

DARKE COUNTY, OHIO

FINANCIAL CONDITION

*FOR THE YEAR ENDED
DECEMBER 31, 2012*

CAROL GINN, AUDITOR



Dave Yost • Auditor of State

Board of Commissioners
Darke County
504 South Broadway Street
Greenville, Ohio 45331

We have reviewed the *Independent Auditor's Report* of Darke County, prepared by Julian & Grube, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Darke County is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 18, 2013

This page intentionally left blank.

DARKE COUNTY
FINANCIAL CONDITION
FOR THE YEAR ENDED DECEMBER 31, 2012

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position - Modified Cash Basis	13
Statement of Activities - Modified Cash Basis.....	14 - 15
Fund Financial Statements:	
Statement of Modified Cash Basis Assets and Fund Balances - Governmental Funds	16
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis	
Fund Balances - Governmental Funds.....	17
Statement of Cash Receipts, Disbursements and Changes in Fund Balance -	
Budget (Non-GAAP Basis) and Actual - General Fund	18
Statement of Cash Receipts, Disbursements and Changes in Fund Balance -	
Budget (Non-GAAP Basis) and Actual - Auto License and Gas Tax Fund	19
Statement of Cash Receipts, Disbursements and Changes in Fund	
Balance - Budget (Non-GAAP Basis) and Actual - BODD Fund	20
Statement of Cash Receipts, Disbursements and Changes in Fund	
Balance - Budget (Non-GAAP Basis) and Actual- Job and Family Services Fund.....	21
Statement of Fund Net Position - Modified Cash Basis - Enterprise Funds	22
Statement of Receipts, Disbursements and Changes in Fund Net Position -	
Modified Cash Basis - Enterprise Funds	23
Statement of Cash Flows - Enterprise Funds.....	24
Statement of Fiduciary Net Position - Modified Cash Basis - Agency Funds	25
Notes to the Basic Financial Statements	26 - 48
Supplementary Data:	
Schedule of Expenditures of Federal Awards.....	49 - 51
Notes to the Schedule of Expenditures of Federal Awards	52 - 53
Independent Auditor’s Report on Internal Control Over Financial Reporting and on	
Compliance and Other Matters Required by <i>Government Auditing Standards</i>	54 - 55
Independent Auditor’s Report on Compliance With Requirements Applicable	
to Each Major Federal Program and on Internal Control Over Compliance	
Required by With <i>OMB Circular A-133</i>	56 - 57
Schedule of Findings and Responses <i>OMB Circular A-133 §.505</i>	58 - 61
Status of Prior Audit Findings	62

This page intentionally left blank.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Darke County
504 South Broadway Street
Greenville, Ohio 45331

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Darke County, Ohio, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Darke County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to Darke 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 Darke County's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Darke County, Ohio, as of December 31, 2012, and the respective changes in modified cash financial position and where applicable, cash flows, and the respective budgetary comparisons for the general, auto license and gas tax, BODD, and job and family services funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2012, Darke County adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Supplemental and Other Information

We audited to opine on Darke County's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net position, changes in net position, governmental activities total receipts, statement of activities and long-term debt. The schedule of expenditures of federal awards (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional analysis and are not a required part of the basic financial statements.

These tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information 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, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2013, on our consideration of Darke 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 Darke County's internal control over financial reporting and compliance.



Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

This discussion and analysis of the Darke County (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2012 within the limitations of the County's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the County's financial performance.

FINANCIAL HIGHLIGHTS

Key highlights for 2012 are as follows:

Total net position of governmental activities was \$19,285,389. The net position of governmental activities increased \$1,596,571, which is about 9 percent.

General governmental receipts accounted for \$18,820,417 or 47% of all receipts. Program specific receipts in the form of charges for services and grants and contributions accounted for \$21,445,589 or 53% of all receipts of governmental activities of \$40,266,006.

The County had \$38,707,955 in cash disbursements related to governmental activities; only \$21,445,589 of these disbursements were offset by program specific charges for services, grants or contributions.

Among major funds, the General Fund had \$14,121,449 in receipts and other financing sources and \$13,581,128 in disbursements and other financing uses. The General Fund's fund balance increased \$540,321, or approximately 16% to a balance of \$3,880,112.

Net position for the enterprise funds increased \$75,582, or 11 percent.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the County's modified cash basis of accounting. It consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the County.

These statements are as follows:

1. The Government-Wide Financial Statements – These statements provide both long-term and short-term information about the County's overall financial status.
2. The Fund Financial Statements – These statements focus on individual parts of the County, reporting the County's operation in more detail than the government-wide statements.

The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Basis of Accounting

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

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

Reporting the County as a Whole

The government-wide statements report information about the County as a whole, within the limitations of modified cash basis accounting. The statement of net position presents the cash balances of the County at year-end. The statement of activities compares cash disbursements with program receipts for the County's programs. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of the program.

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

In the Government-wide Statement of Net Position and Statement of Activities, the County is divided into two kinds of activities.

Governmental Activities – Most of the County's programs and services are reported here including public safety, health, human services, economic development and assistance, public works, general government, capital outlay and debt service.

Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the disbursements of the goods or services provided. The County's sewer services and solid waste treatment are reported as business-type activities.

Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Fund Financial Statements

Fund financial statements provide more detailed information about the County's most significant funds – not the County as a whole. The County establishes separate funds to better manage its activities and to help demonstrate that restricted resources are being used for the intended purpose. The fund financial statements provide a detailed view of the County's operations and the basic services it provides. Fund information helps determine whether there are more or less financial resources that can be spent to finance the County's activities. The County's significant funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

Governmental Funds - Most of the County's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end that are available for spending in future periods. The County's major governmental funds are the General Fund, the Job and Family Services Fund, the Auto License and Gas Tax Fund and the BODD Fund.

Enterprise Funds - When the County charges users for the services it provides, with the intent of recapturing operating costs, these services are generally reported in enterprise funds. The enterprise funds are reported as business-type activities on the entity-wide statement of net position and statement of activities. The County does not have any major enterprise funds.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government in purely a custodial nature. These activities are not included on the entity-wide statements because the assets cannot be utilized by the County to finance its operations.

Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Table 1 provides a summary of the County's net position for 2012 compared to 2011 on a modified cash basis:

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Cash and Investments	\$19,285,389	\$17,688,818	\$734,992	\$659,410	\$20,020,381	\$18,348,228
Total Assets	19,285,389	17,688,818	734,992	659,410	20,020,381	18,348,228
Net Position						
Restricted for:						
Other Purposes	13,574,045	13,168,376	0	0	13,574,045	13,168,376
Capital Outlay	588,465	493,465	0	0	588,465	493,465
Unrestricted	5,122,879	4,026,977	734,992	659,410	5,857,871	4,686,387
Total Net Position	\$19,285,389	\$17,688,818	\$734,992	\$659,410	\$20,020,381	\$18,348,228

Total net position of governmental activities increased \$1,596,571. Net position restricted for other purposes increased due to the cumulative increase in fund balance of the BODD fund and several other nonmajor funds. Unrestricted net position increased due mostly to the increase in fund balance of the general fund that resulted from an increase in sales tax receipts and other receipts.

Net position of business-type activities increased \$75,582, or 11 percent. This was due mostly to the receipt of a market development grant for solid waste that had not yet been expended at year-end.

Table 2 reflects the changes in net position in 2012, as well as a comparison to the changes in net position during 2011.

Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Receipts						
Program Receipts:						
Charges for Services	\$8,315,047	\$7,562,072	\$525,489	\$466,058	\$8,840,536	\$8,028,130
Operating Grants, Contributions and Interest	13,130,542	15,011,029	130,270	0	13,260,812	15,011,029
Capital Grants and Cont.	0	7,579	0	0	0	7,579
Total Program Receipts	21,445,589	22,580,680	655,759	466,058	22,101,348	23,046,738
General Receipts:						
Property Taxes	5,081,804	4,927,892	0	0	5,081,804	4,927,892
Sales Taxes	7,080,251	6,761,750	0	0	7,080,251	6,761,750
Grants and Entitlements	1,606,081	1,809,710	0	0	1,606,081	1,809,710
Interest	195,848	201,737	0	0	195,848	201,737
Other	516,928	485,939	3,947	4,622	520,875	490,561
Proceeds and Premium on Debt Issue	4,339,505	732,436	0	0	4,339,505	732,436
Total General Receipts	18,820,417	14,919,464	3,947	4,622	18,824,364	14,924,086
Total Receipts	40,266,006	37,500,144	659,706	470,680	40,925,712	37,970,824
Disbursements						
General Government						
Legislative and Executive	4,451,214	4,496,947	0	0	4,451,214	4,496,947
Judicial	3,232,756	3,179,131	0	0	3,232,756	3,179,131
Public Safety	5,444,843	5,416,578	0	0	5,444,843	5,416,578
Public Works	5,675,494	5,717,227	0	0	5,675,494	5,717,227
Health	417,016	396,926	0	0	417,016	396,926
Human Services	13,237,925	13,617,516	0	0	13,237,925	13,617,516
Economic Dev and Assistance	676,982	1,559,021	0	0	676,982	1,559,021
Intergovernmental	314,709	269,827	0	0	314,709	269,827
Capital Outlay	397,105	533,556	0	0	397,105	533,556
Debt Service:						
Principal Retirement	1,203,312	1,074,438	0	0	1,203,312	1,074,438
Interest and Fiscal Charges	379,094	311,979	0	0	379,094	311,979
Payment to Bond Escrow Agent	3,158,691	0	0	0	3,158,691	0
Issuance Costs	118,814	0	0	0	118,814	0
Sewer	0	0	237,441	143,102	237,441	143,102
Solid Waste	0	0	308,163	317,240	308,163	317,240
Total Disbursements	38,707,955	36,573,146	545,604	460,342	39,253,559	37,033,488
Increase(Decrease) in Net Position Before Advances	1,558,051	926,998	114,102	10,338	1,672,153	937,336
Advances	38,520	17,994	(38,520)	(17,994)	0	0
Increase (Decrease) in Net Position	1,596,571	944,992	75,582	(7,656)	1,672,153	937,336
Beginning Net Position	17,688,818	16,743,826	659,410	667,066	18,348,228	17,410,892
Ending Net Position	\$19,285,389	\$17,688,818	\$734,992	\$659,410	\$20,020,381	\$18,348,228

Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Governmental Activities

Net position of the County's governmental activities increased \$1,596,571, which is about 9 percent.

