	9,653		9,653		
Undistributed Assets	2,144		2,144		
Retainage Payable	28,560		28,560		
Deferred Revenue				8,806	
Long-Term Liabilities:					
Due Within One Year	1,149,895	97,319	1,247,214		1,630
Due In More Than One Year	1,986,485	78,264	2,064,749		
Total Liabilities	4,988,823	589,586	5,578,409	17,433	8,860
Deferred Inflows of Resources:					
Property taxes levied for the next year	6,037,999		6,037,999		
Total Deferred Inflows of Resources	6,037,999		6,037,999		
Net Position:					
Net Investment in:					
Capital Assets	44,535,520	3,335,546	47,871,066	46,432	73,721
Restricted for:					
Capital Projects	616,095		616,095		
Debt Service	288,681		288,681		
Other Purposes	15,816,562		15,816,562	584	
Unrestricted (Deficit)	7,528,120	1,209,728	8,737,848	132,082	736,045
Total Net Position	68,784,978	\$4,545,274	\$73,330,252	\$179,098	\$809,766

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities:				
Current:				
General Government:				
Legislative and Executive	5,151,915	\$1,221,872	\$290,169	
Judicial	2,188,650	1,226,720	117,050	1,306,854
Public Safety	5,710,866	375,381	567,534	
Public Works	7,043,056	3,007,403	2,238,312	1,152,418
Health	6,347,127	1,149,461	1,463,153	
Human Services	3,631,117	151,243	2,706,978	43,280
Other	1,746,469	2,000		
Interest and Fiscal Charges	53,326			
Total Governmental Activities	<u>31,872,526</u>	<u>7,134,080</u>	<u>7,383,196</u>	<u>2,502,552</u>
Business-Type Activities:				
Auglaize Acres	5,001,677	5,178,136		-
Sewers	362,668	350,780		
Total Business-Type Activities	<u>5,364,345</u>	<u>5,528,916</u>		<u>-</u>
Total - Primary Government	<u>\$37,236,871</u>	<u>\$12,662,996</u>	<u>\$7,383,196</u>	<u>\$2,502,552</u>
Component Units				
Airport Authority	\$671,838	\$678,115		
Auglaize Industries	391,367	439,863		
Total Component Units	<u>\$1,063,205</u>	<u>\$1,117,978</u>		

General Revenues

Property Taxes Levied for:

General Purposes

Other Purposes

Sales Tax Levied for:

General Purposes

Other Purposes

Capital Outlay

Intergovernmental

Loss/Gain on Sale of Capital Asset

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year - restated note 3

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 Activities	Total	Airport Authority	Auglaize Industries
(\$3,639,874)		(\$3,639,874)		
461,974		461,974		
(4,767,951)		(4,767,951)		
(644,923)		(644,923)		
(3,734,513)		(3,734,513)		
(729,616)		(729,616)		
(1,744,469)		(1,744,469)		
(53,326)		(53,326)		
<u>(14,852,698)</u>		<u>(14,852,698)</u>		
	\$176,459	176,459		
	(11,888)	(11,888)		
	<u>164,571</u>	<u>164,571</u>		
<u>(14,852,698)</u>	<u>164,571</u>	<u>(14,688,127)</u>		
			\$6,277	
				\$48,496
			<u>6,277</u>	<u>48,496</u>
2,018,875		2,018,875		
3,676,273		3,676,273		
7,413,435		7,413,435		
526,775		526,775		
300,000		300,000		
821,570		821,570		
(384,345)		(384,345)		
165,571		165,571	270	87,707
441,464	70,924	512,388	14,679	
<u>14,979,618</u>	<u>70,924</u>	<u>15,050,542</u>	<u>14,949</u>	<u>87,707</u>
126,920	235,495	362,415	21,226	136,203
<u>68,658,058</u>	<u>4,309,779</u>	<u>72,967,837</u>	<u>157,872</u>	<u>673,563</u>
<u>\$68,784,978</u>	<u>\$4,545,274</u>	<u>\$73,330,252</u>	<u>\$179,098</u>	<u>\$809,766</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	General	MVGT	SWM	JFS
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$4,622,407	\$728,105	\$598,654	\$921,403
Cash and Cash Equivalents With Fiscal Agent				
Due from other Governments	693,125	2,159,110		63,848
Materials and Supplies Inventory	75,961	541,897		47,748
Accrued Interest Receivable	1,545	165		
Accounts Receivable	10,598	22,776	27,993	12
Due from other Funds	2,150,187	6,252		12,092
Prepaid Items	118,678	23,885	220	63,499
Sales Taxes Receivable	2,040,094			
Property Taxes Receivable	2,192,170			
Note Receivable				
Special Assessments Receivable				
Restricted Assets:				
Cash and Cash Equivalents With Escrow Agent				
Total Assets	11,904,765	3,482,190	626,867	1,108,602
Liabilities:				
Accounts Payable	228,158	109,938	12,935	23,428
Contracts Payable				
Accrued Wages	196,000	58,118	5,101	36,199
Short term comp abs	67,767	19,958		
Intergovernmental Payable	211,674	49,755	4,714	33,988
Retainage Payable				
Due to Other Funds	26,911	2,983	1,915,142	1,977
Total Liabilities	730,510	240,752	1,937,892	95,592
Deferred Inflows of Resources:				
Property taxes levied for the next fiscal year	2,173,407			
Delinquent property tax revenue not available	18,763			
Intergovernmental revenue not available	482,735	1,647,669		63,848
Special assessments revenue not available				
Accrued interest not available				
Total Deferred Inflows of Resources	2,674,905	1,647,669		63,848
Fund Balances:				
Nonspendable:				
Inventory	75,961	541,897		47,748
Prepays	118,678	23,885	220	63,499
Notes Receivable				
Interfund Receivable	2,086,928			
Restricted for:				
Debt Service				
Capital Outlay				
MVGT		1,027,987		
Jobs and Family Services				837,915
Developmental Disabilities				
Other Purposes				
Committed to:				
Capital Outlay				
Other Purposes				
Assigned	66,334			
Unassigned	6,151,449		(1,311,245)	
Total Fund Balances	8,499,350	1,593,769	(1,311,025)	949,162
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$11,904,765	\$3,482,190	\$626,867	\$1,108,602

See accompanying notes to the basic financial statements.

<u>ACDD</u>	<u>Community Alternatives</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$2,019,532	\$3,818,407	\$26,547	\$5,114,365	\$17,849,420
2,289,206				2,289,206
371,099	39,427		159,608	3,486,217
5,034			13,869	684,509
27			81,901	83,638
	18,289		45,276	124,944
				2,168,531
5,380	513		49,022	261,197
		60,000		2,100,094
3,950,781				6,142,951
			589,504	589,504
			1,024,778	1,024,778
		28,560		28,560
<u>8,641,059</u>	<u>3,876,636</u>	<u>115,107</u>	<u>7,078,323</u>	<u>36,833,549</u>
220,258	316,099	4,523	61,328	976,667
		6,390	42,984	49,374
70,600			27,183	393,201
				87,725
43,558			31,692	375,381
		28,560		28,560
111			48,981	1,996,105
<u>334,527</u>	<u>316,099</u>	<u>39,473</u>	<u>212,168</u>	<u>3,907,013</u>
3,864,591				6,037,998
86,190				104,953
367,652			119,644	2,681,548
			913,589	913,589
			81,896	81,896
<u>4,318,433</u>	<u></u>	<u></u>	<u>1,115,129</u>	<u>9,819,984</u>
5,034			13,869	684,509
5,380	513		49,022	261,197
			589,504	589,504
				2,086,928
			216,438	216,438
			220,555	220,555
				1,027,987
				837,915
3,977,685				3,977,685
	3,560,024		4,469,650	8,029,674
		75,634	143,225	218,859
			97,693	97,693
			1,555	67,889
			(50,485)	4,789,719
<u>3,988,099</u>	<u>3,560,537</u>	<u>75,634</u>	<u>5,751,026</u>	<u>23,106,552</u>
<u>\$8,641,059</u>	<u>\$3,876,636</u>	<u>\$115,107</u>	<u>\$7,078,323</u>	<u>\$36,833,549</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012**

Total Governmental Funds Balances \$23,106,552

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds 44,740,520

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Grants	\$789,582	
Property Tax	104,953	
Sales Tax	223,351	
Special Assessments	913,589	
Interest	81,896	
Local Government	138,156	
Casino Revenue	106,140	
Gas Tax	737,032	
Charges for Services - licenses	<u>687,286</u>	
Total		3,781,985

Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(205,000)	
Special Assessment Bonds	(120,000)	
Special Assessment Notes	(737,330)	
Compensated Absences	(1,928,009)	
Ohio Public Works Loan	(56,259)	
Accrued Interest Payable	<u>(9,653)</u>	
Total		(3,056,251)

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

212,172

Net Position of Governmental Activities

\$68,784,978

See accompanying notes to the basic financial statements.

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**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>MVGT</u>	<u>SWM</u>	<u>JFS</u>
Revenues:				
Property Taxes	\$2,016,161			
Sales Tax	7,413,435	\$526,775		
Interest	144,251	3,188		
Licenses and Permits	2,362			
Fines and Forfeitures	467,695	48,717		
Intergovernmental	1,255,020	3,858,754	\$226	\$1,945,858
Charges for Services	1,502,888	347,629	291,822	
Special Assessments			365,165	
Other	178,691	25,635	157,671	112,869
Total Revenues	<u>12,980,503</u>	<u>4,810,698</u>	<u>814,884</u>	<u>2,058,727</u>
Expenditures:				
Current:				
General Government:				
Legislative and Executive	3,309,090			
Judicial	1,719,393			
Public Safety	4,970,389			
Public Works	325,303	4,532,240		
Health	92,708		489,692	
Human Services	437,221			1,984,525
Other	1,568,482			
Capital Outlay				
Debt Service:				
Principal Retirement				
Interest and Fiscal Charges				
Total Expenditures	<u>12,422,586</u>	<u>4,532,240</u>	<u>489,692</u>	<u>1,984,525</u>
Excess of Revenues Over/(Under) Expenditures	<u>557,917</u>	<u>278,458</u>	<u>325,192</u>	<u>74,202</u>
Other Financing Sources (Uses):				
Sale of Fixed Assets	1,999			
Other Financing Sources	45,923			
Proceeds from Notes				
Transfers In	100,719			
Transfers Out	(175,000)			
Total Other Financing Sources (Uses)	<u>(26,359)</u>			
Net Change in Fund Balances	531,558	278,458	325,192	74,202
Fund Balances (Deficits) Beginning of Year - restated note 3	<u>7,967,792</u>	<u>1,315,311</u>	<u>(1,636,217)</u>	<u>874,960</u>
Fund Balances (Deficits) End of Year	<u>\$8,499,350</u>	<u>\$1,593,769</u>	<u>(\$1,311,025)</u>	<u>\$949,162</u>

See accompanying notes to the basic financial statements.

<u>ACDD</u>	<u>Community Alternatives</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$3,590,083				\$5,606,244
		\$300,000		8,240,210
524			\$54,268	202,231
				2,362
			197,644	714,056
578,843	\$933,051	1,306,854	2,552,889	12,431,495
	180,041		1,220,305	3,542,685
			987,599	1,352,764
11,022	12,600		189,886	688,374
<u>4,180,472</u>	<u>1,125,692</u>	<u>1,606,854</u>	<u>5,202,591</u>	<u>32,780,421</u>
			419,034	3,728,124
			412,095	2,131,488
			789,806	5,760,195
			1,502,859	6,360,402
5,047,621	520,716		119,535	6,270,272
			1,139,809	3,561,555
			186,916	1,755,398
		3,258,675	502,601	3,761,276
			337,953	337,953
			54,408	54,408
<u>5,047,621</u>	<u>520,716</u>	<u>3,258,675</u>	<u>5,465,016</u>	<u>33,721,071</u>
<u>(867,149)</u>	<u>604,976</u>	<u>(1,651,821)</u>	<u>(262,425)</u>	<u>(940,650)</u>
			4,365	6,364
				45,923
			85,822	85,822
	300,000	75,000	198,300	674,019
<u>(300,000)</u>			<u>(198,301)</u>	<u>(673,301)</u>
<u>(300,000)</u>	<u>300,000</u>	<u>75,000</u>	<u>90,186</u>	<u>138,827</u>
(1,167,149)	904,976	(1,576,821)	(172,239)	(801,823)
<u>5,155,248</u>	<u>2,655,561</u>	<u>1,652,455</u>	<u>5,923,265</u>	<u>23,908,375</u>
<u>\$3,988,099</u>	<u>\$3,560,537</u>	<u>\$75,634</u>	<u>\$5,751,026</u>	<u>\$23,106,552</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

Net Change in Fund Balances - Total Governmental Funds (\$801,823)

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

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

Construction in progress	(\$5,962,713)	
Depreciable capital assets	11,511,539	
Depreciation expense	<u>(3,995,416)</u>	1,553,410

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

Sale of capital assets	(6,364)	
Loss on sale of capital assets	<u>(384,345)</u>	(390,709)

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

Property Taxes	11,366	
Sales Taxes	(7,279)	
Grants	(125,720)	
Special Assessments	(217,131)	
Interest	(33,472)	
Local Government	8,201	
Gas Tax	(47,968)	
Charges for Services - Licenses	<u>(31,268)</u>	(443,271)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

337,953

Note proceeds and some advances are other financing sources in governmental funds, but the issuance increases long-term liabilities on the statement of net assets.

Notes payable		(85,822)
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

Accrued Interest		1,082
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Some expenses reported in the statement of activities, such as compensated absences and claims payable do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences		(67,089)
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The internal service funds used by management to charge the costs of insurance and workers' compensation to individual funds are not reported in the entity-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated

23,189

Change in Net Position of Governmental Activities

\$126,920

See accompanying notes to the basic financial statements.

