



Dave Yost • Auditor of State

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the remaining fund information of Auglaize County, Ohio (the County), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of the Auglaize County Airport Authority and the Auglaize Industries, Inc., which represent 100 percent of the assets, 100 percent of the net position, and 100 percent of the revenues, of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for the Auglaize County Airport and the Auglaize Industries, Inc., is solely on the report of other auditors. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on the audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Auglaize County, Ohio, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Motor Vehicle and Gasoline Tax, Solid Waste Management, Auglaize County Developmental Disabilities, and Community Alternatives funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the County restated the January 1, 2013 Net Position of the Governmental Activities and the fund balances of the ACDD Fund and Other Governmental Funds. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the County's basic financial statements taken as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to August 27, 2014.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2014 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

August 27, 2014, except for our report on the supplementary information for which the date is December 23, 2014

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**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

As management of Auglaize County (the County), we offer readers of the County's financial statement this narrative overview and analysis of the financial activities of the County for the year ended December 31, 2013.

FINANCIAL HIGHLIGHTS

The assets of the County exceed liabilities at December 31, 2013 by \$74,736,660. Of this amount \$26,201,474 may be used to meet ongoing obligations. As of December 31, 2013, the County's governmental funds reported net position of \$69,405,508 an increase of \$664,604, after restating the December 31, 2012 net position (see Note 3) in comparison with the prior year. The governmental funds increase is due to an overall increase in revenues and a reduction in expenditures. The County's business type activities reported an increase in net position of \$785,878 primary due to the sale of bed rights. At the end of the current fiscal year the unassigned fund balance for the general fund was \$6,201,889 which is available for spending at the County's discretion. The County's outstanding debt, not considering any additions, decreased by \$405,256 in governmental activities and decreased \$2,500 in business type activities. In the general fund actual revenues were 13.3 percent higher than budgeted and expenditures were 10.4 percent less than the budgeted amount not considering other financing sources and uses.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements - These statements are intended to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The statement of net position presents information on all County assets and liabilities with the difference between the two reported as net position. The statement of activities distinguish functions of the County that are mainly supported by taxes and intergovernmental revenues (governmental) from functions that are intended to recover a significant portion of their costs through user fees and charges (business-type). Governmental activities include general government (legislative and executive, and judicial), public safety, public works, health, human services, and other.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)**

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

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

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

Notes to the Financial Statements- The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 31-73.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$74,736,660 as of December 31, 2013.

**Table 1
Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and Other Assets	\$34,780,355	\$35,071,280	\$2,451,447	\$1,796,814	\$37,231,802	\$36,868,094
Capital Assets, Net	45,371,080	44,740,520	3,329,106	3,338,046	48,700,186	48,078,566
Total Assets	80,151,435	79,811,800	5,780,553	5,134,860	85,931,988	84,946,660
Liabilities:						
Current and Other Liabilities	1,805,537	1,852,443	279,850	414,003	2,085,387	2,266,446
Long-Term Liabilities	2,899,490	3,136,380	169,551	175,583	3,069,041	3,311,963
Total Liabilities	4,705,027	4,988,823	449,401	589,586	5,154,428	5,578,409
Deferred Inflows of Resources	6,040,900	6,037,999			6,040,900	6,037,999
Net Position:						
Net Investment in Capital Assets	45,206,080	44,535,520	3,329,106	3,335,546	48,535,186	47,871,066
Restricted	16,950,291	16,721,338			16,950,291	16,721,338
Unrestricted	7,249,137	7,528,120	2,002,046	1,209,728	9,251,183	8,737,848
Total Net Position	\$69,405,508	\$68,784,978	\$5,331,152	\$4,545,274	\$74,736,660	\$73,330,252

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)**

The largest portion of the County's net position 64.9 percent reflects its investment in capital assets (land and improvements, construction in progress, buildings and improvements, infrastructure, and equipment/furniture/fixtures), less any related debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

As of December 31, 2013, the County is able to report positive balances in all three categories of net positions, both for the government as a whole, as well as for its separate governmental and business-type activities.

Analysis of the County's Operation – The following table provides a summary of the County's operations for 2013. In 2012, there was an increase in Capital Grants due to a federal stimulus grant received to renovate the courthouse. In 2013, Auglaize Acres, a business type activity, sold bed rights. This is shown as "Special Item". The more significant changes are as follows:

**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Program Revenues:						
Charges for Services	\$7,994,708	\$7,134,080	\$5,322,525	\$5,528,916	\$13,317,233	\$12,662,996
Operating Grants	8,620,467	7,383,196			8,620,467	7,383,196
Capital Grants/Contributions	610,629	2,502,552	139,040		749,669	2,502,552
General Revenues:						
Property Taxes	5,606,737	5,695,148			5,606,737	5,695,148
Sales Tax	7,895,050	8,240,210			7,895,050	8,240,210
Intergovernmental	1,120,072	821,570			1,120,072	821,570
Gain/Loss on Sale of Assets	(131,630)	(384,345)			(131,630)	(384,345)
Miscellaneous	371,190	441,464	72,368	70,924	443,558	512,388
Interest	162,970	165,571			162,970	165,571
Total Revenues	32,250,193	31,999,446	5,533,933	5,599,840	37,784,126	37,599,286
Program Expenses						
General Government	7,569,608	7,340,565			7,569,608	7,340,565
Public Safety	5,666,832	5,710,866			5,666,832	5,710,866
Public Works	5,287,216	7,043,056			5,287,216	7,043,056
Health	7,340,570	6,347,127			7,340,570	6,347,127
Human Services	3,802,101	3,631,117			3,802,101	3,631,117
Other	1,875,884	1,746,469			1,875,884	1,746,469
Interest & Fiscal Charges	43,378	53,326			43,378	53,326
Sewer			429,002	362,668	429,002	362,668
Auglaize Acres			5,039,053	5,001,677	5,039,053	5,001,677
Total Expenses	31,585,589	31,872,526	5,468,055	5,364,345	37,053,644	37,236,871
Excess (deficiency) before Special Item	664,604	126,920	65,878	235,495	730,482	362,415
Special Item			720,000		720,000	
Changes in Net Position	664,604	126,920	785,878	235,495	1,450,482	362,415
Net Position January 1	68,740,904	68,658,058	4,545,274	4,309,779	73,286,178	72,967,837
Net Position December 31	\$69,405,508	\$68,784,978	\$5,331,152	\$4,545,274	\$74,736,660	\$73,330,252

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)**

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest offsetting those services. Table 3 shows the total cost of services and the net cost of services for governmental activities for 2013 and 2012. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. This table also shows the cost of services for business type activities along with the related charges for services to offset the costs or providing the services. In 2012 there is a negative in the Judicial Net Cost of Services due to a federal stimulus grant received to renovate the courthouse.

**Table 3
Total Costs versus net Costs
Governmental Type Activities**

	2013		2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Current:				
General Government:				
Legislative and Executive	\$5,433,260	\$3,976,747	\$5,151,915	\$3,639,874
Judicial	2,136,348	601,853	2,188,650	(461,974)
Public Safety	5,666,832	4,851,563	5,710,866	4,767,951
Public Works	5,287,216	(1,426,208)	7,043,056	644,923
Health	7,340,570	3,695,092	6,347,127	3,734,513
Human Services	3,802,101	743,476	3,631,117	729,616
Other	1,875,884	1,873,884	1,746,469	1,744,469
Interest and Fiscal Charges	43,378	43,378	53,326	53,326
Total Expenses	<u>\$31,585,589</u>	<u>\$14,359,785</u>	<u>\$31,872,526</u>	<u>\$14,852,698</u>
	Business Type Activities			
	2013		2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Auglaize Acres	\$5,039,053	(\$78,074)	\$5,001,677	(\$176,459)
Sewer	429,002	84,564	362,668	11,888
Total Expenses	<u>\$5,468,055</u>	<u>\$6,490</u>	<u>\$5,364,345</u>	<u>(\$164,571)</u>

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

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

As of the end of the current fiscal year, Auglaize County's governmental funds reported total fund balances of \$23,092,033. Of this \$6,201,889 constitutes unassigned fund balance of the general fund, which is available for spending at the County's discretion. The remainder of the fund balances includes \$99,229 for debt service payments and \$788,864 for usage by the County's capital projects fund.

The general fund is the chief operating fund of the county. At the end of the current fiscal year, the unassigned balance was \$6,201,889 while the total fund balance was \$8,221,284.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)**

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

The MVGT fund balance has decreased by \$289,356 to \$1,304,413. The decrease is due to an increase in public works expenditures. The SWM fund balance has increased by \$209,982 to (\$1,101,043). The increase is due to the per parcel fee assessed to the 2012 taxes collected in 2013. The ACDD fund balance has decreased by \$653,082 to \$3,334,594. The decrease is due to a increase in health expenditures. The Community Alternatives fund balance increased by \$463,500 to \$4,024,037. The State match requirements are the reason why both dollars and activity in this fund have increased over the last several years, requiring it to become a major fund in 2012.

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

The county home's (Auglaize Acres) net position increased by \$869,892 to \$1,814,655. Part of this increase is due to the sale of bed rights (an intangible) during 2013, \$720,000. In 2003 the facility became a Certified Long-term Care Facility. The various sewers fund net position decreased by \$84,014 to \$3,516,497.

General Fund Budgeting Highlights

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

For the General Fund, actual budget basis revenues and other financing sources were \$1,631,043 higher than final budget estimates of \$12,155,789.

Total actual expenditures and other financing uses were \$1,675,546 less than the final budgeted expenditures. The decrease in actual versus budgeted expenditures is due to an overall decrease in expenditures by all departments.

Capital Assets and Debt Administration

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

	Governmental Activities		Business-Type		Total	
	2013	2012	2013	2012	2013	2012
Land & Improvements	\$3,186,879	\$3,513,928	\$56,298	\$56,298	\$3,243,177	\$3,570,226
Infrastructure	22,200,927	20,833,321	2,914,088	3,024,193	25,115,015	23,857,514
Buildings/Improvements	15,356,235	16,097,131	278,322	176,300	15,634,557	16,273,431
Construction in Progress	776,071	311,325			776,071	311,325
Equipment, Furniture /Fixtures	3,850,968	3,984,815	80,398	81,255	3,931,366	4,066,070
Total	\$45,371,080	\$44,740,520	\$3,329,106	\$3,338,046	\$48,700,186	\$48,078,566

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)**

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

	<u>2013</u>	<u>2012</u>
General Obligation Bonds		
Human Services	\$165,000	\$205,000
Special Assessment Bonds		120,000
Ohio Public Works Loan	51,144	56,258
Special Assessment Notes	<u>762,411</u>	<u>737,330</u>
Total	<u>\$978,555</u>	<u>\$1,118,588</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The budget centers on a stable economic climate. The county unemployment rate is 4.6 percent, 2.6 percent lower than the state rate of 7.2 percent (December, 2013). The state legislature has indicated uncertainty regarding local government and state funded grant programs which may require more local financial support.

Business-type activities should remain relatively unchanged for 2014.

Ditch note debt incurred since January 1, 2014 is \$338,359.

