

DARKE COUNTY, OHIO

FINANCIAL CONDITION

*FOR THE YEAR ENDED
DECEMBER 31, 2014*

CAROL GINN, AUDITOR



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Darke County prepared by Julian & Grube, Inc., for the audit period January 1 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

September 2, 2015

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DARKE COUNTY

**FINANCIAL CONDITION
FOR THE YEAR ENDED DECEMBER 31, 2014**

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 11
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position - Modified Cash Basis.....	12
Statement of Activities - Modified Cash Basis.....	13 - 14
Fund Financial Statements:	
Statement of Modified Cash Basis Assets and Fund Balances - Governmental Funds	15
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances - Governmental Funds.....	16
Statement of Cash Receipts, Disbursements and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund	17
Statement of Cash Receipts, Disbursements and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - Auto License and Gas Tax Fund	18
Statement of Cash Receipts, Disbursements and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - BODD Fund	19
Statement of Cash Receipts, Disbursements and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual- Job and Family Services Fund.....	20
Statement of Fund Net Position - Modified Cash Basis - Enterprise Funds	21
Statement of Receipts, Disbursements and Changes in Fund Net Position - Modified Cash Basis - Enterprise Funds	22
Statement of Cash Flows - Enterprise Funds.....	23
Statement of Fiduciary Net Position - Modified Cash Basis - Agency Funds.....	24
Notes to the Basic Financial Statements	25 - 47
Supplementary Data:	
Schedule of Expenditures of Federal Awards.....	48 - 49
Notes to Schedule of Expenditures of Federal Awards	50 - 51
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	52 - 53
Independent Auditor’s Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by With <i>OMB Circular A-133</i>	54 - 55
Schedule of Findings and Responses <i>OMB Circular A-133 §.505</i>	56 - 57
Status of Prior Audit Findings	58



Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Darke County
504 South Broadway Street
Greenville, Ohio 45331

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Darke County, Ohio, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Darke County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Darke County, Ohio, as of December 31, 2014, and the respective changes in modified cash financial position and where applicable, cash flows, and the respective budgetary comparison for the General, Auto License and Gas Tax, BODD, and Job and Family Services funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Supplemental and Other Information

We audited to opine on Darke County's financial statements that collectively comprise its basic financial statements. The Schedule of Expenditures of Federal Awards presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

We applied no procedures to the Management's Discussion & Analysis presented on pages 3-11 of the report, and accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2015, on our consideration of Darke County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Darke County's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 11, 2015

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

This discussion and analysis of the Darke County (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2014, within the limitations of the County's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the County's financial performance.

FINANCIAL HIGHLIGHTS

Key highlights for 2014 are as follows:

Total net position of governmental activities was \$22,660,753. The net position of governmental activities increased \$943,959, which is about 4 percent.

General governmental receipts accounted for \$15,761,935 or 41% of all receipts. Program specific receipts in the form of charges for services and grants and contributions accounted for \$21,159,881 or 55% of all receipts of governmental activities of \$38,186,231.

The County had \$37,242,272 in cash disbursements related to governmental activities; only \$21,159,881 of these disbursements were offset by program specific charges for services, grants or contributions.

Among major funds, the General Fund had \$16,660,694 in receipts, other financing sources, and extraordinary item and \$16,197,211 in disbursements and other financing uses. The General Fund's fund balance increased \$463,483, or approximately 10% to a balance of \$5,144,588.

Net position for the enterprise funds decreased \$207,537, or about 30 percent.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

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

Basis of Accounting

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

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

Reporting the County as a Whole

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Cash and Investments	\$22,660,753	\$21,716,794	\$491,678	\$699,215	\$23,152,431	\$22,416,009
Total Assets	22,660,753	21,716,794	491,678	699,215	23,152,431	22,416,009
Net Position						
Restricted for:						
Other Purposes	15,198,601	14,603,067	0	0	15,198,601	14,603,067
Capital Outlay	695,178	661,829	0	0	695,178	661,829
Unrestricted	6,766,974	6,451,898	491,678	699,215	7,258,652	7,151,113
Total Net Position	\$22,660,753	\$21,716,794	\$491,678	\$699,215	\$23,152,431	\$22,416,009

Total net position of governmental activities increased \$943,959. Net position restricted for other purposes increased due largely to a federal airport grant balance at year-end. Unrestricted net position increased due mostly to the increase in fund balance of the general fund that resulted from continued strict monitoring of expenditures.

Net position of business-type activities decreased \$207,537, or about 30 percent.

Table 2 reflects the changes in net position in 2014, as well as a comparison to the changes in net position during 2013.

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

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Receipts						
Program Receipts:						
Charges for Services	\$7,609,695	\$7,649,733	\$533,609	\$523,357	\$8,143,304	\$8,173,090
Operating Grants, Contributions and Interest	13,550,186	13,700,453	26,123	20,286	13,576,309	13,720,739
Capital Grants and Cont.	0	31,862	0	0	0	31,862
Total Program Receipts	21,159,881	21,382,048	559,732	543,643	21,719,613	21,925,691
General Receipts:						
Property Taxes	5,200,496	5,133,406	0	0	5,200,496	5,133,406
Sales Taxes	7,933,115	7,634,748	0	0	7,933,115	7,634,748
Grants and Entitlements	2,019,012	1,872,276	0	0	2,019,012	1,872,276
Interest	185,186	186,103	1,156	0	186,342	186,103
Other	424,126	795,582	13,509	3,149	437,635	798,731
Total General Receipts	15,761,935	15,622,115	14,665	3,149	15,776,600	15,625,264
Extraordinary Item	1,264,415	0	0	0	1,264,415	0
Total Receipts	38,186,231	37,004,163	574,397	546,792	38,760,628	37,550,955
Disbursements						
General Government						
Legislative and Executive	6,546,603	4,909,504	0	0	6,546,603	4,909,504
Judicial	3,460,807	3,439,279	0	0	3,460,807	3,439,279
Public Safety	5,767,870	5,585,321	0	0	5,767,870	5,585,321
Public Works	6,299,908	6,252,109	0	0	6,299,908	6,252,109
Health	406,497	393,135	0	0	406,497	393,135
Human Services	11,909,365	12,211,904	0	0	11,909,365	12,211,904
Economic Dev and Assistance	1,095,893	641,419	0	0	1,095,893	641,419
Intergovernmental	403,986	278,063	0	0	403,986	278,063
Capital Outlay	810,235	170,952	0	0	810,235	170,952
Debt Service:						
Principal Retirement	335,000	437,344	0	0	335,000	437,344
Interest and Fiscal Charges	206,108	215,208	0	0	206,108	215,208
Sewer	0	0	300,990	290,751	300,990	290,751
Solid Waste	0	0	480,944	330,338	480,944	330,338
Total Disbursements	37,242,272	34,534,238	781,934	621,089	38,024,206	35,155,327
Increase(Decrease) in Net Position Before Advances	943,959	2,469,925	(207,537)	(74,297)	736,422	2,395,628
Advances	0	(38,520)	0	38,520	0	0
Increase (Decrease) in Net Position	943,959	2,431,405	(207,537)	(35,777)	736,422	2,395,628
Beginning Net Position	21,716,794	19,285,389	699,215	734,992	22,416,009	20,020,381
Ending Net Position	\$22,660,753	\$21,716,794	\$491,678	\$699,215	\$23,152,431	\$22,416,009

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

Governmental Activities

Net position of the County's governmental activities increased \$943,959, which is about 4 percent.