AUGLAIZE COUNTY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Taxes	\$1,914,830	\$1,914,830	\$2,015,217	\$100,387
Sales tax	6,171,635	6,171,635	7,141,884	970,249
Charges for services	1,216,050	1,216,050	1,247,028	30,978
License and permits	2,100	2,100	2,362	262
Fines and forfeitures	434,500	434,500	463,300	28,800
Intergovernmental	953,980	953,980	1,182,942	228,962
Investment income	200,000	200,000	156,012	(43,988)
Other operating income	612,200	616,200	495,622	(120,578)
Total Revenues	<u>11,505,295</u>	<u>11,509,295</u>	<u>12,704,367</u>	<u>1,195,072</u>
Expenditures:				
Current:				
General Government:				
Legislative and Executive	3,611,870	3,761,493	3,396,561	364,932
Judicial	1,689,640	1,790,187	1,549,083	241,104
Public Safety	5,491,627	5,395,079	4,938,664	456,415
Public Works	400,666	400,666	303,386	97,280
Health	99,225	99,225	90,017	9,208
Human Services	419,837	429,717	416,307	13,410
Other	1,444,249	1,567,627	1,534,813	32,814
Total Expenditures	<u>13,157,114</u>	<u>13,443,994</u>	<u>12,228,831</u>	<u>1,215,163</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,651,819)</u>	<u>(1,934,699)</u>	<u>475,536</u>	<u>2,410,235</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	500	500	1,895	1,395
Other Financing Sources	10,000	10,000	45,923	35,923
Advances In			1,166,854	1,166,854
Advances Out	(1,360,000)		(1,166,854)	(1,166,854)
Transfers In	25,000	25,000	719	(24,281)
Transfers Out	(290,000)	(413,266)	(175,000)	238,266
Total Other Financing Sources (Uses)	<u>(1,614,500)</u>	<u>(377,766)</u>	<u>(126,463)</u>	<u>251,303</u>
Net Change in Fund Balance	<u>(3,266,319)</u>	<u>(2,312,465)</u>	<u>349,073</u>	<u>2,661,538</u>
Fund Balance Beginning of Year	<u>3,130,784</u>	<u>3,130,784</u>	<u>3,130,784</u>	
Prior Year Encumbrances Appropriated	<u>136,517</u>	<u>136,517</u>	<u>136,517</u>	
Fund Balance End of Year	<u>\$982</u>	<u>\$954,836</u>	<u>\$3,616,374</u>	<u>\$2,661,538</u>

See accompanying notes to the basic financial statements.

AUGLAIZE COUNTY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
MVGT FUND
DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Sales tax	\$510,000	\$510,000	\$528,130	\$18,130
Charges for services	440,000	440,000	393,628	(46,372)
Fines and forfeitures	48,000	48,000	48,209	209
Intergovernmental	3,820,000	3,820,000	3,872,616	52,616
Investment income	4,000	4,000	3,024	(976)
Other operating income	54,000	54,000	22,686	(31,314)
Total Revenues	<u>4,876,000</u>	<u>4,876,000</u>	<u>4,868,293</u>	<u>(7,707)</u>
Expenditures:				
Current:				
Public Works:				
Personal services	2,608,954	2,608,954	2,373,586	235,368
Materials and supplies	1,545,328	1,615,328	1,314,308	301,020
Charges and services	722,617	652,617	542,124	110,493
Capital outlay and equipment	382,016	382,016	379,782	2,234
Other operating expense	12,000	12,000	9,200	2,800
Total Expenditures	<u>5,270,915</u>	<u>5,270,915</u>	<u>4,619,000</u>	<u>651,915</u>
Excess of Revenues Over (Under) Expenditures	<u>(394,915)</u>	<u>(394,915)</u>	<u>249,293</u>	<u>644,208</u>
Fund Balance Beginning of Year	322,773	322,773	322,773	
Prior Year Encumbrances Appropriated	<u>72,142</u>	<u>72,142</u>	<u>72,142</u>	
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$644,208</u>	<u>\$644,208</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
SWM FUND
DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Special Assessments	\$366,000	\$366,000	\$364,369	(\$1,631)
Charges for services	266,000	266,000	295,841	29,841
Intergovernmental			226	226
Other operating income	193,000	193,000	137,134	(55,866)
Total Revenues	<u>825,000</u>	<u>825,000</u>	<u>797,570</u>	<u>(27,430)</u>
Expenditures:				
Current:				
Health:				
Personal services	265,028	265,028	250,645	14,383
Materials and supplies	55,000	55,000	46,650	8,350
Charges and services	233,033	233,033	193,118	39,915
Capital outlay and equipment	30,000	30,000	17,733	12,267
Other operating expense	160,900	160,900	160,474	426
Total Expenditures	<u>743,961</u>	<u>743,961</u>	<u>668,620</u>	<u>75,341</u>
Excess of Revenues Over Expenditures	<u>81,039</u>	<u>81,039</u>	<u>128,950</u>	<u>47,911</u>
Net Change in Fund Balance	81,039	81,039	128,950	47,911
Fund Balance Beginning of Year	416,758	416,758	416,758	
Prior Year Encumbrances Appropriated	<u>12,174</u>	<u>12,174</u>	<u>12,174</u>	
Fund Balance End of Year	<u>\$509,971</u>	<u>\$509,971</u>	<u>\$557,882</u>	<u>\$47,911</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
JFS FUND
DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Revenues:				
Intergovernmental	\$2,095,980	\$2,095,980	\$1,938,299	(\$157,681)
Other operating income	470,171	470,171	104,699	(365,472)
Total Revenues	<u>2,566,151</u>	<u>2,566,151</u>	<u>2,042,998</u>	<u>(523,153)</u>
Expenditures:				
Current:				
Human Services:				
Personal services	2,158,167	2,058,167	1,345,061	713,106
Materials and supplies	89,600	89,600	43,156	46,444
Charges and services	726,767	876,767	605,035	271,732
Capital outlay and equipment	100,000	50,000	3,273	46,727
Other operating expense	108,655	108,655	16,160	92,495
Total Expenditures	<u>3,183,189</u>	<u>3,183,189</u>	<u>2,012,685</u>	<u>1,170,504</u>
Excess of Revenues Over (Under) Expenditures	<u>(617,038)</u>	<u>(617,038)</u>	<u>30,313</u>	<u>647,351</u>
Other Financing Sources:				
Transfers In	<u>150,000</u>	<u>150,000</u>		<u>(150,000)</u>
Net Change in Fund Balance	(467,038)	(467,038)	30,313	497,351
Fund Balance Beginning of Year	709,745	709,745	709,745	
Prior Year Encumbrances Appropriated	<u>117,194</u>	<u>117,194</u>	<u>117,194</u>	
Fund Balance End of Year	<u>\$359,901</u>	<u>\$359,901</u>	<u>\$857,252</u>	<u>\$497,351</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
ACDD FUND
DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$3,531,985	\$3,531,985	\$3,575,053	\$43,068
Intergovernmental	1,469,000	1,469,000	1,341,930	(127,070)
Investment income			497	497
Other operating income	20,000	20,000	10,348	(9,652)
Total Revenues	<u>5,020,985</u>	<u>5,020,985</u>	<u>4,927,828</u>	<u>(93,157)</u>
Expenditures:				
Current:				
Health:				
Personal services	3,110,771	3,020,771	2,866,716	154,055
Materials and supplies	150,500	185,500	171,783	13,717
Charges and services	1,588,608	1,643,608	1,665,093	(21,485)
Capital outlay and equipment	39,957	39,957	12,807	27,150
Total Expenditures	<u>4,889,836</u>	<u>4,889,836</u>	<u>4,716,399</u>	<u>173,437</u>
Excess of Revenues Over Expenditures	<u>131,149</u>	<u>131,149</u>	<u>211,429</u>	<u>80,280</u>
Other Financing Sources (Uses):				
Operating Transfers Out		(300,000)	(300,000)	
Net Change in Fund Balance	131,149	(168,851)	(88,571)	80,280
Fund Balance Beginning of Year	1,737,836	1,737,836	1,737,836	
Prior Year Encumbrances Appropriated	<u>68,288</u>	<u>68,288</u>	<u>68,288</u>	
Fund Balance End of Year	<u>\$1,937,273</u>	<u>\$1,637,273</u>	<u>\$1,717,553</u>	<u>\$80,280</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
COMMUNITY ALTERNATIVES FUND
DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services	\$199,600	\$199,600	\$159,936	(\$39,664)
Intergovernmental	380,000	380,000	955,815	575,815
Other operating income	13,000	13,000	12,600	(400)
Total Revenues	<u>592,600</u>	<u>592,600</u>	<u>1,128,351</u>	<u>535,751</u>
Expenditures:				
Current:				
Health:				
Charges and services	422,980	722,980	530,254	192,726
Capital outlay and equipment	5,000	5,000	2,400	2,600
Total Expenditures	<u>427,980</u>	<u>727,980</u>	<u>532,654</u>	<u>195,326</u>
Excess of Revenues Over (Under) Expenditures	<u>164,620</u>	<u>(135,380)</u>	<u>595,697</u>	<u>731,077</u>
Other Financing Sources:				
Operating Transfers In			<u>300,000</u>	<u>300,000</u>
Net Change in Fund Balance	164,620	(135,380)	895,697	1,031,077
Fund Balance Beginning of Year	2,491,106	2,491,106	2,491,106	
Prior Year Encumbrances Appropriated	<u>2,980</u>	<u>2,980</u>	<u>2,980</u>	
Fund Balance End of Year	<u>\$2,658,706</u>	<u>\$2,358,706</u>	<u>\$3,389,783</u>	<u>\$1,031,077</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012**

	Business Type Activities Enterprise Funds			Governmental Activities
	Auglaize Acres	Sewer	Total	Internal Service Funds
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$891,333	\$493,670	\$1,385,003	\$194,865
Cash and Cash Equivalents in Segregated Accounts				2,144
Receivables:				
Accounts	499,799	76,860	576,659	
Notes		1,250	1,250	
Special Assessments				
Accrued Interest				
Due From Other Funds				36,827
Materials and Supplies Inventory	40,074		40,074	
Prepaid Items	2,744	337	3,081	
Total Current Assets	<u>1,433,950</u>	<u>572,117</u>	<u>2,006,067</u>	<u>233,836</u>
Non-current Assets:				
Capital Assets:				
Land	4,200	52,098	56,298	
Depreciable Capital Assets, Net	257,555	3,024,193	3,281,748	
Total Non-current Assets	<u>261,755</u>	<u>3,076,291</u>	<u>3,338,046</u>	
Total Assets	<u>1,695,705</u>	<u>3,648,408</u>	<u>5,344,113</u>	<u>233,836</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	237,326	16,023	253,349	12,020
Accrued Wages	78,773		78,773	3,237
Intergovernmental Payable	71,303		71,303	2,206
Due to Other Funds	180,412	28,841	209,253	
Due to Clients	10,045	533	10,578	
Undistributed Assets				2,144
Notes Payable		2,500	2,500	
Compensated Absences Payable	94,819		94,819	1,624
Total Current Liabilities	<u>672,678</u>	<u>47,897</u>	<u>720,575</u>	<u>21,231</u>
Long-Term Liabilities:				
Compensated Absences Payable	78,264		78,264	433
Notes Payable				
Total Long-Term Liabilities	<u>78,264</u>		<u>78,264</u>	<u>433</u>
Total Liabilities	<u>750,942</u>	<u>47,897</u>	<u>798,839</u>	<u>21,664</u>
Net Position:				
Net Investment in Capital Assets	261,755	3,073,791	3,335,546	
Unrestricted	683,008	526,720	1,209,728	212,172
Total Net Position	<u>\$944,763</u>	<u>\$3,600,511</u>	<u>\$4,545,274</u>	<u>\$212,172</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Business Type Activities Enterprise Funds			Governmental Activities
	Auglaize Acres	Sewer	Total	Internal Service Funds
Operating Revenues:				
Charges for Services	\$5,178,136	\$350,780	\$5,528,916	\$4,135,934
Total Operating Revenues	<u>5,178,136</u>	<u>350,780</u>	<u>5,528,916</u>	<u>4,135,934</u>
Operating Expenses:				
Personal Services	3,671,953		3,671,953	119,600
Contractual Services	691,165	241,863	933,028	3,848,410
Materials and Supplies	540,841	3,860	544,701	142,771
Other	39,801		39,801	19
Depreciation	49,571	116,945	166,516	
Capital Outlay	8,346		8,346	
Total Operating Expenses	<u>5,001,677</u>	<u>362,668</u>	<u>5,364,345</u>	<u>4,110,800</u>
Operating Income (Loss)	<u>176,459</u>	<u>(11,888)</u>	<u>164,571</u>	<u>25,134</u>
Non-Operating Revenues (Expenses):				
Other Non Operating	70,924		70,924	693
Transfer Out				(718)
Total Non-Operating Revenues (Expenses)	<u>70,924</u>		<u>70,924</u>	<u>(25)</u>
Change in Net Position	247,383	(11,888)	235,495	25,109
Net Position Beginning of Year	<u>697,380</u>	<u>3,612,399</u>	<u>4,309,779</u>	<u>187,063</u>
Net Position End of Year	<u><u>\$944,763</u></u>	<u><u>\$3,600,511</u></u>	<u><u>\$4,545,274</u></u>	<u><u>\$212,172</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Business Type Activities Enterprise Funds			Governmental Activities
	Auglaize Acres	Sewer	Total	Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents:				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$5,178,136	\$350,780	\$5,528,916	\$115,084
Cash Received from Interfund Services Provided				4,020,850
Cash Payments to Employees for Services	(3,648,767)		(3,648,767)	(119,820)
Cash Payments for Goods and Services	(1,275,549)	(269,544)	(1,545,093)	(4,007,796)
Net Cash Provided by (Used in) Operating Activities	<u>253,820</u>	<u>81,236</u>	<u>335,056</u>	<u>8,318</u>
Cash Flows from Non-capital Financing Activities:				
Non-Operating Revenue	70,924		70,924	693
Transfer Out				(718)
Net Cash Provided by (Used in) Non-capital Financing Activities	<u>70,924</u>		<u>70,924</u>	<u>(25)</u>
Cash Flows from Capital and Related Financing Activities:				
Capital Asset Purchases	(15,788)	(7,712)	(23,500)	
Principal Paid on Notes		(5,000)	(5,000)	
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(15,788)</u>	<u>(12,712)</u>	<u>(28,500)</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	308,956	68,524	377,480	8,293
Cash and Cash Equivalents Beginning of Year	<u>582,377</u>	<u>425,146</u>	<u>1,007,523</u>	<u>188,716</u>
Cash and Cash Equivalents End of Year	<u><u>891,333</u></u>	<u><u>493,670</u></u>	<u><u>1,385,003</u></u>	<u><u>197,009</u></u>
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating Gain (Loss)	176,459	(11,888)	164,571	25,134
Adjustments:				
Depreciation	49,571	116,945	166,516	
(Increase) Decrease in Assets:				
Accounts Receivable	35,313	(8,380)	26,933	
Intergovernmental Receivable		2,500	2,500	
Prepaid Items	718	(82)	636	
Materials and Supplies Inventory	(3,111)		(3,111)	
Due from Other Funds				(18,275)
Increase (Decrease) in Liabilities:				
Accounts Payable	50,824	(15,728)	35,096	(464)
Accrued Wages	5,399		5,399	971
Compensated Absences Payable	17,786		17,786	(701)
Intergovernmental Payable	(852)		(852)	(491)
Undistributed Assets				2,144
Due to Clients	460	424	884	
Due to Other Funds	(78,747)	(2,555)	(81,302)	
Net Cash Provided by (Used in) Operating Activities	<u><u>\$253,820</u></u>	<u><u>\$81,236</u></u>	<u><u>\$335,056</u></u>	<u><u>\$8,318</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2012**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$5,999	\$2,673,458
Cash and Cash Equivalents in Segregated Accounts		1,134,419
Receivables:		
Property Taxes		46,210,506
Special Assessments		1,454,175
Due from other governments	1,009	2,293,472
Total Assets	7,008	53,766,030
Liabilities:		
Due to Other Governments		52,631,611
Undistributed Assets		1,134,419
Total Liabilities		\$53,766,030
Net Position:		
Restricted	7,008	
Total Net Position	\$7,008	

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Private Purpose Trust</u>
Additions:	
Other	\$8,869
Total Additions	<u>8,869</u>
Deductions:	
Human Service	8,869
Total Deductions	<u>8,869</u>
Change in Net Position	
Net Position Beginning of Year	<u>7,008</u>
Net Position End of Year	<u><u>\$7,008</u></u>

See accompanying notes to the basic financial statements.