The following table shows total receipts by source for 2012:

<u>Receipts by Source</u>	<u>2012</u>	<u>Percent of Total</u>
Unrestricted grants and entitlements	\$1,606,081	3.99%
Program Receipts	21,445,589	53.26%
General Tax Receipts	12,162,055	30.20%
General Other	712,776	1.77%
Proceeds of Bonds	4,339,505	10.78%
Total Receipts	<u>\$40,266,006</u>	<u>100.00%</u>

Tax receipts accounted for \$12,162,055 of the \$40,266,006 in total receipts for governmental activities. Sales tax accounted for \$7,080,251, or approximately 58 percent of the total tax receipts, with property taxes making up the other 42 percent.

The program receipts are made up of \$8,315,047 in direct charges to users of governmental services and \$13,130,542 in grants and contributions restricted to specific programs.

Charges for services increased largely due to an increase in RSC vendor services of the BODD Fund and an increase in reimbursement services in the Job and Family Services Fund. Operating grants, contributions and interest decreased due to a decrease in the grants and subsidies of the BODD and Job and Family Services Funds, and the Yorkshire Sewer Grant coming to an end in 2012. Sales taxes increased for 2012, due to an improvement of the economy.

The proceeds of bonds of \$4,339,505, is not all new debt for the County. The County advance refunded \$3,015,000 of the 2002 Wagner Avenue Government Center Improvement bonds during 2012. The County's debt obligations, including the refunding, are discussed in the debt section of this management's discussion and analysis and also in Note 12 to the financial statements.

Human Services disbursements accounted for the largest share of disbursements at approximately 34 percent of total cash disbursements for 2012. Public works disbursements were about 15 percent of disbursements and public safety disbursements were about 14 percent of disbursements. General government legislative and executive disbursements accounted for 11 percent of disbursements and General government judicial disbursements were about 8 percent of disbursements. Economic development and assistance disbursements decreased due to the Yorkshire sewer project winding down, and also due to fewer CHIP grant projects during 2012. The payment to the bond escrow agent of \$3,158,691 reflects the amount that the County was required to put into an escrow account in order to refund the 2002 Wagner Avenue Government Center Improvement bonds.

Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Business-Type Activities

Net position of business-type activities increased by \$75,582 during 2012. Charges for services were the largest source of receipts, accounting for 80 percent of total business-type activities receipts. Another 19 percent of the receipts were from solid waste grants, and the other one percent was miscellaneous receipts.

Statement of Activities

If you look at the Statement of Activities on page 14, you will see that the first column lists the major programs of the County. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the County that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3. That is, it identifies the cost of these services supported by taxes, unrestricted State entitlements and investment earnings. A comparison to the same information for 2011 is shown.

Table 3

	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Current:				
General Government:				
Legislative and Executive	\$4,451,214	\$1,563,516	\$4,496,947	\$1,662,179
Judicial	3,232,756	1,198,182	3,179,131	1,369,717
Public Safety	5,444,843	4,587,234	5,416,578	4,806,598
Public Works	5,675,494	142,188	5,717,227	(29,450)
Health	417,016	248,436	396,926	204,710
Human Services	13,237,925	3,961,540	13,617,516	3,995,724
Economic Development and Assistance	676,982	(10,455)	1,559,021	(100,069)
Intergovernmental	314,709	314,709	269,827	269,827
Capital Outlay	397,105	397,105	533,556	426,813
Debt Service:				
Principal Retirement	1,203,312	1,203,312	1,074,438	1,074,438
Interest and Fiscal Charges	379,094	379,094	311,979	311,979
Issuance Costs	118,814	118,814	0	0
Payment to Refunded Bond Escrow Agent	3,158,691	3,158,691	0	0
Total Disbursements	<u>\$38,707,955</u>	<u>\$17,262,366</u>	<u>\$36,573,146</u>	<u>\$13,992,466</u>

Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Charges for services, operating grants and capital grants of about 53 percent of total cash receipts were received and used to fund the disbursements of the County. The remaining 47 percent of cash receipts were from taxes, unrestricted State entitlements, investment earnings, proceeds and premium on debt issue, and miscellaneous receipts. The County relies on these receipts to furnish the services it provides to residents.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Information about the County's major governmental funds begins on page 16. All governmental funds had total receipts and other financing sources of \$40,266,006 and total disbursements and other financing uses of \$38,707,955. The General Fund is the chief operating fund of the County. At the end of 2012, the fund balance of the general fund was \$3,880,112. The General Fund balance increased \$540,321 or 16 percent due to the strict monitoring of disbursements during 2012, and increased sales tax receipts.

The Auto License and Gas Tax Fund balance decreased \$135,407, which is about 2.5 percent. The BODD Fund balance increased \$293,291, or about 8 percent, due to an increase in Rehabilitation Services Commission vendor services. The Job and Family Services Fund balance increased \$74,020, or 39 percent due to timing of receipts and disbursements of the fund. The non-major governmental funds had an increase in fund balance of \$824,346.

Information about the County's enterprise funds begins on page 22. The enterprise funds reported an operating income of \$17,206 for 2012, and an increase in net position of \$75,582, due to the grant balances of the solid waste 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 receipts, disbursements and encumbrances. The County's budget is adopted on a line item basis. The Board of County Commissioners adopts the budget at the department level within each fund of the County. The purchase orders left open and carried over from the prior fiscal year become part of the appropriations for the current year. For 2012, the General Fund had original appropriations of \$15,331,637 and final appropriations of \$15,487,165.

On the budgetary basis, actual disbursements reported include outstanding purchase orders at year-end. Actual disbursements plus year-end encumbrances were \$13,272,586 for 2012.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County does not report capital assets on its modified cash basis financial statements. The County does track capital assets for insurance and internal purposes.

Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Debt

At December 31, 2012, Darke County had \$6,947,345 in governmental debt outstanding.

Table 4
Outstanding Debt at Year End

	Governmental Activities	
	2012	2011
General Obligation Bonds	\$6,840,000	\$5,870,000
Long-Term TIF Notes	107,345	243,656
Bond Anticipation Notes	0	732,000
Totals	<u>\$6,947,345</u>	<u>\$6,845,656</u>

See Note 12 of the notes to the basic financial statements for more detailed information.

CURRENT FINANCIAL ISSUES AND CONCERNS

The economic condition of the County is steadily improving even though the County's budget for the General Fund in 2013 is very conservative. Total receipts are projected to be almost 2.56% less than what was actually received in 2012. At this time the County Treasurer expects there to be a decrease in the investment earnings for 2013 due to continued low interest rates.

This conservative budget is a reflection of a volatile economic climate.

In 2012, the City of Greenville and Darke County again earned a ranking of 21st out of 576 Micropolitan areas in the entire United States from Site Selection Magazine. They first earned the ranking in 2011 where they moved up from 41st place. This ranking was based on areas showing large corporate expansions and new business in an area in a given year with a city population between 10,000 – 50,000.

Among the numerous expansions in Darke County, Midmark Corporation in Versailles announced their plans to expand their current location. This would be an estimated 100,000 square foot expansion allowing Midmark to improve materials management processes and add new equipment. The goal for completion is planned to be late 2013.

Ramco Electric Motors, Inc., in Greenville, moved into a renovated 71,000 square foot facility. This marked the largest expansion the company has taken since it was established in 1987. This move has allowed the company to add a new product line and almost double their current workforce.

Finally, Troy Sunshade Company in Greenville celebrated its 125th anniversary in November, and Dynamic Weld in Osgood received Honda's Supplier of the Year Award. This award was only given to 6 out of 4,500 companies.

Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to reflect the County's accountability for the money it receives. If you have questions about this report or need additional information, contact Carol Ginn, Auditor of Darke County.

Darke County, Ohio
Statement of Net Position - Modified Cash Basis
December 31, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$18,788,005	\$734,992	\$19,522,997
Cash and Cash Equivalents in Segregated Accounts	390,611	0	390,611
Cash and Cash Equivalents with Fiscal Agent	46,352	0	46,352
Investments in Segregated Accounts	60,421	0	60,421
<i>Total Assets</i>	<u>\$19,285,389</u>	<u>\$734,992</u>	<u>\$20,020,381</u>
Net Position			
Restricted for:			
Capital Outlay	588,465	0	588,465
Other Purposes	13,574,045	0	13,574,045
Unrestricted	5,122,879	734,992	5,857,871
<i>Total Net Position</i>	<u>\$19,285,389</u>	<u>\$734,992</u>	<u>\$20,020,381</u>

See accompanying notes to the basic financial statements

Darke County, Ohio
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2012

	Disbursements	Program Receipts		
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities:				
General Government:				
Legislative and Executive	\$4,451,214	\$2,817,767	\$69,931	\$0
Judicial	3,232,756	1,298,188	736,386	0
Public Safety	5,444,843	448,391	409,218	0
Public Works	5,675,494	487,503	5,045,803	0
Health	417,016	167,712	868	0
Human Services	13,237,925	2,715,479	6,560,906	0
Economic Development and Assistance	676,982	380,007	307,430	0
Intergovernmental	314,709	0	0	0
Capital Outlay	397,105	0	0	0
Debt Service:				
Principal Retirement	1,203,312	0	0	0
Interest and Fiscal Charges	379,094	0	0	0
Issuance Costs	118,814	0	0	0
Payment to Refunded Bond Escrow Agent	3,158,691	0	0	0
<i>Total Governmental Activities</i>	<u>38,707,955</u>	<u>8,315,047</u>	<u>13,130,542</u>	<u>0</u>
Business-type activities:				
Sewer	237,441	301,517	0	0
Solid Waste	308,163	223,972	130,270	0
<i>Total business-type activities</i>	<u>545,604</u>	<u>525,489</u>	<u>130,270</u>	<u>0</u>
<i>Total primary government</i>	<u>\$39,253,559</u>	<u>\$8,840,536</u>	<u>\$13,260,812</u>	<u>\$0</u>

