

DARKE COUNTY, OHIO

FINANCIAL CONDITION

*FOR THE YEAR ENDED
DECEMBER 31, 2015*

CAROL GINN, AUDITOR



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Darke County prepared by Julian & Grube, Inc., for the audit period January 1, 2015 through December 31, 2015. 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

August 4, 2016

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DARKE COUNTY

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Julian & Grube, Inc.
Serving Ohio Local Governments

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

Independent Auditor's Report

Darke County
504 South Broadway Street
Greenville, Ohio 45331

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying modified cash-basis 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, 2015, 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, 2015, 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 Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is 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.

Other Information

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. 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 20, 2016, 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 20, 2016

Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
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, 2015, 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 2015 are as follows:

Total net position of governmental activities was \$22,866,028. The net position of governmental activities increased \$205,275, which is less than one percent.

General governmental receipts accounted for \$16,913,350 or 45% of all receipts. Program specific receipts in the form of charges for services and grants and contributions accounted for \$20,839,268 or 55% of all receipts of governmental activities of \$37,752,618.

The County had \$37,547,343 in cash disbursements related to governmental activities; only \$20,839,268 of these disbursements were offset by program specific charges for services, grants or contributions.

Among major funds, the General Fund had \$16,305,566 in receipts and other financing sources and \$15,417,240 in disbursements and other financing uses. The General Fund's fund balance increased \$888,326, or approximately 17% to a balance of \$6,032,914.

Net position for the enterprise funds decreased \$76,294, or about 16 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, 2015
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, 2015
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, 2015
Unaudited

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Table 1 provides a summary of the County's net position for 2015 compared to 2014 on a modified cash basis:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Cash and Investments	\$22,866,028	\$22,660,753	\$415,384	\$491,678	\$23,281,412	\$23,152,431
Total Assets	22,866,028	22,660,753	415,384	491,678	23,281,412	23,152,431
Net Position						
Restricted for:						
Other Purposes	15,087,509	15,198,601	0	0	15,087,509	15,198,601
Capital Outlay	766,355	695,178	0	0	766,355	695,178
Unrestricted	7,012,164	6,766,974	415,384	491,678	7,427,548	7,258,652
Total Net Position	\$22,866,028	\$22,660,753	\$415,384	\$491,678	\$23,281,412	\$23,152,431

Total net position of governmental activities increased \$205,275. Unrestricted net position increased due mostly to the increase in fund balance of the general fund that resulted from an increase in property and sales tax receipts and continued strict monitoring of expenditures.

Net position of business-type activities decreased \$76,294, or about 16 percent.

Table 2 reflects the changes in net position in 2015, as well as a comparison to the changes in net position during 2014.

Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Receipts						
Program Receipts:						
Charges for Services	\$7,100,347	\$7,609,695	\$539,051	\$533,609	\$7,639,398	\$8,143,304
Operating Grants, Contributions and Interest	13,638,921	13,550,186	21,071	26,123	13,659,992	13,576,309
Capital Grants and Cont.	100,000	0	0	0	100,000	0
Total Program Receipts	20,839,268	21,159,881	560,122	559,732	21,399,390	21,719,613
General Receipts:						
Property Taxes	5,857,366	5,200,496	0	0	5,857,366	5,200,496
Sales Taxes	8,578,007	7,933,115	0	0	8,578,007	7,933,115
Grants and Entitlements	1,925,243	2,019,012	0	0	1,925,243	2,019,012
Interest	192,593	185,186	0	1,156	192,593	186,342
Other	68,596	424,126	28,230	13,509	96,826	437,635
Proceeds of Loan	291,545	0	0	0	291,545	0
Total General Receipts	16,913,350	15,761,935	28,230	14,665	16,941,580	15,776,600
Extraordinary Item	0	1,264,415	0	0	0	1,264,415
Total Receipts	37,752,618	38,186,231	588,352	574,397	38,340,970	38,760,628
Disbursements						
General Government						
Legislative and Executive	5,438,739	6,546,603	0	0	5,438,739	6,546,603
Judicial	3,411,388	3,460,807	0	0	3,411,388	3,460,807
Public Safety	5,901,510	5,767,870	0	0	5,901,510	5,767,870
Public Works	5,665,103	6,299,908	0	0	5,665,103	6,299,908
Health	472,582	406,497	0	0	472,582	406,497
Human Services	12,408,941	11,909,365	0	0	12,408,941	11,909,365
Economic Dev and Assistance	1,013,482	1,095,893	0	0	1,013,482	1,095,893
Intergovernmental	243,794	403,986	0	0	243,794	403,986
Capital Outlay	2,456,396	810,235	0	0	2,456,396	810,235
Debt Service:						
Principal Retirement	335,000	335,000	0	0	335,000	335,000
Interest and Fiscal Charges	200,408	206,108	0	0	200,408	206,108
Sewer	0	0	328,742	300,990	328,742	300,990
Solid Waste	0	0	335,904	480,944	335,904	480,944
Total Disbursements	37,547,343	37,242,272	664,646	781,934	38,211,989	38,024,206
Increase (Decrease) in Net Position	205,275	943,959	(76,294)	(207,537)	128,981	736,422
Beginning Net Position	22,660,753	21,716,794	491,678	699,215	23,152,431	22,416,009
Ending Net Position	\$22,866,028	\$22,660,753	\$415,384	\$491,678	\$23,281,412	\$23,152,431

Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Governmental Activities

Net position of the County's governmental activities increased \$205,275, which is less than one percent.

The following table shows total receipts by source for 2015:

<u>Receipts by Source</u>	<u>2015</u>	<u>Percent of Total</u>
Unrestricted grants and entitlements	\$1,925,243	5.10%
Program Receipts	20,839,268	55.20%
General Tax Receipts	14,435,373	38.24%
Proceeds of Loan	291,545	.77%
Other General	261,189	.69%
Total Receipts	<u>\$37,752,618</u>	<u>100.00%</u>

Tax receipts accounted for \$14,435,373 of the \$37,752,618 in total receipts for governmental activities. Sales tax accounted for \$8,578,007, or approximately 59 percent of the total tax receipts, with property taxes making up the other 41 percent. Sales taxes increased for 2015 due to an improvement in the economy. Property tax receipts increased due to an increase in the current agricultural use values (CAUV).

The program receipts are made up of \$7,100,347 in direct charges to users of governmental services and \$13,738,921 in grants and contributions restricted to specific programs. Charges for services decreased due to a decrease in gasoline and other reimbursements in the Auto and Gas Fund.

Human Services disbursements accounted for the largest share of disbursements at approximately 33 percent of total cash disbursements for 2015. Public safety disbursements were about 16 percent of disbursements and public works disbursements were about 15 percent of disbursements. General government legislative and executive disbursements accounted for 14 percent of disbursements and General government judicial disbursements were about 9 percent of disbursements. Legislative and Executive expenditures decreased compared to 2014 because in 2014 the County had 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 \$76,294 during 2015. Charges for services were the largest source of receipts, accounting for 92 percent of total business-type activities receipts. Another 4 percent of the receipts were from solid waste grants, and approximately 4 percent was interest and miscellaneous receipts.

Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Statement of Activities

If you look at the Statement of Activities on pages 13 and 14, you will see that the first column lists the major programs of the County. The next column identifies the costs of providing these services. The next 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 2014 is shown.

Table 3

	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Current:				
General Government:				
Legislative and Executive	\$5,438,739	\$2,667,632	\$6,546,603	\$2,949,508
Judicial	3,411,388	1,409,904	3,460,807	1,717,361
Public Safety	5,901,510	5,235,934	5,767,870	4,977,660
Public Works	5,665,103	(122,223)	6,299,908	518,917
Health	472,582	212,852	406,497	189,712
Human Services	12,408,941	4,165,816	11,909,365	4,107,737
Economic Development and Assistance	1,013,482	98,573	1,095,893	(49,650)
Intergovernmental	243,794	243,794	403,986	403,986
Capital Outlay	2,456,396	2,260,385	810,235	726,052
Debt Service:				
Principal Retirement	335,000	335,000	335,000	335,000
Interest and Fiscal Charges	200,408	200,408	206,108	206,108
Total Disbursements	<u>\$37,547,343</u>	<u>\$16,708,075</u>	<u>\$37,242,272</u>	<u>\$16,082,391</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, 2015
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 and other financing sources of \$41,527,995 and total disbursements and other financing uses of \$41,322,720. The General Fund is the chief operating fund of the County. At the end of 2015, the unassigned fund balance of the general fund was \$1,107,581. The General Fund balance increased \$888,326 or 17 percent due to increased sales tax receipts and the continued strict monitoring of disbursements during 2015.