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**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

1. DESCRIPTION OF THE ENTITY

Auglaize County, Ohio (The County) was formed by an act of the Legislature on February 14, 1848. The County is governed by a board of three Commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, a Probate/Juvenile and Domestic Relations Court Judge, and a Municipal County Court Judge. Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrators of public services for the entire County.

A. Reporting Entity

The County's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, "*Determining Whether Certain Organizations Are Component Units*". The basic financial statements include all funds, agencies, boards, commissions, and other component units for which Auglaize County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's basic financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County.

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

Auglaize County Children's Services Board (CSB)

The County Commissioners approve the budget for the CSB and are substantially involved in its operation. The operations of the CSB are accounted for as a separate special revenue fund.

The Auglaize County Board of Developmental Disabilities

The Board is appointed by the Probate Judge and the County Commissioners. The Commissioners serve as the appropriating authority for the Board and are "accountable" for its activities. The operations of ACDD are accounted for as a separate special revenue fund.

B. Discretely Presented Component Units

The component units columns in the basic financial statements include the financial data of the County's other component units. They are reported in a separate column to emphasize that they are legally separate from the County.

Auglaize County Airport Authority

The Commissioners are substantially involved in the operations of the Airport Authority. The operations of the Airport Authority are accounted for using proprietary fund accounting. Complete financial statements may be obtained from the Auglaize County Airport Authority, 07776 St. Rt. 219, New Knoxville, OH 45871.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

1. DESCRIPTION OF THE ENTITY (Continued)

Auglaize Industries, Inc.

This is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. Auglaize Industries, Inc., under a contractual agreement with the Auglaize County Board of Developmental Disabilities, provides sheltered employment for mentally challenged or handicapped adults in Auglaize County. Based on the significant services and resources provided by the County to Auglaize Industries, Inc. and their sole purpose of providing assistance to the mentally challenged and handicapped adults of Auglaize County, Auglaize Industries, Inc. is reflected as a component unit of Auglaize County. The operations of Auglaize Industries, Inc. are accounted for using proprietary fund accounting. Complete financial statements may be obtained from Auglaize Industries, 330 West Boesel Ave., New Bremen, Ohio 45869.

C. Potential Component Units Reported As Agency Funds

In the case of the separate agencies, boards, and commissions listed below, the County serves as fiscal agent, but is not accountable as defined in GASB Statement No. 14, as amended by GASB Statement No. 39, accordingly, the activity of the following districts and agencies are included in the financial statements as agency funds:

- Auglaize County General Health District
- Auglaize County Soil and Water Conservation
- Auglaize County Regional Planning Commission
- Auglaize County Local Emergency Planning Commission
- Auglaize County Emergency Office of Homeland Security and Emergency Management
- Auglaize County Family and Children First Council
- Heritage Trails Park District

D. Excluded Potential Component Units

The County is not accountable, as defined in GASB Statement No. 14, as amended by GASB Statement No. 39, for the following entities and is not involved with their activities in any substantial capacity; accordingly their activities have been excluded from the County's basic financial statements.

- Auglaize County Public District Library
- Auglaize County Agricultural Society
- Auglaize County Cooperative Extension Services
- Auglaize County Historical Society
- Auglaize County Council on Aging
- Auglaize County Child Abuse and Neglect Advisory Board
- Auglaize County Humane Society

The County is associated with the following risk pools, jointly governed organizations and joint ventures which are described in Notes 19 through 21.

- Midwest Pool Risk Management Agency, Inc.
- Midwest Employee Benefit Consortium
- County Commissioner Association of Ohio Workers' Compensation Group Rating Plan
- Auglaize County Regional Planning Commission
- Workforce Improvement Act Consortium of Auglaize, Hardin, and Mercer Counties

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

1. DESCRIPTION OF THE ENTITY (Continued)

- West Central Ohio Network
- Auglaize and Mercer Counties Convention and Visitors' Bureau
- Auglaize County Office of Homeland Security and Emergency Management
- Auglaize County Revolving Loan Fund Board
- Grand Lake St Marys Restoration Community Improvement Corporation
- Grand Lake Task Force
- Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties
- Auglaize River and Two-Mile Creek Stream Enhancement Project
- Auglaize County Demolition Advisory Committee

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and practices of Auglaize County conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units, as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

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

The information provided in the notes to the financial statements relates generally to the primary government. Information related to the component units is specifically identified.

A. Basis of Presentation - Fund Accounting

1. Government-wide Statements

The statement of net position and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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 the different business-type activities of the County and for each function for the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities.

Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. 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.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category-governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column.

All remaining governmental and proprietary funds are aggregated and reported as non-major funds. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements.

a. 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 liabilities is reported as fund balance.

The following are the County's major governmental funds:

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

Motor Vehicle and Gasoline Tax (MVGT) - The Motor Vehicle Gas Tax fund accounts for gas tax and license revenue used for road and bridge maintenance in the County.

Solid Waste Management (SWM) – The Solid Waste Management Fund accounts for a county wide special assessment to pay for ground water monitoring and the repayment to county general for a lawsuit settlement. They also account for monies derived from the fees associated with recycling and disposal of waste.

Job and Family Services (JFS) - The Job and Family Services Fund accounts for various federal and state grants as well as allocations from the general fund used to provide public assistance to general relief recipients and to pay their providers of medical assistance and certain public social services.

Auglaize County Development Disabilities (ACDD) - The Auglaize County Developmental Disabilities Fund accounts for a County-wide property tax levy, state grants and reimbursements used for care and services for the mentally handicapped.

Community Alternatives – The Auglaize County Developmentally Disabled Community Alternatives Fund primarily accounts for the Auglaize County Group Home operating costs and helps meet State Waiver and Targeted Case Management match requirements.

Permanent Improvement – The Permanent Improvement Fund accounts for revenue received from permissive sales tax and is used to pay for capital improvements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are used to account for the County's ongoing activities which are financed and operated in a manner similar to the private sector.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user fees or charges; or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control or accountability. The County's enterprise funds consisted of Auglaize Acres, which accounts for activity pertaining to the County nursing home, and the Sewer Fund, which accounts for sewer revenue fees used for sewer maintenance in the County.

Internal Service Funds - These funds are used for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The County's internal service funds account for monies received from the activities of the insurance programs for employee health, vision, drug card benefits and flexible spending; and for various rotary services such as police protection and gasoline.

c. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds.

Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The County's fiduciary funds are private purpose trust and agency funds. The private purpose trust accounts for funds held by binding trust agreements. The agency funds account for assets held by the County for political subdivisions for which the County acts as fiscal agent, and for taxes, assessments, state-levied shared revenues, and fines and forfeitures collected on behalf of other local governments and distributed to other political subdivisions.

B. Measurement Focus and Basis of Accounting

1. Government-Wide Financial Statements

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 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 are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (e.g., revenues and other financing sources) and uses (e.g., 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 reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary funds are accounted for using 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 fund net position.

The statement of revenues, expenses, and changes in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in the total net position. The statement of cash flows reflects how the County finances and meets the cash flow needs of its proprietary activities.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

3. Discretely Presented Component Units

The Auglaize County Airport Authority uses the proprietary basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

Auglaize Industries uses the proprietary basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

C. 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 revenue, and in the presentation of expenses versus expenditures.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. 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 fiscal 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.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, casino revenue, grants, entitlements and donations. On an accrual basis, revenue from sales taxes and casino revenue are recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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, interest, casino revenue, federal and state grants and subsidies, state levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals.

2. Deferred Inflows of Resources and Deferred Outflows of Resources

A deferred inflow of resources is an acquisition of net position by the County that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the County that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance year 2013 operations, have been recorded as deferred inflows of resources. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred inflows of resources.

On the governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred inflows of resources.

3. 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.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. Budgetary information for the component units is not reported because they are not included in the entity for which the "appropriated budget" is adopted. 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 County Commissioners. The legal level of control has been established by the County Commissioners at the personal services and other expense classification levels within each department for the General Fund and for all other funds.

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 on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the County Commissioners.

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the County is pooled, except for cash held by a trustee or fiscal agent and in segregated accounts. Monies for all funds, including proprietary funds are included in this pool. Individual fund integrity is maintained through the County's records. Interest in the pool is reported as "Equity in Pooled Cash and Cash Equivalents." Cash and cash equivalents that are held separately within departments of the County, or in outside accounts in the name of various elected officials or departments are reported as "Cash and Cash Equivalents in Segregated Accounts." Cash held by the West Central Ohio Network (WestCon) on behalf of the County is reported as "Cash and Cash Equivalents with Fiscal Agent". Cash held in escrow accounts for the Courthouse renovation is reported as "Cash and Cash Equivalents with Escrow Agent".

During 2012, investments were limited to money market, federal notes and bonds, and Fannie Mae notes and bonds. Except for money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio statutes, the County is required to credit all investment earnings to the General Fund, unless otherwise expressly required by law to allocate to other funds. Interest is distributed to the General Fund, the Motor Vehicle Gasoline Tax Special Revenue Fund, St. Marys River Project Special Revenue Fund, the Auglaize School Workshop Bond Retirement Fund, the Treasurer's Prepay Fund and the Auglaize School Group Home Special Revenue Fund. Total investment revenue earned during 2012 was \$202,231. The General Fund was credited \$156,012 and of this amount \$133,861 was assigned from other funds. Adjusting entries resulted in the General fund reporting \$144,251 of interest revenue on the GAAP basis.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased are considered to be cash and cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

F. Inventory of Supplies

Inventories are stated at lower of cost or market value on a first-in, first-out basis. The costs of inventory items are expensed when consumed or used.

G. Prepaid

Payments made to vendors for services that will benefit periods beyond December 31, 2012, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. 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 not to record child support arrearages or various court receivables within the special revenue and agency funds. 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.

I. Inter-fund Receivables and Payables

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

J. 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 creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Money held in escrow accounts is reported as restricted since it is payable to contractors upon completion of the project.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets and Depreciation

The capital asset values were initially determined at December 31, 1990, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. Donated capital assets are capitalized at fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost. The cost of interest on debt issued for construction in progress is not capitalized. The County maintains a capitalization threshold of five thousand dollars.

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported on the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

Infrastructure assets are reported as part of Capital Assets Being Depreciated in the governmental activities column. Infrastructure reported in the governmental activities column consists of County bridges and roads. In addition, expenditures made by the County to preserve existing bridges and roads are expensed rather than capitalized. Only expenditures for additions or improvements are capitalized.

Capital assets used by the enterprise funds are reported in both the business-type activities column on the government-wide statement of net assets and in the respective funds. All reported capital assets are depreciated except for land, some land improvements and construction in progress.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Life</u>
Sewer and Water Treatment Plants and Lines	50 years
Buildings and Improvements	10-30 years
Bridges	40 years
Roads	15 years
Cruisers	2 years
Furniture and Fixtures	10-20 years
Machinery and Equipment	7-15 years
Licensed Vehicles (except Cruisers)	6 years
Software	3 years

L. Component Units

Auglaize Industries - Equipment and improvements are stated at cost except for donated assets which are stated at fair market value at date of receipt. Leasehold improvements are depreciated ratably over the estimated useful life. Depreciation of capital assets is on a double declining balance basis over the estimated useful lives of the respective assets, as follows:

<u>Description</u>	<u>Estimated Life</u>
Furniture and Fixtures	7 years
Transportation Equipment	5 years
Computers	5 years
Leasehold Improvements	31 1/2 years

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Auglaize Airport Authority - The capital asset values were initially determined at December 31, 1994, using the consumer pricing index to estimate historical costs. Donated capital assets are capitalized at fair market value on the date donated. Depreciation is provided on a straight line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Life</u>
Furniture and Fixtures	20 years
Machinery and Equipment	7-15 years
Licensed Vehicles	6 years

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The County records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the County's past experience of making termination payments. Accumulated unused sick leave is paid to employees who retire at various rates depending on length of service and department policy.

The entire compensated absence liability is reported on the government-wide financial statements. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability in the governmental fund financial statements when due.

O. Net Position

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

Net position restricted for other purposes include resources restricted for specific county operations and federal and state grants restricted to expenditure for specified purposes. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. At December 31, 2012, the amount of net position restricted by enabling legislation was \$2,750,309.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Capital Contributions

Capital contributions arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction or transfers of capital assets between governmental and business type activities. These assets are recorded at their fair market value on the date contributed. Contributed resources are reported as capital contributions within the financial statements pursuant to GASB 33 "Accounting and Reporting for Non-exchange Transactions".