General Receipts:
Property Taxes Levied for:
 General Purposes
 Other Purposes

Permissive Sales Taxes
Grants and Entitlements not Restricted to Specific Programs
Unrestricted Investment Earnings
Payment in Lieu of Taxes
Proceeds of Bonds
Premium on Sale of Bonds
Miscellaneous
Advances
Total General Receipts and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
(\$1,563,516)	\$0	(\$1,563,516)
(1,198,182)	0	(1,198,182)
(4,587,234)	0	(4,587,234)
(142,188)	0	(142,188)
(248,436)	0	(248,436)
(3,961,540)	0	(3,961,540)
10,455	0	10,455
(314,709)	0	(314,709)
(397,105)	0	(397,105)
	0	0
(1,203,312)	0	(1,203,312)
(379,094)	0	(379,094)
(118,814)	0	(118,814)
(3,158,691)	0	(3,158,691)
<u>(17,262,366)</u>	<u>0</u>	<u>(17,262,366)</u>
0	64,076	64,076
0	46,079	46,079
0	110,155	110,155
<u>(17,262,366)</u>	<u>110,155</u>	<u>(17,152,211)</u>
2,608,718	0	2,608,718
2,473,086	0	2,473,086
7,080,251	0	7,080,251
1,606,081	0	1,606,081
195,848	0	195,848
194,743	0	194,743
4,320,000	0	4,320,000
19,505	0	19,505
322,185	3,947	326,132
38,520	(38,520)	0
<u>18,858,937</u>	<u>(34,573)</u>	<u>18,824,364</u>
1,596,571	75,582	1,672,153
<u>17,688,818</u>	<u>659,410</u>	<u>18,348,228</u>
<u>\$19,285,389</u>	<u>\$734,992</u>	<u>\$20,020,381</u>

Darke County, Ohio
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2012

	General	Auto License and Gas Tax	BODD	Job and Family Services	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$3,552,061	\$5,257,810	\$3,884,088	\$265,984	\$5,878,483	\$18,838,426
Cash and Cash Equivalents in Segregated Accounts	277,630	0	0	0	62,560	340,190
Cash and Cash Equivalents with Fiscal Agents	0	0	46,352	0	0	46,352
Investments in Segregated Accounts	50,421	0	0	0	10,000	60,421
<i>Total Assets</i>	<u>\$3,880,112</u>	<u>\$5,257,810</u>	<u>\$3,930,440</u>	<u>\$265,984</u>	<u>\$5,951,043</u>	<u>\$19,285,389</u>
Fund Balances						
Nonspendable	\$0	\$0	\$52,787	\$0	\$0	\$52,787
Restricted	0	5,257,810	3,877,653	265,984	4,708,276	14,109,723
Committed	0	0	0	0	538,379	538,379
Assigned	3,018,456	0	0	0	704,388	3,722,844
Unassigned	861,656	0	0	0	0	861,656
<i>Total Fund Balances</i>	<u>\$3,880,112</u>	<u>\$5,257,810</u>	<u>\$3,930,440</u>	<u>\$265,984</u>	<u>\$5,951,043</u>	<u>\$19,285,389</u>

See accompanying notes to the basic financial statements

Darke County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	Auto License and Gas Tax	BODD	Job and Family Services	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Taxes	\$2,608,718	\$0	\$2,473,086	\$0	\$0	\$5,081,804
Permissive Sales Tax	7,080,251	0	0	0	0	7,080,251
Intergovernmental	1,238,609	4,661,702	2,936,840	2,940,575	2,797,194	14,574,920
Charges for Services	1,793,832	273,162	504,630	1,078,299	2,916,031	6,565,954
Licenses and Permits	120,401	0	0	0	189,159	309,560
Fines and Forfeitures	365,162	0	0	0	176,688	541,850
Special Assessments	0	0	0	0	300,718	300,718
Interest	195,848	83,383	327	301	147,166	427,025
Payments in Lieu of Taxes	194,743	0	0	0	0	194,743
Other	294,282	114,372	4,278	99,861	288,741	801,534
<i>Total Receipts</i>	<u>13,891,846</u>	<u>5,132,619</u>	<u>5,919,161</u>	<u>4,119,036</u>	<u>6,815,697</u>	<u>35,878,359</u>
Disbursements						
Current:						
General Government:						
Legislative and Executive	3,951,685	0	0	0	499,528	4,451,213
Judicial	1,878,588	0	0	0	1,354,168	3,232,756
Public Safety	5,011,585	0	0	0	433,257	5,444,842
Public Works	34,598	5,315,916	0	0	324,980	5,675,494
Health	221,489	0	0	0	195,527	417,016
Human Services	377,000	0	5,575,870	4,134,538	3,150,517	13,237,925
Economic Development	0	0	0	0	676,982	676,982
Intergovernmental	314,709	0	0	0	0	314,709
Capital Outlay	0	0	0	0	397,105	397,105
Debt Service:						
Principal Retirement	0	0	0	0	1,203,312	1,203,312
Interest and Fiscal Charges	0	0	0	0	379,094	379,094
Issuance Costs	0	0	0	0	118,814	118,814
<i>Total Disbursements</i>	<u>11,789,654</u>	<u>5,315,916</u>	<u>5,575,870</u>	<u>4,134,538</u>	<u>8,733,284</u>	<u>35,549,262</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,102,192</u>	<u>(183,297)</u>	<u>343,291</u>	<u>(15,502)</u>	<u>(1,917,587)</u>	<u>329,097</u>
Other Financing Sources (Uses)						
Proceeds from Sale of Capital Assets	250	47,890	0	0	0	48,140
Proceeds from Sale of Bonds	0	0	0	0	4,320,000	4,320,000
Premium on Bonds	0	0	0	0	19,505	19,505
Payment to Refunded Bond Escrow Agent	0	0	0	0	(3,158,691)	(3,158,691)
Advances - In	223,487	0	0	0	139,358	362,845
Advances - Out	(84,358)	0	0	0	(239,967)	(324,325)
Transfers - In	5,866	0	0	89,522	2,086,514	2,181,902
Transfers - Out	(1,707,116)	0	(50,000)	0	(424,786)	(2,181,902)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,561,871)</u>	<u>47,890</u>	<u>(50,000)</u>	<u>89,522</u>	<u>2,741,933</u>	<u>1,267,474</u>
<i>Net Change in Fund Balances</i>	<u>540,321</u>	<u>(135,407)</u>	<u>293,291</u>	<u>74,020</u>	<u>824,346</u>	<u>1,596,571</u>
<i>Fund Balances Beginning of Year</i>	<u>3,339,791</u>	<u>5,393,217</u>	<u>3,637,149</u>	<u>191,964</u>	<u>5,126,697</u>	<u>17,688,818</u>
<i>Fund Balances End of Year</i>	<u>\$3,880,112</u>	<u>\$5,257,810</u>	<u>\$3,930,440</u>	<u>\$265,984</u>	<u>\$5,951,043</u>	<u>\$19,285,389</u>

See accompanying notes to the basic financial statements

Darke County, Ohio
*Statement of Cash Receipts, Disbursements and Changes
 In Fund Balance - Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Taxes	\$2,485,000	\$2,608,129	\$2,608,718	\$589
Permissive Sales Tax	6,750,000	7,080,251	7,080,251	0
Intergovernmental	966,292	1,184,451	1,221,213	36,762
Charges for Services	1,297,135	1,350,053	1,465,337	115,284
Licenses and Permits	61,100	117,890	120,401	2,511
Fines and Forfeitures	387,661	387,661	365,162	(22,499)
Interest	101,066	210,711	210,180	(531)
Payments in Lieu of Taxes	195,531	195,531	194,743	(788)
Other	175,694	179,525	102,240	(77,285)
<i>Total Receipts</i>	12,419,479	13,314,202	13,368,245	54,043
Disbursements				
Current:				
General Government:				
Legislative and Executive	5,754,983	5,380,822	3,787,057	1,593,765
Judicial	2,052,695	2,060,671	1,881,593	179,078
Public Safety	5,080,655	5,090,455	4,869,800	220,655
Public Works	37,004	37,004	34,598	2,406
Health	238,299	239,099	221,489	17,610
Human Services	501,574	490,310	360,604	129,706
Intergovernmental	307,424	316,370	314,709	1,661
<i>Total Disbursements</i>	13,972,634	13,614,731	11,469,850	2,144,881
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,553,155)	(300,529)	1,898,395	2,198,924
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	250	250
Advances In	260,874	277,267	223,486	(53,781)
Advances Out	(73,052)	(99,942)	(94,572)	5,370
Transfers In	6,380	6,380	5,867	(513)
Transfers Out	(1,285,951)	(1,772,491)	(1,708,164)	64,327
<i>Total Other Financing Sources (Uses)</i>	(1,091,749)	(1,588,786)	(1,573,133)	15,653
<i>Net Change in Fund Balance</i>	(2,644,904)	(1,889,315)	325,262	2,214,577
<i>Fund Balance Beginning of Year</i>	2,596,464	2,596,464	2,596,464	0
Prior Year Encumbrances Appropriated	48,440	48,440	48,440	0
<i>Fund Balance End of Year</i>	\$0	\$755,589	\$2,970,166	\$2,214,577