The Auto License and Gas Tax Fund balance increased \$46,341, which is less than one percent. The Board of Developmental Disabilities Fund balance decreased \$568,431, or about 13 percent. This decrease was due to a \$760,000 transfer out to the Board of Developmental Disabilities Capital Improvement Fund for the office renovation project. The Job and Family Services Fund balance increased \$66,843, or 31 percent due to timing of receipts and disbursements of the fund. The non-major governmental funds had a decrease in fund balance of \$227,804, or about 3 percent.

Information about the County's enterprise funds begins on page 21. The enterprise funds reported an operating loss of \$70,015 for 2015, and a decrease in net position of \$76,294.

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 2015, the General Fund had original appropriations of \$18,316,209 and final appropriations of \$18,618,418.

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 \$15,041,336 for 2015.

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, 2015, Darke County had \$6,131,545 in governmental debt outstanding.

Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Table 4
Outstanding Debt at Year End

	Governmental Activities	
	2015	2014
OWDA Loan	\$291,545	\$0
General Obligation Bonds	5,840,000	6,175,000
Totals	<u>\$6,131,545</u>	<u>\$6,175,000</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 2016 is very conservative. Total revenues are projected to be almost 1.41% less than what was actually received in 2015. The decrease is contributed to a cautious estimate of County sales tax, from the Local Government Revenues decreasing, and from the State of Ohio no longer projecting estimated revenue for the casino revenue.

The Reid Medical Office building was completed in April of 2015. This project resulted in a new 34,000 square foot facility on 10.1 acres in Greenville, with a total investment of \$11 million. The official opening date was June 24, and it currently houses specialty practices that have already been established in Darke County.

Fram Filtration announced a \$5.4 million expansion at its Greenville manufacturing facility in 2015. This will add a fourth oil filter production line to the plant. This expansion will bring new life to an idle portion of the plant that has not been used since 2011. With this expansion, Fram Filtration is expecting to distribute over 100 million oil filters annually.

U.S. Aerobotix, LLC has been granted an exemption by the Federal Aviation Administration allowing them to use small unmanned aerial systems to perform public utility inspections, including power lines, substations and related infrastructure. U.S. Aerobotix is based in Gettysburg, and is the first company in the Ohio and Indiana area to receive this approval.

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, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$22,478,295	\$415,384	\$22,893,679
Cash and Cash Equivalents in Segregated Accounts	259,355	0	259,355
Cash and Cash Equivalents with Fiscal Agent	27,888	0	27,888
Investments in Segregated Accounts	89,802	0	89,802
Investments with Fiscal Agent	10,688	0	10,688
<i>Total Assets</i>	<u>\$22,866,028</u>	<u>\$415,384</u>	<u>\$23,281,412</u>
Net Position			
Restricted for:			
Capital Outlay	766,355	0	766,355
Other Purposes	15,087,509	0	15,087,509
Unrestricted	<u>7,012,164</u>	<u>415,384</u>	<u>7,427,548</u>
<i>Total Net Position</i>	<u>\$22,866,028</u>	<u>\$415,384</u>	<u>\$23,281,412</u>

See accompanying notes to the basic financial statements

Darke County, Ohio
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2015

	Disbursements	Program Receipts		
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities:				
General Government:				
Legislative and Executive	\$5,438,739	\$2,752,099	\$19,008	\$0
Judicial	3,411,388	1,310,860	690,624	0
Public Safety	5,901,510	409,471	256,105	0
Public Works	5,665,103	457,179	5,330,147	0
Health	472,582	250,938	8,792	0
Human Services	12,408,941	1,484,815	6,758,310	0
Economic Development	1,013,482	338,974	575,935	0
Intergovernmental	243,794	0	0	0
Capital Outlay	2,456,396	96,011	0	100,000
Debt Service:				
Principal Retirement	335,000	0	0	0
Interest and Fiscal Charges	200,408	0	0	0
<i>Total Governmental Activities</i>	<u>37,547,343</u>	<u>7,100,347</u>	<u>13,638,921</u>	<u>100,000</u>
Business-type activities:				
Sewer	328,742	320,001	0	0
Solid Waste	335,904	219,050	21,071	0
<i>Total business-type activities</i>	<u>664,646</u>	<u>539,051</u>	<u>21,071</u>	<u>0</u>
<i>Total primary government</i>	<u>\$38,211,989</u>	<u>\$7,639,398</u>	<u>\$13,659,992</u>	<u>\$100,000</u>