Q. Fund Balance Reserves

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

Non-spendable – The non-spendable classification 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. It also includes the long-term portion of interfund receivable.

Restricted – The restricted classification includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributions, or law 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 mandate 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 purposes specified by the legislation.

Committed – The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the County Commissioners. The committed amounts cannot be used for any other purpose unless the County Commissioners remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the 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.

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 Commissioners or by a County official delegated that authority by resolution, or by State Statute.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (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.

R. 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 county home room and board, sewer services, as well as charges for internal service fund activities. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as non-operating.

S. Inter-fund Transactions

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

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 non-operating 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.

Transactions that constitute reimbursements for expenditures or expenses initially made from a fund that are properly allocable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures and expenses in the fund that is reimbursed.

T. Use of Estimates

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

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR YEAR NET POSITION AND FUND BALANCES

The net position of Governmental Activities and fund balance of the ACDD Fund were restated at January 1, 2012 to account for changes in West Central Ohio Network (West CON) assets and liabilities. In addition, the net position of the Governmental Activities were restated due to the allocation of the Internal Service Fund as required by GASB Statement No. 34. Community Alternatives has become a major fund in 2012, therefore has to be removed from Other Governmental. These changes had the following effect on net position/fund balances as previously reported:

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR YEAR NET POSITION AND FUND BALANCES (Continued)

	Net Position Governmental Activities	ACDD Fund Balance	Community Alternatives	Other Governmental
Net Position/Fund Balances, January 1, 2012	\$68,300,434	\$4,799,544		\$8,578,826
Restatements for:				
West Con	355,704	355,704		
Internal Service	1,920			
New Major Fund			\$2,655,561	(2,655,561)
Restated Fund Balance/Net Position, January 1, 2012	<u>\$68,658,058</u>	<u>\$5,155,248</u>	<u>\$2,655,561</u>	<u>\$5,923,265</u>

For 2012, the County implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and No. 65 "Items previously reported as assets". GASB Statement No. 63 and No. 65 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 and No. 65 standardizes the presentation of deferred outflows or resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 and No. 65 has changed the presentation of the County's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

4. ACCOUNTABILITY AND COMPLIANCE

The following funds had a deficit fund balances as of December 31, 2012:

Special Revenue Funds:	Deficit Fund Balance
Solid Waste Management	\$1,311,025
Vote Grant	90
Salary Reserve	34,456
12 CDBG Formula	11,943
12 CHIP	20,247
12 Ohio Housing Trust Fund	13,307
Airport Sewer Grant	4,988
Internal Service Funds:	
Flex Spending	31,904
Airport Rotary	465

The deficits in the Special Revenue and Internal Service Funds are caused by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances, however, this is done as cash is needed rather than as accruals occur.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations and changes in fund balance 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 Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual are presented in the basic financial statements for the General Fund and Major Special Revenue Funds.

The major differences for those funds between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget) rather than as assigned, committed, or restricted for governmental fund types (GAAP).

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 Balance					
	General and Major Special Revenue Funds					
	General	Motor Vehicle Gasoline Tax	Solid Waste Mgt	Job and Family Services	Auglaize County Development Disabilities	Community Alternatives
Budget Basis	\$349,073	\$249,293	\$128,950	\$30,313	(\$ 88,571)	\$895,697
Net Adjustments:						
Revenue accruals	276,136	(57,595)	17,314	15,729	(747,356)	(2,659)
Expense accruals	(372,855)	6,981	170,689	(35,991)	(528,568)	(314,830)
Other financing sources	100,104					
Encumbrances	179,100	79,779	8,239	64,151	197,346	326,768
GAAP Basis	<u>\$531,558</u>	<u>\$278,458</u>	<u>\$325,192</u>	<u>\$74,202</u>	<u>(\$1,167,149)</u>	<u>\$904,976</u>

6. DEPOSITS AND INVESTMENTS

Primary Government

The County maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

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

1. United States treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal or interest by the United States; or any book entry, zero coupon United States treasury security that is a direct obligation of the United States;

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes debentures, or any other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit, or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities described in division (1) or (2) or cash or both cash and securities, equal value for equal value;
9. High grade commercial paper and bankers acceptances in an amount not to exceed up to twenty five percent of the County's total portfolio and corporate notes not to exceed up to fifteen percent of the County's total average portfolio; and

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Bankers' acceptances must mature within 180 days, commercial paper within 270 days, and corporate notes within two years after purchase.

All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt and the investment advisory committee specifically approves it. 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.

Cash On Hand - At December 31, 2012, cash on hand amounted to \$323,542.

A. 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 fiscal year end, the carrying amount of the County's deposits was \$6,370,981. Of the County's bank balance of \$7,087,387, \$4,959,013 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

The County has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

B. Investments

As of December 31, 2012, the County had the following investments with the listed maturity periods:

	<u>Total</u>	<u>Less Than Six Months</u>	<u>Six Months to One Year</u>	<u>One to Five Years</u>
Federal Home Loan Bank Bonds	\$ 2,751,848		\$1,000,320	\$ 1,751,528
Federal Home Loan Mortgage Corporation:				
Bonds	746,947			746,947
Medium Term Notes	3,771,405			3,771,405
Federal National Mortgage Association Notes	5,469,143		502,895	4,966,248
Fannie Mae Bonds	1,000,550			1,000,550
Fannie Mae Notes	801,032			801,032
Federal Farm Credit Bank Bonds	2,552,251			2,552,251
Money Market Fund	1,775,375	\$1,775,375		
	<u>\$18,868,551</u>	<u>\$1,775,375</u>	<u>\$1,503,215</u>	<u>\$15,589,961</u>

The County's investment policy does not address any restriction on investments relating to interest rate (the risk that changes in interest rates will adversely affect the fair value of an investment), or custodial credit risks (the risk that in the event of failure of the counterparty, the County will not be able to recover the value of its investments or securities that are in the possession of an outside party). The federal agency securities are subject to custodial risk since they are uninsured, unregistered, and held by the counterparty's trust department or agent and not in the County's name.

The investment policy restricts the Treasurer from investing in anything other than as identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the County. The Treasurer is also restricted from purchasing investments that cannot be held until the maturity date.

All of the County's investments carry a rating of Aaa by Moody's.

The County diversifies its investments by security, type, and the institution. The County addresses concentration of credit risk by requiring that with the exception of direct obligations of the U. S. Treasury, no more than 50 percent of the County's total investment portfolio will be invested in a single security type or with a single financial institution.

The following table indicates the percentage of each investment to the total portfolio:

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

	Carrying Value	Percentage Of Portfolio
Federal Home Loan Bank Bonds	\$ 2,751,848	14.58%
Federal Home Loan Mortgage Corporation:		
Bonds	746,947	3.96%
Medium Term Notes	3,771,405	19.99%
Federal National Mortgage Association Notes	5,469,143	28.99%
Fannie Mae Bonds	1,000,550	5.30%
Fannie Mae Notes	801,032	4.25%
Federal Farm Credit Bank Bonds	2,552,251	13.53%
Money Market Fund	1,775,375	9.40%
	\$18,868,551	100.00%

C. Component Units

Auglaize County Airport Authority - All moneys and funds acquired by the Airport Authority under Ohio Rev. Code Sections 4582.22 and 4582.59 are held by it in trust and are not part of other public funds. These funds, except as otherwise provided in any resolution authorizing revenue bonds or in any trust agreement securing the same, or except when invested pursuant to Ohio Rev. Code Section 4582.54 are kept in depositories selected by the Airport Authority in the manner provided the Ohio Rev. Code Chapter 135. The deposits are secured as provided in that chapter.

At year end, the carrying amount of the Auglaize County Airport Authority deposits were \$109,204 and the bank balance was \$109,364. \$109,364 was covered by federal depository insurance. The balance of cash on hand at year end was \$325. The Auglaize County Airport Authority did not have an investments at year end.

Auglaize Industries, Inc. - At year end, the carrying amount of Auglaize Industries, Inc. deposits was \$82,761 and the bank balance was \$83,761. Of this amount, \$83,761 was covered by federal depository insurance. The balance of cash on hand at year end was \$200. The investment securities are carried at fair market value. Of these securities, the United States Government Securities and the Mortgaged Backed Securities due after ten years have a fair value of \$178,433 the Mutual Funds have a fair value of \$438,016 and the Municipal Bonds have a fair value of \$10,774. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporations.

The United States Government Securities carry a rating of AAA by Standards & Poor's. The Mutual Funds and Asset and Mortgaged Backed Securities are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Industries' name.

7. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Taxes collected on real property (other than public utility property) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date.

Assessed values are established by the Tax Commissioner at 35 percent of appraised market value. All property is required to be revalued every six years. The last triennial update was completed in tax year 2008 (Calendar year 2009). The last revaluation update was completed in tax year 2011 (calendar year 2012). Real property taxes are payable annually or semiannually. The first payment is due February 15, with the remainder payable by July 15.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

7. PROPERTY TAXES (Continued)

Property tax revenues received in 2012 represents the collection of 2011 taxes for real and public utility property taxes. Real and public utility real and tangible personal property taxes received in 2012 became a lien on December 31, 2011, were levied after October 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value.

Public utility real taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date.

Certain public utility tangible personal property currently is assessed at one hundred percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, and 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, is accounted for through agency funds.

Accrued property taxes receivable represents delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable and unpaid as of December 31, 2012. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2012 operations. The receivable and the portion of the tax levies prepaid by year end into the undivided general tax agency fund are therefore offset by a credit to deferred revenue.

The full tax rate for all County operations for the year ended December 31, 2012, was \$9.25 per \$1,000 of assessed value.

The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

Real Property:	
Agricultural/Residential	\$745,872,270
Commercial/Industrial/Mineral	147,893,860
Public Utility Real	313,650
Tangible Personal Property:	
Public Utility	18,863,520
Total Assessed Value	<u>\$912,943,300</u>

8. PERMISSIVE SALES AND USE TAX

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

8. PERMISSIVE SALES AND USE TAX

Proceeds of the permissive sales tax are to be credited to the General Fund and starting in 2012, \$80,000 per month will be credited to the Permanent Improvement Fund January through June. The sales tax revenue for 2012 amounted to \$7,413,435 in the General Fund and due to GAAP journal entries, \$300,000 was credited to the Permanent Improvement Fund. The use tax amounted to \$526,775, and was credited to the Motor Vehicle and Gasoline Tax Fund.

A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2012. On a full accrual basis, the full amount of the receivable is recognized as revenue. On a modified accrual basis, the amount of the receivable that will be received outside of the available period is deferred.

9. INTERFUND TRANSACTIONS

As of December 31, 2012, inter-fund receivables and payables that resulted from various inter-fund transactions were as follows:

<u>Interfund Payable</u>	<u>General</u>	<u>MVGT</u>	<u>JFS</u>	<u>Internal Service</u>	<u>Total</u>
General		\$1,725		\$25,186	\$ 26,911
MVGT				2,983	2,983
SWM	\$1,909,971	4,527		644	1,915,142
Job & Family Srvc				1,977	1,977
Departmental Disabilities	111				111
Permanent Improvement					
Other Governmental	34,307		\$12,092	2,582	48,981
Auglaize Acres	176,957			3,455	180,412
Sewer	28,841				28,841
Interfund Receivable	<u>\$2,150,187</u>	<u>\$6,252</u>	<u>\$12,092</u>	<u>\$36,827</u>	<u>\$2,205,358</u>

<u>Operating Transfers</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$100,719	\$175,000
Developmental Disabilities		300,000
Jobs and Family Services		
Permanent Improvement	75,000	
Community Alternatives	300,000	
Other Governmental Funds:		
Revolving Loan Fund		197,800
Ditch Debt		435
Ditch Maintenance	435	
AOK Program		65
Airport Grant		1
Court Special Projects	65	
Community Development Block Grant	197,800	
Total Other Governmental Funds	<u>198,300</u>	<u>198,301</u>
Internal Service Funds		718
	<u>\$674,019</u>	<u>\$674,019</u>

The Community Alternatives Fund used the transfer from the ACDD Fund to provide funding to West Con (see Note 20 C). The \$197,800 transfer from the Revolving Loan Fund to the CDBG Fund was approved by the state for community improvements. The General Fund transferred \$100,000 to the Salary Reserve Fund which was subsequently rolled into the General Fund on the financial statements and is reflected as a transfer in and out in the General Fund.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

10. RECEIVABLES

Receivables at December 31, 2012 consist of taxes, accounts (billings for user charged services), special assessments, inter-fund, interest, due from other funds, and due from other government receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment. A summary of the principal items of due from other government receivables follows:

	<u>Amount</u>
General Fund:	
Public Defender Reimbursement	\$48,715
VOCA Reimbursement	7,580
School Food Service	4,016
Ohio Housing Trust Fund Admin Fee	548
Casino Revenue	212,281
State of Ohio	416
Local Government	213,017
Homestead and Rollback	<u>206,552</u>
Total General Fund	<u>693,125</u>
MVGT Fund:	
Motor Vehicle License Tax	787,831
Permissive Motor Vehicle License Tax	260,842
Gasoline Tax	<u>1,110,437</u>
Total MVGT Fund	<u>2,159,110</u>
Job and Family Services Fund:	
State of Ohio	<u>63,848</u>
ACDD Fund:	
Homestead and Rollback	367,652
State of Ohio	<u>3,447</u>
Total Developmental Disabilities	<u>371,099</u>
Community Alternatives:	
Title XIX	<u>39,427</u>
Other Funds:	
Community Development Block Grant	11,943
Community Housing Improvement Program Grant	20,248
Ohio Housing Trust Grant	13,307
Children's Services	60,274
911 Emergency Assistance	10,069
DARE Grant	10,070
Airport Sewer Grant	4,988
Law Enforcement Grant	7,816
PSI Writer Grant	14,132
Transition/Mental Health Grant	<u>6,761</u>
Total Other Funds	<u>159,608</u>
Total Due From Other Governments	<u>\$3,486,217</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

10. RECEIVABLES (Continued)

A summary of the principal items of accounts receivables follows:

General Fund:	Amount
Fees	\$ 2,663
Reimbursement	7,831
Sale of Property	104
Total General Fund	<u>10,598</u>
MVGT Fund:	
Engineer Fees	<u>22,776</u>
SWM Fund:	
Generation Fee	19,240
Recycle Sales	8,653
Reimbursement	100
Total SWM Fund	<u>27,993</u>
JFS Fund:	
Refunds	<u>12</u>
Community Alternatives:	
Day Hab Fees	<u>18,289</u>
Other Funds:	
Reimbursements	20,326
CAUV Fees	1,100
Sale of Property	800
Engineer Fees	16,053
Employment Web Check Fees	1,218
Juvenile Rehab Fees	475
Fees	1,307
Inmate Telephone Sales	2,836
Restitution	1,161
Total Other Funds	<u>45,276</u>
Total Governmental Funds Accounts Receivable	<u>124,944</u>
 Auglaize Acres:	
Auglaize Acres – Room and Board	498,526
Auglaize Acres – Other	1,273
Total Auglaize Acres Accounts Receivable	<u>499,799</u>
Sewer Funds:	
South Grand Lake Sewer Charges	31,494
Villa Nova Sewer Charges	3,822
Sharlon Sewer Charges	1,027
Beverly Hills Sewer Charges	3,965
Sherwood Forest Sewer Charges	2,937
Pleasantview Sewer Charges	4,297
KZ Sewer Charges	1,558
Arrowhead Estates Sewer Charges	2,228
Eastlake Sewer Charges	2,802
Forest Lane Sewer Charges	2,079
Sandy Beach Sewer Charges	18,221
Oakwood Hills Sewer Charges	2,430
Total Sewer Funds	<u>76,860</u>
Total Enterprise Funds	<u>576,659</u>
Total Accounts Receivable	<u>\$701,603</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

10. RECEIVABLES (Continued)

A summary of the principal items of notes receivables follows:

Other Funds:	
Auglaize Proviso	\$119,439
Industrial Paint and Strip	171,545
Johnna's LLC	24,812
Make Properties, Inc.	37,980
Mile Creek Animal Clinic	67,186
WeldTec, Ltd.	141,352
F & S Furniture	27,190
Total Governmental Notes Receivable	<u>589,504</u>
Enterprise Funds:	
City of Wapakoneta – Oakwood Hills Sewer	1,250
Total Notes Receivable	<u><u>\$590,754</u></u>

11. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012, was as follows:

Governmental Activities	Balance January 1	Additions	Reductions	Balance December 31
Non Depreciable Assets:				
Land	\$1,942,929			\$1,942,929
Construction in Progress	6,274,038	\$91,818	(\$6,054,531)	311,325
Total Non-Depreciable	<u>8,216,967</u>	<u>91,818</u>	<u>(\$6,054,531)</u>	<u>2,254,254</u>
Depreciable Assets:				
Land Improvements	4,443,726	88,671		4,532,397
Buildings & Improvements	18,231,846	7,562,962	(485,427)	25,309,381
Infrastructure	38,642,165	1,692,833	(872,972)	39,462,026
Equipment, Furniture, Fixtures	10,313,052	2,167,073	(325,931)	12,154,194
Total Depreciable	<u>71,630,789</u>	<u>11,511,539</u>	<u>(1,684,330)</u>	<u>81,457,998</u>
Accumulated Depreciation:				
Land Improvements	2,559,031	402,367		2,961,398
Buildings & Improvements	8,596,767	936,912	(321,429)	9,212,250
Infrastructure	17,557,634	1,779,737	(708,666)	18,628,705
Equipment, Furniture, Fixtures	7,556,505	876,400	(263,526)	8,169,379
Total Accumulated Depreciation	<u>36,269,937</u>	<u>3,995,416</u>	<u>(1,293,621)</u>	<u>38,971,732</u>
Net Depreciable Assets	<u>35,360,852</u>	<u>7,516,123</u>	<u>(390,709)</u>	<u>42,486,266</u>
Total Governmental Activities Capital Assets (Net)	<u><u>\$43,577,819</u></u>	<u><u>\$7,607,941</u></u>	<u><u>(\$6,445,240)</u></u>	<u><u>\$44,740,520</u></u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

11. CAPITAL ASSETS (Continued)

<u>Business-Type Activities</u>	<u>Balance January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31</u>
Non Depreciable Assets:				
Land	\$ 56,298			\$ 56,298
Depreciable Assets:				
Buildings & Improvements	1,121,669	\$ 9,999		1,131,668
Sewer – Infrastructure	5,841,251	7,712		5,848,963
Equip, Furn & Fixtures	362,096	5,789	(\$18,791)	349,094
Total Depreciable	<u>7,325,016</u>	<u>23,500</u>	<u>(18,791)</u>	<u>7,329,725</u>
Accumulated Depreciation:				
Buildings & Improvements	923,369	31,998		955,367
Sewer - Infrastructure	2,707,825	116,945		2,824,770
Equip, Furn & Fixtures	269,058	17,573	(18,791)	267,840
Total Accumulated Depreciation	<u>3,900,252</u>	<u>166,516</u>	<u>(18,791)</u>	<u>4,047,977</u>
Net Depreciable Assets	<u>3,424,764</u>	<u>(143,016)</u>		<u>3,281,748</u>
Business Type Activities				
Capital Assets (Net)	<u>\$3,481,062</u>	<u>(\$143,016)</u>	<u>\$ 0</u>	<u>\$3,338,046</u>

Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	\$1,488,567
General Government - Judicial	26,741
Public Safety	142,706
Public Works	2,222,368
Health	60,854
Human Services	54,180
Total Depreciation Expense	<u>\$3,995,416</u>

12. RISK MANAGEMENT

A. Transference of Risk: Property, Crime and Liability

The County is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The County participates in the Midwest Pool Risk Management Agency, Inc. (MPRMA) (the Pool) which is a public entity risk pool, (see Note 19) for general liability, automobile liability, public officials' liability and property and crime insurance.

Coverage provided by the pool is as follows:

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

12. RISK MANAGEMENT (Continued)

Property

Maximum per occurrence	\$70,384,000
Subject to following sublimits	
Flood*	36,000,000
Earthquake*	36,000,000
Demolition and Increased Cost of Construction	1,000,000
Extra Expense	275,000
Computer Equipment & Media	1,000,000
Computer Extra Expense	50,000
Property in Transit	20,000
Valuable Papers	100,000
Account Receivable	50,000
Mobile Equipment	2,500,000
Fine Arts	50,000
Automatic Builders' Risk	1,000,000
Automatic Newly-Acquired Property	1,000,000

Crime

Employee Dishonesty and Faithful Performance	500,000
Money and Securities (Inside and Outside)	500,000
Forgery and Alteration	500,000

Boiler and Machinery

50,000,000

Liability

Maximum per occurrence	7,000,000
Subject to following sub-limits	
General, Law, Auto	7,000,000
Employee Benefits*	7,000,000
Ohio Stop Gap	7,000,000
Public Official Errors & Omissions*	7,000,000
Sexual Harassment*	1,000,000
County Home (primary and excess liability)	5,000,000
Pollution Liability	1,000,000

Limits include the pool self-insured retentions.

*Limit is annual aggregate

Each member pays the first \$500 (deductible) of any physical damage to County automobiles, and crime loss involving county property. The pool pays (self-insured retention) for the next:

Crime, Pollution	\$25,000	per occurrence
Property, Auto, Physical Damage	100,000	per occurrence
Liability	100,000	per occurrence
Combined loss maximum	100,000	per occurrence

The Pool purchases excess commercial insurance to pay for claims in excess of the above member deductibles and pool self-insurance retentions. This insurance provides following insurance limits:

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

12. RISK MANAGEMENT (Continued)

Property and Auto Physical Damage	\$70,384,000
Crime	500,000
Liability	7,000,000
Professional Liability Policy for County Home	3,000,000
Pollution Liability	1,000,000

The amount of any claim or loss in excess of these amounts would be the responsibility of the County that incurred the claim or loss.

Member contributions to the Pool are adjusted annually and are calculated to annually produce a sufficient sum of money to pay Pool expenses including estimated Pool self-insured losses and claims adjustment expense.

Under the terms of Pool membership, should the annual member contributions not be sufficient to fully fund Pool expenses including ultimate losses, the Board of Trustees can require supplementary contributions. Supplementary contributions, if required, would be based on the Members' pre-determined percentage share of Pool costs for that year. Supplementary contributions can be accessed during the entire life of the Association and any later period when claims or expenses need to be paid which are attributable to any membership year during which the event or claim occurred.

Provisions for claim reserves and loss adjustment expenses are based on information reported by members and are calculated by the Pool's claim administrator and independent actuary. These amounts represent an estimate of reported, unpaid claims, plus provisions for claims incurred and not reported.

The Pool's management believes that the estimate of the liability for claim reserves is reasonable in the circumstances; however, actual incurred losses and loss adjustment expenses may not conform to the assumptions inherent in the determination of the liability. Accordingly, the ultimate settlement of losses and related loss adjustment expenses may vary from the estimated amount included in the accompanying financial statements. Should the provision for claims reserves not be sufficient, supplemental contributions, as discussed above, will be assessed.

To lower costs to pool members, MPRMA joined with other Ohio public entities to form a new excess pool called the Public Entity Risk Consortium (PERC). The PERC pool provides self-insured retentions for each of the member pools as follows: Property – up to \$250,000 per occurrence, Liability – up to \$500,000 per occurrence and annual Stop Loss for the period of 12/1/11 through 11/30/12 up to \$1,700,000 maximum. As of November 30, 2011 PERC has cash reserves of \$4,916,975 which, in the opinion of an outside actuary and management, is adequate for any claims currently pending against the pool.

B. Transference of Risk: Employee Health Insurance

The County is part of the Midwest Employee Benefit Consortium (MEBC) (the Consortium) for its employee health insurance, and retains no risk for this plan (see Note 18). Member contributions are calculated to annually produce a sufficient sum of money within the self-insurance pool adequate to fund administrative expenses of the Association and to create adequate reserves for claims and unallocated loss adjustment expenses.

Under the terms of membership, should annual member contributions not be sufficient to fund ultimate losses, establish adequate reserves and cover administrative expenses, the Board of Trustees can require supplementary contributions. Supplementary contributions can be assessed during the entire life of the Association and any later period when claims or expenses need to be paid which are attributable to any membership year during which the event or claim occurred.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

12. RISK MANAGEMENT (Continued)

Provisions for claims reserves and loss adjustment expenses are based on information reported by members and are calculated by the Consortium's claims administrator. These amounts represent an estimate of reported, unpaid claims, plus a provision for claims incurred and not reported. The Consortium's management believes that the estimate of liability for claim reserves is reasonable in the circumstances; however, actual incurred losses and loss adjustment expenses may not conform to the assumptions inherent in the determination of the liability.

Accordingly, the ultimate settlement of losses and related loss adjustment expenses may vary from the estimated amounts included in the accompanying financial statements. Should the provision for claims reserves not be sufficient, supplemental contributions, as discussed above, will be assessed.

C. Transference of Risk: Workers Compensation Insurance

For 2012, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (See Note 19). The plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than the individual rate.

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

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

D. Retention of Risk: Flexible Spending, Employee Drug Card and Reimbursed Health Claims

In addition to the basic Health Care Benefit Plan, the County has established a "Flexible Spending Account" to supplement the services provided under the Basic Health Care Benefit Plan and the County self-funds an employee prescription drug card administered through Caremark/CVS.

1. Each year the County deposits into the "flexible spending account" the amount of \$150 for a single coverage plan and \$300 for a family coverage plan. These funds may be used, as the employee determines, to cover health care expenses which are not covered under the County's basic health care program or to provide additional coverage for items which are part of the County's basic health care coverage. This plan is administered by Polaris Benefit Administrators.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

12. RISK MANAGEMENT (Continued)

2. The County's Basic Health Care Program has an agreement with Caremark/CVS to provide prescription drugs to the County's Basic Health Care Plan members. Under this program, the employee pays a deductible for each prescription filled and the County pays the balance.
3. The County reimburses Medicare for any past payments for services to Auglaize County employees that should have been covered by the Auglaize County Group Health plan but were originally paid by Medicare.

13. DEFINED BENEFIT PENSION PLANS

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years 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, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to, but not less than, the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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 that may be obtained by visiting <https://www.opers.org/investments/caf.shtml>, writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For 2012, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the traditional pension plan.

For the year ended December 31, 2012, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 10.0 percent of their annual covered salaries. Members participating in the traditional plan that were in law enforcement contributed 12.1 percent of their annual covered salary. The County's contribution rate for pension benefits for 2012 was 14.0 percent, except for those plan members in law enforcement. For that classification, the County's pension contributions were 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contributions allocated to health care for members of the Traditional Plan was 4%. The portion of employer contributions allocated to health care for members in the combined plan was 6.05 percent. Employer contribution rates are actuarially determined.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2012, 2011, and 2010 were \$1,491,694, \$1,482,714, and \$1,323,534, respectively; 90 percent has been contributed for 2012 and 100 percent for 2011 and 2010. Contributions to the member-directed plan for 2012 were \$34,918 made by the County and \$24,941 made by the plan members.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

14. POST-EMPLOYMENT BENEFITS

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.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit.

Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

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

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012 local government employer units contributed at 14.0% of covered payroll, and public safety and law enforcement employer units contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4%. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05%. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual employer contributions for 2012 were \$526,302 for regular employees and \$49,887 for law enforcement employees. For 2011 and 2010, the actual employer contributions were \$526,747 and \$667,629, respectively, for regular employees and \$47,024 and \$60,549, respectively, for law enforcement employees; 90 percent has been contributed for 2012 and 100 percent for 2011 and 2010.

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

15. COMPENSATED ABSENCES

Vacation is earned at rates which vary depending upon length of service and standard work week. The county currently has different policies regarding vacation leave. All of the policies allow the County employees to be paid for all earned, unused vacation leave at the time of termination of employment with more than one year of service with the County.

Employees earn sick leave at varying rates based on whether the employee is union or non-union. Upon retirement, employees with ten or more years of service are paid one-fourth of accumulated sick leave up to a maximum of 480 hours.