See accompanying notes to the basic financial statements

Darke County, Ohio
*Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Auto License and Gas Tax Fund
For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$4,450,000	\$4,615,003	\$4,615,003	\$0
Charges for Services	280,000	264,178	264,178	0
Interest	70,000	83,383	83,383	0
Other	18,000	105,397	105,397	0
<i>Total Receipts</i>	4,818,000	5,067,961	5,067,961	0
Disbursements				
Current:				
Public Works	7,016,201	6,823,201	5,147,046	1,676,155
<i>Excess of Receipts Under Disbursements</i>	(2,198,201)	(1,755,240)	(79,085)	1,676,155
<i>Other Financing Sources (Uses):</i>				
Proceeds from Sale of Capital Assets	15,000	47,890	47,890	0
Advances In	46,700	46,699	46,699	0
Advances Out	(46,700)	(46,699)	(46,699)	0
Transfers Out	(10,800)	(193,800)	(122,800)	71,000
<i>Total Other Financing Sources (Uses)</i>	4,200	(145,910)	(74,910)	71,000
<i>Net Change in Fund Balance</i>	(2,194,001)	(1,901,150)	(153,995)	1,747,155
<i>Fund Balance at Beginning of Year</i>	5,391,240	5,391,240	5,391,240	0
<i>Fund Balance at End of Year</i>	<u>\$3,197,239</u>	<u>\$3,490,090</u>	<u>\$5,237,245</u>	<u>\$1,747,155</u>

See accompanying notes to the basic financial statement:

Darke County, Ohio
*Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
BODD 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>	
Receipts				
Property and Other Taxes	\$2,406,000	\$2,473,086	\$2,473,086	\$0
Intergovernmental	3,070,975	2,731,640	2,731,640	0
Charges for Services	450,080	504,630	504,630	0
Other	1,000	4,226	4,226	0
<i>Total Receipts</i>	<u>5,928,055</u>	<u>5,713,582</u>	<u>5,713,582</u>	<u>0</u>
Disbursements				
Current:				
Human Services	<u>5,865,086</u>	<u>5,864,138</u>	<u>5,360,228</u>	<u>503,910</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>62,969</u>	<u>(150,556)</u>	<u>353,354</u>	<u>503,910</u>
Other Financing Sources (Uses)				
Transfers - In	1,011	1,011	1,011	0
Transfers - Out	<u>(50,000)</u>	<u>(50,948)</u>	<u>(50,948)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	13,980	(200,493)	303,417	503,910
<i>Fund Balance at Beginning of Year</i>	2,793,724	2,793,724	2,793,724	0
Prior Year Encumbrances Appropriated	<u>80,836</u>	<u>80,836</u>	<u>80,836</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$2,888,540</u>	<u>\$2,674,067</u>	<u>\$3,177,977</u>	<u>\$503,910</u>

See accompanying notes to the basic financial statements

Darke County, Ohio
*Statement of Cash Receipts, Disbursements and Changes
 In Fund Balance - Budget (Non-GAAP Basis) and Actual
 Job and Family Services 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>	
Receipts				
Intergovernmental	\$2,915,764	\$2,377,730	\$2,377,730	\$0
Charges for Services	825,918	1,045,049	1,045,049	0
Other	109,000	97,861	97,861	0
<i>Total Receipts</i>	3,850,682	3,520,640	3,520,640	0
Disbursements				
Current:				
Human Services	4,088,158	3,758,116	3,630,710	127,406
<i>Excess of Receipts Under Disbursements</i>	(237,476)	(237,476)	(110,070)	127,406
Other Financing Source				
Transfers - In	89,522	89,522	89,522	0
<i>Net Change in Fund Balance</i>	(147,954)	(147,954)	(20,548)	127,406
<i>Fund Balance at Beginning of Year</i>	147,954	147,954	147,954	0
<i>Fund Balance at End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$127,406</u>	<u>\$127,406</u>

See accompanying notes to the basic financial statements

Darke County, Ohio
Statement of Fund Net Position - Modified Cash Basis
Enterprise Funds
As of December 31, 2012

	Enterprise Funds
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$734,992
Net Position	
Unrestricted	\$734,992

See accompanying notes to the basic financial statements

Darke County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Net Position
Modified Cash Basis
Enterprise Funds
December 31, 2012

	Total
Operating Receipts	
Charges for Services	\$525,489
Other	3,947
<i>Total Operating Receipts</i>	529,436
Operating Disbursements	
Personal Services	103,059
Contractual Services	287,615
Materials and Supplies	34,683
Other	86,873
<i>Total Operating Disbursements</i>	512,230
<i>Operating Income</i>	17,206
<i>Non-Operating Receipts (Disbursements)</i>	
Federal and State Subsidies	130,270
Capital Outlay	(33,374)
Advances In	16,480
Advances Out	(55,000)
<i>Total Non-Operating Receipts (Disbursements)</i>	58,376
<i>Change in Net Position</i>	75,582
<i>Net Position Beginning of Year</i>	659,410
<i>Net Position End of Year</i>	\$734,992

See accompanying notes to the basic financial statements

Darke County
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2012

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities	
Cash Received from Customers and Support	\$525,489
Cash Received from Other Operating Receipts	3,947
Cash Payments for Employee Services and Benefits	(103,059)
Cash Payments to Suppliers	(322,298)
Cash Payments for Other Operating Disbursements	(86,873)
<i>Net Cash Used in Operating Activities</i>	17,206
Cash Flows from Noncapital Financing Activities	
Federal and State Subsidies	130,270
Acquisition of Capital Assets	(33,374)
Advances In	16,480
Advances - Out	(55,000)
<i>Net Cash Provided by Noncapital Financing Activities</i>	58,376
<i>Net Decrease in Cash and Cash Equivalents</i>	75,582
<i>Cash and Cash Equivalents Beginning of Year</i>	659,410
<i>Cash and Cash Equivalents End of Year</i>	\$734,992

See accompanying notes to the basic financial statements

Darke County, Ohio
Statement of Fiduciary Net Position
Modified Cash Basis
Agency Funds
December 31, 2012

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,306,363
Cash and Cash Equivalents in Segregated Accounts	306,288
Investments in Segregated Accounts	<u>75,000</u>
<i>Total Assets</i>	<u><u>\$2,687,651</u></u>
Liabilities	
Undistributed Monies	<u>\$2,687,651</u>
<i>Total Liabilities</i>	<u><u>\$2,687,651</u></u>

See accompanying notes to the basic financial statements

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 1 - DESCRIPTION OF THE COUNTY AND REPORTING ENTITY

Darke County, Ohio (The County) was created in 1809 when it detached from Miami County but was not organized until 1817. 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 who manage various segments of the County's operations are the County Auditor, County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecutor, Sheriff, a Common Pleas Court Judge, one Municipal Court Judge and a joint Probate/Juvenile 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 County, including the departments of the elected officials noted above.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Darke County, this includes the Children's Services Board, the Board of Developmental Disabilities, the Child Support Enforcement Agency, the Community Corrections Planning Board, County Home, the Darke County Veterans Services, the Emergency Management Agency, and all departments and activities that are directly operated by the elected County Officials. The County owns and operates a wastewater treatment and collection system, which is reported as an enterprise fund. In addition, Darke County (the primary government) has one component unit, Wayne Industries, which was determined to be not material to the financial statements.

Component units are legally separate organizations for which the County is financially accountable, or for which the County is not financially accountable but the nature and significance of the County's relationship with the separate organization is such that it is required to be presented as a component unit. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt, or the levying of taxes. Organizations for which the County is not financially accountable are component units of the County if (1) economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the County or its constituents, (2) the County is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the organization and (3) the economic resources received or held by the organization are significant to the County.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 1 - DESCRIPTION OF THE COUNTY AND REPORTING ENTITY (continued)

Wayne Industries

Wayne Industries is a legally separate, not-for-profit corporation served by a board appointed by the Darke County Board of Developmental Disabilities (BODD). The workshop, under contractual agreement with the Darke County BODD, provides sheltered employment for the physically and mentally handicapped individuals in Darke County. The Darke County BODD provides the workshop with personnel necessary for the operation of the habilitation services to the clients, land and buildings for the operation of the center, maintenance and repair of the buildings and professional staff to supervise and train clients of Wayne Industries. Based on the significant services and resources provided by the County to the workshop and the workshop's sole purpose of providing assistance to the mentally and physically handicapped adults of Darke County, the workshop is a component unit of Darke County. Separately issued financial statements may be obtained from Wayne Industries at 5844 Jaysville-St. Johns Road, Greenville, Ohio 45331.

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of separate agencies, board and commissions listed below, the County serves as the fiscal agent but is not financially accountable. Accordingly, the activity of the following districts and agencies are presented as agency funds within the County's financial statements:

- Darke County General Health District
- Darke County Soil Conservation District
- Darke County Park District
- Darke County Family and Children First Council

The County is associated with certain organizations which are defined as Insurance Purchasing Pools and Jointly Governed Organizations. The organizations are discussed in Notes 14 and 15 to the basic financial statements. These organizations are:

Insurance Purchasing Pools:

- County Risk Sharing Authority, Incorporated (CORSA)
- County Commissioners' Association of Ohio Worker's Compensation Group Rating Program (CCAOSC)

Jointly Governed Organizations:

- Tri-County Board of Recovery and Mental Health Services (Tri-County Mental Health Board)
- West Central Ohio Network (West Con)

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although Ohio Administrative Code Section 117-2-03 (B) requires the County's financial report to follow accounting principles generally accepted in the United States of America, the County chooses to prepare its financial statements and notes in accordance with the modified cash-basis of accounting.

This basis of accounting is similar to the cash receipts and disbursements basis. The County recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

The County also reports long-term investments as assets, valued at cost.

Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the year, and non-budgeted activity of some of the departments off-book cash accounts. Differences between receipts reported in the fund and entity wide statements versus budgetary receipts are due to unrecorded cash at the beginning and end of the year, and activity of West-Con on behalf of the Darke County Board of Developmental Disabilities (BODD). Perspective differences arise from the activity of some funds being included with the General Fund on the modified cash basis because those funds do not meet the requirements to be presented as a separate fund, and from the activity of some funds being combined with the BODD fund and the Job and Family Services Fund because they are so closely tied to the activity of those funds. These funds are not presented on the budget basis because the budget basis only presents the legally adopted budget for the given fund.