The following table shows total receipts by source for 2014:

<u>Receipts by Source</u>	<u>2014</u>	<u>Percent of Total</u>
Unrestricted grants and entitlements	\$2,019,012	5.29%
Program Receipts	21,159,881	55.41%
General Tax Receipts	13,133,611	34.39%
General Other	609,312	1.60%
Extraordinary Item	1,264,415	3.31%
Total Receipts	<u>\$38,186,231</u>	<u>100.00%</u>

Tax receipts accounted for \$13,133,611 of the \$38,186,231 in total receipts for governmental activities. Sales tax accounted for \$7,933,115, or approximately 60 percent of the total tax receipts, with property taxes making up the other 40 percent. Sales taxes increased for 2014 due to an improvement in the economy.

The program receipts are made up of \$7,609,695 in direct charges to users of governmental services and \$13,550,186 in grants and contributions restricted to specific programs. Operating grants, contributions, and interest, increased mostly due to increases in community development grants, Temporary Assistance for Needy Families, and Medicaid.

The extraordinary item was insurance proceeds from a barn fire at the fairgrounds.

Human Services disbursements accounted for the largest share of disbursements at approximately 32 percent of total cash disbursements for 2014. Public works disbursements were about 17 percent of disbursements and public safety disbursements were about 15 percent of disbursements. General government legislative and executive disbursements accounted for 18 percent of disbursements and General government judicial disbursements were about 9 percent of disbursements. Legislative and Executive expenditures increased due to the expenditures to repair and rebuild buildings at the fairground that were damaged by a fire.

Business-Type Activities

Net position of business-type activities decreased by \$207,537 during 2014. Charges for services were the largest source of receipts, accounting for 93 percent of total business-type activities receipts. Another 5 percent of the receipts were from solid waste grants, and approximately two percent was interest and miscellaneous receipts.

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

Statement of Activities

If you look at the Statement of Activities on page 13, you will see that the first column lists the major programs of the County. The next column identifies the costs of providing these services. The next two columns of the Statement entitled Program Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the County that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3. That is, it identifies the cost of these services supported by taxes, unrestricted State entitlements and investment earnings. A comparison to the same information for 2013 is shown.

Table 3

	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Current:				
General Government:				
Legislative and Executive	\$6,546,603	\$2,949,508	\$4,909,504	\$2,088,463
Judicial	3,460,807	1,717,361	3,439,279	1,843,305
Public Safety	5,767,870	4,977,660	5,585,321	4,835,847
Public Works	6,299,908	518,917	6,252,109	(718,537)
Health	406,497	189,712	393,135	207,468
Human Services	11,909,365	4,107,737	12,211,904	3,901,368
Economic Development and Assistance	1,095,893	(49,650)	641,419	8,606
Intergovernmental	403,986	403,986	278,063	278,063
Capital Outlay	810,235	726,052	170,952	55,055
Debt Service:				
Principal Retirement	335,000	335,000	437,344	437,344
Interest and Fiscal Charges	206,108	206,108	215,208	215,208
Total Disbursements	<u>\$37,242,272</u>	<u>\$16,082,391</u>	<u>\$34,534,238</u>	<u>\$13,152,190</u>

Charges for services and operating grants of about 55 percent of total cash receipts were received and used to fund the disbursements of the County. The remaining 45 percent of cash receipts were from taxes, unrestricted State entitlements, investment earnings, and miscellaneous receipts. The County relies on these receipts to furnish the services it provides to residents.

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

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Information about the County's major governmental funds begins on page 15. All governmental funds had total receipts, other financing sources, and extraordinary items of \$40,749,887 and total disbursements and other financing uses of \$39,805,928. The General Fund is the chief operating fund of the County. At the end of 2014, the fund balance of the general fund was \$5,144,588. The General Fund balance increased \$463,483 or 10 percent due to the strict monitoring of disbursements during 2014, and increased sales tax receipts.

The Auto License and Gas Tax Fund balance decreased \$612,538, which is about 10 percent, due largely to the expenditure of a large balance of a state grant that remained at the end of the prior year. The BODD Fund balance increased \$249,784, or about 6 percent. The Job and Family Services Fund balance decreased \$22,233, or 9 percent due to timing of receipts and disbursements of the fund. The non-major governmental funds had an increase in fund balance of \$865,463, or about 13 percent.

Information about the County's enterprise funds begins on page 21. The enterprise funds reported an operating loss of \$71,001 for 2014, and a decrease in net position of \$207,537.

Budgeting Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of receipts, disbursements and encumbrances. The County's budget is adopted on a line item basis. The Board of County Commissioners adopts the budget at the department level within each fund of the County. The purchase orders left open and carried over from the prior fiscal year become part of the appropriations for the current year. For 2014, the General Fund had original appropriations of \$17,236,198 and final appropriations of \$18,613,377.

On the budgetary basis, actual disbursements reported include outstanding purchase orders at year-end. Actual disbursements, including other financing uses, plus year-end encumbrances were \$15,887,019 for 2014.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

Debt

At December 31, 2014, Darke County had \$6,175,000 in governmental debt outstanding.

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

Table 4
Outstanding Debt at Year End

	Governmental Activities	
	2014	2013
General Obligation Bonds	<u>\$6,175,000</u>	<u>\$6,510,000</u>
Totals	<u>\$6,175,000</u>	<u>\$6,510,000</u>

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

CURRENT FINANCIAL ISSUES AND CONCERNS

The economic condition of the County is steadily improving, even though the County's budget for the General Fund in 2015 is very conservative. Total receipts are projected to be almost 12.2% less than what was actually received in 2014. This decrease is contributed from an insurance payment that the County received in 2014 in the amount of \$1,210,040 on behalf of the Darke County Fairgrounds for a significant fire in their cow barn. The decrease is also contributed from the Local Government Revenues decreasing and the state of Ohio no longer projecting estimated revenues from the casino revenues.

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

In 2014, Reid Medical Office Building broke ground in March. This will be a \$10 million dollar project that will result in a 34,000 square foot facility. The medical center will house specialty doctors such as cardiologists, ENT's, and orthopedics, along with other specialties offered to the residents of Darke County. The building is expected to be completed in 2015.

Whirlpool Corporation also broke ground on a \$40 million dollar expansion in 2014. This expansion will add 196,000 square feet to the Darke County facility, creating approximately 400 new jobs. Whirlpool Corporation has been in Darke County since 1942, and the main reason for the expansion at their Greenville plant was the excellent workforce available. The construction of the new expansion is expected to last twelve to fifteen months.