16. LEASES – LESSEE DISCLOSURE

The County has entered into a lease for office space. The lease entered into does not meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The schedule for future minimum long-term operating lease payments as of December 31, 2012 is as follows:

<u>Year</u>	<u>Special Revenue Fund</u>
2013	\$10
2014	10
2015	10
2016	10
2017	10
2018	10
2019	10
2020	10
2021	10
Total	<u><u>\$90</u></u>

17. DEBT OBLIGATIONS

The County's long-term obligations at year-end consist of the following:

<u>Governmental Activities</u>	<u>Balance 12/31/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/12</u>	<u>Due Within One Year</u>
General Obligation Bonds:					
2005 – 2.4% - 4.1%					
Original Amount \$475,000					
Human Services Building	\$240,000		(\$ 35,000)	\$205,000	\$40,000
Ohio Public Works Loan					
Sandy Beach Storm Sewer	61,373		(5,114)	56,259	5,114
Special Assessment Bonds:					
1993 – 3.1% - .9%					
Original Amount - \$1,495,000					
Sandy Beach Sewer District	230,000		(110,000)	120,000	120,000
Special Assessment Notes:					
Kah Sewer- 0%	179,341	67,253		(8,967)	58,286
Crow #2 Ditch-5.25%	4,428		\$ 4,427	(443)	3,984
Ramga #2 Ditch-4.87%	62,606	31,303		(7,826)	23,477

(Continued)

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

17. DEBT OBLIGATIONS (Continued)

<u>Governmental Activities</u>		<u>Balance 12/31/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/12</u>	<u>Due Within One Year</u>
Special Assessment Notes:						
Jacob Ditch – 3.35%	44,653	44,653		(5,582)	39,071	5,582
Harruff Ditch-3.55%	21,949		21,949	(2,744)	19,205	2,744
Kellermeyer #2 – 4.60%	31,687	23,765		(3,961)	19,804	3,961
Shaw Ditch-5.1%	34,116	14,926		(4,265)	10,661	4,265
Barnt Ditch-5.1%	7,860	3,439		(983)	2,456	983
Warman #3 – 2.71%	28,664	28,664		(14,381)	14,283	14,283
Kettler Ditch–3.85%	132,172	107,390		(16,521)	90,869	16,521
Bennett Ditch – 3.39%	100,113	93,849		(12,527)	81,322	12,527
Newland Ditch-3.39%	41,562		41,562	(2,972)	38,590	5,944
Spencer #2 Ditch–4.05%	24,428	21,374		(3,053)	18,321	3,053
Barrington Ditch–4.6%	2,088	1,559		(260)	1,299	260
Arnold Ditch-5.5%	16,687	8,343		(2,086)	6,257	2,086
Lowry Ditch-3.39%	17,884		17,884	(1,118)	16,766	2,236
Henschen Ditch-4.67%	52,540	22,986		(6,567)	16,419	6,567
Nielson Ditch-4.67%	18,609	8,141		(2,326)	5,815	2,326
IOOF Ditch-4.2%	24,981	12,491		(3,123)	9,368	3,123
Muddy Creek Jt – 3.85%	69,323	60,658		(8,665)	51,993	8,665
Danaher Ditch – 4.091%	40,255	2,516		(2,516)		
Bryant Ditch– 3.95%	34,838	30,483		(4,355)	26,128	4,355
Annesser Ditch – 4.15%	78,281	44,033		(9,785)	34,248	9,785
Fritz Ditch – 4.45%	9,379	7,621		(1,172)	6,449	1,172
Kuentle Ditch – 4.60%	329	82			82	82
Waynesfield Nrtheast Storm Sewer – 4.25%	19,561	5,868		(3,912)	1,956	1,956
Huenke #2 Ditch– 4.35%	21,531	12,111		(2,691)	9,420	2,691
King Ditch - 6.5%	36,539	2,284		(2,284)		
Parker Ditch – 4.748%	12,483	1,560		(1,560)		
Knueve Ditch – 4.748%	10,756	1,345		(1,345)		
Freeman Ditch – 3.95%	32,149	26,121		(4,019)	22,102	4,019
Lotridge Ditch – 4.25%	72,169	9,021		(9,021)		
Allman #2 Ditch - 4.75%	66,929	10,750		(7,166)	3,584	3,584
Barnes #2 – 4.59%	7,589	7,589		(950)	6,639	950
Downey Ditch – 4.53%	13,369	2,507		(1,671)	836	836
Stoner Ditch – 4.50%	8,138	5,086		(1,017)	4,069	1,017
Zink Ditch – 4.50%	14,533	5,813		(2,907)	2,906	2,906
Simms Run Ditch – 4.50%	25,530	15,956		(3,191)	12,765	3,191
Shearer #3 Ditch – 3.81%	20,446	11,501		(2,556)	8,945	2,556
Spencer Ditch – 4.70%	30,285	18,928		(3,786)	15,142	3,786
Cartwright Ditch – 4.70%	10,726	5,363		(1,788)	3,575	1,788
Luedeke Ditch – 4.52%	14,337	9,857		(1,792)	8,065	1,792
Easterly Ditch – 4.60%	1,893	946		(473)	473	473
McKee Ditch – 4.60%	36,178	24,872		(4,522)	20,350	4,522
Helmstetter Ditch -4.60%	1,846	923		(369)	554	369
Burr Oak Ditch – 4.50%	36,970	25,417		(4,621)	20,796	4,621
Total Special Assessment Notes		<u>839,347</u>	<u>85,822</u>	<u>(187,839)</u>	<u>737,330</u>	<u>169,256</u>
Total Other Long Term Obligations						
Compensated Absences		1,863,678	945,381	(791,268)	2,017,791	815,525
Total Governmental Activities		<u>\$3,234,398</u>	<u>\$1,031,203</u>	<u>(\$1,129,221)</u>	<u>\$3,136,380</u>	<u>\$1,149,895</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

17. DEBT OBLIGATIONS (Continued)

<u>Business Type Activities</u>	<u>Balance 12/31/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/12</u>	<u>Due Within One Year</u>
Ohio Public Works Loans					
Sewer and Interceptor					
Original Amount \$100,000	\$ 7,500		(\$ 5,000)	\$ 2,500	\$ 2,500
Other Long-Term Obligations					
Compensated Absences	155,297	\$135,724	(117,938)	173,083	94,819
Total Business Type Activities	<u>\$162,797</u>	<u>\$135,724</u>	<u>(\$122,938)</u>	<u>\$175,583</u>	<u>\$97,319</u>

All general obligation bonds are supported by the full faith and credit of the County. All outstanding special assessment bonds consist of sewer construction projects which are payable from the proceeds of tax assessments levied against benefited individual property owners.

The human services bonds were issued for the purpose of acquiring, renovating and improving a building for the use of County offices and will be paid from human services revenues. This was refunded in 2005.

The County obtained a loan from the Ohio Public Works Commission in the amount of \$102,288 for a term of twenty years for the purpose of assisting in the cost of the Sandy Beach storm sewer installation project. The infrastructure from this project is not owned by the County.

All of the special assessment bonds were backed by the full faith and credit of Auglaize County and are payable from special assessment and/or governmental revenues. The liability will be paid from unvoted property tax or special assessments which are received by the County. In the event that property owners fail to make their special assessment payments, the County is responsible for providing the resources to meet the annual principal and interest payments.

All special assessment notes had been issued for the terms allowed by law. These notes are to be repaid through assessments against benefited property owners. Proceeds from the notes were used for ditch construction and improvement. In the event that property owners fail to make their special assessment payments, the County is responsible for providing the resources to meet the annual principal and interest payments.

Pursuant to the Ohio Rev. Code 164.95 and Ohio Admin. Code 164-1-21, the County entered into an agreement with the Ohio Public Works Commission, on March 13, 1992, in the amount of \$100,000 in respect to the Hamilton Street Sanitary Interceptor Reconstruction project. The County and City of Wapakoneta subsequently entered into an agreement that stated each entity would be financially responsible to repay one half of the debt. The debt is to be repaid from revenues generated by the Oakwood Hills Sewer District.

Compensated absences liability will be paid from the fund from which the employees' salaries are paid.

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 should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not 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 effects of the debt limitations described above at December 31, 2012 are an overall debt margin of \$21,323,583 and an un-voted debt margin of \$9,129,433.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

17. DEBT OBLIGATIONS (Continued)

The following is a summary of the County's future annual debt service requirements, including interest, for long-term obligations:

Year	General Obligation Bonds	Special Assessment Bonds	Special Assessment Notes	OPWC Promissory Loans	Total Debt Obligations
2013	\$ 48,105	\$127,080	\$194,721	\$ 7,614	\$ 377,520
2014	46,605		164,198	5,114	215,917
2015	45,065		149,516	5,114	199,695
2016	43,465		117,024	5,114	165,603
2017	46,845		91,888	5,114	143,847
2018-2022			94,799	25,575	120,374
2023-2027				5,114	5,114
2028-2032					
Total	230,085	127,080	812,146	58,759	1,228,070
Less:					
Interest	25,085	7,080	74,816		106,981
Outstanding Principal	\$205,000	\$120,000	\$737,330	\$58,759	\$1,121,089

The County has also received two loan agreements from the Ohio Water and Sewer Rotary Commission in regard to the construction of two sewer districts. These loans provide funding assistance for that portion of the project for which collections of assessments from certain owners of undeveloped property located within an agricultural district are exempted pursuant to Ohio Rev. Code Section 929.03 subject to the performance of certain terms and conditions of repayment.

As part of the agreement, the change of the use of any parcel, pursuant to Ohio Admin. Code Section 1525-1-06, would require repayment to the Ohio Water and Sewer Rotary Commission for the full amount of the assessment for the portion of the property for which the use has changed pursuant to Division C of Ohio Rev. Code Section 929.03. Therefore, until a change in use occurs, no liability has been recorded for these loans.

A summary of the loan transactions for the year ended December 31, 2012 is as follows:

Project Loans:	Outstanding 12/31/11	Additions	Reductions	Outstanding 12/31/12
Southeast Sewer District	\$1,196,367			\$1,196,367
Sandy Beach Sewer District	209,786			209,786
Total	1,406,153	\$ 0	\$0	\$1,406,153

A. Current Refunding

On February 23, 2005, the County issued at par \$475,000 of County Building Acquisition Refunding Bonds Limited Tax General Obligation (the "Bonds") for the purpose of refunding \$450,000 of then-outstanding 1992 Long Term General Obligation bonds. The 2005 bonds bear an average coupon rate of 3.725580 percent and the final payment due December 1, 2017. As a result, \$450,000 of the 1992 Long Term General Obligation bonds are considered to be defeased and the liability for those bonds have been removed from the county's long-term obligations.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

18. FUND BALANCES

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

<u>Fund Balances</u>	<u>General</u>	<u>MVGT</u>	<u>SWM</u>	<u>Job and Family Services</u>	<u>ACDD</u>
Non-spendable					
Inventory	\$ 75,961	\$ 541,897		\$ 47,748	\$ 5,034
Pre-paids	118,678	23,885	\$ 220	63,499	5,380
Notes Receivable					
Interfund Receivable	2,086,928				
Restricted for:					
Debt Service					
Capital Outlay					
MVGT		1,027,987			
Jobs and Family Service				837,915	
ACDD					3,977,685
Other Purpose					
Committed to:					
Capital Outlay					
Other Purpose					
Assigned	66,334				
Unassigned	6,151,449		(1,311,245)		
Total Fund Balances	<u>\$8,499,350</u>	<u>\$1,593,769</u>	<u>(\$1,311,025)</u>	<u>\$949,162</u>	<u>\$3,988,099</u>

<u>Fund Balances</u>	<u>Community Alternatives</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Non-spendable:				
Inventory			\$ 13,869	\$ 684,509
Prepays	\$ 513		49,022	261,197
Notes Receivable			589,504	589,504
Interfund Rec				2,086,928
Restricted for				
Debt Service			216,438	216,438
Capital Outlay			220,555	220,555
MVGT				1,027,987
Jobs/Family Srvc				837,915
ACDD				3,977,685
Other Purpose	3,560,024		4,469,650	8,029,674
Committed to				
Capital Outlay		\$75,634	143,225	218,859
Other Purpose			97,693	97,693
Assigned			1,555	67,889
Unassigned			(50,485)	4,789,719
Total Fund Balances	<u>\$3,560,537</u>	<u>\$75,634</u>	<u>\$5,751,026</u>	<u>\$23,106,552</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

19. PUBLIC ENTITY RISK POOLS

A. Midwest Pool Risk Management Agency, Inc.

Midwest Pool Risk Management Agency, Inc. is an Ohio not-for-profit corporation organized under Chapter 2744.081 of the Ohio Revised Code for the purpose of enabling its member political subdivisions to obtain insurance coverage, provide methods for paying claims and provide a formalized jointly administered self-insurance pool.

Specifically, the pool provides coverage for automobile liability, general liability, crime and property (including automobile physical damage) and public officials' liability (See Note 12). In addition to the self-insurance pool, the Association provides risk management services, loss prevention programs, and various other educational materials. The Association includes the following member counties within the State of Ohio: Auglaize, Hancock, Mercer, Shelby, and Van Wert.

Member and supplemental contributions are recognized on an accrual basis and are recorded as revenue in the month earned. For the current agreement dated August 1, 2006, the percentage of contributions by the members and their equity interests are:

<u>County</u>	<u>%</u>	<u>Fixed Costs</u>	<u>Loss Fund</u>
Mercer	18.2	\$154,320	\$66,000
Auglaize	20.8	176,366	63,600
Shelby	24.1	204,347	123,200
Hancock	23.6	200,108	92,400
Van Wert	13.3	112,773	54,800

The financial statements of Midwest Risk Pool Management Agency, Inc. can be obtained from Gary Adams, Van Wert County Commissioner and Treasurer of the Midwest Pool Risk Management Agency.

B. Midwest Employee Benefit Consortium

Midwest Employee Benefit Consortium (MEBC) is an Ohio not-for-profit corporation organized under Ohio Rev. Code Sections 304.171 and 9.833 for the public purpose of enabling its five members political subdivisions to obtain insurance coverage, provide methods for paying claims, and provide a formalized jointly administered self-insurance pool. Specifically, this pool provides coverage for health benefits to employees of its members.