Adjustments necessary to convert the changes in fund balance on a budgetary basis to the changes in fund balances on the modified cash basis for the General Fund, the Auto License and Gas Fund, the BODD Fund, and the Job and Family Services Fund are as follows:

Net Change in Fund Balance

	General	Auto License and Gas	BODD	Job and Family Services
Modified Cash Basis	\$540,321	(\$135,407)	\$293,291	\$74,020
Unrecorded Cash on Hand	(21,723)	(17,959)	(96,687)	(36,666)
Non-Budgeted Activity	(42,489)	0	188,733	0
Encumbrances	(48,289)	(248)	(81,637)	(1,236)
Difference in Perspective	(102,558)	(381)	(283)	(56,666)
Budget Basis	<u>\$325,262</u>	<u>(\$153,995)</u>	<u>\$303,417</u>	<u>(\$20,548)</u>

A. Basis of Presentation - Fund Accounting

The County uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLIIES (continued)

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The County classifies each fund as either governmental, proprietary or fiduciary.

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

General Fund - The General Fund is the chief operating fund of County and is used to account 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.

Auto License and Gas Tax Fund - This fund is used to account for the receipts derived from motor vehicle license tax fees and fuel taxes. Disbursements are restricted to road and bridge construction, maintenance and repairs.

BODD Fund - This fund is used to account for funds obtained from various tax levies, grants and other sources to provide services to the developmentally disabled.

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

The other governmental funds of the County account for grants and other resources whose use is restricted to a particular purpose and debt principal and interest payments.

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

The County does not have any major enterprise funds. The County's enterprise funds account for sewer service, solid waste collection and disposal and the adult daycare center.

Fiduciary Funds: Fiduciary funds account for cash and investments where the County is acting as trustee or fiscal agent for other entities or individuals.

The County's only fiduciary funds are agency funds. Agency funds are custodial in nature, where the County deposits and pays cash as directed by another entity or individual. The County's agency funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent, and for taxes, State-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

B. Basis of Presentation

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

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statement of Net Position and Statement of Activities: These statements display information about the County as a whole, except for fiduciary funds. The statements report governmental activities separately from business-type activities.

The government-wide statement of activities compares disbursements with program receipts for each segment of the County's business-type activities and for each program of the County's governmental activities. These disbursements are specifically associated with a service, program or department and are therefore clearly identifiable to a particular program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the modified-cash basis or draws from the County's general receipts.

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

Fund Financial Statements: Fund financial statements report detailed information about the County. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

C. Cash, Cash Equivalents and Investments

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Cash and cash equivalents that are held separately within departments of the County and not held with the County Treasurer are presented as "Cash and Cash Equivalents in Segregated Accounts" on the financial statements. Investments with an initial maturity of more than three months that are held separately within departments of the County and not held with the County Treasurer are presented as "Investments in Segregated Accounts" on the financial statements. Cash and cash equivalents that are held at WestCon on behalf of the Darke County Board of Developmental Disabilities are presented as "Cash and Cash Equivalents with Fiscal Agents" on the financial statements.

The County values investments and cash equivalents at cost. During 2012, the County invested in non-negotiable certificates of deposit.

Following Ohio statutes, the Board of Commissioners has specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during 2012 was \$195,848 including \$154,555 assigned from other County funds.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For presentation on the financial statements and in the notes to the basic financial statements, investments with an original maturity of three months or less when purchased and investments purchased from the pool are deemed cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

D. Inventory

On the modified cash-basis of accounting, inventories of supplies are reported as disbursements when purchased.

E. Prepaid Items

On the modified cash-basis of accounting, payments made to vendors for services that will benefit periods beyond December 31, 2012, are recorded as disbursements when made.

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

G. Compensated Absences

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

H. Long-term Obligations

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

I. Fund Balance

Fund balance is reported as nonspendable when it is not in spendable form.

Fund balance is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The County first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted fund balance is available.

Fund balance is reported as committed when the Board of County Commissioners has placed constraints on the use of resources by resolution.

Fund balance is reported as assigned when the Auditor has encumbered or otherwise set aside resources not already committed to be used for a specific purpose.

Unassigned fund balance represents resources not restricted, committed or assigned to a specific purpose.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The County applies committed resources first and then assigned resources when a disbursement is incurred for purposes which committed, assigned and unassigned fund balance is available.

J. Net Position

Net position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. At December 31, 2012, \$8,462,617 of the County's \$13,574,045 restricted net position was restricted by enabling legislation and \$5,111,428 was restricted by grantors.

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

K. Interfund Activity

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

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

L. Budgetary Data

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use 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 amounts that the Board of Commissioners may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board of Commissioners uses the object level within each fund and department as its legal level of control.

The certificate of estimated resources may be amended during the year if the County Auditor projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Operating Receipts and Disbursements

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts are those receipts that are generated directly from the primary activity of the proprietary funds. For the county, these receipts are sewer and water treatment and distribution fees. Operating disbursements are necessary costs incurred to provide the good or service that is the primary activity of the fund. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2012, the County has implemented GASB Stmt No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” This statement provides guidance for reporting deferred outflows of resources and deferred inflows of resources. It also renames net assets to net position. As a result of implementing GASB Statement No. 63, the presentation of the financial statements and note disclosure has changed to show the difference between assets and liabilities as net position, instead of net assets. The implementation had no effect on fund balance/net position as previously reported for the year ended December 31, 2011.

NOTE 4 – DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Monies held by the County which are not considered active are classified as inactive.

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

Beginning June 15, 2004, inactive monies may be deposited or invested in the following securities provided a written investment policy has been filed with the Ohio Auditor of State:

1. United States Treasury Notes, Bills, Bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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) 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 similar securities or cash, equal value for equal value;
9. Up to twenty-five percent of the County's average portfolio in either of the following:
 - a. commercial paper notes in entities incorporated under the laws Ohio or any other state that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and mature within 270 days after purchase;
 - b. banker's acceptances eligible for purchase by the Federal Reserve System and which mature within 180 days aft purchase;
10. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper;

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

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

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

The following information discloses the risks associated with the County’s deposits and investments as defined in GASB Statement No. 3, “Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements” and GASB Statement No. 40, “Deposit and Investment Risk Disclosures.”

At December 31, 2012, the County had \$705,018 in undeposited cash on hand with the Treasurer and in various departments.

Deposits

At December 31, 2012, the book balance of the County’s deposits was \$21,956,662 and the bank balance was \$23,594,052.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. Protection of the County’s deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the County places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation. The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

The government does not have a deposit policy for custodial credit risk. As of December 31, 2012, \$7,671,459 of the government’s bank balance of \$23,594,052 was exposed to custodial credit risk in that it was uninsured and collateralized with securities held by the pledging financial institution’s trust department but not in the County’s name. Although the State statutory requirement for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.”

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 and No. 40 is as follows:

	Primary Government	
	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$22,572,611	\$135,421
Cash on Hand	(705,018)	0
Cash with Fiscal Agents	(46,352)	
Certificates of Deposit	135,421	(135,421)
GASB Statement No. 3/GASB Statement No. 40	\$21,956,662	\$0

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the County. Real property tax receipts received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after October 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property must be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 2011. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2011, were levied after April 1, 2011, and are collected in 2012 with real property taxes. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility real property is assessed at thirty-five percent of true value. Public utility property taxes are payable on the same dates as real property as described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically distributes to the taxing districts their portion of the taxes collected in June and December for taxes payable in the first and second halves of the year, respectively.

The full tax rate for all County operations for the year ended December 31, 2012, was \$6.30 per \$1,000 of assessed value. The assessed value upon which 2012 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Real Property	\$958,920,160	94.78
Public Utility Property	52,801,540	5.22
Total Assessed Value	<u>\$1,011,721,700</u>	<u>100.00%</u>

NOTE 6 - PERMISSIVE SALES AND USE TAX

The County Commissioners, by resolution, imposed a 1.5 percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The Ohio Department of Taxation then has five days in which to draw the warrant payable to the County. Sales and use tax receipts in 2012 amounted to \$7,080,251 in the General Fund.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 7 – INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables are not presented on the face of the financial statements. At December 31, 2012, the following receivables and payables existed between funds of the County:

Fund	Receivable	Payable
Governmental Funds:		
General Fund	\$50,927	\$0
Other Governmental Funds	0	89,447
Total Governmental Funds	50,927	89,447
Enterprise Funds	38,520	0
Total	\$89,447	\$89,447

The interfund receivables and payables are the repayment of advances.

NOTE 8 – INTERFUND TRANSFERS

Transfers in and out during the year ended December 31, 2012, were as follows:

Fund	Transfer In	Transfer Out
Governmental Funds:		
General Fund	\$5,866	\$1,707,116
Auto License and Gas Tax Fund	0	0
Job and Family Services Fund	89,522	0
BODD	0	50,000
Other Governmental Funds	2,086,514	424,786
Total Governmental Funds	\$2,181,902	\$2,181,902

Transfers are used to move receipts from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt services; to return money to the fund from which it was originally provided once a project is complete; and to transfer capital assets. All transfers made in 2012 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (800) 222-7377.

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 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 12.1 percent of their annual covered salary.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.00% of covered payroll, and public safety and law enforcement employers contributed at 18.10%. The Ohio Revised Codes currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits, and the remainder is for pension benefits.

The County's contribution rate for pension benefits for 2012 was 10.00 percent of covered payroll except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 14.10 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2012, 2011, and 2010 were \$1,423,035, \$1,419,257, \$1,283,082, which were equal to the required contributions for each year.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System of Ohio

Certified teachers, employed by the school for Developmental Disabilities participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 55 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations, the same portion that was used to fund pension obligations for 2011. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2012, 2011 and 2010 were \$6,347, \$6,284, and \$6,253, respectively; which were equal to the required contributions for each year.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statements 12 and 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 writing 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.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2012, the employer contribution allocated to the health care plan for members in the traditional plan was 4.00% of covered payroll. The employer contribution allocated to the health care plan for members in the combined plan was 6.05% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The County's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2012, 2011, and 2010 was \$569,214, \$567,703, and \$731,491, respectively, which equaled the required contributions.

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

B. State Teachers Retirement System of Ohio

The County provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. This system is on a pay-as-you-go basis.