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

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
(\$2,667,632)	\$0	(\$2,667,632)
(1,409,904)	0	(1,409,904)
(5,235,934)	0	(5,235,934)
122,223	0	122,223
(212,852)	0	(212,852)
(4,165,816)	0	(4,165,816)
(98,573)	0	(98,573)
(243,794)	0	(243,794)
(2,260,385)	0	(2,260,385)
	0	
(335,000)	0	(335,000)
(200,408)	0	(200,408)
<u>(16,708,075)</u>	<u>0</u>	<u>(16,708,075)</u>
0	(8,741)	(8,741)
0	(95,783)	(95,783)
0	(104,524)	(104,524)
<u>(16,708,075)</u>	<u>(104,524)</u>	<u>(16,812,599)</u>
3,277,313	0	3,277,313
2,580,053	0	2,580,053
8,578,007	0	8,578,007
1,925,243	0	1,925,243
291,545	0	291,545
192,593	0	192,593
34,467	0	34,467
34,129	28,230	62,359
<u>16,913,350</u>	<u>28,230</u>	<u>16,941,580</u>
205,275	(76,294)	128,981
<u>22,660,753</u>	<u>491,678</u>	<u>23,152,431</u>
<u>\$22,866,028</u>	<u>\$415,384</u>	<u>\$23,281,412</u>

Darke County, Ohio
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2015

	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	\$5,754,465	\$5,392,445	\$3,644,261	\$279,045	\$7,408,079	\$22,478,295
Cash and Cash Equivalents in Segregated Accounts	198,647	0	0	0	60,708	259,355
Cash and Cash Equivalents with Fiscal Agents	0	0	27,888	0	0	27,888
Investments in Segregated Accounts	79,802	0	0	0	10,000	89,802
Investments with Fiscal Agent	0	0	10,688	0	0	10,688
<i>Total Assets</i>	<u>\$6,032,914</u>	<u>\$5,392,445</u>	<u>\$3,682,837</u>	<u>\$279,045</u>	<u>\$7,478,787</u>	<u>\$22,866,028</u>
Fund Balances						
Nonspendable	\$0	\$0	\$17,544	\$0	\$0	\$17,544
Restricted	0	5,392,445	3,665,293	279,045	6,499,537	15,836,320
Committed	0	0	0	0	776,536	776,536
Assigned	4,925,333	0	0	0	202,714	5,128,047
Unassigned	1,107,581	0	0	0	0	1,107,581
<i>Total Fund Balances</i>	<u>\$6,032,914</u>	<u>\$5,392,445</u>	<u>\$3,682,837</u>	<u>\$279,045</u>	<u>\$7,478,787</u>	<u>\$22,866,028</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, 2015