In addition to the self-insurance pool, the Consortium provides risk management services and established loss reduction and prevention procedures and programs.

The members of the Association include the following counties within the State of Ohio: Auglaize, Hancock, Mercer, Van Wert, and Shelby. The financial statements of Midwest Employee Benefit Consortium can be obtained from the Auglaize County Board of Commissioners.

C. County Commissioner Association of Ohio Workers' Compensation Group Rating Plan

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners' Association Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

19. PUBLIC ENTITY RISK POOLS (Continued)

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services, and general management fees, determining ongoing eligibility of each participant and performing any other acts and functions which may be delegated to it by the participating employers.

The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year, and each elected member shall be a County Commissioner.

20. JOINTLY GOVERNED ORGANIZATIONS

A. Auglaize County Regional Planning Commission

The Auglaize Regional Planning Commission (the Commission) is a jointly governed organization between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty seven members, any of which may hold any other public office.

The County is represented by three members, each of the two Cities within the county is represented by two members, all participating villages within the county are represented by one member each, and participating townships within the county are represented by one member each. Other members include: a representative from all participating board of trustees; the mayor or a council member of each participating incorporated village; two representatives from each of the Cities of Wapakoneta and St. Marys, one being the Mayor or his designee and one being appointed by City Council. The remaining members of the Commission shall be representatives from public utility, minority groups, business, industry, Ministerial Association, farm organizations, Chamber of Commerce and other representations as deemed necessary by the Commission.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute up to .10 cents per capita, according to the latest federal census, in any calendar year in which revenue is needed.

The Commission has no outstanding debt as of December 31, 2012. The following unaudited cash financial data of the Commission is presented for the year ended December 31, 2012:

	Joint Venture	Auglaize County's 50 Percent
Total Non-Operating Revenues	\$ 184	\$ 92
Total Operating Expenses	(1,192)	(596)
Net Income (Loss)	(1,008)	(504)
Fund Balance, January 1, 2012	5,694	2,847
Fund Balance, December 31, 2012	\$4,686	\$2,343

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

20. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Workforce Investment Act Consortium of Auglaize, Hardin, and Mercer Counties

The objectives of the Workforce Investment Act (WIA) are to increase the employment, retention, and earnings of participants in the program, and as a result improve the quality of the workforce, reduce welfare dependency, and enhance the productivity of the Nation. Ohio is organized into seven local workforce investment areas.

There are six "traditional" local areas and a seventh area known as the Ohio Option, which includes most of the State. Each traditional area has its own workforce investment board and acts as its own workforce investment system. The Ohio Option is subdivided into local Workforce Development Areas (WDA), typically county or multi-county WDA's. Each Workforce Investment or Policy Board is responsible for developing "one-stop" service delivery systems in the local area. The one-stop system is a network of required partners delivering training/employment services and activities defined in the law.

The Federal WIA program is administered through the Ohio Department of Job and Family Services and operates on a state fiscal year from July 1 to June 30. Effective July 1, 2002, Auglaize County participated in a multi-county WDA with Hardin and Mercer Counties, with Mercer as the fiscal agent.

C. West Central Ohio Network

The West Central Ohio Network (West CON) is a regional council of governments. West CON is comprised of the boards of Developmental Disabilities (DD) of several counties, including, Auglaize, Darke, Logan, Mercer, Miami, Shelby, Union, and Hardin. The Board of Directors is made up of the Superintendents from each of these DD Boards, and the degree of control exercised by any participating government is limited to its representation on the Board. West CON is the administrator and fiscal agent of Supported Living funds for each of these Boards of Developmental Disabilities. The following unaudited financial data of the West Central Ohio Network - Auglaize County is presented on a cash basis for the year ended December 31, 2012.

	County Portion
Total Operating Revenue	\$ 71,117
Total Operating Expenses	(1,018,439)
Transfers In	195,580
Net Income (Loss)	(751,742)
Fund Balance, January 1, 2012	3,040,948
Fund Balance, December 31, 2012	\$2,289,206

Financial information can also be obtained from the West Central Ohio Network, 315 East Court Street, Sidney, Ohio 45365.

D. Auglaize and Mercer Counties Convention and Visitors Bureau

The Auglaize and Mercer Counties Convention and Visitors Bureau (the Bureau) is a jointly governed organization between Auglaize and Mercer Counties for the purpose of promoting tourism and attracting tourists and conventions to the two counties. Membership is open to any person, firm, partnership, association, corporation, foundation, trust or estate subscribing to the purpose of this organization. The government of the Bureau, the general policies and control of its property is vested in a Board of Trustees. The Board shall be nineteen members composed of the following: seven appointees from Auglaize County, seven from Mercer County, one Auglaize County Commissioner or designee, one Mercer County Commissioner or designee, three members representing the following: Celina/Mercer County Chamber of Commerce, St. Marys Area Chamber of Commerce and the Wapakoneta Area Chamber of Commerce.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

20. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The Board conducts business and sponsors projects to further the purpose of the Bureau. The Bureau is funded primarily from a 3 percent (effective 7/1/96) lodging tax imposed by both counties. Payment is due to the county by the last day of the following month. The 2012 revenue received by the Bureau was \$138,992. Of this amount \$128,182 came from the lodging tax. \$64,663 of the total 2012 revenue was from Auglaize County. Financial information can be obtained from 900 Edgewater Drive, St Marys, Ohio 45885.

E. Auglaize County Office of Homeland Security and Emergency Management

The Auglaize County Office of Homeland Security and Emergency Management (the Agency) is a jointly governed organization between the County, the municipalities, and the townships within the County, formed to perform services of coordinating the emergency management activities within the county of Auglaize and the political subdivisions therein. The Cooperative has established a County-Wide Advisory Group for emergency management composed of a representative from each political subdivision cooperative member under Section 5915.06 of the Ohio Revised Code.

The advisory group appoints an executive committee composed of at least seven of the following members: three township representatives, two village or city representatives, one county commissioner and one non-elected representative. The tenure of the members of the executive committee is three years. A coordinator is appointed by the Emergency Management Executive Committee to carry out the cooperative agreement under the advisement of the committee. Financial information can be obtained from Troy Anderson, Director, Room 206, 209 South Blackhoof Street, Wapakoneta, Ohio 45895.

F. Auglaize County Revolving Loan Fund Board

The Board of County Commissioners had agreed to work with the West Central Development Corporation for any Auglaize County businesses or corporations desiring to participate in the Revolving Loan Program offered by the State of Ohio Department of Development. The Board of County Commissioners appointed ten members to oversee the Revolving Loan Fund concerns for Auglaize County.

G. Grand Lake St. Marys Restoration Community Improvement Corporation

The Auglaize County Commissioners and the Mercer County Commissioners joined together to form the Grand Lake St. Marys Restoration Community Improvement Corporation. The mission of this corporation is to support the advancement, encouragement and promotion of the industrial, economic, commercial and civic development of Grand lake St. Marys and the surrounding area. It will aid in the research and development of technologies and provide funding opportunities to enhance the quality of water in Grand Lake St. Marys.

H. Auglaize County Demolition Advisory Committee

On March 12, 2012 Ohio Attorney General Mike DeWine settled with five of the nation's largest mortgage services over foreclosure abuses, fraud and unfair and deceptive mortgage practices. The Attorney General allocated a total of \$75 million to all 88 counties in Ohio to demolish vacant, abandoned and blighted residential properties that detract from existing home values and create a toxic breeding ground for crime. The Board of County Commissioners act as the lead entity for Auglaize County, therefore forming a new Demolition Advisory Committee consisting of representative from townships, villages, cities, health department and legal representative that would provide direct or indirect support during the length of the grant from August 1, 2012 to December 31, 2013.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

20. JOINTLY GOVERNED ORGANIZATIONS (Continued)

I. Auglaize River and Two-Mile Creek Stream Enhancement Project

The Boards of Auglaize, Allen and Shelby Counties as a Joint Board of County Commissioners joined together to form the Auglaize River and Two-Mile Creek Stream Enhancement Project, pursuant to the Ohio Revised Code, Section 1515.22, as each county contains land in the benefitted area. Each County Board of Commissioners approved the construction.

21. JOINT VENTURES

A. Grand Lake Task Force

Auglaize and Mercer Counties share territory of the Grand Lake State Park which encounters unique enforcement problems. The Grand Lake Task Force was established in regards to federal financial assistance received from the Department of Justice which requires a twenty-five percent local matching share. Additional revenues were received through asset seizures, fines, and village law enforcement agency contributions.

The objective of the Grand Lake Task Force is to increase the number of criminal justice agencies working cooperatively to eliminate specifically targeted major narcotics trafficking conspiracies and the persons involved through investigations, arrests, prosecution, and convictions. Those participating in the project are Auglaize and Mercer County Sheriff's offices, Wapakoneta, St. Marys, Celina, Coldwater, Minster, and New Bremen Police offices, United States Investigative Agency Alcohol, Tobacco, and Firearms, Ohio Bureau of Criminal Investigation and Identification, and Auglaize and Mercer County Prosecutor's Offices. The Auglaize County Sheriff serves as the applicant who accepts the responsibility for the project's administrative and financial matters. The project requires a control group to be established of four members; one from a police department, one from a Sheriff's office, one from a prosecutor's office, and the Task Force Supervisor. This group allocates what funds are to be used for which investigations and to manage these resources and jointly manage project investigations.

The following unaudited financial data of the Grand Lake Task Force is presented on a cash basis for the year ended December 31, 2012:

	Joint Venture	Auglaize County's 12.5 Percent
Total Operating Revenues	\$129,229	\$16,154
Total Operating Expenses	(112,982)	(14,123)
Net Income (Loss)	16,247	2,031
Fund Balance, January 1, 2012	168,242	21,030
Fund Balance, December 31, 2012	\$184,489	\$23,061

B. Mental Health and Recovery Services Board of Allen, Auglaize, and Hardin Counties

The Mental Health and Recovery Services Board (MHRS) of Allen, Auglaize, and Hardin Counties, is a tri-county non-profit corporation whose general purpose is to provide leadership in planning for and supporting community-based alcohol, drug addiction and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting and advocating for the rights of persons as consumers of alcohol, drug addiction and mental health services.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

21. JOINT VENTURES (Continued)

The Board of Trustees consists of eighteen members. Four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services and the remaining ten members are appointed by the County Commissioners of Allen, Auglaize, and Hardin counties in the same proportion as the County's population bears to the total population of the three counties combined. The degree of control exercised by any participating government is limited to its representation on the Board. The MHRS Board is a joint venture since continued participation by the Counties is necessary for the continued existence.

Allen County acts as the fiscal agent for the MHRS Board. The Board receives tax revenue from the three Counties and receives federal and state funding through grant monies which are applied for and received by the board of trustees. The MHRS Board is accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial benefit to or burden on members in the future. The Board has sole budgetary authority and controls surpluses and deficits and the county is not legally or morally obligated for the Board's debt.

During 2012, tax revenues generated by the levy in Auglaize County were \$344,029. Complete financial statements can be obtained from the MHRS Board, Allen County, Ohio.

22. COMPONENT UNITS

A. Auglaize County Airport Authority (the Authority)

1. Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles for governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

The operations of the Authority are accounted for using proprietary fund accounting.

2. Accounting System

The Authority maintains its own set of accounting records. These financial statements were prepared from the accounts and financial records of the Authority and, accordingly, these financial statements do not present the financial position or results of operations of Auglaize County.

3. Revenue and Expenditure Recognition

The Authority maintains its fund as a proprietary type fund. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets.

Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

22. COMPONENT UNITS (Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The Authority reports deferred revenues on its statement of net assets. Deferred revenues arise when potential revenue meets the asset recognition criteria, but does not meet the revenue recognition criteria. In the subsequent period, when the revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of net assets and revenue is recognized. Hanger rent paid in advance is not considered earned until subsequent years.

4. Cash

To improve cash management, all cash received by the Authority is pooled in a central bank account. During fiscal year 2012, the Authority invested in interest bearing depository accounts and a certificate of deposit.

5. Inventory

Inventory consists of two types of aviation fuel for sale to customers and is stated at cost, which is determined on a first-in, first-out basis. The cost of inventory is recorded as an expense when purchased.

6. Capital Assets and Depreciation

Equipment and improvements are stated at cost except for donated equipment, which is stated at fair market value at the date of receipt. Depreciation of capital assets is on a straight line basis over the estimated useful lives (five to twenty years) of the respective assets. The Authority maintains a capitalization threshold of \$2,500. The land, buildings and improvements of the airport are owned by Auglaize County.

B. Auglaize Industries, Inc

1. Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to United States generally accepted accounting principles for governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The operations of Auglaize Industries are accounted for using proprietary accounting.

2. Accounting System

Auglaize Industries maintains its own set of accounting records. These financial statements were prepared from the accounts and financial records of Auglaize Industries and, accordingly, these financial statements do not present the financial position or results of operations of Auglaize County.

3. Revenue and Expense Recognition

Auglaize Industries prepares its financial statements on the accrual basis of accounting, consequently certain revenues and related assets are recognized when earned rather than when received and certain expenses are recognized when incurred rather than when the obligation is paid.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

22. COMPONENT UNITS (Continued)

4. Budgetary Process

Through a contractual agreement with the Auglaize County Board of Developmental Disabilities, Section VII, Item Number 11, Auglaize Industries is required to prepare and approve an annual budget.

5. Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires the use of managements estimates. Actual results may differ from those estimates.

6. Cash and Investments

To improve cash management, cash received by Auglaize Industries is maintained in a checking account or used to purchase investments. Investments are limited to certificates of deposits, government securities and mutual funds. Investments are stated at market value.

Investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

7. Capital Assets

Buildings, equipment and improvements are stated at cost except for donated assets, which are stated at fair market value at the date of receipt. Auglaize Industries maintains a capitalization threshold of \$1,000. A portion of the facilities occupied by Auglaize Industries consists of additions to the original facilities owned by Auglaize County. Leasehold improvements are depreciated rateably over the estimated useful life. Depreciation of fixed assets is on a double declining balance basis over the estimated useful lives of the respective assets, as follows:

<u>Class of Asset</u>	<u>Years</u>
Leasehold Improvements	31 1/2
Transportation Equipment	5
Computers	5
Furniture and Fixtures	7

8. Prepaid Items

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

9. Advertising

Advertising costs are charged to operations when incurred. Advertising costs amounted to \$1,679 for 2012.