JAFE Decorating has partnered with Darke County, in conjunction with the Partnering for Progress initiative, to receive a low interest revolving loan enabling them to expand their current production facility by 14,000 square feet and creating 20 new full-time positions.

REQUESTS FOR INFORMATION

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

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

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$22,265,800	\$491,678	\$22,757,478
Cash and Cash Equivalents in Segregated Accounts	283,565	0	283,565
Cash and Cash Equivalents with Fiscal Agent	22,013	0	22,013
Investments in Segregated Accounts	89,375	0	89,375
<i>Total Assets</i>	<u>\$22,660,753</u>	<u>\$491,678</u>	<u>\$23,152,431</u>
Net Position			
Restricted for:			
Capital Outlay	\$695,178	\$0	\$695,178
Other Purposes	15,198,601	0	15,198,601
Unrestricted	6,766,974	491,678	7,258,652
<i>Total Net Position</i>	<u>\$22,660,753</u>	<u>\$491,678</u>	<u>\$23,152,431</u>

See accompanying notes to the basic financial statements

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

	Disbursements	Program Receipts		
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities:				
General Government:				
Legislative and Executive	\$6,546,603	\$ 2,819,541	\$777,554	\$0
Judicial	3,460,807	1,134,304	609,142	0
Public Safety	5,767,870	509,872	280,338	0
Public Works	6,299,908	933,818	4,847,173	0
Health	406,497	213,086	3,699	0
Human Services	11,909,365	1,575,520	6,226,108	0
Economic Development	1,095,893	339,371	806,172	0
Intergovernmental	403,986	0	0	0
Capital Outlay	810,235	84,183	0	0
Debt Service:				
Principal Retirement	335,000	0	0	0
Interest and Fiscal Charges	206,108	0	0	0
<i>Total Governmental Activities</i>	<u>37,242,272</u>	<u>7,609,695</u>	<u>13,550,186</u>	<u>0</u>
Business-type activities:				
Sewer	300,990	321,668	0	0
Solid Waste	480,944	211,941	26,123	0
<i>Total business-type activities</i>	<u>781,934</u>	<u>533,609</u>	<u>26,123</u>	<u>0</u>
<i>Total primary government</i>	<u>\$38,024,206</u>	<u>\$8,143,304</u>	<u>\$13,576,309</u>	<u>\$0</u>

General Receipts:
Property Taxes Levied for:
 General Purposes
 Other Purposes
Permissive Sales Taxes
Grants and Entitlements not Restricted to Specific Programs
Unrestricted Investment Earnings
Payment in Lieu of Taxes
Miscellaneous
Total General Receipts

Extraordinary Item:
Insurance Proceeds for Barn Fire

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
(\$2,949,508)	\$0	(\$2,949,508)
(1,717,361)	0	(1,717,361)
(4,977,660)	0	(4,977,660)
(518,917)	0	(518,917)
(189,712)	0	(189,712)
(4,107,737)	0	(4,107,737)
49,650	0	49,650
(403,986)	0	(403,986)
(726,052)	0	(726,052)
	0	
(335,000)	0	(335,000)
(206,108)	0	(206,108)
<u>(16,082,391)</u>	<u>0</u>	<u>(16,082,391)</u>
0	20,678	20,678
0	(242,880)	(242,880)
0	(222,202)	(222,202)
<u>(16,082,391)</u>	<u>(222,202)</u>	<u>(16,304,593)</u>
2,667,309	0	2,667,309
2,533,187	0	2,533,187
7,933,115	0	7,933,115
2,019,012	0	2,019,012
185,186	1,156	186,342
201,626	0	201,626
222,500	13,509	236,009
<u>15,761,935</u>	<u>14,665</u>	<u>15,776,600</u>
1,264,415	0	1,264,415
943,959	(207,537)	736,422
21,716,794	699,215	22,416,009
<u>\$22,660,753</u>	<u>\$491,678</u>	<u>\$23,152,431</u>

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

	General	Auto License and Gas Tax	BODD	Job and Family Services	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$4,839,612	\$5,346,104	\$4,229,255	\$212,202	\$7,638,627	\$22,265,800
Cash and Cash Equivalents in Segregated Accounts	225,601	0	0	0	57,964	283,565
Cash and Cash Equivalents with Fiscal Agents	0	0	22,013	0	0	22,013
Investments in Segregated Accounts	79,375	0	0	0	10,000	89,375
<i>Total Assets</i>	<u>\$5,144,588</u>	<u>\$5,346,104</u>	<u>\$4,251,268</u>	<u>\$212,202</u>	<u>\$7,706,591</u>	<u>\$22,660,753</u>
Fund Balances						
Nonspendable	\$0	\$0	\$30,360	\$0	\$0	\$30,360
Restricted	0	5,346,104	4,220,908	212,202	6,084,205	15,863,419
Committed	0	0	0	0	806,641	806,641
Assigned	4,146,680	0	0	0	815,745	4,962,425
Unassigned	997,908	0	0	0	0	997,908
<i>Total Fund Balances</i>	<u>\$5,144,588</u>	<u>\$5,346,104</u>	<u>\$4,251,268</u>	<u>\$212,202</u>	<u>\$7,706,591</u>	<u>\$22,660,753</u>