REQUEST FOR INFORMATION

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF NET POSITION
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2013**

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Airport Authority</u>	<u>Auglaize Industries</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$19,278,779	\$1,774,183	\$21,052,962		
Cash and Cash Equivalents in Segregated Accounts				\$157,464	\$788,904
Cash and Cash Equivalents With Fiscal Agent	1,848,135		1,848,135		
Cash and Cash Equivalents With Escrow Agent	17,116		17,116		
Materials and Supplies Inventory	524,444	29,720	554,164	42,030	
Accrued Interest Receivable	83,945		83,945		
Accounts Receivable	175,714	682,231	857,945	5,248	34,546
Internal Balances	38,905	(38,905)			
Due from Other Governments	3,850,911		3,850,911		35,757
Prepaid Items	216,344	4,218	220,562		1,000
Sales Taxes Receivable	1,271,638		1,271,638		
Property Taxes Receivable	6,118,847		6,118,847		
Notes Receivable	429,101		429,101		
Special Assessments Receivable	926,476		926,476		
Non Depreciable Assets	2,764,100	56,298	2,820,398		
Depreciable Capital Assets, Net	42,606,980	3,272,808	45,879,788	39,019	103,244
Total Assets	80,151,435	5,780,553	85,931,988	243,761	963,451
Liabilities:					
Accounts Payable	810,256	126,180	936,436	7,352	6,605
Contracts Payable	131,707		131,707		
Accrued Wages	454,556	85,257	539,813		5,933
Due to Other Governments	382,219	67,844	450,063	351	7,261
Due to Clients		569	569		
Accrued Interest Payable	9,683		9,683		
Undistributed Assets					
Retainage Payable	17,116		17,116		
Long-Term Liabilities:					
Due Within One Year	946,913	106,956	1,053,869		
Due In More Than One Year	1,952,577	62,595	2,015,172		
Total Liabilities	4,705,027	449,401	5,154,428	7,703	19,799
Deferred Inflows of Resources:					
Property taxes levied for the next year	6,040,900		6,040,900		
Airport receipts collected for subsequent year				11,958	
Total Deferred Inflows of Resources	6,040,900		6,040,900	11,958	
Net Position:					
Net Investment in Capital Assets	45,206,080	3,329,106	48,535,186	39,019	103,244
Restricted for:					
Capital Projects	851,732		851,732		
Debt Service	166,464		166,464		
Other Purposes	15,932,095		15,932,095	586	
Unrestricted (Deficit)	7,249,137	2,002,046	9,251,183	184,495	840,408
Total Net Position	\$69,405,508	\$5,331,152	\$74,736,660	\$224,100	\$943,652

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Current:				
General Government:				
Legislative and Executive	\$5,433,260	\$1,166,363	\$290,150	
Judicial	2,136,348	1,389,990	144,505	
Public Safety	5,666,832	395,824	419,445	
Public Works	5,287,216	3,769,885	2,374,912	\$568,627
Health	7,340,570	1,127,907	2,517,571	
Human Services	3,802,101	142,739	2,873,884	42,002
Other	1,875,884	2,000		
Interest and Fiscal Charges	43,378			
Total Governmental Activities	31,585,589	7,994,708	8,620,467	610,629
Business-Type Activities:				
Auglaize Acres	5,039,053	4,978,087		139,040
Sewer	429,002	344,438		
Total Business-Type Activities	5,468,055	5,322,525		139,040
Total - Primary Government	\$37,053,644	\$13,317,233	\$8,620,467	\$749,669
Component Units:				
Airport Authority	\$311,271	\$297,939	28,500	
Auglaize Industries	454,378	461,364		
Total Component Units	\$765,649	\$759,303	\$28,500	

General Revenues:

Property Taxes Levied for:

General Purposes

Other Purposes

Sales Tax Levied for:

General Purposes

Other Purposes

Capital Outlay

Intergovernmental

Loss/Gain on Sale of Capital Asset

Investment Earnings

Miscellaneous

Total General Revenues

Special Item

Total General Revenues and Special Item

Change in Net Position

Net Position Beginning of Year - restated note 3

Net Position End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Airport Authority	Auglaize Industries
(\$3,976,747)		(\$3,976,747)		
(601,853)		(601,853)		
(4,851,563)		(4,851,563)		
1,426,208		1,426,208		
(3,695,092)		(3,695,092)		
(743,476)		(743,476)		
(1,873,884)		(1,873,884)		
(43,378)		(43,378)		
<u>(14,359,785)</u>		<u>(14,359,785)</u>		
	\$78,074	78,074		
	(84,564)	(84,564)		
	<u>(6,490)</u>	<u>(6,490)</u>		
(14,359,785)	(6,490)	(14,366,275)		
			\$15,168	
				\$6,986
			<u>15,168</u>	<u>6,986</u>
2,010,543		2,010,543		
3,596,194		3,596,194		
6,718,940		6,718,940		
538,110		538,110		
638,000		638,000		
1,120,072		1,120,072		
(131,630)		(131,630)		
162,970		162,970	353	126,900
371,190	72,368	443,558	29,481	
<u>15,024,389</u>	<u>72,368</u>	<u>15,096,757</u>	<u>29,834</u>	<u>126,900</u>
	720,000	720,000		
<u>15,024,389</u>	<u>792,368</u>	<u>15,816,757</u>		
664,604	785,878	1,450,482	45,002	133,886
<u>68,740,904</u>	<u>4,545,274</u>	<u>73,286,178</u>	<u>179,098</u>	<u>809,766</u>
<u>\$69,405,508</u>	<u>\$5,331,152</u>	<u>\$74,736,660</u>	<u>\$224,100</u>	<u>\$943,652</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	<u>General</u>	<u>MVGT</u>	<u>SWM</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$5,674,584	\$506,701	\$644,984
Cash and Cash Equivalents With Fiscal Agent			
Due from other Governments	791,700	2,215,869	
Materials and Supplies Inventory	75,447	412,226	
Accrued Interest Receivable	6,806	187	
Accounts Receivable	17,892	101,305	28,648
Due from other Funds	1,789,412	2,868	
Prepaid Items	90,406	18,210	224
Sales Taxes Receivable	1,155,638		
Property Taxes Receivable	2,181,402		
Note Receivable			
Special Assessments Receivable			
Restricted Assets:			
Cash and Cash Equivalents With Escrow Agent			
Total Assets	<u>11,783,287</u>	<u>3,257,366</u>	<u>673,856</u>
Liabilities:			
Accounts Payable	372,168	143,853	12,335
Contracts Payable			
Accrued Wages	223,331	60,896	5,499
Short term comp abs			
Intergovernmental Payable	217,792	52,460	4,616
Retainage Payable			
Due to Other Funds	16,318	8,781	1,752,449
Total Liabilities	<u>829,609</u>	<u>265,990</u>	<u>1,774,899</u>
Deferred Inflows of Resources:			
Property taxes levied for the next fiscal year	2,378,963		
Revenue not available:			
Delinquent property tax	10,760		
Intergovernmental	342,671	1,686,963	
Special Assessments			
Accrued Interest			
Total Deferred Inflows of Resources	<u>2,732,394</u>	<u>1,686,963</u>	
Fund Balances:			
Non-spendable:			
Inventory	75,447	412,226	
Prepays	90,406	18,210	224
Notes Receivable			
Interfund Receivable	1,749,971		
Restricted for:			
Debt Service			
Capital Outlay			
MVGT		873,977	
Developmental Disabilities			
Other Purposes			
Committed to:			
Capital Outlay			
Other Purposes			
Assigned	103,571		
Unassigned	6,201,889		(1,101,267)
Total Fund Balances	<u>8,221,284</u>	<u>1,304,413</u>	<u>(1,101,043)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$11,783,287</u>	<u>\$3,257,366</u>	<u>\$673,856</u>

See accompanying notes to the basic financial statements.

ACDD	Community Alternatives	Other Governmental Funds	Total Governmental Funds
\$1,743,549	\$3,977,221	\$6,549,265	\$19,096,304
1,848,135			1,848,135
371,265	48,850	423,227	3,850,911
4,802		31,969	524,444
31		76,921	83,945
	14,102	13,767	175,714
		221,055	2,013,335
5,791	459	101,254	216,344
		116,000	1,271,638
3,937,445			6,118,847
		429,101	429,101
		926,476	926,476
		17,116	17,116
<u>7,911,018</u>	<u>4,040,632</u>	<u>8,906,151</u>	<u>36,572,310</u>
131,377	16,595	93,716	770,044
		131,707	131,707
84,024		77,815	451,565
8,254			8,254
43,803		60,598	379,269
		17,116	17,116
256		226,878	2,004,682
<u>267,714</u>	<u>16,595</u>	<u>607,830</u>	<u>3,762,637</u>
4,241,524			6,620,487
67,186			77,946
		99,100	2,128,734
		813,555	813,555
		76,918	76,918
<u>4,308,710</u>		<u>989,573</u>	<u>9,717,640</u>
4,802		31,969	524,444
5,791	459	101,254	216,344
		429,101	429,101
			1,749,971
		99,229	99,229
		434,569	434,569
			873,977
3,324,001			3,324,001
	4,023,578	5,762,842	9,786,420
		354,295	354,295
		95,489	95,489
			103,571
			5,100,622
<u>3,334,594</u>	<u>4,024,037</u>	<u>7,308,748</u>	<u>23,092,033</u>
<u>\$7,911,018</u>	<u>\$4,040,632</u>	<u>\$8,906,151</u>	<u>\$36,572,310</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013**

Total Governmental Funds Balances \$23,092,033

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds 45,371,080

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

Grants	\$714,041	
Property Tax	77,946	
Sales Tax	232,743	
Special Assessments	813,555	
Interest	76,918	
Local Government	140,388	
Casino Revenue	166,929	
Gas Tax	768,798	
Charges for Services - licenses	685,422	
<u>Total</u>	<u>3,676,740</u>	3,676,740

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

General Obligation Bonds	(165,000)	
Special Assessment Bonds		
Special Assessment Notes	(762,411)	
Compensated Absences	(1,909,942)	
Ohio Public Works Loan	(51,144)	
Accrued Interest Payable	(9,683)	
<u>Total</u>	<u>(2,898,180)</u>	(2,898,180)

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

163,835

Net Position of Governmental Activities \$69,405,508

See accompanying notes to the basic financial statements.

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**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>MVGT</u>	<u>SWM</u>
Revenues:			
Property Taxes	\$2,018,547		
Sales Tax	6,718,940	\$538,110	
Interest	144,813	2,011	
Licenses and Permits	3,144		
Fines and Forfeitures	546,961	37,589	
Intergovernmental	1,555,246	3,896,521	\$1,446
Charges for Services	1,547,073	431,629	286,526
Special Assessments			368,126
Other	160,974	35,794	112,786
Total Revenues	<u>12,695,698</u>	<u>4,941,654</u>	<u>768,884</u>
Expenditures:			
Current:			
General Government:			
Legislative and Executive	3,584,236		
Judicial	1,731,659		
Public Safety	4,913,535		
Public Works	315,598	5,262,755	
Health	87,842		559,895
Human Services	380,005		
Other	1,821,862		
Capital Outlay			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	<u>12,834,737</u>	<u>5,262,755</u>	<u>559,895</u>
Excess of Revenues Over/(Under) Expenditures	<u>(139,039)</u>	<u>(321,101)</u>	<u>208,989</u>
Other Financing Sources (Uses):			
Sale of Fixed Assets	5,350	31,745	993
Other Financing Sources	13,495		
Proceeds from Notes			
Transfers In	5,470		
Transfers Out	(163,342)		
Total Other Financing Sources (Uses)	<u>(139,027)</u>	<u>31,745</u>	<u>993</u>
Net Change in Fund Balances	(278,066)	(289,356)	209,982
Fund Balances (Deficits) Beginning of Year - restated	<u>8,499,350</u>	<u>1,593,769</u>	<u>(1,311,025)</u>
Fund Balances (Deficits) End of Year	<u>\$8,221,284</u>	<u>\$1,304,413</u>	<u>(\$1,101,043)</u>

See accompanying notes to the basic financial statements.