	General	Auto License and Gas Tax	BODD	Job and Family Services	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Taxes	\$3,277,313	\$0	\$2,580,053	\$0	\$0	\$5,857,366
Permissive Sales Tax	8,578,007	0	0	0	0	8,578,007
Intergovernmental	1,790,533	4,882,680	2,253,718	3,783,493	2,580,896	15,291,320
Charges for Services	1,644,769	176,670	0	562,464	2,664,004	5,047,907
Licenses and Permits	92,216	0	0	0	245,665	337,881
Fines and Forfeitures	414,663	0	0	0	198,499	613,162
Special Assessments	0	0	0	0	371,934	371,934
Interest	192,593	75,533	541	246	3,003	271,916
Payments in Lieu of Taxes	34,467	0	0	0	6,792	41,259
Other	257,481	63,795	11,456	75,436	484,675	892,843
<i>Total Receipts</i>	<u>16,282,042</u>	<u>5,198,678</u>	<u>4,845,768</u>	<u>4,421,639</u>	<u>6,555,468</u>	<u>37,303,595</u>
Disbursements						
Current:						
General Government:						
Legislative and Executive	4,262,781	0	0	0	1,175,958	5,438,739
Judicial	2,198,423	0	0	0	1,212,965	3,411,388
Public Safety	5,678,323	0	0	0	223,187	5,901,510
Public Works	36,451	5,285,094	0	0	343,558	5,665,103
Health	259,824	0	0	0	212,758	472,582
Human Services	456,224	0	4,654,199	4,445,607	2,852,911	12,408,941
Economic Development	0	0	0	0	1,013,482	1,013,482
Intergovernmental	243,794	0	0	0	0	243,794
Capital Outlay	0	0	0	0	2,456,396	2,456,396
Debt Service:						
Principal Retirement	0	0	0	0	335,000	335,000
Interest and Fiscal Charges	0	0	0	0	200,408	200,408
<i>Total Disbursements</i>	<u>13,135,820</u>	<u>5,285,094</u>	<u>4,654,199</u>	<u>4,445,607</u>	<u>10,026,623</u>	<u>37,547,343</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,146,222</u>	<u>(86,416)</u>	<u>191,569</u>	<u>(23,968)</u>	<u>(3,471,155)</u>	<u>(243,748)</u>
Other Financing Sources (Uses)						
Proceeds of Loans	0	0	0	0	291,545	291,545
Proceeds from Sale of Capital Assets	1,071	132,757	0	0	23,650	157,478
Advances - In	6,000	12,096	0	0	341,836	359,932
Advances - Out	(177,836)	(12,096)	0	0	(170,000)	(359,932)
Transfers - In	16,453	0	0	90,811	3,308,181	3,415,445
Transfers - Out	(2,103,584)	0	(760,000)	0	(551,861)	(3,415,445)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,257,896)</u>	<u>132,757</u>	<u>(760,000)</u>	<u>90,811</u>	<u>3,243,351</u>	<u>449,023</u>
<i>Net Change in Fund Balances</i>	<u>888,326</u>	<u>46,341</u>	<u>(568,431)</u>	<u>66,843</u>	<u>(227,804)</u>	<u>205,275</u>
<i>Fund Balances Beginning 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>
<i>Fund Balances End of Year</i>	<u>\$6,032,914</u>	<u>\$5,392,445</u>	<u>\$3,682,837</u>	<u>\$279,045</u>	<u>\$7,478,787</u>	<u>\$22,866,028</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, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Taxes	\$2,948,900	\$2,948,900	\$3,277,313	\$328,413
Permissive Sales Tax	7,400,000	7,400,000	8,578,007	1,178,007
Intergovernmental	1,294,066	1,294,096	1,790,533	496,437
Charges for Services	1,394,628	1,394,450	1,286,903	(107,547)
Licenses and Permits	88,100	90,457	92,216	1,759
Fines and Forfeitures	322,110	322,110	414,663	92,553
Interest	102,514	102,514	190,336	87,822
Payments in Lieu of Taxes	34,467	34,467	34,467	0
Other	189,285	189,285	59,376	(129,909)
<i>Total Receipts</i>	13,774,070	13,776,279	15,723,814	1,947,535
Disbursements				
Current:				
General Government:				
Legislative and Executive	6,638,678	6,433,442	4,028,084	2,405,358
Judicial	2,347,965	2,361,315	2,199,138	162,177
Public Safety	5,656,203	5,758,513	5,534,531	223,982
Public Works	41,998	41,998	36,451	5,547
Health	415,639	429,147	261,244	167,903
Human Services	621,432	621,432	456,674	164,758
Intergovernmental	244,723	244,723	243,794	929
<i>Total Disbursements</i>	15,966,638	15,890,570	12,759,916	3,130,654
<i>Excess of Receipts Over (Under) Disbursements</i>	(2,192,568)	(2,114,291)	2,963,898	5,078,189
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	200,000	500,000	1,071	(498,929)
Advances In	179,007	179,007	6,000	(173,007)
Advances Out	(67,979)	(188,065)	(177,836)	10,229
Transfers In	16,453	16,453	16,453	0
Transfers Out	(2,281,592)	(2,539,783)	(2,103,584)	436,199
<i>Total Other Financing Sources (Uses)</i>	(1,954,111)	(2,032,388)	(2,257,896)	(225,508)
<i>Net Change in Fund Balance</i>	(4,146,679)	(4,146,679)	706,002	4,852,681
<i>Fund Balance Beginning of Year</i>	4,044,853	4,044,853	4,044,853	0
Prior Year Encumbrances Appropriated	101,826	101,826	101,826	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$4,852,681	\$4,852,681