See accompanying notes to the basic financial statements

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

	General	Auto License and Gas Tax	BODD	Job and Family Services	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Taxes	\$2,667,309	\$0	\$2,533,187	\$0	\$0	\$5,200,496
Permissive Sales Tax	7,933,115	0	0	0	0	7,933,115
Intergovernmental	1,676,266	4,404,383	2,576,270	3,003,251	3,725,583	15,385,753
Charges for Services	1,722,341	723,348	24,600	679,880	2,599,301	5,749,470
Licenses and Permits	101,592	0	0	0	228,269	329,861
Fines and Forfeitures	345,173	0	0	0	170,699	515,872
Special Assessments	0	0	0	0	366,132	366,132
Interest	185,186	76,658	543	538	2,266	265,191
Payments in Lieu of Taxes	201,626	0	0	0	0	201,626
Other	353,840	116,288	28,851	101,780	175,508	776,267
<i>Total Receipts</i>	<u>15,186,448</u>	<u>5,320,677</u>	<u>5,163,451</u>	<u>3,785,449</u>	<u>7,267,758</u>	<u>36,723,783</u>
Disbursements						
Current:						
General Government:						
Legislative and Executive	5,592,539	0	0	0	954,064	6,546,603
Judicial	2,116,600	0	0	0	1,344,207	3,460,807
Public Safety	5,462,027	0	0	0	305,843	5,767,870
Public Works	30,924	5,965,555	0	0	303,429	6,299,908
Health	222,759	0	0	0	183,738	406,497
Human Services	439,966	0	4,863,667	3,894,169	2,711,563	11,909,365
Economic Development	0	0	0	0	1,095,893	1,095,893
Intergovernmental	403,986	0	0	0	0	403,986
Capital Outlay	0	0	0	0	810,235	810,235
Debt Service:						
Principal Retirement	0	0	0	0	335,000	335,000
Interest and Fiscal Charges	0	0	0	0	206,108	206,108
<i>Total Disbursements</i>	<u>14,268,801</u>	<u>5,965,555</u>	<u>4,863,667</u>	<u>3,894,169</u>	<u>8,250,080</u>	<u>37,242,272</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>917,647</u>	<u>(644,878)</u>	<u>299,784</u>	<u>(108,720)</u>	<u>(982,322)</u>	<u>(518,489)</u>
Other Financing Sources (Uses)						
Proceeds from Sale of Capital Assets	165,693	32,340	0	0	0	198,033
Advances - In	43,286	0	0	0	115,314	158,600
Advances - Out	(115,314)	0	0	0	(43,286)	(158,600)
Transfers - In	852	0	0	86,487	2,317,717	2,405,056
Transfers - Out	(1,813,096)	0	(50,000)	0	(541,960)	(2,405,056)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,718,579)</u>	<u>32,340</u>	<u>(50,000)</u>	<u>86,487</u>	<u>1,847,785</u>	<u>198,033</u>
<i>Extraordinary Item:</i>						
Insurance Proceeds for Barn Fire	1,264,415	0	0	0	0	1,264,415
<i>Net Change in Fund Balances</i>	<u>463,483</u>	<u>(612,538)</u>	<u>249,784</u>	<u>(22,233)</u>	<u>865,463</u>	<u>943,959</u>
<i>Fund Balances Beginning of Year</i>	<u>4,681,105</u>	<u>5,958,642</u>	<u>4,001,484</u>	<u>234,435</u>	<u>6,841,128</u>	<u>21,716,794</u>
<i>Fund Balances End of Year</i>	<u>\$5,144,588</u>	<u>\$5,346,104</u>	<u>\$4,251,268</u>	<u>\$212,202</u>	<u>\$7,706,591</u>	<u>\$22,660,753</u>

See accompanying notes to the basic financial statements

Darke County, Ohio
*Statement of Cash Receipts, Disbursements and Changes
 In Fund Balance - Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Year Ended December 31, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Taxes	\$2,598,400	\$2,598,400	\$2,667,309	\$68,909
Permissive Sales Tax	7,250,000	7,933,115	7,933,115	0
Intergovernmental	1,200,496	1,606,347	1,676,266	69,919
Charges for Services	1,307,432	1,436,744	1,393,978	(42,766)
Licenses and Permits	108,130	108,130	101,592	(6,538)
Fines and Forfeitures	375,000	375,000	345,173	(29,827)
Interest	98,014	98,014	185,079	87,065
Payments in Lieu of Taxes	201,626	201,626	201,626	0
Other	181,177	199,565	160,548	(39,017)
<i>Total Receipts</i>	13,320,275	14,556,941	14,664,686	107,745
Disbursements				
Current:				
General Government:				
Legislative and Executive	6,436,832	7,476,793	5,368,178	2,108,615
Judicial	2,249,387	2,254,054	2,128,002	126,052
Public Safety	5,569,344	5,651,574	5,315,470	336,104
Public Works	38,294	38,294	30,924	7,370
Health	243,219	244,339	227,609	16,730
Human Services	510,513	510,513	440,466	70,047
Intergovernmental	407,453	404,986	403,986	1,000
<i>Total Disbursements</i>	15,455,042	16,580,553	13,914,635	2,665,918
<i>Excess of Receipts Over (Under) Disbursements</i>	(2,134,767)	(2,023,612)	750,051	2,773,663
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	150,621	165,693	15,072
Advances In	165,595	165,595	43,286	(122,309)
Advances Out	(118,596)	(162,674)	(115,314)	47,360
Transfers In	1,362	1,362	852	(510)
Transfers Out	(1,662,560)	(1,870,150)	(1,813,096)	57,054
<i>Total Other Financing Sources (Uses)</i>	(1,614,199)	(1,715,246)	(1,718,579)	(3,333)
Extraordinary Item:				
Insurance Proceeds for Barn Fire	0	1,264,415	1,264,415	0
<i>Net Change in Fund Balance</i>	(3,748,966)	(2,474,443)	295,887	2,770,330
<i>Fund Balance Beginning of Year</i>	3,704,992	3,704,992	3,704,992	0
Prior Year Encumbrances Appropriated	43,974	43,974	43,974	0
<i>Fund Balance End of Year</i>	\$0	\$1,274,523	\$4,044,853	\$2,770,330

See accompanying notes to the basic financial statements

Darke County, Ohio
*Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Auto License and Gas Tax Fund
For the Year Ended December 31, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$4,350,000	\$4,530,663	\$4,398,335	(\$132,328)
Charges for Services	289,000	538,987	601,981	62,994
Interest	75,000	75,000	76,658	1,658
Other	87,000	87,000	116,288	29,288
<i>Total Receipts</i>	4,801,000	5,231,650	5,193,262	(38,388)
Disbursements				
Current:				
Public Works	6,961,120	7,281,670	5,451,530	1,830,140
<i>Excess of Receipts Over (Under) Disbursements</i>	(2,160,120)	(2,050,020)	(258,268)	1,791,752
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	0	0	32,340	32,340
Advances In	0	0	6,048	6,048
Advances Out	0	(6,050)	(6,048)	2
<i>Total Other Financing Sources (Uses)</i>	0	(6,050)	32,340	38,390
<i>Net Change in Fund Balance</i>	(2,160,120)	(2,056,070)	(225,928)	1,830,142
<i>Fund Balance at Beginning of Year</i>	5,397,164	5,397,164	5,397,164	0
Prior Year Encumbrances Appropriated	14,820	14,820	14,820	0
<i>Fund Balance at End of Year</i>	\$3,251,864	\$3,355,914	\$5,186,056	\$1,830,142

See accompanying notes to the basic financial statement:

Darke County, Ohio
Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
BODD Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Taxes	\$2,481,000	\$2,481,000	\$2,533,187	\$52,187
Intergovernmental	2,520,790	2,638,163	2,576,270	(61,893)
Charges for Services	37,128	37,128	24,600	(12,528)
Other	5,500	5,500	27,734	22,234
<i>Total Receipts</i>	<u>5,044,418</u>	<u>5,161,791</u>	<u>5,161,791</u>	<u>0</u>
Disbursements				
Current:				
Human Services	<u>5,859,451</u>	<u>5,859,451</u>	<u>4,906,101</u>	<u>953,350</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(815,033)</u>	<u>(697,660)</u>	<u>255,690</u>	<u>953,350</u>
Other Financing Uses				
Transfers - Out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(865,033)	(747,660)	205,690	953,350
<i>Fund Balance at Beginning of Year</i>	3,345,708	3,345,708	3,345,708	0
Prior Year Encumbrances Appropriated	<u>105,416</u>	<u>105,416</u>	<u>105,416</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$2,586,091</u>	<u>\$2,703,464</u>	<u>\$3,656,814</u>	<u>\$953,350</u>