<u>ACDD</u>	<u>Community Alternatives</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$3,615,198			\$5,633,745
		\$638,000	7,895,050
330		22,805	169,959
			3,144
		227,211	811,761
1,833,423	\$507,840	4,036,328	11,830,804
	179,370	1,198,447	3,643,045
		1,478,183	1,846,309
1,420	11,550	266,762	589,286
<u>5,450,371</u>	<u>698,760</u>	<u>7,867,736</u>	<u>32,423,103</u>
		417,346	4,001,582
		391,088	2,122,747
		736,364	5,649,899
		799,633	6,377,986
5,703,453	635,260	546,198	7,532,648
		3,415,268	3,795,273
		56,006	1,877,868
		953,082	953,082
		405,257	405,257
		43,348	43,348
<u>5,703,453</u>	<u>635,260</u>	<u>7,763,590</u>	<u>32,759,690</u>
<u>(253,082)</u>	<u>63,500</u>	<u>104,146</u>	<u>(336,587)</u>
		215	38,303
			13,495
		265,223	265,223
	400,000	250,525	655,995
<u>(400,000)</u>		<u>(87,183)</u>	<u>(650,525)</u>
<u>(400,000)</u>	<u>400,000</u>	<u>428,780</u>	<u>322,491</u>
(653,082)	463,500	532,926	(14,096)
<u>3,987,676</u>	<u>3,560,537</u>	<u>6,775,822</u>	<u>23,106,129</u>
<u>\$3,334,594</u>	<u>\$4,024,037</u>	<u>\$7,308,748</u>	<u>\$23,092,033</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

Net Change in Fund Balances - Total Governmental Funds (\$14,096)

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

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

Non Depreciable Capital Assets	\$509,846	
Depreciable capital assets	4,470,360	
Depreciation expense	<u>(4,143,587)</u>	836,619

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

Sale of capital assets	(38,303)	
Loss on sale of capital assets	<u>(131,630)</u>	(169,933)

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

Property Taxes	(27,007)	
Sales Taxes	9,392	
Grants	(75,541)	
Special Assessments	(100,034)	
Interest	(4,978)	
Local Government	2,232	
Casino	60,789	
Gas Tax	31,766	
Charges for Services - Licenses	<u>(1,864)</u>	(105,245)

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

405,257

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

Notes payable		(265,223)
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

Accrued Interest		(30)
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Some expenses reported in the statement of activities, such as compensated absences and claims payable do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences		18,067
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The internal service funds used by management to charge the costs of insurance and workers' compensation to individual funds are not reported in the entity-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated

(40,812)

Change in Net Position of Governmental Activities

\$664,604

See accompanying notes to the basic financial statements.

AUGLAIZE COUNTY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$1,914,830	\$1,914,830	\$2,015,017	\$100,187
Sales tax	6,500,000	6,500,000	7,603,396	1,103,396
Charges for services	1,153,900	1,153,900	1,289,625	135,725
License and permits	2,100	2,100	3,144	1,044
Fines and forfeitures	443,000	443,000	553,374	110,374
Intergovernmental	1,434,174	1,434,174	1,523,450	89,276
Investment income	120,000	120,000	127,942	7,942
Other operating income	577,285	577,285	646,681	69,396
Total Revenues	<u>12,145,289</u>	<u>12,145,289</u>	<u>13,762,629</u>	<u>1,617,340</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	3,779,452	3,885,236	3,538,499	346,737
Judicial	1,792,025	1,822,775	1,577,501	245,274
Public Safety	5,529,878	5,485,786	4,954,326	531,460
Public Works	406,800	409,712	312,818	96,894
Health	100,463	100,463	91,220	9,243
Human Services	468,593	468,593	402,274	66,319
Other	2,043,339	2,043,339	1,853,720	189,619
Total Expenditures	<u>14,120,550</u>	<u>14,215,904</u>	<u>12,730,358</u>	<u>1,485,546</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,975,261)</u>	<u>(2,070,615)</u>	<u>1,032,271</u>	<u>3,102,886</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	500	500	5,454	4,954
Other Financing Sources	10,000	10,000	13,279	3,279
Transfers In			5,470	5,470
Transfers Out	(440,000)	(453,342)	(263,342)	190,000
Total Other Financing Sources (Uses)	<u>(429,500)</u>	<u>(442,842)</u>	<u>(239,139)</u>	<u>203,703</u>
Net Change in Fund Balance	(2,404,761)	(2,513,457)	793,132	3,306,589
Fund Balance Beginning of Year	3,616,374	3,616,374	3,616,374	
Prior Year Encumbrances Appropriated	<u>179,395</u>	<u>179,395</u>	<u>179,395</u>	
Fund Balance End of Year	<u>\$1,391,008</u>	<u>\$1,282,312</u>	<u>\$4,588,901</u>	<u>\$3,306,589</u>

See accompanying notes to the basic financial statements.

AUGLAIZE COUNTY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
MVGT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Sales tax	\$520,000	\$520,000	\$533,735	\$13,735
Charges for services	370,000	370,000	362,469	(7,531)
Fines and forfeitures	46,000	46,000	40,668	(5,332)
Intergovernmental	3,830,000	3,830,000	3,883,431	53,431
Investment income	3,000	3,000	1,988	(1,012)
Other operating income	114,000	114,000	23,559	(90,441)
Total Revenues	<u>4,883,000</u>	<u>4,883,000</u>	<u>4,845,850</u>	<u>(37,150)</u>
Expenditures:				
Current:				
Public Works:				
Personal services	2,699,324	2,699,324	2,568,657	130,667
Materials and supplies	1,628,341	1,628,341	1,425,445	202,896
Charges and services	817,322	787,322	732,478	54,844
Capital outlay and equipment	450,000	480,000	469,616	10,384
Other operating expense	12,000	12,000	10,941	1,059
Total Expenditures	<u>5,606,987</u>	<u>5,606,987</u>	<u>5,207,137</u>	<u>399,850</u>
Excess of Revenues Over (Under) Expenditures	<u>(723,987)</u>	<u>(723,987)</u>	<u>(361,287)</u>	<u>362,700</u>
Other Financing Sources:				
Proceeds from Sale of Fixed Assets			31,745	31,745
Net Change in Fund Balance	(723,987)	(723,987)	(329,542)	394,445
Fund Balance Beginning of Year	644,208	644,208	644,208	
Prior Year Encumbrances Appropriated	<u>79,779</u>	<u>79,779</u>	<u>79,779</u>	
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$394,445</u>	<u>\$394,445</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
SWM FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Special Assessments	\$366,000	\$366,000	\$367,189	\$1,189
Charges for services	266,000	266,000	279,524	13,524
Intergovernmental			1,447	1,447
Other operating income	193,000	193,000	140,669	(52,331)
Total Revenues	<u>825,000</u>	<u>825,000</u>	<u>788,829</u>	<u>(36,171)</u>
Expenditures:				
Current:				
Health:				
Personal services	272,291	277,082	272,872	4,210
Materials and supplies	57,195	57,195	43,774	13,421
Charges and services	385,904	385,904	227,975	157,929
Capital outlay and equipment	30,000	25,209	19,796	5,413
Other operating expense	160,900	160,900	160,480	420
Total Expenditures	<u>906,290</u>	<u>906,290</u>	<u>724,897</u>	<u>181,393</u>
Excess of Revenues Over (Under) Expenditures	<u>(81,290)</u>	<u>(81,290)</u>	<u>63,932</u>	<u>145,222</u>
Other Financing Sources:				
Proceeds from Sale of Fixed Assets			993	993
Net Change in Fund Balance	(81,290)	(81,290)	64,925	146,215
Fund Balance Beginning of Year	557,882	557,882	557,882	
Prior Year Encumbrances Appropriated	<u>8,239</u>	<u>8,239</u>	<u>8,239</u>	
Fund Balance End of Year	<u>\$484,831</u>	<u>\$484,831</u>	<u>\$631,046</u>	<u>\$146,215</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
ACDD FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Taxes	\$3,053,177	\$3,053,177	\$3,609,196	\$556,019
Intergovernmental	1,209,635	1,209,635	1,285,825	76,190
Investment income			327	327
Other operating income	16,138	16,138	2,145	(13,993)
Total Revenues	<u>4,278,950</u>	<u>4,278,950</u>	<u>4,897,493</u>	<u>618,543</u>
Expenditures:				
Current:				
Health				
Personal services	3,404,348	3,310,001	3,108,064	201,937
Materials and supplies	186,242	191,242	160,963	30,279
Charges and services	1,557,572	1,646,919	1,610,717	36,202
Capital outlay and equipment	38,850	38,850	9,431	29,419
Total Expenditures	<u>5,187,012</u>	<u>5,187,012</u>	<u>4,889,175</u>	<u>297,837</u>
Excess of Revenues Over (Under) Expenditures	<u>(908,062)</u>	<u>(908,062)</u>	<u>8,318</u>	<u>916,380</u>
Other Financing (Uses):				
Operating Transfers Out		(400,000)	(400,000)	
Net Change in Fund Balance	(908,062)	(1,308,062)	(391,682)	916,380
Fund Balance Beginning of Year	1,717,553	1,717,553	1,717,553	
Prior Year Encumbrances Appropriated	197,346	197,346	197,346	
Fund Balance End of Year	<u>\$1,006,837</u>	<u>\$606,837</u>	<u>\$1,523,217</u>	<u>\$916,380</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
COMMUNITY ALTERNATIVES FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services			\$199,633	\$199,633
Intergovernmental	\$900,000	\$900,000	583,146	(316,854)
Other operating income	10,000	10,000	12,600	2,600
Total Revenues	<u>910,000</u>	<u>910,000</u>	<u>795,379</u>	<u>(114,621)</u>
Expenditures:				
Current:				
Health:				
Charges and services	746,768	1,146,768	950,268	196,500
Capital outlay and equipment	5,000	5,000	2,467	2,533
Total Expenditures	<u>751,768</u>	<u>1,151,768</u>	<u>952,735</u>	<u>199,033</u>
Excess of Revenues Over (Under) Expenditures	<u>158,232</u>	<u>(241,768)</u>	<u>(157,356)</u>	<u>84,412</u>
Other Financing Sources:				
Operating Transfers In	<u>190,000</u>	<u>190,000</u>	<u>400,000</u>	<u>210,000</u>
Net Change in Fund Balance	348,232	(51,768)	242,644	294,412
Fund Balance Beginning of Year	3,389,783	3,389,783	3,389,783	
Prior Year Encumbrances Appropriated	<u>326,768</u>	<u>326,768</u>	<u>326,768</u>	
Fund Balance End of Year	<u>\$4,064,783</u>	<u>\$3,664,783</u>	<u>\$3,959,195</u>	<u>\$294,412</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013**

	<u>Business Type Activities Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Auglaize Acres</u>	<u>Sewers</u>	<u>Total</u>	<u>Internal Service Funds</u>
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,239,164	\$535,019	\$1,774,183	\$182,475
Receivables:				
Accounts	611,455	70,776	682,231	
Due From Other Funds				30,252
Materials and Supplies Inventory	29,720		29,720	
Prepaid Items	4,218		4,218	
Total Current Assets	<u>1,884,557</u>	<u>605,795</u>	<u>2,490,352</u>	<u>212,727</u>
Non-current Assets:				
Capital Assets:				
Land	4,200	52,098	56,298	
Depreciable Capital Assets, Net	358,720	2,914,088	3,272,808	
Total Non-current Assets	<u>362,920</u>	<u>2,966,186</u>	<u>3,329,106</u>	
Total Assets	<u>2,247,477</u>	<u>3,571,981</u>	<u>5,819,458</u>	<u>212,727</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	106,842	19,338	126,180	40,212
Accrued Wages	85,257		85,257	2,991
Intergovernmental Payable	67,844		67,844	2,950
Due to Other Funds	3,328	35,577	38,905	
Due to Clients		569	569	
Compensated Absences Payable	106,956		106,956	2,168
Total Current Liabilities	<u>370,227</u>	<u>55,484</u>	<u>425,711</u>	<u>48,321</u>
Long-Term Liabilities:				
Compensated Absences Payable	62,595		62,595	572
Total Long-Term Liabilities	<u>62,595</u>		<u>62,595</u>	<u>572</u>
Total Liabilities	<u>432,822</u>	<u>55,484</u>	<u>488,306</u>	<u>48,893</u>
Net Position:				
Net Investment in Capital Assets	362,920	2,966,186	3,329,106	
Unrestricted	1,451,735	550,311	2,002,046	163,834
Total Net Position	<u>\$1,814,655</u>	<u>\$3,516,497</u>	<u>\$5,331,152</u>	<u>\$163,834</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Business Type Activities Enterprise Funds			Governmental Activities
	Auglaize Acres	Sewers	Total	Internal Service Funds
Operating Revenues:				
Charges for Services	\$4,978,087	\$344,438	\$5,322,525	\$4,764,011
Total Operating Revenues	<u>4,978,087</u>	<u>344,438</u>	<u>5,322,525</u>	<u>4,764,011</u>
Operating Expenses:				
Personal Services	3,494,662		3,494,662	125,787
Contractual Services	901,585	307,146	1,208,731	4,517,520
Materials and Supplies	485,768	3,771	489,539	164,221
Other	37,572		37,572	14
Depreciation	61,006	118,085	179,091	
Capital Outlay	58,460		58,460	120
Total Operating Expenses	<u>5,039,053</u>	<u>429,002</u>	<u>5,468,055</u>	<u>4,807,662</u>
Operating (Loss)	<u>(60,966)</u>	<u>(84,564)</u>	<u>(145,530)</u>	<u>(43,651)</u>
Non-Operating Revenues (Expenses):				
Capital Contribution	139,040		139,040	
Other Non Operating	71,818	550	72,368	783
Transfer Out				(5,470)
Total Non-Operating Revenues (Expenses)	<u>210,858</u>	<u>550</u>	<u>211,408</u>	<u>(4,687)</u>
Special Item:				
Intangible Sales	720,000		720,000	
Total Special Items	<u>720,000</u>		<u>720,000</u>	
Change in Net Position	869,892	(84,014)	785,878	(48,338)
Net Position Beginning of Year	<u>944,763</u>	<u>3,600,511</u>	<u>4,545,274</u>	<u>212,172</u>
Net Position End of Year	<u>\$1,814,655</u>	<u>\$3,516,497</u>	<u>\$5,331,152</u>	<u>\$163,834</u>

See accompanying notes to the basic financial statements.