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, 2015*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$4,352,000	\$4,352,000	\$4,747,124	\$395,124
Charges for Services	277,000	277,000	170,467	(106,533)
Interest	74,000	74,000	75,533	1,533
Other	93,000	93,000	63,795	(29,205)
<i>Total Receipts</i>	<u>4,796,000</u>	<u>4,796,000</u>	<u>5,056,919</u>	<u>260,919</u>
Disbursements				
Current:				
Public Works	6,762,252	7,062,040	5,149,623	1,912,417
<i>Excess of Receipts Under Disbursements</i>	<u>(1,966,252)</u>	<u>(2,266,040)</u>	<u>(92,704)</u>	<u>2,173,336</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	0	0	132,757	132,757
Advances In	0	0	7,200	7,200
Advances Out	0	(7,200)	(7,200)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(7,200)</u>	<u>132,757</u>	<u>139,957</u>
<i>Net Change in Fund Balance</i>	(1,966,252)	(2,273,240)	40,053	2,313,293
<i>Fund Balance at Beginning of Year</i>	5,186,056	5,186,056	5,186,056	0
Prior Year Encumbrances Appropriated	2,928	2,928	2,928	0
<i>Fund Balance at End of Year</i>	<u>\$3,222,732</u>	<u>\$2,915,744</u>	<u>\$5,229,037</u>	<u>\$2,313,293</u>

See accompanying notes to the basic financial statement:

Darke County, Ohio
*Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
BODD Fund
For the Year Ended December 31, 2015*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Taxes	\$2,530,500	\$2,580,053	\$2,580,053	\$0
Intergovernmental	2,941,924	1,833,736	1,833,736	0
Other	500	11,456	11,456	0
<i>Total Receipts</i>	<u>5,472,924</u>	<u>4,425,245</u>	<u>4,425,245</u>	<u>0</u>
Disbursements				
Current:				
Human Services	<u>5,444,681</u>	<u>5,434,681</u>	<u>4,304,150</u>	<u>1,130,531</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>28,243</u>	<u>(1,009,436)</u>	<u>121,095</u>	<u>1,130,531</u>
Other Financing Sources (Uses):				
Advances - In	475,000	0	0	0
Transfers - Out	<u>(750,000)</u>	<u>(760,000)</u>	<u>(760,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(275,000)</u>	<u>(760,000)</u>	<u>(760,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(246,757)	(1,769,436)	(638,905)	1,130,531
<i>Fund Balance at Beginning of Year</i>	3,656,814	3,656,814	3,656,814	0
Prior Year Encumbrances Appropriated	<u>67,081</u>	<u>67,081</u>	<u>67,081</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$3,477,138</u>	<u>\$1,954,459</u>	<u>\$3,084,990</u>	<u>\$1,130,531</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, 2015*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$3,164,920	\$3,028,609	\$3,028,609	\$0
Charges for Services	652,187	562,909	562,909	0
Other	90,000	75,436	75,436	0
<i>Total Receipts</i>	<u>3,907,107</u>	<u>3,666,954</u>	<u>3,666,954</u>	<u>0</u>
Disbursements				
Current:				
Human Services	<u>3,762,999</u>	<u>3,771,411</u>	<u>3,732,718</u>	<u>38,693</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>144,108</u>	<u>(104,457)</u>	<u>(65,764)</u>	<u>38,693</u>
Other Financing Sources:				
Transfers - In	<u>90,811</u>	<u>90,811</u>	<u>90,811</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	234,919	(13,646)	25,047	38,693
<i>Fund Balance at Beginning of Year</i>	210,492	210,492	210,492	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$445,411</u>	<u>\$196,846</u>	<u>\$235,539</u>	<u>\$38,693</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, 2015