See accompanying notes to the basic financial statements

Darke County, Ohio
*Statement of Cash Receipts, Disbursements and Changes
 In Fund Balance - Budget (Non-GAAP Basis) and Actual
 Job and Family Services Fund
 For the Year Ended December 31, 2014*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$3,061,438	\$2,958,444	\$2,911,528	(\$46,916)
Charges for Services	665,518	624,298	679,435	55,137
Other	110,000	110,000	101,780	(8,220)
<i>Total Receipts</i>	3,836,956	3,692,742	3,692,743	1
Disbursements				
Current:				
Human Services	3,999,344	3,855,130	3,644,639	210,491
<i>Excess of Receipts Over (Under) Disbursements</i>	(162,388)	(162,388)	48,104	210,492
Other Financing Sources:				
Transfers - In	86,487	86,487	86,487	0
<i>Net Change in Fund Balance</i>	(75,901)	(75,901)	134,591	210,492
<i>Fund Balance at Beginning of Year</i>	74,474	74,474	74,474	0
Prior Year Encumbrances Appropriated	1,427	1,427	1,427	0
<i>Fund Balance at End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$210,492</u>	<u>\$210,492</u>

See accompanying notes to the basic financial statements

Darke County, Ohio
Statement of Fund Net Position - Modified Cash Basis
Enterprise Funds
As of December 31, 2014

	Enterprise Funds
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$491,678
Net Position	
Unrestricted	\$491,678

See accompanying notes to the basic financial statements

Darke County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Net Position
Modified Cash Basis
Enterprise Funds
December 31, 2014

	Total
Operating Receipts	
Charges for Services	\$533,609
Other	13,509
<i>Total Operating Receipts</i>	547,118
Operating Disbursements	
Personal Services	111,159
Contractual Services	349,508
Materials and Supplies	28,122
Other	129,330
<i>Total Operating Disbursements</i>	618,119
<i>Operating Loss</i>	(71,001)
<i>Non-Operating Receipts (Disbursements)</i>	
Federal and State Subsidies	26,123
Capital Outlay	(32,250)
Interest	1,156
Other Non-Operating Disbursements	(131,565)
<i>Total Non-Operating Receipts (Disbursements)</i>	(136,536)
<i>Change in Net Position</i>	(207,537)
<i>Net Position Beginning of Year</i>	699,215
<i>Net Position End of Year</i>	\$491,678

See accompanying notes to the basic financial statements

Darke County
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2014

	<u>Enterprise</u>
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities	
Cash Received from Customers and Support	\$533,609
Cash Received from Other Operating Receipts	13,509
Cash Payments for Employee Services and Benefits	(111,159)
Cash Payments to Suppliers	(377,630)
Cash Payments for Other Operating Disbursements	(129,330)
<i>Net Cash Used in Operating Activities</i>	<i>(71,001)</i>
Cash Flows from Noncapital Financing Activities	
Federal and State Subsidies	26,123
Acquisition of Capital Assets	(32,250)
Other Non-Operating Disbursements	(131,565)
<i>Net Cash Used in Noncapital Financing Activities</i>	<i>(137,692)</i>
Cash Flows from Investing Activities	
Interest	1,156
<i>Net Decrease in Cash and Cash Equivalents</i>	<i>(207,537)</i>
<i>Cash and Cash Equivalents Beginning of Year</i>	<i>699,215</i>
<i>Cash and Cash Equivalents End of Year</i>	<i>\$491,678</i>

See accompanying notes to the basic financial statements

Darke County, Ohio
Statement of Fiduciary Net Position
Modified Cash Basis
Agency Funds
December 31, 2014

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,793,391
Cash and Cash Equivalents in Segregated Accounts	343,089
Investments in Segregated Accounts	<u>75,000</u>
<i>Total Assets</i>	<u><u>\$2,211,480</u></u>
Liabilities	
Undistributed Monies	<u>\$2,211,480</u>
<i>Total Liabilities</i>	<u><u>\$2,211,480</u></u>

See accompanying notes to the basic financial statements

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 1 - DESCRIPTION OF THE COUNTY AND REPORTING ENTITY

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

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

Reporting Entity:

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

Component units are legally separate organizations for which the County is financially accountable and for which a financial benefit or burden relationship exists. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County. The County is financially accountable for an organization if an organization is fiscally dependent on the County and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on the County regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Component units may also include organizations that do not otherwise meet the criteria for inclusion if it is determined that their exclusion would be misleading.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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

Wayne Industries

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

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

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

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

Insurance Purchasing Pools:

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

Jointly Governed Organizations:

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

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Net Change in Fund Balance

	General	Auto License and Gas	BODD	Job and Family Services
Modified Cash Basis	\$463,483	(\$612,538)	\$249,784	(\$22,233)
Unrecorded Cash on Hand	(1,410)	(121,367)	0	100,555
Non-Budgeted Activity	33,898	0	9,681	0
Encumbrances	(101,826)	(2,928)	(67,081)	0
Difference in Perspective	(98,258)	510,905	13,306	56,269
Budget Basis	<u>\$295,887</u>	<u>(\$225,928)</u>	<u>\$205,690</u>	<u>\$134,591</u>

A. Basis of Presentation - Fund Accounting

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

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

B. Basis of Presentation

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

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

C. Cash, Cash Equivalents and Investments

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

The County values investments and cash equivalents at cost. During 2014, the County invested in non-negotiable certificates of deposit.

Following Ohio statutes, the Board of Commissioners has specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during 2014 was \$185,186 including \$138,028 assigned from other County funds.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

D. Inventory

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

E. Prepaid Items

On the modified cash basis of accounting, payments made to vendors for services that will benefit periods beyond December 31, 2014, are recorded as disbursements when made.

F. Capital Assets

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

G. Compensated Absences

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

H. Long-term Obligations

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

I. Fund Balance

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

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

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

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

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

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

J. Net Position

Net position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. At December 31, 2014, \$10,180,207 of the County's \$15,198,601 restricted net position for other purposes was restricted by enabling legislation and \$5,018,394 was restricted by grantors.

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

K. Interfund Activity

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

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

L. Budgetary Data

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Operating Receipts and Disbursements

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

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County Commissioners and that are either unusual in nature or infrequent in occurrence. During 2014, the County received \$1,264,415 in insurance proceeds for a barn fire at the fairgrounds.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND COMPLIANCE

A. CHANGE IN ACCOUNTING PRINCIPLES

For 2014, the County has implemented GASB Statement No. 69, “Government Combinations and Disposals of Government Operations” and GASB Statement No. 70, “Accounting and Financial Reporting for Non-exchange Financial Guarantees”.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the County.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are non-exchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the County.

B. COMPLIANCE

Ohio Administrative Code, Section 117-2-03(B), requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the County prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position / fund balances, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

1. United States Treasury Notes, Bills, Bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

At December 31, 2014, the County had \$474,937 in undeposited cash on hand with the Treasurer and in various departments.