AUGLAIZE COUNTY

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Business Type Activities Enterprise Funds			Governmental Activities
	Auglaize Acres	Sewers	Total	Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$4,978,087	\$344,438	\$5,322,525	\$114,009
Cash Received from Interfund Services Provided				4,650,001
Cash Payments to Employees for Services	(3,491,710)		(3,491,710)	(124,606)
Cash Payments for Goods and Services	(1,907,233)	(295,659)	(2,202,892)	(4,649,251)
Net Cash Provided by (Used in) Operating Activities	<u>(420,856)</u>	<u>48,779</u>	<u>(372,077)</u>	<u>(9,847)</u>
Cash Flows from Noncapital Financing Activities:				
Non Operating Revenue	71,818	550	72,368	783
Sale of Bed Rights	720,000		720,000	
Transfer Out				(5,470)
Net Cash Provided by (Used in) Non-capital Financing Activities	<u>791,818</u>	<u>550</u>	<u>792,368</u>	<u>(4,687)</u>
Cash Flows from Capital and Related Financing Activities:				
Capital Asset Purchases	(162,171)	(7,980)	(170,151)	
Contributed Capital Revenue	139,040		139,040	
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(23,131)</u>	<u>(7,980)</u>	<u>(31,111)</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	347,831	41,349	389,180	(14,534)
Cash and Cash Equivalents Beginning of Year	<u>891,333</u>	<u>493,670</u>	<u>1,385,003</u>	<u>197,009</u>
Cash and Cash Equivalents End of Year	<u>1,239,164</u>	<u>535,019</u>	<u>1,774,183</u>	<u>182,475</u>
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating Gain (Loss)	(60,966)	(84,564)	(145,530)	(43,651)
Adjustments:				
Depreciation	61,006	118,085	179,091	
(Increase) Decrease in Assets:				
Accounts Receivable	(111,656)	6,084	(105,572)	
Intergovernmental Receivable		1,250	1,250	
Special Assessment Receivable				
Interest Receivable				
Prepaid Items	(1,474)	337	(1,137)	
Materials and Supplies Inventory	10,354		10,354	
Due from Other Funds				6,575
Increase (Decrease) in Liabilities:				
Accounts Payable	(130,484)	3,315	(127,169)	28,192
Deferred Revenue				
Accrued Wages	6,484		6,484	(246)
Compensated Absences Payable	(3,532)		(3,532)	683
Intergovernmental Payable	(3,459)	(2,500)	(5,959)	744
Undistributed Assets				(2,144)
Due to Clients	(10,045)	36	(10,009)	
Due to Other Funds	(177,084)	6,736	(170,348)	
Net Cash Provided by (Used in) Operating Activities	<u>(\$420,856)</u>	<u>\$48,779</u>	<u>(\$372,077)</u>	<u>(\$9,847)</u>

Non-Cash Capital Transactions:
 During 2013 the CDBG and Permanent Improvement Funds purchased capital assets and donated them to the Auglaize Acres Fund.
 See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2013**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$5,999	\$2,821,184
Cash and Cash Equivalents in Segregated Accounts		1,148,823
Receivables:		
Property Taxes		46,794,789
Special Assessments		1,303,316
Due from other governments	1,009	2,331,448
Total Assets	7,008	54,399,560
Liabilities:		
Due to Other Governments		53,250,737
Undistributed Assets		1,148,823
Total Liabilities		\$54,399,560
Net Position:		
Restricted	7,008	
Total Net Position	\$7,008	

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Private Purpose Trust
Additions:	
Other	\$1,141
Total Additions	<u>1,141</u>
Deductions:	
Human Service	1,141
Total Deductions	<u>1,141</u>
Change in Net Position	
Net Position Beginning of Year	<u>7,008</u>
Net Position End of Year	<u><u>\$7,008</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. DESCRIPTION OF THE ENTITY

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

A. Reporting Entity

The County's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units", as amended by GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No 34". The basic financial statements include all funds, agencies, boards, commissions, and other component units for which Auglaize County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's basic financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County.

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

Auglaize County Children's Services Board (CSB)

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

The Auglaize County Board of Developmental Disabilities

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

B. Discretely Presented Component Units

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

Auglaize County Airport Authority

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

1. DESCRIPTION OF THE ENTITY (Continued)

Auglaize Industries, Inc.

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

C. Potential Component Units Reported As Agency Funds

In the case of the separate agencies, boards, and commissions listed below, the County serves as fiscal agent, but is not accountable as defined in GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61, accordingly, the activity of the following districts and agencies are included in the financial statements as agency funds:

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

D. Excluded Potential Component Units

The County is not accountable, as defined in GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61, for the following entities and is not involved with their activities in any substantial capacity; accordingly their activities have been excluded from the County's basic financial statements.

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

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

- Midwest Pool Risk Management Agency, Inc.
- Midwest Employee Benefit Consortium
- County Commissioner Association of Ohio Workers' Compensation Group Rating Plan
- Auglaize County Regional Planning Commission
- Workforce Improvement Act Consortium of Auglaize, Hardin, and Mercer Counties
- West Central Ohio Network
- Auglaize and Mercer Counties Convention and Visitors' Bureau
- Auglaize County Office of Homeland Security and Emergency Management

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

1. DESCRIPTION OF THE ENTITY (Continued)

- Auglaize County Revolving Loan Fund Board
- Grand Lake St Marys Restoration Community Improvement Corporation
- Auglaize County Demolition Advisory Committee
- Auglaize River and Two-Mile Creek Stream Enhancement Project
- Grand Lake Task Force
- Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Basis of Presentation - Fund Accounting

1. Government-wide Statements

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

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

The statement of net position presents the financial condition of the governmental and business-type activities of the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function for the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities.

Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

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

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

a. Governmental Funds

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

The following are the County's major governmental funds:

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

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

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

Auglaize County Development Disabilities (ACDD) - The Auglaize County Developmental Disabilities Fund accounts for a County-wide property tax levy, state grants and reimbursements used to provide comprehensive education and rehabilitation programs and services to developmentally disabled individuals residing in the county.

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Proprietary Funds

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

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

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

c. Fiduciary Funds

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

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

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

B. Measurement Focus and Basis of Accounting

1. Government-Wide Financial Statements

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (e.g., revenues and other financing sources) and uses (e.g., expenditures and other financing uses) of current financial resources.

This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net position.

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

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

1. Discretely Presented Component Units

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

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

C. Basis of Accounting

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

Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of delayed revenue, and in the presentation of expenses versus expenditures.

1. Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within sixty days of year end.

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

2. Deferred Inflows of Resources and Deferred Outflows of Resources

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

Property taxes for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance year 2014 operations, have been recorded as deferred inflows of resources. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred inflows of resources.

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

3. Expenses/Expenditures

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. Budgetary information for the component units is not reported because they are not included in the entity for which the "appropriated budget" is adopted. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates.

The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by County Commissioners. The legal level of control has been established by the County Commissioners at the personal services and other expense classification levels within each department for the General Fund and for all other funds.

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

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

E. Cash and Cash Equivalents

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

During 2013, investments were limited to money market funds, treasury notes and bonds, and Fannie Mae notes and bonds. Except for money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio statutes, the County is required to credit all investment earnings to the General Fund, unless otherwise expressly required by law to allocate to other funds. Interest is distributed to the General Fund, the Motor Vehicle Gasoline Tax Special Revenue Fund, St. Marys River Project Special Revenue Fund, the Auglaize School Workshop Bond Retirement Fund, the Treasurer's Prepay Fund and the Auglaize School Group Home Special Revenue Fund. Total investment revenue earned during 2013 was \$169,959. The General Fund was credited \$127,942 and of this amount \$103,770 was assigned from other funds. Adjusting entries resulted in the General fund reporting \$144,813 of interest revenue on the GAAP basis.

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

F. Inventory of Supplies

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

G. Prepaids

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Receivables and Payables

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

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

I. Inter-fund Receivables and Payables

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

J. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Money held in escrow accounts is reported as restricted since it is payable to contractors upon completion of the project.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets and Depreciation

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

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

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

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

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

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

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

L. Component Units

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

<u>Description</u>	<u>Estimated Life</u>
Furniture and Fixtures	7 years
Transportation Equipment	5 years
Computers	5 years
Leasehold Improvements	13-1/2 years

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

M. Compensated Absences

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

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

N. Accrued Liabilities and Long-Term Obligations

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

O. Net Position

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

Net position restricted for other purposes include resources restricted for specific county operations and federal and state grants restricted to expenditure for specified purposes. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. At December 31, 2013, the amount of net position restricted by enabling legislation was \$3,264,187.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Capital Contributions

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

Q. Fund Balance Reserves

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

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term portion of inter-fund receivable.

Restricted – The restricted classification includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributions, or law or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (County resolutions).

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

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

In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the County Commissioners, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

R. Operating Revenues and Expenses

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

S. Inter-fund Transactions

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

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

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

T. Use of Estimates

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

3. RESTATEMENT OF PRIOR YEAR NET POSITION AND FUND BALANCES

The net position of Governmental Activities and fund balance of the ACDD Fund were restated at January 1, 2013 as a result of a restatement in the West Central Ohio Network (West CON) assets and liabilities. In addition, the net position of the Governmental Activities was restated due to the allocation of the Internal Service Fund as required by GASB Statement No. 34. There was also a change in capital asset values from the amount reported at December 31, 2012 audit. The Jobs and Family Services and Permanent Improvement funds are not required to be presented as major funds at 12/31/13, therefore were combined with Other Governmental Funds. These changes had the following effect on net position/fund balances as previously reported:

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

3. RESTATEMENT OF PRIOR YEAR NET POSITION AND FUND BALANCES (Continued)

	Net Position Governmental Activities	ACDD Fund Balance	Other Governmental
Net Position/Fund Balances, January 1, 2013	\$68,784,978	\$3,988,099	\$5,751,026
Restatements for:			
West Con	(423)	(423)	
Internal Service	(7,525)		
JFS non-major fund			949,162
PI non-major fund			75,634
Correct 2012 Capital Asset Values	(36,126)		
Restated Fund Balance/Net Position, January 1, 2013	<u>\$68,740,904</u>	<u>\$3,987,676</u>	<u>\$6,775,822</u>

4. ACCOUNTABILITY AND COMPLIANCE

The following funds had deficit fund balances as of December 31, 2013:

<u>Special Revenue Funds:</u>	<u>Deficit Fund Balance</u>
Solid Waste Management	\$1,101,043
<u>Internal Service Funds:</u>	
Airport Rotary	\$947

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

5. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual are presented in the basic financial statements for the General Fund and Major Special Revenue Funds.