10. Inventory

Work is performed on customer owned materials. Inventory on hand at any one time consists primarily of consumable manufacturing supplies in nominal amounts. Accordingly, no manufacturing inventories are recognized on the financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

22. COMPONENT UNITS (Continued)

11. Compensated Absences

Governmental Accounting and Financial Reporting Standards specifies that a liability should be accrued for leave benefits if the employer's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered; the obligation relates to rights that vest or accumulate; payment of the compensation is probable; and the amount can be reasonably estimated. Auglaize Industries records a liability for accumulated unused vacation time when earned for workshop employees.

23. RELATED PARTY TRANSACTIONS

Auglaize Industries has entered into a contract with the Auglaize County Board of Developmental Disabilities (DD), whereby the DD has agreed to pay specified overhead expenses for the workshop. The additional income and related expenses are reported on the income statement as Unrestricted Support. The unaudited operating expenses paid by the DD on behalf of the Auglaize Industries amounted to \$576,779 for the year ended December 31, 2012.

24. SIGNIFICANT CONTRACTUAL OBLIGATIONS

At December 31, 2012, the County had entered into several contracts, the most significant of which include the following:

<u>Contractor</u>	<u>Amount</u>
Perfection Group	\$ 18,000
West Central Ohio Network	312,381
Koester Electric, Inc.	6,390
National Express Transit	40,000
Gerding Ditching, LLC	73,151
Peterson Construction	7,223
Cy Schwieterman, Inc.	236,897
Miami County	17,500
Heise General Contracting, LLC	17,319
Specialized Alternatives for Families and Youth	48,512
Total Commitments	<u>\$777,373</u>

25. CONTINGENT LIABILITIES

A. Grants

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

B. Litigation

The County is involved in no litigation as either plaintiff or defendant which they believe would result in a liability having to be booked on the County's financial statements.

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**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2012**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number or Grant	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through Ohio Department of Development				
Community Development Block Grant/States Program				
Formula Grant	B-F-11-1AF-01	14.228	\$158,000	
HOME Investment Partnerships Program	B-C-10-1AF-02	14.239	<u>286,196</u>	
Total U.S. Department of Housing and Urban Development			<u>444,196</u>	
U.S. DEPARTMENT OF AGRICULTURE				
Passed through Ohio Department of Job and Family Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				
	G-1011-11-5011/G-89-20-1025	10.561	175,816	
Passed through Ohio Department of Agriculture				
Nutrition Cluster:				
School Breakfast Program	137125-05NP-2012	10.553	6,217	
National School Lunch Program	137125-LLN4-2012	10.555	<u>9,410</u>	<u>\$1,952</u>
Total Nutrition Cluster			<u>15,627</u>	<u>1,952</u>
Total U.S. Department of Agriculture			<u>191,443</u>	<u>1,952</u>
U.S. DEPARTMENT OF JUSTICE				
Passed through Ohio Office of Criminal Justice Services				
Edward Byrne Memorial Justice Assistance Grant Program				
	11-DL-LEF-5804	16.738	48,201	
Edward Byrne Memorial Justice Assistance Grant Program	10-JG-C01-6254		22,504	
Edward Byrne Memorial Justice Assistance Grant Program	11-JG-C01-6925		<u>16,588</u>	
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>87,293</u>	
Residential Substance Abuse Treatment for State Prisoners				
	10-RS-SAT-191	16.593	23,340	
Criminal and Juvenile Justice and Mental Health Collaboration Program	10-MO-BX-0055	16.745	96,108	
Passed through the Ohio Attorney General				
Crime Victim Assistance				
Crime Victim Assistance	2012-VAGENE-059	16.575	25,180	
Crime Victim Assistance	2013-VAGENE-059		<u>2,476</u>	
Total Crime Victim Assistance			<u>27,656</u>	
Total U.S. Department of Justice			<u>234,397</u>	
U.S. DEPARTMENT OF ENERGY				
Passed through the Ohio Department of Development				
Energy Efficiency and Conservation Block Grant Program (EECBG), Recovery Act				
	DE-EE0000714	81.128	<u>1,306,854</u>	
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through the Federal Aviation Administration				
Airport Improvement Program				
	3-39-0084-1511	20.106	<u>84,787</u>	
U.S. ELECTION ASSISTANCE COMMISSION				
Passed through the Ohio Secretary of State				
Help America Vote Act Requirements Payments				
		90.401	<u>1,168</u>	

(Continued)

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2012**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Ohio Secretary of State Voting Access for Individuals with Disabilities Grants to States	N/A	93.617	1,230	
Passed through Ohio Department of Jobs and Family Services Promoting Safe and Stable Families	G-1011-11-5011/G-89-20-1025	93.556	43,167	
TANF Cluster Temporary Assistance for Needy Families	G-1011-11-5011/G-89-20-1025	93.558	555,522	
Child Support Enforcement	G-1011-11-5011/G-89-20-1025	93.563	298,820	
Child Care and Development Block Grant	G-1011-11-5011/G-89-20-1025	93.575	28,168	
Stephanie Tubbs Jones Child Welfare Services Program	G-1011-11-5011/G-89-20-1025	93.645	14,815	
Foster Care Title IV-E	G-1011-11-5011/G-89-20-1025	93.658	54,596	
Adoption Assistance	G-1011-11-5011/G-89-20-1025	93.659	95,637	
Chafee Foster Care Independence Program	G-1011-11-5011/G-89-20-1025	93.674	4,033	
Medical Assistance Program	G-1011-11-5011/G-89-20-1025	93.778	296,719	
Children's Health Insurance Program		93.767	1,488	
Passed through Ohio Department of Developmental Disabilities Social Services Block Grant		93.667	30,563	
Passed through Ohio Department of Jobs and Family Services Social Services Block Grant	G-1011-11-5011/G-89-20-1025	93.667	<u>417,261</u>	
Total Social Services Block Grant			<u>447,824</u>	
Total U.S. Department of Health and Human Services			<u>1,842,019</u>	
Total Federal Financial Assistance			<u>\$4,104,864</u>	<u>\$1,952</u>

See accompanying notes to the schedule of federal awards expenditures.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 1: GENERAL

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

NOTE 2: SUB-RECIPIENTS

The County passes-through certain federal awards received from the Ohio Department of Development to other governments (sub-recipients). As described in Note 1, the County reports expenditures of Federal awards to sub-recipients when paid in cash.

As a sub-recipient, the County has certain compliance responsibilities such as monitoring its sub-recipients to help assure they use these sub-awards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that sub-recipients achieve the awards performance goals.

NOTE 3: FOOD SERVICES PROGRAMS – LAW ENFORCEMENT CENTER

The Law Enforcement Center received federal assistance through the National School Lunch/Breakfast and Donated Food Programs. The National School Lunch and Breakfast programs are reimbursing in nature and revenues are considered expended when received. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

The above department is allowed a selection from a pool of foods, when available, under the Food Distribution Program. Program regulations do not require the County to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at fair value of the commodities received.

NOTE 4: MATCHING REQUIREMENTS

Certain Federal programs require that the County 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-matching funds.

NOTE 5: COMMUNITY DEVELOPMENT BLOCK GRANT REVOLVING LOAN PROGRAM

The County has established a revolving loan program to provide low-interest loans to existing businesses to create jobs for persons from low-moderate income households, to help with capital expenditures and to help with startup funds for new businesses. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD and are also included as disbursements on the Schedule.

These loans are collateralized by equipment. At December 31, 2012 the gross amount of loans outstanding under this program was \$589,504.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 5: COMMUNITY DEVELOPMENT BLOCK GRANT REVOLVING LOAN PROGRAM (Continued)

Activity in the CDBG revolving loan fund during 2012 is as follows:

Beginning loans receivable balance as of January 1, 2012	\$721,093
New loans	
Loan principal repaid	<u>(131,589)</u>
Ending loans receivable balance as of December 31, 2012	<u>\$589,504</u>
Cash balance on hand in the revolving loan fund as of December 31, 2012	\$323,009
Transfer to CDBG Funds	\$197,800
Administrative costs expended during 2012	\$ 8,733

NOTE 6: TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2012, the County made allowable transfers of \$200,304 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County spent approximately \$555,522 on the TANF program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2012 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$755,826
Transfer to Social Services Block Grant	<u>(200,304)</u>
Total Temporary Assistance for Needy Families	<u>\$555,522</u>

NOTE 7: ENHANCED FEDERAL MATCHING FUNDS FROM THE AMERICAN RECOVERY AND REINVESTMENT ACT PROGRAM

During the calendar year, the County Board of Developmental disabilities received a refund for eFMAP (ARRA) funds for the Medicaid Program (CFDA #93.778) in the amount of \$229 from the Ohio Department of Developmental Disabilities. This refund was a correction to the eFMAP percentage for four billing cycles during July and August, 2009. This revenue is not listed on the County's Schedule of Expenditures of Federal Awards since the underlying expenses occurred in prior reporting periods.



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

Financial Condition
Auglaize County
209 South Blackhoof Street
Wapakoneta, Ohio 45895

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 units, each major fund, and the aggregate remaining fund information of Auglaize County, (the County) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 24, 2013, wherein, we noted the County adopted the provisions of Governmental Accounting Standards Board Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", and No. 65 "*Items previously reported as assets and liabilities*". We also noted that the County restated the January 1, 2012 Net Position of the Governmental Activities and the Fund Balance of the ACDD Fund. Our report refers to the other auditor who audited the financial statements of the component unit, Auglaize Industries, Inc. as described in our report on the Auglaize County financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported. We also qualified our opinion on the component unit Auglaize County Airport Authority since it was not audited for the year ended December 31, 2012.

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 opinion 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

September 24, 2013



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

Financial Condition
Auglaize County
209 South Blackhoof Street
Wapakoneta, Ohio 45895

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Auglaize County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2012. The *Summary of Audit 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.

Basis for Qualified Opinion on Edward Byrne Memorial Justice Assistance Grant Program

As described in finding 2012-001 in the accompanying schedule of findings, the County did not comply with requirements regarding Reporting applicable to its Edward Byrne Memorial Justice Assistance Grant Program major federal program. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to this program.

Qualified Opinion on Edward Byrne Memorial Justice Assistance Grant Program

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Edward Byrne Memorial Justice Assistance Grant Program* paragraph, Auglaize County complied, in all material respects, with the requirements referred to above that could directly and materially affect its Edward Byrne Memorial Justice Assistance Grant Program for the year ended December 31, 2012.

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Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Auglaize County complied, in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings for the year ended December 31, 2012.

Other Matters

The County's response to our noncompliance finding is described in the accompanying schedule of findings. We did not audit the County's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2012-001 to be a material weakness.

The County's response to our internal control over compliance finding is described in the accompanying schedule of findings. We did not audit the County's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

Columbus, Ohio

September 24, 2013

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified Qualified for discretely presented component unit
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified for all major programs except for the Edward Byrne Memorial Justice Assistance Grant Program which was qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Energy Efficiency and Conservation Block Grant Program (EECBG), Recovery Act CFDA #81.128 Edward Byrne Memorial Justice Assistance Grant Program CFDA #16.738 Social Services Block Grant CFDA #93.667
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

Noncompliance Citation / Material Weakness - Reporting

Finding Number	2012-001
CFDA Title and Number	Edward Byrne Memorial Justice Assistance Grant Program CFDA #16.738
Federal Award Number / Year	11-DL-LEF-5804; 10-JG-C01-6254; 11-JG-C01-6925
Federal Agency	U.S. Department of Justice
Pass-Through Agency	Ohio Office of Criminal Justice Services

28 C.F.R. Part 66.20(b) requires that the financial management systems of other grantees and sub-grantees must meet the following standards: 1) *financial reporting* – accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or sub-grant. 2) *accounting records* – grantees and sub-grantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or sub-grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

The Auglaize County Sheriff's Office (the Office) maintained handwritten ledgers to account for the federal and local match portion of the Edward Byrne Memorial Justice Assistance Grant Program (the Grant). These handwritten ledgers were used to prepare all financial reports sent to the grantor agency. Until the federal portion of the grant was received the Office directed the County Auditor to pay both the local match and federal expenditures related to the grant from the Local Match Fund. However, the Office recorded these expenditures in the appropriate Local Match or Federal Fund in their handwritten ledger. Once the federal grant money was received the Office directed the County Auditor to pay all allowable federal expenditures from the Federal Fund. Once the federal grant money was received the Office was to direct the County Auditor to move the federal expenditures originally paid from the Local Match Fund prior to receiving the federal grant money to the Federal Fund. However the Office failed to direct the County Auditor to move the federal expenditures originally paid from the Local Match Fund from the prior years of 2011, 2010, 2009, 2008 and 2007, in the total amount of \$28,146, until 2012. Since the County Auditor used their accounting records to prepare the Schedule of Federal Expenditures the \$28,146 from prior years was reported as an expenditure in 2012. As a result, expenditures were overstated on the 2012 Schedule of Federal Expenditures, and an audit adjustment was required.

The failure of the Office to timely direct the County Auditor to update their accounting records not only results in the misstatement of the Schedule of Federal Expenditures but could also result in the Office not having support for its grant activity in the event the handwritten ledgers were damaged or lost. The lack of support for federal grant activity could result in the need to return federal grant money already expended or loss of future funding. In addition, errors on the Schedule of Federal Expenditures may impact the A-133 risk analysis if the errors are not detected until the grant is audited.

Each month the Office should reconcile their handwritten ledgers to the accounting ledgers of the County Auditor. Any discrepancies should be immediately investigated and resolved.

Officials Response: See corrective action plan on page 87.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-001	<p>28 C.F.R. Part 66.20(b) – The Sheriff’s office will now receive, on a monthly basis, detail cash expenditure reports from the county auditor’s office for all of their funds. The sheriff’s office will then compare/confirm that all transactions for the grant funds on their bookkeeping system are the same as the county auditor’s office.</p> <p>Prior to the federal schedule preparation, the auditor’s office will meet with the Sheriff’s office to confirm the correct year of the expenditures from the grant funds.</p>	Immediately	Janet Schuler, County Auditor

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Dave Yost • Auditor of State

AUGLAIZE FINANCIAL CONDITION

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 22, 2013