Deposits

At December 31, 2014, the book balance of the County's deposits was \$24,866,961 and the bank balance was \$25,944,901.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

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

The government does not have a deposit policy for custodial credit risk. As of December 31, 2014, \$10,149,800 of the government’s bank balance of \$25,944,901 was exposed to custodial credit risk in that it was uninsured and collateralized with securities held by the pledging financial institution’s trust department but not in the County’s name. Although the State statutory requirement for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

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

	Primary Government	
	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$25,199,536	\$164,375
Cash on Hand	(474,937)	0
Cash with Fiscal Agents	(22,013)	
Certificates of Deposit	164,375	(164,375)
GASB Statement No. 3/GASB Statement No. 40	\$24,866,961	\$0

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the County. Real property tax receipts received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after October 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property must be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 2011. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2013, were levied after April 1, 2013, and are collected in 2014 with real property taxes. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility real property is assessed at thirty-five percent of true value. Public utility property taxes are payable on the same dates as real property as described previously.

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

The full tax rate for all County operations for the year ended December 31, 2014, was \$6.30 per \$1,000 of assessed value. The assessed value upon which 2014 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Real Property	\$1,185,051,810	95.73
Public Utility Property	52,811,170	4.27
Total Assessed Value	<u>\$1,237,862,980</u>	<u>100.00%</u>

NOTE 6 - PERMISSIVE SALES AND USE TAX

The County Commissioners, by resolution, imposed a 1.5 percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The Ohio Department of Taxation then has five days in which to draw the warrant payable to the County. Sales and use tax receipts in 2014 amounted to \$7,933,115 in the General Fund.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 7 – INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables are not presented on the face of the financial statements. At December 31, 2014, the following receivables and payables existed between funds of the County:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Governmental Funds:		
General Fund	\$119,028	\$0
Other Governmental Funds	0	119,028
Total Governmental Funds	<u>\$119,028</u>	<u>\$119,028</u>

The interfund receivables and payables are the repayment of advances.

NOTE 8 – INTERFUND TRANSFERS

Transfers in and out during the year ended December 31, 2014, were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund	\$852	\$1,813,096
Job and Family Services Fund	86,487	0
BODD	0	50,000
Other Governmental Funds	<u>2,317,717</u>	<u>541,960</u>
Total Governmental Funds	<u>\$2,405,056</u>	<u>\$2,405,056</u>

Transfers are used to move receipts from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations, grant match requirements, or debt services; to return money to the fund from which it was originally provided once a project is complete; and to transfer capital assets. All transfers made in 2014 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

For the year ended December 31, 2014, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 10 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 13 percent of their annual covered salary.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14.00 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. The Ohio Revised Codes currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.10 percent of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits, and the remainder is for pension benefits.

The County's contribution rate for pension benefits for 2014 was 12.0 percent of covered payroll except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 16.10 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2014, 2013, and 2012 were \$1,744,271, \$1,931,347, \$1,423,035, which were equal to the required contributions for each year.

B. State Teachers Retirement System of Ohio

Certified teachers, employed by the school for Developmental Disabilities participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 9.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations, the same portion that was used to fund pension obligations for 2013. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2014, 2013 and 2012 were \$4,223, \$6,347, and \$6,347, respectively; which were equal to the required contributions for each year.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statements 12 and 45.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

NOTE 10 - 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.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2014, the employer contribution allocated to the health care plan for members in the traditional plan and members in the combined plans was 2.0 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The County's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2014, 2013, and 2012 was \$290,712, \$148,565, and \$569,214, respectively, which equaled the required contributions.

B. State Teachers Retirement System of Ohio

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

All STRS Ohio benefit recipients who participated in the Defined Benefit or Combined Plans and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. The portion allocated to post-employment healthcare for the years ended June 30, 2014, 2013, and 2012 was 1 percent of covered payroll. For the County, this amount was \$324 for 2014, \$488 for 2013, and \$488 for 2012, which were equal to the required contributions for each of the fiscal years.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 11 – OTHER EMPLOYEE BENEFITS

Deferred Compensation Plans

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

Compensated Absences

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

NOTE 12 – LONG-TERM DEBT

Governmental Activities

Details of the changes in the governmental activities long-term debt for the year ended December 31, 2014 are indicated below:

	Balance at 12/31/13	Increases	Decreases	Balance at 12/31/14	Due Within One Year
General Obligation Bonds Payable:					
2010 Various Purpose Bonds	\$2,535,000	\$0	\$95,000	\$2,440,000	\$95,000
2012 Various Purpose Improvement Bonds	3,320,000	0	200,000	3,120,000	200,000
2012 Various Purpose Bonds	655,000	0	40,000	615,000	40,000
Total General Obligation Bonds	<u>\$6,510,000</u>	<u>\$0</u>	<u>\$335,000</u>	<u>\$6,175,000</u>	<u>\$335,000</u>

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

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

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

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

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 12 – LONG-TERM DEBT (continued)

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

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The effects of the debt limitations at December 31, 2014, are an overall debt margin of \$23,271,575 and an unvoted debt margin of \$6,203,630.

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

Year	Governmental Activities					
	2010 Various Purpose General Obligation Bonds		2012 Various Purpose General Obligation Improvement Bonds		2012 Various Purpose General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$95,000	\$97,671	\$200,000	\$77,088	\$40,000	\$25,648
2016	95,000	95,771	200,000	74,088	45,000	24,848
2017	100,000	93,634	210,000	70,088	45,000	23,948
2018	105,000	91,134	215,000	65,888	45,000	22,328
2019	115,000	88,508	220,000	61,588	45,000	20,708
2020-2024	610,000	376,106	1,200,000	232,692	265,000	74,176
2025-2029	750,000	233,656	835,000	65,060	130,000	10,237
2030-2034	505,000	67,888	40,000	2,400	0	0
2035-2038	65,000	5,318	0	0	0	0
Totals	\$2,440,000	\$1,149,686	\$3,120,000	\$648,892	\$615,000	\$201,893

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 13 – FUND BALANCE

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

The constraints placed on fund balance for the major governmental funds and all other governmental funds at December 31, 2014 were as follows:

Fund Balance	General	Auto License And Gas Tax	BODD
Non-Spendable			
Gifts and Bequests	\$0	\$0	\$30,360
Restricted for:			
Roads and Bridges		5,346,104	
Ditch Maintenance			
Ditch Construction			
Job and Family Services			
Developmental Disabilities			4,220,908
Delinquent Real Estate Collection			
Real Estate Assessment			
Federal Aviation Grant			
Children's Services			
Child Support			
Court Operations			
Felony Delinquent Care and Custody			
Court Special Projects			
Sheriff			
EMA Operations			
Dog and Kennel			
TB Control			
Help Me Grow Grant			
Community Development			
Government Center Improvements			
Total Restricted	<u>0</u>	<u>5,346,104</u>	<u>4,220,908</u>
Committed to:			
Juvenile Center Operations			
County Home Operations			
Economic Development			
Government Complex Maintenance			
Total Committed	<u>0</u>	<u>0</u>	<u>0</u>
Assigned for:			
Unpaid Obligations	101,826		
Subsequent Year Appropriations	4,044,854		
Capital Improvements			
BODD Capital Improvements			
Total Assigned	<u>4,146,680</u>	<u>0</u>	<u>0</u>
Unassigned	<u>997,908</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>\$5,144,588</u>	<u>\$5,346,104</u>	<u>\$4,251,268</u>