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

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

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

	Net Change in Fund Balance General and Major Special Revenue Funds				
	General	Motor Vehicle Gasoline Tax	Solid Waste Mgt	Auglaize County Developmental Disabilities	Community Alternatives
Budget Basis	\$793,132	(\$329,542)	\$64,925	(\$391,682)	\$242,644
Net Adjustments:					
Revenue accruals	(1,066,931)	95,804	(19,945)	552,878	(96,619)
Expense accruals	(327,250)	(166,836)	162,896	(924,670)	299,450
Other financing sources	100,112				
Encumbrances	222,871	111,218	2,106	110,392	18,025
GAAP Basis	<u>(\$278,066)</u>	<u>(\$289,356)</u>	<u>\$209,982</u>	<u>(\$653,082)</u>	<u>\$463,500</u>

6. DEPOSITS AND INVESTMENTS

Primary Government

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

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

1. United States treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal or interest by the United States; or any book entry, zero coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes debentures, or any other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit, or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio Plus);

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities described in division (1) or (2) or cash or both cash and securities, equal value for equal value;
9. High grade commercial paper and bankers acceptances in an amount not to exceed up to twenty five percent of the County's total portfolio and corporate notes not to exceed up to fifteen percent of the County's total average portfolio; and

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

All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt and the investment advisory committee specifically approves it. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash On Hand - At December 31, 2013, cash on hand amounted to \$185,154.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the County's deposits was \$7,868,357. Of the County's bank balance of \$8,345,164, \$5,884,393 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

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

B. Investments

As of December 31, 2013, the County had the following investments with the listed maturity periods:

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

	<u>Total</u>	<u>Less Than Six Months</u>	<u>Six Months to One Year</u>	<u>One to Five Years</u>
Federal Home Loan Bank Bonds	\$750,135	\$750,135		
Federal Home Loan Mortgage Corporation				
Bonds	730,485			\$730,485
Medium Term Notes	4,228,465	500,610	\$753,240	2,974,615
Federal National Mortgage Association				
Bonds	748,852			748,852
Notes	5,843,595			5,843,595
Fannie Mae Bonds	998,680			998,680
Freddie Mac Notes	1,005,810		1,005,810	
Federal Farm Credit Bank				
Bonds	1,479,463			1,479,463
Notes	999,570			999,570
Money Market Fund	2,055,653	2,055,653		
	<u>\$18,840,708</u>	<u>\$3,306,398</u>	<u>\$1,759,050</u>	<u>\$13,775,260</u>

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

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

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

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

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

	<u>Carrying Value</u>	<u>Percentage Of Portfolio</u>
Federal Home Loan Bank Bonds	\$750,135	3.98%
Federal Home Loan Mortgage Corporation		
Bonds	730,485	3.88%
Medium Term Notes	4,228,465	22.44%
Federal National Mortgage Association		
Bonds	748,852	3.97%
Notes	5,843,595	31.02%
Fannie Mae Bonds	998,680	5.30%
Freddie Mac Notes	1,005,810	5.34%
Federal Farm Credit Bank		
Bonds	1,479,463	7.85%
Notes	999,570	5.31%
Money Market Fund	2,055,653	10.91%
	<u>\$18,840,708</u>	<u>100.00%</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

C. Component Units

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

At year end, the carrying amount of the Auglaize County Airport Authority deposits were \$157,384 and the bank balance was \$177,870. \$177,870 was covered by federal depository insurance. The balance of cash on hand at year end was \$80. The Auglaize County Airport Authority did not have any investments at year end.

Auglaize Industries, Inc. - At year end, the carrying amount of Auglaize Industries, Inc. deposits was \$55,291 and the bank balance was \$55,307. Of this amount, \$55,307 was covered by federal depository insurance. The balance of cash on hand at year end was \$200. The investment securities are carried at fair market value. Of these securities, the United States Government Securities and the Mortgaged Backed Securities due after ten years have a fair value of \$132,448 the Mutual Funds have a fair value of \$526,472 and the Municipal Bonds have a fair value of \$10,045. Preferred stock had a value of \$37,514 and corporate bonds had a value of \$26,934. There are no statutory guidelines regarding the deposit and investment of funds by the not for-profit corporations.

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

7. PROPERTY TAXES

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

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

Property tax revenues received in 2013 represents the collection of 2012 taxes for real and public utility property taxes. Real and public utility real and tangible personal property taxes received in 2013 became a lien on December 31, 2012, were levied after October 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value. Public utility real taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date.

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

7. PROPERTY TAXES (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts within the County, and the County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, is accounted for through agency funds.

Accrued property taxes receivable represents delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable and unpaid as of December 31, 2013. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2013 operations. The receivable and the portion of the tax levies prepaid by year end into the undivided general tax agency fund are therefore offset by a credit to delayed revenue.

The full tax rate for all County operations for the year ended December 31, 2013, was \$9.25 per \$1,000 of assessed value.

The assessed values of real and tangible personal property upon which 2013 property tax receipts were based are as follows:

Real Property:	
Agricultural/Residential	\$749,990,610
Commercial/Industrial/Mineral	148,344,000
Public Utility Real	298,040
Tangible Personal Property:	
Public Utility	<u>23,492,870</u>
Total Assessed Value	<u>\$922,125,520</u>

8. PERMISSIVE SALES AND USE TAX

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

Proceeds of the permissive sales tax are to be credited to the General Fund and starting in 2013, \$20,000 per month will be credited to the Permanent Improvement Fund January through March. Starting April 1, 2013 \$58,000 will be credited to the Permanent Improvement Fund per month. The sales tax revenue for 2013 amounted to \$6,718,940 in the General Fund due to GAAP journal entries, and \$638,000 was credited to the Permanent Improvement Fund. The use tax amounted to \$538,110, and was credited to the Motor Vehicle and Gasoline Tax Fund.

A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2013. On a full accrual basis, the full amount of the receivable is recognized as revenue. On a modified accrual basis, the amount of the receivable that will be received outside of the available period is deferred.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

9. INTERFUND TRANSACTIONS

As of December 31, 2013, inter-fund receivables and payables that resulted from various inter-fund transactions were as follows:

Interfund Payable	General	MVGT	Other Govtl	Internal Service	Total
General		\$2,772		\$13,546	\$16,318
MVGT				8,781	8,781
SWM	\$1,749,971	11		2,467	1,752,449
Departmental Disabilities	256				256
Other Governmental	3,303	66	\$221,011	2,498	226,878
Auglaize Acres	305	19	44	2,960	3,328
Sewers	35,577				35,577
Interfund Receivable	<u>\$1,789,412</u>	<u>\$2,868</u>	<u>\$221,055</u>	<u>\$30,252</u>	<u>\$2,043,587</u>

Operating Transfers	Transfer In	Transfer Out
General	\$5,470	\$163,342
Developmental Disabilities		400,000
Community Alternatives	400,000	
Other Governmental Funds:		
Revolving Loan Fund		80,000
Job and Family Services	150,000	
Ditch Debt		162
Ditch Maintenance	6,983	200
911 Program	13,342	
Ditch Construction	200	6,821
Court Special Projects		
Community Development Block Grant	80,000	
Total Other Governmental Funds	<u>250,525</u>	<u>87,183</u>
Internal Service Funds:		5,470
	<u>\$655,995</u>	<u>\$655,995</u>

The Community Alternatives Fund used the transfer from the ACDD Fund to provide funding to West Con (see Note 20 C). The \$80,000 transfer from the Revolving Loan Fund to the CDBG Fund was approved by the state for community improvements. The General Fund transferred \$100,000 to the Salary Reserve Fund which was subsequently rolled into the General Fund on the financial statements. This transfer was eliminated on the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

10. RECEIVABLES

Receivables at December 31, 2013 consist of taxes, accounts (billings for user charged services), special assessments, inter-fund, interest, due from other funds, and due from other government receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment. A summary of the principal items of due from other government receivables follows:

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

10. RECEIVABLES (Continued)

<u>General Fund</u>	<u>Amount</u>
Public Defender Reimbursement	\$56,568
VOCA Reimbursement	2,537
School Food Service	1,056
Ohio Housing Trust Fund Admin Fee	424
Casino Revenue	306,009
Local Government	216,785
Homestead and Rollback	208,321
Total General Fund	<u>791,700</u>
MVGT Fund:	
Motor Vehicle License Tax	792,232
Permissive Motor Vehicle License Tax	274,610
Gasoline Tax	1,149,027
Total MVGT Fund	<u>2,215,869</u>
ACDD Fund:	
Homestead and Rollback	<u>371,265</u>
Community Alternatives:	
Title XIX	48,850
Other Funds:	
Community Development Block Grant	34,293
IDAT	4,106
Ohio Housing Trust Grant	78,375
Childrens Services	44,699
911 Emergency Assistance	4,805
DARE Grant	10,532
Jobs and Family Services Grant	200,298
Pollworker Training	848
PSI Writer Grant	14,131
Child Support Enforcement Agency Grant	31,140
Total Other Funds	<u>423,227</u>
Total Due From Other Governments	<u><u>\$3,850,911</u></u>

A summary of the principal items of accounts receivables follows:

<u>General Fund</u>	<u>Amount</u>
Fees	\$17,675
Reimbursement	217
Total General Fund	<u>17,892</u>
MVGT Fund:	
Engineer Fees	<u>101,305</u>
SWM Fund:	
Generation Fee	26,131
Recycle Sales	2,517
Total SWM Fund	<u>28,648</u>
Community Alternatives:	
Day Hab Fees	<u>14,102</u>

(Continued)

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

10. RECEIVABLES (Continued)

<u>General Fund</u>	<u>Amount</u>
Other Funds:	
Real Estate Fees	887
CAUV Fees	675
Handgun License Fees	190
Dretac Fees	886
Jobs and Family Services Fees	590
Children Services Fees	<u>10,539</u>
Total Other Funds	<u>13,767</u>
Total Governmental Funds Accounts Receivable	<u>175,714</u>
Auglaize Acres:	
Auglaize Acres – Room and Board	609,759
Auglaize Acres – Other	<u>1,696</u>
Total Auglaize Acres Accounts Receivable	<u>611,455</u>
Sewer Funds:	
South Grand Lake Sewer Charges	31,024
Villa Nova Sewer Charges	3,768
Sharlon Sewer Charges	1,057
Beverly Hills Sewer Charges	4,010
Sherwood Forest Sewer Charges	2,879
Pleasantview Sewer Charges	4,498
KZ Sewer Charges	1,663
Arrowhead Estates Sewer Charges	2,200
Forest Lane Sewer Charges	2,130
Sandy Beach Sewer Charges	<u>17,547</u>
Total Sewer Funds	<u>70,776</u>
Total Enterprise Funds	<u>682,231</u>
Total Accounts Receivable	<u>\$857,945</u>

A summary of the principal items of notes receivables follows:

Other Funds	
Auglaize Provico	\$74,669
Industrial Paint and Strip	147,151
Johnna's LLC	16,584
Western Ohio Hardware	135,731
Mile Creek Animal Clinic	<u>54,966</u>
Total Notes Receivable	<u>\$429,101</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

11. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, was as follows:

Governmental Activities	Balance January 1	Additions	Prior Pd Adjustment	Transfers	Reductions	Balance December 31
Non Depreciable Assets:						
Land	\$1,942,929	\$45,100				\$1,988,029
Construction in Progress	311,325	464,746				776,071
Total Non-Depreciable	<u>2,254,254</u>	<u>509,846</u>				<u>2,764,100</u>
Depreciable Assets:						
Land Improvements	4,532,397	5,983				4,538,380
Buildings & Improvements	25,309,381	142,497				25,451,878
Infrastructure	39,462,026	3,379,394			(\$721,568)	42,119,852
Equipment, Furniture, Fixtures	12,154,194	942,486	(\$41,491)	(\$71,561)	(766,591)	12,217,037
Total Depreciable	<u>81,457,998</u>	<u>4,470,360</u>	<u>(41,491)</u>	<u>(71,561)</u>	<u>(1,559,720)</u>	<u>84,327,147</u>
Accumulated Depreciation:						
Land Improvements	2,961,398	378,132				3,339,530
Buildings & Improvements	9,212,250	883,393				10,095,643
Infrastructure	18,628,705	1,961,266			(671,046)	19,918,925
Equipment, Furniture, Fixtures	8,169,379	920,796	(5,365)	(71,561)	(647,180)	8,366,069
Total Accumulated Depreciation	<u>38,971,732</u>	<u>4,143,587</u>	<u>(5,365)</u>	<u>(71,561)</u>	<u>(1,389,787)</u>	<u>41,720,167</u>
Net Depreciable Assets	<u>42,486,266</u>	<u>326,773</u>	<u>(36,126)</u>		<u>(169,933)</u>	<u>42,606,980</u>
Total Governmental Activities Capital Assets (Net)	<u>\$44,740,520</u>	<u>\$836,619</u>	<u>(\$36,126)</u>		<u>(\$169,933)</u>	<u>\$45,371,080</u>

Business-Type Activities	Balance January 1	Additions	Transfers	Reductions	Balance December 31
Non Depreciable Assets:					
Land	\$56,298				\$56,298
Depreciable Assets:					
Buildings & Improvements	1,131,668	\$148,910			1,280,578
Sewer – Infrastructure	5,848,963	7,980			5,856,943
Equip, Furn & Fixtures	349,094	13,261	\$71,561		433,916
Total Depreciable	<u>7,329,725</u>	<u>170,151</u>	<u>71,561</u>		<u>7,571,437</u>
Accumulated Depreciation:					
Buildings & Improvements	955,367	46,889			1,002,256
Sewer – Infrastructure	2,824,770	118,085			2,942,855
Equip, Furn & Fixtures	267,840	14,117	71,561		353,518
Total Accum Depr	<u>4,047,977</u>	<u>179,091</u>	<u>71,561</u>		<u>4,298,629</u>
Net Depreciable Assets Business Type Activities Capital Assets (Net)	<u>3,281,748</u>	<u>(8,940)</u>			<u>3,272,808</u>
	<u>\$3,338,046</u>	<u>(\$8,940)</u>			<u>\$3,329,106</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

11. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	\$1,406,428
General Government - Judicial	27,432
Public Safety	154,234
Public Works	2,451,347
Health	61,527
Human Services	42,619
Total Depreciation Expense	<u><u>\$4,143,587</u></u>

12. RISK MANAGEMENT

A. Transference of Risk: Property, Crime and Liability

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

Coverage provided by the pool is as follows:

Property:	
Maximum per occurrence	\$81,183,000
Subject to following sub-limits:	
Flood*	36,000,000
Earthquake*	36,000,000
Demolition and Increased Cost of Construction	1,000,000
Extra Expense	275,000
Computer Equipment & Media	1,000,000
Computer Extra Expense	50,000
Property in Transit	20,000
Valuable Papers	100,000
Account Receivable	50,000
Mobile Equipment	2,500,000
Fine Arts	50,000
Automatic Builders' Risk	1,000,000
Automatic Newly-Acquired Property	1,000,000
Crime:	
Employee Dishonesty and Faithful Performance	500,000
Money and Securities (Inside and Outside)	500,000
Forgery and Alteration	500,000
Boiler and Machinery	50,000,000
Liability:	
Maximum per occurrence	7,000,000
Subject to following sub-limits	
General, Law, Auto	7,000,000
Employee Benefits*	7,000,000
Ohio Stop Gap	7,000,000
Public Official Errors & Omissions*	7,000,000
Sexual Harassment*	1,000,000
County Home (primary and excess liability)	5,000,000
Pollution Liability	1,000,000

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

12. RISK MANAGEMENT (Continued)

Limits include the pool self-insured retentions.

*Limit is annual aggregate

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

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

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

Property and Auto Physical Damage	\$81,183,000
Crime	500,000
Liability	7,000,000
Professional Liability Policy for County Home	3,000,000
Pollution Liability	1,000,000

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

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

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

Provisions for claim reserves and loss adjustment expenses are based on information reported by members and are calculated by the Pool's claim administrator and independent actuary. These amounts represent an estimate of reported, unpaid claims, plus provisions for claims incurred and not reported. The Pool's management believes that the estimate of the liability for claim reserves is reasonable in the circumstances; however, actual incurred losses and loss adjustment expenses may not conform to the assumptions inherent in the determination of the liability. Accordingly, the ultimate settlement of losses and related loss adjustment expenses may vary from the estimated amount included in the accompanying financial statements. Should the provision for claims reserves not be sufficient, supplemental contributions, as discussed above, will be assessed.

To lower costs to pool members, MPRMA joined with other Ohio public entities to form a new excess pool called the Public Entity Risk Consortium (PERC). The PERC pool provides self-insured retentions for each of the member pools as follows: Property – up to \$250,000 per occurrence, Liability – up to \$500,000 per occurrence and annual Stop Loss for the period of 12/1/12 through 11/30/13 up to \$1,550,000 maximum. As of November 30, 2012 PERC has cash reserves of \$6,007,838 which, in the opinion of an outside actuary and management, is adequate for any claims currently pending against the pool.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

12. RISK MANAGEMENT (Continued)

B. Transference of Risk: Employee Health Insurance

The County is part of the Midwest Employee Benefit Consortium (MEBC) (the Consortium) for its employee health insurance, and retains no risk for this plan (see Note 19). Member contributions are calculated to annually produce a sufficient sum of money within the self-insurance pool adequate to fund administrative expenses of the Association and to create adequate reserves for claims and unallocated loss adjustment expenses.

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

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

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

C. Transference of Risk: Workers Compensation Insurance

For 2013, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (See Note 19). The plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than the individual rate.

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

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

12. RISK MANAGEMENT (Continued)

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

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

1. Each year the County deposits into the "flexible spending account" the amount of \$150 for a single coverage plan and \$300 for a family coverage plan. These funds may be used, as the employee determines, to cover health care expenses which are not covered under the County's basic health care program or to provide additional coverage for items which are part of the County's basic health care coverage. This plan is administered by Polaris Benefit Administrators.
2. The County's Basic Health Care Program has an agreement with Caremark/CVS to provide prescription drugs to the County's Basic Health Care Plan members. Under this program, the employee pays a deductible for each prescription filled and the County pays the balance.
3. The County reimburses Medicare for any past payments for services to Auglaize County employees that should have been covered by the Auglaize County Group Health plan but were originally paid by Medicare.

13. DEFINED BENEFIT PENSION PLANS

The County participates in the Ohio Public Employees Retirement System (OPERS). The OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to, but not less than, the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

The OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

13. DEFINED BENEFIT PENSION PLANS (Continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the traditional pension plan. For the year ended December 31, 2013, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 10.0 percent of their annual covered salaries. Members participating in the traditional plan that were in law enforcement contributed 12.6 percent of their annual covered salary. Effective January 1, 2014, the member contribution rates for law enforcement members increased to 13.0 percent. The County's contribution rate for pension benefits for 2013 was 14.0 percent, except for those plan members in law enforcement. For that classification, the County's pension contributions were 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contributions allocated to health care for members of the Traditional Plan was 1.0 percent. The portion of employer contributions allocated to health care for members in the combined plan was 1.0 percent. Employer contribution rates are actuarially determined.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2013, 2012, and 2011 were \$1,924,014, \$1,491,694, and \$1,482,714 respectively; 90 percent has been contributed for 2013 and 100 percent for 2012 and 2011. Contributions to the member-directed plan for 2013 were \$39,273 made by the County and \$28,052 made by the plan members.

14. POSTEMPLOYMENT BENEFITS

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

14. POSTEMPLOYMENT BENEFITS (Continued)

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013 local government employer units contributed at 14.0% of covered payroll, and public safety and law enforcement employer units contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual employer contributions for 2013 were \$131,111 for regular employees and \$12,786 for law enforcement employees. For 2012 and 2011, the actual employer contributions were \$526,302 and \$526,747 respectively, for regular employees and \$49,887 and \$47,024 respectively, for law enforcement employees; 90 percent has been contributed for 2013 and 100 percent for 2012 and 2011.

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

15. COMPENSATED ABSENCES

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

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

16. LEASES – LESSEE DISCLOSURE

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

The schedule for future minimum long-term operating lease payments as of December 31, 2013 is as follows:

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

16. LEASES – LESSEE DISCLOSURE (Continued)

Year	Special Revenue Fund
2014	\$10
2015	10
2016	10
2017	10
2018	10
2019	10
2020	10
2021	10
Total	\$80

17. DEBT OBLIGATIONS

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

	Balance 12/31/12	Additions	Reductions	Balance 12/31/13	Due Within One Year
Governmental Activities					
General Obligation Bonds:					
2005 – 2.4% - 4.1%					
Original Amount \$475,000					
Human Services Building	\$205,000		(\$40,000)	\$165,000	\$40,000
Ohio Public Works Commission Loan					
Sandy Beach Storm Sewer	56,259		(5,115)	51,144	5,114
Special Assessment Bonds:					
1993 – 3.1% - .9%					
Original Amount - \$1,495,000					
Sandy Beach Sewer District	120,000		(120,000)		
Special Assessment Notes:					
Kah Sewer- 0%	179,341		(8,967)	49,319	8,967
Headapohl Ditch-2.49%	33,577	\$33,577	(2,100)	31,477	4,201
Highlawn Ditch-3.13%	10,554	10,554	(660)	9,894	1,321
Vertner Ditch-2.87%	122,631	122,631	(65,470)	57,161	15,343
Crow #2 Ditch-5.25%	4,428	3,984	(885)	3,099	885
Ramga #2 Ditch-4.87%	62,606	23,477	(7,826)	15,651	7,826
Jacob Ditch – 3.35%	44,653	39,071	(5,581)	33,490	5,582
Harruff Ditch-3.55%	21,949	19,205	(1,372)	17,833	2,744
Kellermeyer #2 – 4.60%	31,687	19,804	(3,960)	15,844	3,961
Shaw Ditch-5.1%	34,116	10,661	(4,264)	6,397	4,264
Barnt Ditch-5.1%	7,860	2,456	(982)	1,474	983
Warman #3 – 2.71%	28,664	14,283	(14,283)		
Kettler Ditch–3.85%	132,172	90,869	(16,522)	74,347	16,521
Bennett Ditch – 3.39%	100,113	81,322	(12,528)	68,794	12,527
Newland Ditch-3.39%	41,562	38,590	(5,945)	32,645	5,945
Spencer #2 Ditch–4.05%	24,428	18,321	(3,054)	15,267	3,053
Barrington Ditch–4.6%	2,088	1,299	(260)	1,039	260

(Continued)