All STRS Ohio benefit recipients who participated in the Defined Benefit or Combined Plans and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. The portion allocated to post-employment healthcare for the years ended June 30, 2012, 2011, and 2010 was 1% of covered payroll. For the County, this amount was \$488 for 2012, \$483 for 2011, and \$481 for 2010, which were equal to the required contributions for each of the fiscal years.

NOTE 11 – OTHER EMPLOYEE BENEFITS

Deferred Compensation Plans

County employees and elected officials may elect to participate in the Ohio Public Employees Deferred Compensation Plan or the Ohio County Commissioners Association Deferred Compensation Plan. Both plans were created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

Compensated Absences

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. Overtime hours can be accrued as compensatory time at one and one half times the amount of hours worked. All accumulated, unused vacation and compensatory time is paid upon separation if the employee has at least one year of service with the County.

NOTE 12 - DEBT

A. Short-Term Debt

At December 31, 2011, the County had a 1.875 % bond anticipation note outstanding in the amount of \$732,000 for the Wagner Avenue Government Center. During the year ended December 31, 2012, this note was refinanced into long-term bonds.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 12 – DEBT (continued)

The Ohio Revised Code provides that notes, including renewal notes, issued in anticipation of the issuance of general obligation bonds, may be issued and outstanding from time to time up to a maximum period of twenty years from the date of issuance of the original notes (the maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years). Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to, and payable no later than those principal maturities that would have been required if the bonds had been issued at the expiration of the initial five year period. Bond anticipation notes may be retired at maturity from the proceeds of a sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the County or a combination of these sources.

B. Long-Term Debt

Governmental Activities

Details of the changes in the governmental activities long-term debt for the year ended December 31, 2012 are indicated below:

	Balance at 12/31/11	Increases	Decreases	Balance at 12/31/12	Due Within One Year
General Obligation Bonds Payable:					
2002 WAGC Improvement Bonds	\$3,150,000	\$0	\$3,150,000	\$0	\$0
2010 Various Purpose Bonds	2,720,000	0	90,000	2,630,000	95,000
2012 Various Purpose Improvement Bonds	0	3,580,000	65,000	3,515,000	195,000
2012 Various Purpose Bonds	0	740,000	45,000	695,000	40,000
Total General Obligation Bonds	<u>5,870,000</u>	<u>4,320,000</u>	<u>3,350,000</u>	<u>6,840,000</u>	<u>330,000</u>
Long-Term Notes Payable					
5.65 % Anderson Marathon TIF	213,775	0	106,430	107,345	51,459
4.43 % Timmerman TIF	29,882	0	29,882	0	0
Total Long-Term Notes Payable	<u>243,657</u>	<u>0</u>	<u>136,312</u>	<u>107,345</u>	<u>51,459</u>
Total Long-Term Obligations	<u>\$6,113,657</u>	<u>\$4,320,000</u>	<u>\$3,486,312</u>	<u>\$6,947,345</u>	<u>\$381,459</u>

On January 10, 2012, the County issued \$3,580,000 various purpose improvement bonds for the purpose of advance refunding \$3,015,000 of the 2002 WAGC improvement bonds, and for building improvements. Of these bonds, \$3,500,000 are serial bonds with maturity dates of December 1, 2012 to December 1, 2027, and \$80,000 are term bonds maturing on December 1, 2031.

The term bonds maturing on December 1, 2031, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount redeemed, plus accrued interest to the date of redemption. On December 1, 2028, December 1, 2029, and December 1, 2030, the principal amount to be redeemed is \$20,000. The remaining principal amount of these term bonds, \$20,000, will be paid at stated maturity on December 1, 2031.

The proceeds from the refunding bonds were used to provide resources to purchase U.S. Government Securities and State and Local Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the general obligation bonds.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 12 – DEBT (continued)

As a result, the refunded bonds are considered to be defeased.

The reacquisition price was higher than the net carrying amount of the old debt by \$143,691. This advance refunding resulted in a reduction in total debt service payments of \$344,388 and resulted in an economic gain of \$249,330.

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 at December 31, 2012, are an overall debt margin of \$16,953,043 and an unvoted debt margin of \$3,277,217.

The following is a summary of the County's future annual principal and interest requirements for governmental long-term obligations:

Governmental Activities								
Year	2010 Various Purpose General Obligation Bonds		2012 Various Purpose General Obligation Improvement Bonds		2012 Various Purpose General Obligation Bonds		Anderson Marathon TIF	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 95,000	\$ 145,892	\$ 195,000	\$ 82,526	\$ 40,000	\$ 27,248	\$ 51,459	\$ 6,613
2014	95,000	140,082	200,000	80,088	40,000	26,448	51,459	3,157
2015	95,000	133,632	200,000	77,088	40,000	25,648	4,427	229
2016	95,000	126,812	200,000	74,088	45,000	24,848	0	0
2017	100,000	514,980	210,000	70,088	45,000	23,948	0	0
2018-2022	575,000	261,514	1,130,000	284,074	245,000	94,900	0	0
2023-2027	690,000	14,350	1,300,000	135,554	240,000	32,548	0	0
2028-2032	790,000	0	80,000	8,000	0	0	0	0
2033-2037	75,000	0	0	0	0	0	0	0
2038-2042	20,000	0	0	0	0	0	0	0
Totals	\$2,630,000	\$1,337,262	\$3,515,000	\$811,506	\$ 695,000	\$255,588	\$ 107,345	\$ 9,999

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 13 – FUND BALANCE

Fund balance of the governmental funds is classified as non-spendable, restricted, committed, assigned, and/or unassigned based on the constraints imposed on the use of the resources.

The constraints placed on fund balance for the major governmental funds and all other governmental funds at December 31, 2012 were as follows:

Fund Balance	General	Auto License And Gas Tax	BODD
Non-Spendable			
Gifts and Bequests	\$0	\$0	\$52,787
Restricted for:			
Roads and Bridges		5,257,810	
Ditch Maintenance			
Ditch Construction			
Job and Family Services			
Developmental Disabilities			3,877,653
Delinquent Real Estate Collection			
Real Estate Assessment			
Federal Aviation Grant			
Runway Rehabilitation			
Children's Services			
Child Support			
Court Operations			
Felony Delinquent Care and Custody			
Court Special Projects			
Sheriff			
EMA Operations			
Ditch Maintenance			
Dog and Kennel			
Help Me Grow Grant			
Community Development			
Sewer Grants			
Total Restricted	<u>0</u>	<u>5,257,810</u>	<u>3,877,653</u>
Committed to:			
Juvenile Center Operations			
County Home Operations			
Economic Development			
Government Complex Maintenance			
Total Committed	<u>0</u>	<u>0</u>	<u>0</u>
Assigned for:			
Unpaid Obligations	48,289		
Subsequent Year Appropriations	2,970,167		
Capital Improvements			
BODD Capital Improvements			
Total Assigned	<u>3,018,456</u>	<u>0</u>	<u>0</u>
Unassigned	<u>861,656</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u><u>\$3,880,112</u></u>	<u><u>\$5,257,810</u></u>	<u><u>\$3,930,440</u></u>

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 13 – FUND BALANCE (Continued)

Fund Balance	Job and Family Services	Other Governmental Funds	Total
Non-Spendable			
Gifts and Bequests			\$52,787
Restricted for:			
Roads and Bridges		\$203,223	5,461,033
Ditch Maintenance		389,507	389,507
Ditch Construction		46,008	46,008
Job and Family Services	\$265,984		265,984
Developmental Disabilities			3,877,653
Delinquent Real Estate Collection		161,180	161,180
Real Estate Assessment		1,213,141	1,213,141
Federal Aviation Grant		2,277	2,277
Runway Rehabilitation		309	309
Help America Vote Act		706	706
Children's Services		88,472	88,472
Child Support		82,767	82,767
Court Operations		664,497	664,497
Felony Delinquent Care and Custody		208,894	208,894
Court Special Projects		979,337	979,337
Sheriff		307,502	307,502
EMA Operations		33,364	33,364
Dog and Kennel		80,179	80,179
TB Control		690	690
Help Me Grow Grant		5,000	5,000
Community Development		236,222	236,222
Government Center Improvements		5,001	5,001
Total Restricted	<u>265,984</u>	<u>4,708,276</u>	<u>14,109,723</u>
Committed to:			
Juvenile Center Operations		52,920	52,920
County Home Operations		216,396	216,396
Economic Development		113,372	113,372
Government Complex Maintenance		155,691	155,691
Total Committed	<u>0</u>	<u>538,379</u>	<u>538,379</u>
Assigned for:			
Unpaid Obligations			48,289
Subsequent Year Appropriations			2,970,167
Capital Improvements		580,058	580,058
BODD Capital Improvements		124,330	124,330
Total Assigned	<u>0</u>	<u>704,388</u>	<u>3,722,844</u>
Unassigned	<u>0</u>	<u>0</u>	<u>861,656</u>
Total Fund Balance	<u>\$265,984</u>	<u>\$5,951,043</u>	<u>\$19,285,389</u>

NOTE 14 - RISK MANAGEMENT

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

Shared Risk Pools

A. County Risk Sharing Authority Incorporated

The County is a member of the County Risk Sharing Authority, Inc. (CORSA), which is a risk sharing pool among forty one counties in Ohio. CORSA was formed in and as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self Insurance Program, a group primary and excess insurance/self –insurance and risk management program. Member counties agree to jointly participate in coverage and losses and pay all contributions necessary for the specified insurance coverage provided by CORSA.

Coverages provided by CORSA are as follows:

General, Auto and Law	\$1,000,000
Public Officials	1,000,000
Flood and Earthquake	100,000,000
Boiler and Machinery	100,000,000
Employees Dishonesty	1,000,000
Money and Securities within premises	1,000,000
Money and Securities outside of premises	1,000,000
Money Orders and Counterfeit Currency	1,000,000
Depositors Forgery	1,000,000

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

The continued existence of CORSA is dependant upon the County’s continued participation; however the County does not have an equity interest in CORSA. In 2012, the County contributed \$217,153. Complete financial statements can be obtained from the County Risk Sharing Authority, Inc. at 209 E. State Street, Columbus, Ohio 43215.