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 13 – FUND BALANCE (Continued)

Fund Balance	Job and Family Services	Other Governmental Funds	Total
Non-Spendable			
Gifts and Bequests	\$0	\$0	\$30,360
Restricted for:			
Roads and Bridges		\$183,927	5,530,031
Ditch Maintenance		545,940	545,940
Ditch Construction		46,008	46,008
Job and Family Services	\$212,202		212,202
Developmental Disabilities			4,220,908
Delinquent Real Estate Collection		186,519	186,519
Real Estate Assessment		1,689,483	1,689,483
Federal Aviation Grant		575,087	575,087
Children’s Services		122,883	122,883
Child Support		97,437	97,437
Court Operations		691,814	691,814
Felony Delinquent Care and Custody		103,626	103,626
Court Special Projects		1,117,130	1,117,130
Sheriff		439,502	439,502
EMA Operations		17,439	17,439
Dog and Kennel		119,013	119,013
TB Control		872	872
Community Development		147,525	147,525
Total Restricted	212,202	6,084,205	15,863,419
Committed to:			
Juvenile Center Operations		18,466	18,466
County Home Operations		181,710	181,710
Economic Development		244,635	244,635
South Industrial Park		126,071	126,071
Government Complex Maintenance		235,759	235,759
Total Committed	0	806,641	806,641
Assigned for:			
Unpaid Obligations			101,826
Subsequent Year Appropriations			4,044,854
Capital Improvements		652,638	652,638
BODD Capital Improvements		163,107	163,107
Total Assigned	0	815,745	4,962,425
Unassigned	0	0	997,908
Total Fund Balance	\$212,202	\$7,706,591	\$22,660,753

NOTE 14 - RISK MANAGEMENT

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

Shared Risk Pools

A. County Risk Sharing Authority Incorporated

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

Coverages provided by CORSA are as follows:

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

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

The continued existence of CORSA is dependant upon the County's continued participation; however the County does not have an equity interest in CORSA. In 2014, the County contributed \$215,692. Complete financial statements can be obtained from the County Risk Sharing Authority, Inc. at 209 E. State Street, Columbus, Ohio 43215.

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

For 2014, the County participated in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program provided by the County Commissioners' Association of Ohio Service Corporation (CCAOSC), a workers' compensation insurance purchasing pool. The intent of the CCAOSC is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 14 - RISK MANAGEMENT (continued)

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

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

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

A. Tri County Board of Recovery and Mental Health Services

The Tri County Board of Recovery and Mental Health Services (Tri County Mental Health Board) is a jointly governed organization among Shelby, Miami and Darke counties. The Tri County Mental Health Board provides leadership in planning for and supporting community-based alcohol, drug addiction and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting and advocating for the rights of persons as consumers of alcohol, drug addiction and mental health services. The ability to influence operations depends on the County's representation on the Board. The Board of Trustees consists of eighteen members: four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services and the remaining ten members are appointed by the County Commissioners of Shelby, Miami and Darke counties in the same proportion as the County's population bears to the total population of the three counties combined. During 2014, the County contributed \$533,827 by voted tax levy for the operations of the organization.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (continued)

B. West Central Ohio Network

The West Central Ohio Network (WestCon) is a jointly governed organization among Darke, Miami, Auglaize, Mercer, Logan, Shelby, Preble, Hardin and Union counties. WestCon was created to serve as an administrator and fiscal agent of Supported Living funds for the Boards of Developmental Disabilities (DODD Boards) of each of the participating counties. The degree of control exercised by any participating government is limited to its representation on the Board of Directors (the Board) of West Con. The Board consists of one delegate, who is the Superintendent, from each of the participating DODD Boards. Payments to WestCon are limited to the supported living funds of each participating county. During 2014, the County contributed \$349,858 to WestCon. Financial information can be obtained from Renee Place, Executive Director, 315 East Court Street, Sidney, Ohio 45365.

NOTE 16 – RELATED PARTY TRANSACTIONS

Wayne Industries has entered into a contractual agreement with the Darke County Board of Developmental Disabilities (BODD), whereby the BODD provides sheltered employment for mentally and physically handicapped individuals in Darke County. The BODD provides the workshop with personnel necessary for the operation of the habilitation services to the client, land and buildings for the operation of the center, maintenance and repair of the buildings and professional staff to supervise and train clients of Wayne Industries. During 2013 (the latest information available), the fair value of this support was \$165,599.

NOTE 17 – CONTINGENCIES

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

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

SUPPLEMENTARY DATA

DARKE COUNTY

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through/ Entity Number	Federal CFDA Number	(A),(B) Cash Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
(Passed Through the Ohio Department of Job and Family Services) State Administration Matching Grants for the Supplemental Nutrition Assistance Program	G-1415-11-5347	10.561	\$ 170,772
Total U.S. Department of Agriculture			170,772
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
(Passed Through the Ohio Department of Development) CDBG/State's program and Non-Entitlement Grants in Hawaii	B-C-12-1AR-1	14.228	71,045
CDBG/State's program and Non-Entitlement Grants in Hawaii	B-F-12-1AR-1	14.228	61,394
CDBG/State's program and Non-Entitlement Grants in Hawaii	B-F-13-1AR-1	14.228	322,918
CDBG/State's program and Non-Entitlement Grants in Hawaii	B-E-14-1AR-1	14.228	190,000
Total CDBG/State's program and Non-Entitlement Grants in Hawaii			645,357
Home Investment Partnerships Program	B-C-12-1AR-2	14.239	190,777
Total U.S. Department of Housing and Urban Development			836,134
<u>U.S. DEPARTMENT OF LABOR</u>			
(Passed Through the Ohio Department of Job & Family Services and Area 7 Workforce Investment Board) Workforce Investment Act (WIA) Cluster			
WIA Adult Program - Administrative	N/A	17.258	4,631
WIA Adult Program	N/A	17.258	64,426
WIA Adult Program - OMJ Branding	N/A	17.258	6,330
Total WIA Adult Program			75,387
WIA Youth Activities - Administrative	N/A	17.259	2,524
WIA Youth Activities	N/A	17.259	121,013
Total WIA Youth Activities			123,537
WIA Dislocated Worker Formula Grants - Administration	N/A	17.278	3,060
WIA Dislocated Worker Formula Grants	N/A	17.278	47,008
Total WIA Dislocated Worker Formula Grants			50,068
Total Workforce Investment Act (WIA) Cluster			248,992
Total U.S. Department of Labor			248,992
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
(Direct Receipt - Federal Aviation Administration) Airport Improvement Program	AIP-3-39-0082-1013	20.106	7,913
Airport Improvement Program	AIP-3-39-0082-0912	20.106	1,498
Airport Improvement Program	AIP-3-39-0082-011-2014	20.106	305,874
Total Airport Improvement Program			315,285
(Passed through the Ohio Department of Transportation) Highway Planning and Construction	97068	20.205	6,048
Interagency Hazardous Materials Public Sector Training and Planning Grants	HM-HMP-0355-13-01-00	20.703	2,602
Total U.S. Department of Transportation			323,935
<u>U.S. DEPARTMENT OF EDUCATION</u>			
(Passed Through the Ohio Department of Education) Special Education - Grants for Infants and Families	01910021HG0514	84.181	56,158
Special Education - Grants for Infants and Families	01910021HG0615	84.181	2,114
Total Special Education - Grants for Infants and Families			58,272
Total U.S. Department of Education			58,272