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

Governmental Activities	Balance 12/31/12	Additions	Reductions	Balance 12/31/13	Due Within One Year
Special Assessment Notes: (Cont'd)					
Evans #2 Ditch-3.15%	27,039	27,039	(1,690)	25,349	3,380
Koch Ditch-3.15%	16,571	16,571	(2,339)	14,232	2,071
Arnold Ditch-5.5%	16,687	6,257	(2,085)	4,172	2,086
Lowry Ditch-3.39%	17,884	16,766	(2,235)	14,531	2,235
Henschen Ditch-4.67%	52,540	16,419	(6,568)	9,851	6,568
Nielson Ditch-4.67%	18,609	5,815	(2,326)	3,489	2,326
IOOF Ditch-4.2%	24,981	9,368	(3,123)	6,245	3,123
Muddy Creek Jt – 3.85%	69,323	51,993	(8,666)	43,327	8,665
Bryant Ditch– 3.95%	34,838	26,128	(4,354)	21,774	4,355
Annesser Ditch – 4.15%	78,281	34,248	(9,785)	24,463	9,785
Fritz Ditch – 4.45%	9,379	6,449	(1,173)	5,276	1,172
Kuenstle Ditch – 4.60%	329	82	(82)		
Waynesfield Nrtheast Storm Sewer – 4.25%	19,561	1,956	(1,956)		
Huenke #2 Ditch– 4.35%	21,531	9,420	(2,692)	6,728	2,691
Gutman #3 Ditch-3.31%	9,324			9,324	1,165
Klosterman Ditch-3.06%	45,527			45,527	5,691
Freeman Ditch – 3.95%	32,149	22,102	(4,018)	18,084	4,019
Allman #2 Ditch - 4.75%	66,929	3,584	(3,584)		
Barnes #2 – 4.59%	7,589	6,639	(950)	5,689	950
Downey Ditch – 4.53%	13,369	836	(836)		
Stoner Ditch – 4.50%	8,138	4,069	(1,017)	3,052	1,017
Zink Ditch – 4.50%	14,533	2,906	(2,906)		
Simms Run Ditch – 4.50%	25,530	12,765	(3,191)	9,574	3,191
Shearer #3 Ditch – 3.81%	20,446	8,945	(2,556)	6,389	2,556
Spencer Ditch – 4.70%	30,285	15,142	(3,785)	11,357	3,786
Cartwright Ditch – 4.70%	10,726	3,575	(1,787)	1,788	1,788
Luedeke Ditch – 4.52%	4,337	8,065	(1,793)	6,272	1,792
Easterly Ditch – 4.60%	1,893	473	(473)		
McKee Ditch – 4.60%	36,178	20,350	(4,522)	15,828	4,522
Helmstetter Ditch -4.60%	1,846	554	(369)	185	185
Burr Oak Ditch – 4.50%	36,970	20,796	(4,622)	16,174	4,621
Total Special Assessment Notes	737,330	265,223	(240,142)	762,411	178,123
Total Other Long Term Obligations:					
Compensated Absences	2,017,791	963,790	(1,060,645)	1,920,936	723,676
Total Governmental Activities	\$3,136,380	\$1,229,013	(\$1,465,902)	\$2,899,491	\$946,913

Business Type Activities	Balance 12/31/12	Additions	Reductions	Balance 12/31/13	Due Within One Year
Ohio Public Works Commission Loan					
Sewer and Interceptor					
Original Amount \$100,000	\$2,500		(\$2,500)	\$0	
Other Long-Term Obligations					
Compensated Absences	173,083	\$125,591	(129,123)	169,551	\$106,956
Total Business Type Activities	\$175,583	\$125,591	(\$131,623)	\$169,551	\$106,956

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

17. DEBT OBLIGATIONS (Continued)

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

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

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

The special assessment bonds were backed by the full faith and credit of Auglaize County and are payable from special assessment and/or governmental revenues. The liability was paid from un-voted property tax or special assessments received by the County. In the event that property owners failed to make their special assessment payments, the County was responsible for providing the resources to meet the annual principal and interest payments. This debt was paid in full during 2013.

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

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

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

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000.

The effects of the debt limitations described above at December 31, 2013 are an overall debt margin of \$21,553,138 and an un-voted debt margin of \$9,221,255.

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

17. DEBT OBLIGATIONS (Continued)

Year	General Obligation Bonds	Special Assessment Notes	OPWC Promissory Loans	Total Debt Obligations
2014	\$46,605	\$204,781	\$5,114	\$256,500
2015	45,065	189,098	5,114	239,277
2016	43,465	155,619	5,114	204,198
2017	46,845	124,738	5,114	176,697
2018		87,888	5,114	93,002
2019-2023		77,204	25,574	102,778
2024-2028				
2029-2033				
Total	181,980	839,328	51,144	1,072,452
Less:				
Interest	16,980	76,917		93,897
Outstanding Principal	\$165,000	\$762,411	\$51,144	\$978,555

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

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

A summary of the loan transactions for the year ended December 31, 2013 is as follows:

Project Loans:	Outstanding 12/31/12	Additions	Reductions	Outstanding 12/31/13
Southeast Sewer District	\$ 1,196,367	\$ 0	(\$)	\$ 1,196,367
Sandy Beach Sewer District	209,786	0	0	209,786
Total	\$ 1,406,153	\$ 0	(\$)	\$ 1,406,153

A. Current Refunding

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

18. FUND BALANCES

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

<u>Fund Balances</u>	<u>General</u>	<u>MVGT</u>	<u>SWM</u>	<u>ACDD</u>
Non-Spendable:				
Inventory	\$75,447	\$412,226		\$4,802
Prepays	90,406	18,210	\$224	5,791
Notes Receivable				
Interfund Receivable	1,749,971			
Restricted for:				
Debt Service				
Capital Outlay				
MVGT		873,977		
ACDD				3,324,001
Other Purpose				
Committed to:				
Capital Outlay				
Other Purpose				
Assigned	103,571			
Unassigned	6,201,889		(1,101,267)	
Total Fund Balances	\$8,221,284	\$1,304,413	(\$1,101,043)	\$3,334,594

<u>Fund Balances</u>	<u>Community Alternatives</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Non-Spendable:			
Inventory		\$31,969	\$524,444
Prepays	\$459	101,254	216,344
Notes Receivable		429,101	429,101
Interfund Rec			1,749,971
Restricted for:			
Debt Service		99,229	99,229
Capital Outlay		434,569	434,569
MVGT			873,977
ACDD			3,324,001
Other Purpose	4,023,578	5,762,842	9,786,420
Committed to:			
Capital Outlay		354,295	354,295
Other Purpose		95,489	95,489
Assigned			103,571
Unassigned			5,100,622
Total Fund Balances	\$4,024,037	\$7,308,748	\$23,092,033

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

19. PUBLIC ENTITY RISK POOLS

A. Midwest Pool Risk Management Agency, Inc.

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

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

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

<u>County</u>	<u>%</u>	<u>Fixed Costs</u>	<u>Loss Fund</u>
Mercer	18.4	\$158,568	\$68,800
Auglaize	22.2	191,315	58,400
Shelby	22.9	197,347	133,200
Hancock	24.6	211,998	97,200
Van Wert	11.9	102,551	42,400

The financial statements of Midwest Risk Pool Management Agency, Inc. can be obtained from Don Regula, Auglaize County Commissioner and Treasurer of the Midwest Pool Risk Management Agency.

B. Midwest Employee Benefit Consortium

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

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

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

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

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

19. PUBLIC ENTITY RISK POOLS (Continued)

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

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

20. JOINTLY GOVERNED ORGANIZATIONS

A. Auglaize County Regional Planning Commission

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

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

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

The Commission has no outstanding debt as of December 31, 2013. The following unaudited cash financial data of the Commission is presented for the year ended December 31, 2013:

	<u>Joint Venture</u>	<u>Auglaize County's 50 Percent</u>
Total Non-Operating Revenues	\$10	\$5
Total Operating Expenses	(1,616)	(808)
Net Income (Loss)	(1,606)	(803)
Fund Balance, January 1, 2013	4,686	2,343
Fund Balance, December 31, 2013	<u>\$3,080</u>	<u>\$1,540</u>

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

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

20. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

C. West Central Ohio Network

The West Central Ohio Network (West CON) is a regional council of governments. West CON is comprised of the boards of Developmental Disabilities (DD) of several counties, including, Auglaize, Darke, Logan, Mercer, Miami, Shelby, Union, and Hardin. The Board of Directors is made up of the Superintendents from each of these DD Boards, and the degree of control exercised by any participating government is limited to its representation on the Board. West CON is the administrator and fiscal agent of Supported Living funds for each of these Boards of Developmental Disabilities. The following unaudited financial data of the West Central Ohio Network - Auglaize County is presented on a cash basis for the year ended December 31, 2013.

	County Portion
Total Operating Revenue	\$551,045
Total Operating Expenses	(991,693)
Net Income (Loss)	(440,648)
Fund Balance, January 1, 2013	2,289,206
12/31/12 Fund Balance Adjustment	(423)
Fund Balance, December 31, 2013	\$1,848,135

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

D. Auglaize and Mercer Counties Convention and Visitors Bureau

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

The Board conducts business and sponsors projects to further the purpose of the Bureau. The Bureau is funded primarily from a 3 percent (effective 7/1/96) lodging tax imposed by both counties. Payment is due to the county by the last day of the following month. The 2013 revenue received by the Bureau was \$153,702. Of this amount \$138,709 came from the lodging tax. \$71,374 of the total 2013 revenue was from Auglaize County. Financial information can be obtained from 900 Edgewater Drive, St Marys, Ohio 45885.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

20. JOINTLY GOVERNED ORGANIZATIONS (Continued)

E. Auglaize County Office of Homeland Security and Emergency Management

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

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

F. Auglaize County Revolving Loan Fund Board

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

G. Grand Lake St. Marys Restoration Community Improvement Corporation

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

H. Auglaize County Demolition Advisory Committee

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

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

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

21. JOINT VENTURES

A. Grand Lake Task Force

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

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

The following unaudited financial data of the Grand Lake Task Force is presented on a cash basis for the year ended December 31, 2013:

	Joint Venture	Auglaize County's 12.5 Percent
Total Operating Revenues	\$105,232	\$13,154
Total Operating Expenses	(111,386)	(13,923)
Net Income (Loss)	(6,154)	(769)
Fund Balance, January 1, 2013	184,489	23,061
Fund Balance, December 31, 2013	\$178,335	\$22,292

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

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

The Board of Trustees consists of sixteen members. Board members are appointed by the Board's Director and the legislative authorities of the political subdivisions making up the Board. The Board includes members from those legislative authorities as well as citizens of the Board. Those subdivisions are Allen, Auglaize and Hardin Counties, the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addiction Services. The degree of control exercised by any participating government is limited to its representation on the Board. The MHRS Board is a joint venture since continued participation by the Counties is necessary for the continued existence.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

21. JOINT VENTURES (Continued)

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

During 2013, tax revenues generated by the levy in Auglaize County were \$351,648. Complete financial statements can be obtained from the MHRS Board, Allen County, Ohio.

22. COMPONENT UNITS

A. Auglaize County Airport Authority (the Authority)

1. Summary of Significant Accounting Policies

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

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

2. Accounting System

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

3. Revenue and Expenditure Recognition

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

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

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

22. COMPONENT UNITS (Continued)

4. Cash

To improve cash management, all cash received by the Authority is pooled in a central bank account. During fiscal year 2013, the Authority invested in interest bearing depository accounts and a certificate of deposit.

5. Inventory

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

6. Capital Assets and Depreciation

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

B. Auglaize Industries, Inc

1. Summary of Significant Accounting Policies

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

2. Accounting System

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

3. Revenue and Expense Recognition

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

4. Budgetary Process

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

22. COMPONENT UNITS (Continued)

5. Estimates

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

6. Cash and Investments

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

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

7. Capital Assets

Buildings, equipment and improvements are stated at cost except for donated assets, which are stated at fair market value at the date of receipt. Auglaize Industries maintains a capitalization threshold of \$1,000. A portion of the facilities occupied by Auglaize Industries consists of additions to the original facilities owned by Auglaize County.

Leasehold improvements are depreciated rateably over the estimated useful life. Depreciation of fixed assets is on a double declining balance basis over the estimated useful lives of the respective assets, as follows:

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

8. Prepaid Items

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

9. Advertising

Advertising costs are charged to operations when incurred. Advertising costs amounted to \$1,952 for 2013.

10. Inventory

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

22. COMPONENT UNITS (Continued)

11. Compensated Absences

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

23. RELATED PARTY TRANSACTIONS

Auglaize Industries has entered into a contract with the Auglaize County Board of Developmental Disabilities (DD), whereby the DD has agreed to pay specified overhead expenses for the workshop. The additional income and related expenses are reported on the income statement as Unrestricted Support. The unaudited operating expenses paid by the DD on behalf of the Auglaize Industries amounted to \$617,195 for the year ended December 31, 2013.