B. County Commissioners’ Association of Ohio Worker’s Compensation Group Rating Program

For 2012, the County participated in the County Commissioners’ Association of Ohio Workers’ Compensation Group Rating Program provided by the County Commissioners’ Association of Ohio Service Corporation (CCAOSC), a workers’ compensation insurance purchasing pool. The intent of the CCAOSC is to achieve lower workers’ compensation rates while establishing safe working conditions and environments for the participants.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 14 - RISK MANAGEMENT (continued)

The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the CCAOSC. Each participant pays its workers' compensation premium to the State based on the rate for the CCAOSC rather than its individual rate. In order to allocate the savings derived by formation of the CCAOSC, and to maximize the number of participants in the CCAOSC, annually the CCAOSC's executive committee calculates the total savings which accrued to the CCAOSC through its formation. This savings is then compared to the overall savings percentage of the CCAOSC. The CCAO's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the CCAOSC is limited to counties that can meet the CCAOSC's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the CCAOSC. Each year, the County pays an enrollment fee to the CCAOSC to cover the costs of administering the CCAOSC.

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

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

A. Tri County Board of Recovery and Mental Health Services

The Tri County Board of Recovery and Mental Health Services (Tri County Mental Health Board) is a jointly governed organization among Shelby, Miami and Darke counties. The Tri County Mental Health Board provides 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. The ability to influence operations depends on the County's representation on the Board. 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 Shelby, Miami and Darke counties in the same proportion as the County's population bears to the total population of the three counties combined. During 2012, the County contributed \$511,992 by voted tax levy for the operations of the organization.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (continued)

B. West Central Ohio Network

The West Central Ohio Network (WestCon) is a jointly governed organization among Darke, Miami, Auglaize, Mercer, Logan, Shelby, Preble, Hardin and Union counties. WestCon was created to serve as an administrator and fiscal agent of Supported Living funds for the Boards of Developmental Disabilities (DODD Boards) of each of the participating counties. The degree of control exercised by any participating government is limited to its representation on the Board of Directors (the Board) of West Con. The Board consists of one delegate, who is the Superintendent, from each of the participating DODD Boards. Payments to WestCon are limited to the supported living funds of each participating county. During 2012, the County contributed \$167,303 to WestCon. Financial information can be obtained from Renee Place, Executive Director, 315 East Court Street, Sidney, Ohio 45365.

NOTE 16 – RELATED PARTY TRANSACTIONS

Wayne Industries has entered into a contractual agreement with the Darke County Board of Developmental Disabilities (BODD), whereby the BODD provides sheltered employment for mentally and physically handicapped individuals in Darke County. The BODD provides the workshop with personnel necessary for the operation of the habilitation services to the client, land and buildings for the operation of the center, maintenance and repair of the buildings and professional staff to supervise and train clients of Wayne Industries. During 2012, the fair value of this support was \$162,931.

NOTE 17 – CONTINGENCIES

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

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

SUPPLEMENTARY DATA

DARKE COUNTY

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Cash Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
(Passed Through the Ohio Department of Job and Family Services)			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1213-11-0027	10.561	244,148
Total U.S. Department of Agriculture			244,148
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
(Passed Through the Ohio Department of Development)			
Community Development Block Grants (CDBG) State Administered Program Cluster:			
CDBG/State's program and Non-Entitlement Grants in Hawaii	B-Z-08-1AR-1	14.228	23,607
CDBG/State's program and Non-Entitlement Grants in Hawaii	B-W-09-1AR-3	14.228	24,003
CDBG/State's program and Non-Entitlement Grants in Hawaii	B-C-09-1AR-1	14.228	8,950
CDBG/State's program and Non-Entitlement Grants in Hawaii	B-F-11-1AR-1	14.228	50,993
CDBG/State's program and Non-Entitlement Grants in Hawaii	B-F-10-1AR-1	14.228	83,658
Total CDBG/State's program and Non-Entitlement Grants in Hawaii			191,211
ARRA - CDBG/State's program and Non-Entitlement Grants in Hawaii, Recovery Act	B-R-09-1AR-1	14.255	51,799
ARRA - CDBG/State's program and Non-Entitlement Grants in Hawaii, Recovery Act	B-R-09-1AR-2	14.255	30,136
Total ARRA - CDBG/State's program and Non-Entitlement Grants in Hawaii, Recovery Act			81,935
Total Community Development Block Grants (CDBG) State Administered Program Cluster			273,146
Home Investment Partnerships Program	B-C-09-1AR-2	14.239	9,055
(Passed Through the Ohio Department of Development & Community Action Partnership of the Greater Dayton Area)			
ARRA - Neighborhood Stabilization Program, Recovery Act	N-U-09-6AX-1	14.256	72,000
Total U.S. Department of Housing and Urban Development			354,201
<u>U.S. DEPARTMENT OF LABOR</u>			
(Passed Through the Ohio Department of Job & Family Services and Area 7 Workforce Investment Board)			
Employment Service/Wagner-Peyser Funded Activities	N/A	17.207	18,641
Workforce Investment Act (WIA) Cluster:			
WIA Adult Program - Administrative	N/A	17.258	7,844
WIA Adult Program	N/A	17.258	103,933
Total WIA Adult Program			111,777
WIA Youth Activities - Administration	N/A	17.259	3,835
WIA Youth Activities	N/A	17.259	106,891
Total WIA Youth Activities			110,726
WIA Dislocated Worker Formula Grants - Administration	N/A	17.278	16,796
WIA Dislocated Worker Formula Grants	N/A	17.278	249,592
Total WIA Dislocated Worker Formula Grants			266,388
Total Workforce Investment Act (WIA) Cluster			488,891
WIA National Emergency Grants	N/A	17.277	20,187
Total U.S. Department of Labor			527,719
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
(Direct Receipt - Federal Aviation Administration)			
Airport Improvement Program	N/A	20.106	3,873
(Passed through the Ohio Department of Transportation)			
Highway Planning and Construction	91537	20.205	6,300
Highway Planning and Construction	92281	20.205	40,399
Total Highway Planning and Construction			46,699
Transit Services Programs Cluster:			
Job Access Reverse Commute	JARC-4019-071-101	20.516	6,935
Job Access Reverse Commute	JARC-4019-071-121	20.516	55,092
Total Job Access Reverse Commute Program			62,027

(Continued)

DARKE COUNTY

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
(Passed Through the Ohio Department of Transportation)			
New Freedom Program	NF-4019-038-111	20.521	14,315
New Freedom Program	NF-4019-038-121	20.521	89,998
Total New Freedom Program			<u>104,313</u>
Total Transit Services Programs Cluster			<u>166,340</u>
Interagency Hazardous Materials Public Sector Training and Planning Grants	HM-HMP-0243-11-01-00	20.703	2,400
Total U.S. Department of Transportation			<u>219,312</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
(Passed Through the Ohio Department of Health)			
Special Education - Grants for Infants and Families	01910021HG0312	84.181	21,023
Special Education - Grants for Infants and Families	01910021HG0413	84.181	9,935
Total Special Education - Grants for Infants and Families			<u>30,958</u>
Total U.S. Department of Education			<u>30,958</u>
<u>U.S. ELECTION ASSISTANCE COMMISSION</u>			
(Passed Through the Ohio Secretary of State)			
Help America Vote Act Requirements Payments	N/A	90.401	6,312
Total U.S. Election Assistance Commission			<u>6,312</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
(Passed Through the Ohio Department of Job and Family Services)			
Promoting Safe and Stable Families	G-1213-11-0027	93.556	42,152
Temporary Assistance for Needy Families	G-1213-11-0027	93.558	695,748
Child Support Enforcement	G-1213-11-0027	93.563	431,127
Child Care and Development Grant Cluster:			
Child Care and Development Block Grant	G-1213-11-0027	93.575	19,736
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	G-1213-11-0027	93.596	13,151
Total Child Care and Development Grant Cluster			<u>32,887</u>
Grants to States for Access and Visitation Programs	G-1213-09-0272	93.597	42,028
(Passed through the Ohio Secretary of State)			
Voting Access for Individuals with Disabilities_Grants to States	N/A	93.617	6,119
(Passed through the Ohio Department of Job and Family Services)			
Stephanie Tubbs Jones Child Welfare Services Program	G-1213-11-0027	93.645	36,026
Foster Care_Title IV-E	G-1213-11-0027	93.658	530,684
Adoption Assistance	G-1213-11-0027	93.659	163,519
Social Services Block Grant	G-1213-11-0027	93.667	401,219
(Passed through the Ohio Department of Developmental Disabilities)			
Social Services Block Grant	MR-1010	93.667	42,886
Total Social Services Block Grant			<u>444,105</u>
(Passed Through the Ohio Department of Job and Family Services)			
Chafee Foster Care Independence Program	G-1213-11-0027	93.674	14,173
Medical Assistance Program	G-1213-11-0027	93.778	329,202
(Passed Through the Ohio Department of Development Disabilities):			
Medical Assistance Program	N/A	93.778	76,654
Total Medical Assistance Program			<u>405,856</u>
(Passed Through the Ohio Department of Health)			
National Bioterrorism Hospital Preparedness Program	N/A	93.889	49,878
Total U.S. Department of Health and Human Services			<u>2,894,302</u>

DARKE COUNTY

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
(Passed through the Ohio Department of Public Safety)			
Hazard Mitigation Grant	FEMA-DR-1805.20-P	97.039	3,750
Emergency Management Performance Grants	EMW-2011-EP-00003-S01	97.042	18,392
Emergency Management Performance Grants	EMW-2012-EP-00004-S01	97.042	36,715
Emergency Management Performance Grants	2010-EP-00-0003	97.042	29,893
Total Emergency Management Performance Grants			85,000
Interoperable Emergency Communications	2010-IP-T0-0007	97.055	47,464
Homeland Security Grant Program	2009-SS-T9-0089	97.067	26,411
Homeland Security Grant Program - Citizen Corps Program Grant	2009-SS-T9-0089	97.067	4,242
Homeland Security Grant Program	2010-SS-TO-0012	97.067	46,802
Homeland Security Grant Program	EMW-2011-SS-00070	97.067	11,000
Total Homeland Security Grant Program			88,455
Total U.S. Department of Homeland Security			224,669
Total Federal Programs			\$ 4,501,621

(Continued)

**DARKE COUNTY
FISCAL YEAR ENDED DECEMBER 31, 2012**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

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

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE D - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAM

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons to rehabilitate homes. 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, but are not included as disbursements on the Schedule.