(Continued)

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through/ Entity Number	Federal CFDA Number	Cash Federal Expenditures
<u>U.S. ELECTION ASSISTANCE COMMISSION</u>			
(Passed Through the Ohio Secretary of State) Help America Vote Act Requirements Payments	N/A	90.401	<u>2,527</u>
Total U.S. Election Assistance Commission			<u>2,527</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
(Passed Through the Ohio Department of Job and Family Services) Promoting Safe and Stable Families	G-1415-11-5347	93.556	<u>72,040</u>
Temporary Assistance for Needy Families	G-1415-11-5347	93.558	<u>901,771</u>
Child Support Enforcement	G-1415-11-5347	93.563	<u>372,208</u>
Child Care and Development Block Grant	G-1415-11-5347	93.575	<u>39,650</u>
Stephanie Tubbs Jones Child Welfare Services Program	G-1415-11-5347	93.645	<u>64,325</u>
Foster Care_Title IV-E	G-1415-11-5347	93.658	<u>481,940</u>
Adoption Assistance	G-1415-11-5347	93.659	<u>147,045</u>
Social Services Block Grant	G-1415-11-5347	93.667	430,519
(Passed through Ohio Department of Developmental Disabilities) Social Services Block Grant	N/A	93.667	<u>37,242</u>
Total Social Services Block Grant			<u>467,761</u>
(Passed Through Ohio Department of Job and Family Services) Chafee Foster Care Independence Program	G-1415-11-5347	93.674	<u>13,824</u>
Medical Assistance Program	G-1415-11-5347	93.778	631,219
(Passed Through Ohio Department of Development Disabilities): Medical Assistance Program	N/A	93.778	<u>102,023</u>
Total Medical Assistance Program			<u>733,242</u>
(Passed Through Ohio Secretary of State) Voting Access for Individuals with Disabilities_Grants to States	06-SOS-HHHS-19	93.617	<u>850</u>
Total U.S. Department of Health and Human Services			<u>3,294,656</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
(Passed through Ohio Department of Public Safety) Emergency Management Performance Grants	EMW-2013-EP-00060-S01	97.042	14,150
Emergency Management Performance Grants	EMW-2014-EP-00064-S01	97.042	<u>44,351</u>
Total Emergency Management Performance Grants			<u>58,501</u>
Homeland Security Grant Program	EMW-2011-SS-00070	97.067	12,748
Homeland Security Grant Program	EMW-2012-SS-00001	97.067	26,824
Homeland Security Grant Program	EMW-2013-SS-00120	97.067	<u>42,000</u>
Total Homeland Security Grant Program			<u>81,572</u>
Total U.S. Department of Homeland Security			<u>140,073</u>
Total Federal Programs			<u>\$ 5,075,361</u>

**DARKE COUNTY
FINANCIAL CONDITION
FISCAL YEAR ENDED DECEMBER 31, 2014**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

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

NOTE C - MATCHING REQUIREMENTS

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

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

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County (passed through the Ohio Department of Development). The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Expenditures of Federal Awards (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

Activity in the CDBG revolving loan fund during 2014 is as follows:

Revolving Loans	Loans Receivable	Cash Balance
Beginning Balance	\$348,154	\$61,239
Additional Funding Received	0	130,000
Loans Issued	180,000	(180,000)
Loan Repayment Receipts	(26,436)	26,436
Loans Forgiven	(140,400)	0
Interest Receipts	0	4,457
Administration	0	(8,548)
Ending Balances	<u>\$361,318</u>	<u>\$33,584</u>

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

**DARKE COUNTY
FINANCIAL CONDITION
FISCAL YEAR ENDED DECEMBER 31, 2014**

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

NOTE E - COMMUNITY HOUSING INVESTMENT PARTNERSHIP PROGRAM

The County has established a program to provide down payment and rehabilitation assistance to low-income individuals and/or families. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County (passed through the Ohio Department of Development). The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Expenditures of Federal Awards (the Schedule).

Activity in the Community Housing Investment Partnership Program Fund during 2014 is as follows:

<u>Revolving Loans</u>	<u>Loans Receivable</u>	<u>Cash Balance</u>
Beginning Balance	\$1,679,666	\$142,558
Additional Funding Received	0	124,215
Loans Issued	150,715	(150,715)
Interest Receipts	0	1,428
Administration	0	(3,941)
Ending Balances	<u>\$1,830,381</u>	<u>\$113,545</u>

These loans are collateralized by mortgages on the property.

NOTE F - BODD MEDICAID DEFERRED PAYMENTS

During the calendar year, the County Board of Developmental Disabilities received notice of a liability owed to the Ohio Department of Developmental Disabilities for the Medicaid Program (CFDA # 93.778) in the amount of \$4,303. The Cost Report liability was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This liability is not listed on the County's Schedule of Expenditures of Federal Awards since the underlying expenses occurred in the prior reporting periods and the liability was invoiced by the Ohio Department of Developmental Disabilities.

NOTE G - PASS THROUGH ENTITY NUMBER

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



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

Darke County
504 South Broadway Street
Greenville, Ohio 45331

To the Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Darke County, Ohio, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Darke County's basic financial statements and have issued our report thereon dated June 11, 2015, wherein we noted Darke County uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Board of Commissioners
Darke County

Compliance and Other Matters

As part of reasonably assuring whether Darke County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2014-001.

Darke County's Response to Findings

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

Purpose of this Report

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



Julian & Grube, Inc.
June 11, 2015



Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Darke County
504 South Broadway Street
Greenville, Ohio 45331

To the Board of Commissioners:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Darke County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2014.

Board of Commissioners
Darke County

Report on Internal Control Over Compliance

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

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

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

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



Julian & Grube, Inc.
June 11, 2015

DARKE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

OMB CIRCULAR A-133 § .505

DECEMBER 31, 2014

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Airport Improvement Program - CFDA #20.106; Temporary Assistance for Needy Families - CFDA # 93.558; Child Support Enforcement - CFDA #93.563
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

DARKE COUNTY

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2014**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2014-001

Noncompliance

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

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

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

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

3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS
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None

DARKE COUNTY

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2013-DC-001	<u>Noncompliance</u> - Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The County prepared its annual financial report in accordance with the modified cash basis of accounting.	No	Repeated as finding 2014-001



Dave Yost • Auditor of State

DARKE COUNTY FINANCIAL CONDITION

DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 15, 2015