24. SIGNIFICANT CONTRACTUAL OBLIGATIONS

At December 31, 2013, the County had entered into several contracts, the most significant of which include the following:

Contractor	Amount
Heyene Construction Inc.	\$104,389
Ohio Bridge Corporation	23,687
JR Enterprises	11,998
National Express Transit	42,317
Sand Ridge Excavating	164,856
Cy Schwieterman, Inc.	368,930
Miami County	42,000
Total Commitments	<u>\$758,177</u>

25. CONTINGENT LIABILITIES

A. Grants

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

B. Litigation

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

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**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number or Grant	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through Ohio Development Services Agency				
Community Development Block Grant/States Program Formula Grant	B-F-12-1AF-01	14.228	\$138,000	
Community Housing Improvement Program	B-C-12-1AF-01		21,855	
HOME Investment Partnerships Program	B-C-10-1AF-02	14.239	3,069	
HOME Investment Partnerships Program	B-C-12-1AF-02		141,773	
Total U.S. Department of Housing and Urban Development			<u>304,697</u>	
U.S. DEPARTMENT OF AGRICULTURE				
Passed through Ohio Department of Job and Family Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1213-11-0011/G-1415-11-5331	10.561	107,435	
Passed through Ohio Department of Agriculture				
Nutrition Cluster:				
School Breakfast Program	137125-05NP-2013	10.553	4,163	
National School Lunch Program	137125-LLN4-2013	10.555	6,135	\$821
Total Nutrition Cluster			<u>10,298</u>	<u>821</u>
Total U.S. Department of Agriculture			<u>117,733</u>	<u>821</u>
U.S. DEPARTMENT OF JUSTICE				
Passed through Ohio Office of Criminal Justice Services				
Edward Byrne Memorial Justice Assistance Grant Program	2011-DL-LEF-5804	16.738	11,289	
Edward Byrne Memorial Justice Assistance Grant Program	2012-DL-LEF-5804		30,666	
Edward Byrne Memorial Justice Assistance Grant Program	2012-JG-C01-6925		40,000	
Edward Byrne Memorial Justice Assistance Grant Program	2011-JG-C01-6925		14,678	
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>96,633</u>	
Criminal and Juvenile Justice and Mental Health Collaboration Program	2010-MO-BX-0055	16.745	63,496	
Passed through the Ohio Attorney General				
Crime Victim Assistance	2014-VAGENE-059	16.575	6,010	
Crime Victim Assistance	2013-VAGENE-059		27,230	
Total Crime Victim Assistance			<u>33,240</u>	
Total U.S. Department of Justice			<u>193,369</u>	
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through the Federal Aviation Administration				
Airport Improvement Program	3-39-0084-1511	20.106	4,988	
Passed through the Ohio Department of Transportation				
Highway Planning and Construction	PID 87078	20.205	3,535	
	PID 89123		667,374	
Total Highway Planning and Construction			<u>670,909</u>	
Total U.S. Department of Transportation			<u>675,897</u>	

(Continued)

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Ohio Secretary of State				
Voting Access for Individuals with Disabilities Grants to States - PIPA	N/A	93.617	90	
Voting Access for Individuals with Disabilities Grants to States - PWTO			580	
Passed through Ohio Department of Job and Family Services				
Promoting Safe and Stable Families	G-1213-11-0011/G-1415-11-5331	93.556	57,149	
Temporary Assistance for Needy Families	G-1213-11-0011/G-1415-11-5331	93.558	677,385	
Child Support Enforcement	G-1213-11-0011/G-1415-11-5331	93.563	391,350	
Child Care and Development Block Grant	G-1213-11-0011/G-1415-11-5331	93.575	54,333	
Community Based Child Abuse Prevention Grant	G-1011-11-0011/G-89-20-1025	93.590	1,997	
Stephanie Tubbs Jones Child Welfare Services Program	G-1213-11-0011/G-1415-11-5331	93.645	46,867	
Foster Care Title IV-E	G-1213-11-0011/G-1415-11-5331	93.658	37,770	
Adoption Assistance	G-1213-11-0011/G-1415-11-5331	93.659	249,094	
Chafee Foster Care Independence Program	G-1213-11-0011/G-1415-11-5331	93.674	11,173	
Medical Assistance Program	G-1213-11-0011/G-1415-11-5331	93.778	162,953	
Passed through Ohio Department of Developmental Disabilities				
Social Services Block Grant		93.667	34,418	
Passed through Ohio Department of Job and Family Services				
Social Services Block Grant	G-1213-11-0011/G-1415-11-5331	93.667	<u>430,762</u>	
Total Social Services Block Grant			465,180	
Total U.S. Department of Health and Human Services			<u>2,155,921</u>	
Total Federal Financial Assistance			<u>\$3,447,617</u>	<u>\$821</u>

See accompanying notes to the schedule of federal awards expenditures.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 1: GENERAL

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

NOTE 2: SUB-RECIPIENTS

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

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

NOTE 3: FOOD SERVICES PROGRAMS – LAW ENFORCEMENT CENTER

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

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

NOTE 4: MATCHING REQUIREMENTS

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

NOTE 5: COMMUNITY DEVELOPMENT BLOCK GRANT REVOLVING LOAN PROGRAM

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

These loans are collateralized by equipment. At December 31, 2013 the gross amount of loans outstanding under this program was \$429,101.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

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

Activity in the CDBG revolving loan fund during 2013 is as follows:

Beginning loans receivable balance as of January 1, 2013	\$589,504
New loans	150,000
Loan principal repaid	(310,403)
Ending loans receivable balance as of December 31, 2013	\$429,101
Cash balance on hand in the revolving loan fund as of December 31, 2013	\$375,482
Transfer to CDBG Funds	80,000
Administrative costs expended during 2013	50,000

NOTE 6: TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2013, the County made allowable transfers of \$199,569 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County spent approximately \$677,385 on the TANF program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2013 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$876,954
Transfer to Social Services Block Grant	(199,569)
Total Temporary Assistance for Needy Families	\$677,385



Dave Yost • Auditor of State

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

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

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Auglaize County, (the County) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 27, 2014, wherein we noted the County restated the January 1, 2013 Net Position of the Governmental Activities and the fund balances of the ACDD Fund and Other Governmental Funds. Our report refers to other auditors who audited the financial statements of the component units, Auglaize County Airport Authority and Auglaize Industries, Inc. as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial report or compliance and other matters that those auditors separately reported.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2013-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

The County's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the 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 the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

August 27, 2014



Dave Yost • Auditor of State

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

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

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Auglaize County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each the County's major federal programs for the year ended December 31, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Highway Planning and Construction

As described in finding 2013-002 in the accompanying schedule of findings, the County did not comply with requirements regarding *Reporting* applicable to its Highway Planning and Construction major federal program. Compliance with this requirement is necessary, in our opinion, for the County to comply with the requirements applicable to this program.

Qualified Opinion on Highway Planning and Construction

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Highway Planning and Construction* paragraph, Auglaize County complied, in all material respects, with the requirements referred to above that could directly and materially affect its Highway Planning and Construction program for the year ended December 31, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Auglaize County complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended December 31, 2013.

Other Matters

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

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2013-002 to be a material weakness.

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

Financial Condition
Auglaize County
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
Page 2

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.

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

Dave Yost
Auditor of State
Columbus, Ohio

December 23, 2014

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**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified for all major programs except Highway Planning and Construction, which we qualified.
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Highway Planning and Construction Grant CFDA #20.205 Temporary Assistance for Needy Families (TANF) CFDA #93.558 Child Support Enforcement CFDA #93.563 Adoption Assistance CFDA #93.659 Social Service Block Grant CFDA #93.667
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2013-001

Significant Deficiency - Bank to Book Reconciliation Errors and Variances

Cash is the asset most susceptible to theft and misappropriation therefore appropriate controls over cash should exist at the County. Monthly reconciliations between the book balances and the bank and investment accounts is a key control that provides a reasonable assurance that all receipts and disbursements have been accurately and completely recorded in the accounting records and processed by the financial institutions. Additionally, an accurate and complete reconciliation provides the County with a picture of the financial position at month-end.

The December 31, 2013 bank to book reconciliation included the following errors: the USB Financial Services investment balance was understated by \$8,977 due to the improper cost value being used. In addition, the following errors were noted with reconciling items: interest in bank balances but not recorded in the accounting system was overstated by \$5,547; NSF checks was understated by \$120; the bank service fee was understated by \$141; carryover deductions were understated by \$100,175; and a January 2013 realized gain in the amount of \$5,250 was not recorded in the accounting system and was not included as a reconciling item.

After factoring in these errors the December 31, 2013 reconciliation had a balance of \$23,704,849 while the total cash per the Combined MTD/YTD Fund Report was \$23,761,763. This resulted in an unexplained variance of \$56,914 which is 0.2 percent of the total fund balances. The unexplained variance at December 31, 2012, December 31, 2011 and December 31, 2010 was as follows: \$44,293; \$38,070 and \$38,985, respectively.

Unexplained bank to book reconciliation errors reduces accountability and increases the risk that irregularities will not be detected timely. Also when the book balance is greater than the bank balance there is the impression that money collected has not been properly accounted for by the County.

Bank reconciliations should be reviewed for accuracy. The reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. All un-reconciled balances should be researched in order to find the known source of the error. All reconciling items and errors should be corrected on the County's accounting system following the completion of the reconciliation. Support should be maintained for adjustments necessary to eliminate variances between the book balances and bank and investment accounts.

OFFICIALS' RESPONSE:

As was previously discussed, it has been the intention of the Board of County Commissioners to engage Local Government Services, or a similar service provider, to resolve the bank to book variance following the conclusion of the FY2013 audit. While we understand that the variance is immaterial given the threshold level, we still view the resolution of the variance as a necessary step in having a complete financial picture of the County.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2013-002
CFDA Title and Number	Highway Planning and Construction – CFDA #20.205
Federal Award Number / Year	PID #891238
Federal Agency	United States Department of Transportation
Pass-Through Agency	Ohio Department of Transportation

Noncompliance/Material Weakness - Reporting

OMB Circular A-133, Subpart C, Section 300(d), requires the County to prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with section .310. **OMB Circular A-133, Subpart C, Section 310(b)(3)** states at a minimum the schedule shall provide total Federal awards expended for each individual Federal program.

The County prepared a schedule of federal awards expenditures (the Schedule), however, the Schedule did not include the Highway Planning and Construction Grant – CFDA #20.205 which had on-behalf expenditures from project number 89123 in the amount of \$667,374. In 2013, the Ohio Department of Transportation paid the contractor directly for the expenditures related to this Auglaize County road project.

The County's Schedule has been updated to properly reflect this activity.

The failure to accurately and completely report grant activity on the Schedule resulted in material misstatement of the County's Schedule. Procedures should be implemented by each County department to help assure that federal funding is properly identified and reported to the County Auditor for inclusion on the Schedule.

OFFICIALS' RESPONSE:

1. Beginning December 1, 2014, two Auditor's office employees will be assigned the duty of reviewing all information turned over to this office regarding anticipated revenue by all departments.
2. The Auditor's office has added a question to the year-end memo sent to the Auglaize County Engineer requesting that he supply this office with any Ohio Department of Transportation "Local Let Summary & Payable Invoice" for Federal grants.
3. Beginning January 1, 2015 the Auglaize County Engineer has agreed to notify the Auditor's office whenever a "Local Let Summary & Payable Invoice" has been sent to Ohio Department of Transportation for payment on a Federal project.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	28 C.F.R. Part 66.20(b) - Edward Byrne Memorial Justice Assistance Grant Program CFDA #16.738 - failure to update accounting records and the lack of support for grant activity.	Yes	

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-002	See Corrective Action Plan within the Officials' Response on page 87.	See Officials' Response on page 87.	Janet Schuler, Auglaize County Auditor

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Dave Yost • Auditor of State

AUGLAIZE COUNTY FINANCIAL CONDITION

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 3, 2015