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

<u>Revolving Loans</u>	<u>Loans Receivable</u>	<u>Cash Balance</u>
Beginning Balance	\$253,974	\$159,719
Loans Issued	150,000	(150,000)
Loan Repayment Receipts	(35,062)	36,692
Loan Interest Receipts	0	720
Administration	0	(3,745)
Ending Balances	<u>\$368,912</u>	<u>\$43,386</u>

These loans are collateralized by mortgages on the property or equipment.

**DARKE COUNTY
FISCAL YEAR ENDED DECEMBER 31, 2012**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)**

NOTE E - COMMUNITY HOUSING INVESTMENT PARTNERSHIP PROGRAM

The County has established a program to provide down payment and rehabilitation assistance to low-income individuals and/or families. 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).

Activity in the Community Housing Investment Partnership Program Fund during 2012 is as follows:

Revolving Loans	Loans Receivable	Cash Balance
Beginning Balance	\$1,802,203	\$72,186
Loans Forgiven	(21,692)	0
Loan Repayment Receipts	(28,400)	28,400
Loan Interest Receipts	0	552
Advance In	0	0
Administration	0	(977)
Ending Balances	<u>\$1,752,111</u>	<u>\$130,882</u>

These loans are collateralized by mortgages on the property.

NOTE F - BODD MEDICAID DEFERRED PAYMENTS

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 \$399 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. These receipts are not listed on the County's Schedule of Expenditures for Federal Awards since the underlying expenses occurred in prior reporting periods.

During the calendar year, the County Board of Developmental Disabilities received notice of a liability owed to the Ohio Department of Disabilities for the Medicaid Program (CFDA #93.778) in the amount of \$1,630. The Cost Report liability was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This liability is not listed on the County's Schedule of Expenditures of Federal Award since the underlying expenses occurred in prior reporting periods and the liability was invoiced by the Ohio Department of Developmental Disabilities.

NOTE G - PASS THROUGH ENTITY NUMBER

The pass through number for certain grants were unable to be obtained.



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Darke County
504 South Broadway Street
Greenville, Ohio 45331

To the Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Darke County, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Darke County's basic financial statements and have issued our report thereon dated June 12, 2013, wherein we noted as discussed in Note 3, Darke County adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Darke County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of Darke 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 Darke 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 Darke County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2012-DC-001.

Board of Commissioners
Darke County

Darke County's Response to Findings

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

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 Darke County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering Darke County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
June 12, 2013



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**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**

Darke County
504 South Broadway Street
Greenville, Ohio 45331

To the Board of Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Darke County's 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 Darke County's major federal programs for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings and responses identifies Darke County's major federal programs.

Management's Responsibility

Darke 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 Darke County's compliance for each of Darke 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 Darke 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 Darke County's major programs. However, our audit does not provide a legal determination of Darke County's compliance.

Opinion on Each Major Federal Program

In our opinion, Darke County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2012.

Board of Commissioners
Darke County

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings and responses as items 2012-DC-002 and 2012-DC-003. These findings do not require us to modify our compliance opinion on each major federal program.

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

Report on Internal Control Over Compliance

Darke 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 Darke 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 Darke County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings and responses as item 2012-DC-002.

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

We also noted a certain matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to Darke County's management in a separate letter dated June 12, 2013.

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



Julian & Grube, Inc.
June 12, 2013

DARKE COUNTY

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

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	Yes
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	Yes
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Community Development Block Grants (CDBG) State Administered Program Cluster: CDBG/State's program and Non-Entitlement Grants in Hawaii - CFDA # 14.228; ARRA - CDBG/State's program and Non-Entitlement Grants in Hawaii, Recovery Act - CFDA # 14.255; Workforce Investment Act (WIA) Cluster: WIA Adult Program - CFDA # 17.258; WIA Youth Activities - CFDA # 17.259; WIA Dislocated Worker Formula Grants - CFDA # 17.278; Temporary Assistance for Needy Families - CFDA # 93.558; Foster Care - Title IV-E - CFDA # 93.658; Social Services Block Grant - CFDA # 93.667
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

DARKE COUNTY

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

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2012-DC-001

Noncompliance

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

Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The County prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This presentation differs from (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. Failure to prepare proper GAAP financial statements may result in the County being fined or other administrative remedies.

The County should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Client Response: The County has declining revenue, and with the cost factor of GAAP, I decided to return to a Cash Basis Financial Report.

3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS	
--	--

Finding Number	2012-DC-002
CFDA Title and Number	CDBG/State's program and Non-Entitlement Grants in Hawaii, CFDA #14.228; ARRA - CDBG/State's program and Non-Entitlement Grants in Hawaii, Recovery Act, CFDA #14.255
Federal Award Number/Year	2012
Federal Agency	Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance and Significant Deficiency

24 C.F. R. Section 85.21(c) states grantees and sub-grantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

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

3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS - (Continued)

Office of Housing and Community Partnership (OHCP) Management Rules and Regulations Handbook, Section (A)(3)(f), states that grantees must develop a cash management system to ensure compliance with the fifteen day rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to

Office of Housing and Community Partnership (OHCP) Management Rules and Regulations Handbook, Section (A)(3)(f), states that grantees must develop a cash management system to ensure compliance with the fifteen day rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds. Lump sum draw-downs are not permitted. Escrow accounts are permitted only in the case of rehabilitation of private property. For the purpose of the fifteen day rule only, funds deposited into an escrow account will be considered expended, but it should be noted that funds may only be in an escrow account for 20 days. Escrow accounts were not established and the County maintained program balances in excess of \$5,000 for a period of more than fifteen consecutive days at various times during 2012 for the following CDBG grants: B-Z-08-1AR-1, B-R-09-1AR-1, B-C-09-1AR-1, and B-F-10-1AR-1 as follows:

<u>Grant</u>	<u>Period with Balance over \$5,000</u>	<u>Number of Days</u>	<u>Balance</u>
B-Z-08-1AR-1	01/05/12 - 01/30/12	26	\$ 11,685
B-R-09-1AR-1	05/31/12 - 06/27/12	28	51,790
B-C-09-1AR-1	01/05/12 - 01/25/12	20	5,049
B-F-10-1AR-1	01/23/12 - 02/29/12	37	13,665 - 25,431

Failure to disburse the draw-downs upon receipt and maintaining a balance greater than \$5,000 for extended periods of time indicates a lack of monitoring by grant managers.

The County should implement additional procedures to develop a cash management system to ensure compliance with the fifteen day rule, ensuring that funds drawn down are limited to amounts that will be disbursed to a balance of less than \$5,000 within fifteen days of receipt of any funds.

Client Response: The Auditor's Office has set new guidelines to track when revenue is received, so it can be expended within the Federal time limit.

Finding Number	2012-DC-003
CFDA Title and Number	N/A
Federal Award Number/Year	2012
Federal Agency	All
Pass-Through Agency	All

Noncompliance

31 U.S.C. 7502(a)(1)(A) requires non-federal entities that expend \$500,000 or more in a year in Federal Awards shall have an annual Single or Program-Specific audit conducted for that year and filed with the Federal Audit Clearing House within nine months after year end.

The County expended \$5,655,078 in federal awards in 2011, but did not file their reporting packet with the Federal Audit Clearinghouse until October 2012.

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

3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS - (Continued)

We recommend that upon completion of the annual audit, the County ensure timely filing of all required reports to the Federal Audit Clearinghouse.

Client Response: The 2011 Audit for Darke County was filed with the State of Ohio in a timely manner on May 29, 2012. The State released the Audit on October 22, 2012, and we completed our section of the Clearinghouse on the same day. The State delayed all county audits because of difficulties it was having with the Department of Job and Family Services throughout the State of Ohio. I feel it is inappropriate to render this finding as I feel my hands were tied and I had no way to take any action to correct the situation. In addition, the State of Ohio did not file an extension with the Federal Clearinghouse to eliminate this finding.

DARKE COUNTY

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-01	<u>Noncompliance</u> - Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The County prepared its annual financial report in accordance with the modified-cash basis of accounting.	No	Repeated as finding 2012-DC-001
2011-02	<u>Finding for Recovery - Overpayment of Wages</u> - The Veterans Service Commission Board paid an employee an amount that did not agree to the actual time worked. An overpayment of \$3,640 occurred.	Partially Corrected	The Veterans Board went through a mediation process and it is the Darke County Prosecutor's opinion that this issue is resolved. The matter is now in the hands of the Ohio Attorney General.
2011-03	<u>Finding for Recovery - Overpayment of Wages</u> - The Veterans Service Commission Board paid an employee an amount that did not agree to the actual time worked. An overpayment of \$2,012 occurred.	Partially Corrected	The Veterans Board went through a mediation process and it is the Darke County Prosecutor's opinion that this issue is resolved. The matter is now in the hands of the Ohio Attorney General.
2011-04	<u>Finding for Recovery - Overpayment of Wages</u> - The Veterans Service Commission Board paid an employee an amount that did not agree to the actual time worked. An overpayment of \$4,050 occurred.	Partially Corrected	The Veterans Board went through a mediation process and it is the Darke County Prosecutor's opinion that this issue is resolved. The matter is now in the hands of the Ohio Attorney General.
2011-05	<u>Noncompliance and Significant Deficiency</u> - 24 C.F.R. Section 85.21(c) states grantees and sub-grantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or sub-grantee. The County maintained program balances in excess of \$5,000 for a period of more than fifteen consecutive days at various times during 2011.	No	Repeated as finding 2012-DC-002

This page intentionally left blank.



Dave Yost • Auditor of State

DARKE COUNTY FINANCIAL CONDITION

DARKE 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
JULY 30, 2013