	Enterprise Funds
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$415,384
Net Position	
Unrestricted	\$415,384

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, 2015

	Total
Operating Receipts	
Charges for Services	\$539,051
Other	28,230
<i>Total Operating Receipts</i>	567,281
Operating Disbursements	
Personal Services	112,593
Contractual Services	444,597
Materials and Supplies	30,797
Other	49,309
<i>Total Operating Disbursements</i>	637,296
<i>Operating Loss</i>	(70,015)
Non-Operating Receipts (Disbursements)	
State Grants	21,071
Capital Outlay	(27,350)
<i>Total Non-Operating Receipts (Disbursements)</i>	(6,279)
<i>Change in Net Position</i>	(76,294)
<i>Net Position Beginning of Year</i>	491,678
<i>Net Position End of Year</i>	\$415,384

See accompanying notes to the basic financial statements

Darke County
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2015

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities	
Cash Received from Customers and Support	\$539,051
Cash Received from Other Operating Receipts	28,230
Cash Payments for Employee Services and Benefits	(112,593)
Cash Payments to Suppliers	(475,394)
Cash Payments for Other Operating Disbursements	(49,309)
<i>Net Cash Used in Operating Activities</i>	(70,015)
Cash Flows from Noncapital Financing Activities	
Federal and State Subsidies	21,071
Acquisition of Capital Assets	(27,350)
<i>Net Cash Used in Noncapital Financing Activities</i>	(6,279)
<i>Net Decrease in Cash and Cash Equivalents</i>	(76,294)
<i>Cash and Cash Equivalents Beginning of Year</i>	491,678
<i>Cash and Cash Equivalents End of Year</i>	\$415,384

See accompanying notes to the basic financial statements

Darke County, Ohio
Statement of Fiduciary Net Position
Modified Cash Basis
Agency Funds
December 31, 2015

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,570,528
Cash and Cash Equivalents in Segregated Accounts	184,537
Investments in Segregated Accounts	<u>75,000</u>
<i>Total Assets</i>	<u><u>\$1,830,065</u></u>
Liabilities	
Undistributed Monies	<u>\$1,830,065</u>
<i>Total Liabilities</i>	<u><u>\$1,830,065</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, 2015

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, 2015

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, 2015

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	\$888,326	\$46,341	(\$568,431)	\$66,843
Unrecorded Cash on Hand	(22,341)	(6,203)	(33,482)	445
Non-Budgeted Activity	26,527	0	(16,563)	0
Encumbrances	(72,650)	(85)	(33,245)	0
Difference in Perspective	(113,860)	0	12,816	(42,241)
Budget Basis	<u>\$706,002</u>	<u>\$40,053</u>	<u>(\$638,905)</u>	<u>\$25,047</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, 2015

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, 2015

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 Agent" on the financial statements, and investments that are held at WestCon on behalf of the Board of Developmental Disabilities are presented as "Investments with Fiscal Agent."

The County values investments and cash equivalents at cost. During 2015, 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 2015 was \$192,593 including \$139,373 assigned from other County funds.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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, 2015, 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. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

J. 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.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

K. 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, 2015, \$10,970,404 of the County's \$15,087,509 restricted net position for other purposes was restricted by enabling legislation and \$4,117,105 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.

L. 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.

M. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

N. Operating Receipts and Disbursements

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND COMPLIANCE

A. CHANGE IN ACCOUNTING PRINCIPLES

For the year ended December 31, 2015, the County has implemented GASB Statement No. 68, “Accounting and Financial Reporting for Pensions.” This statement replaces the requirements of Statement No. 27, “Accounting for Pensions by State and Local Government Employers” and Statement No. 50, “Pension Disclosures.” The County also implemented GASB Statement No. 71, “Pension Transition for Pension Contributions Made Subsequent to the Measurement Date – an Amendment to GASB Statement No. 68.” The implementation of GASB Statement No. 68 and No. 71 had no impact on fund balance on a modified cash basis as previously reported at December 31, 2014.

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.

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, 2015

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, 2015, the County had \$619,602 in undeposited cash on hand with the Treasurer and in various departments.

Deposits

At December 31, 2015, the book balance of the County's deposits was \$24,453,299 and the bank balance was \$26,989,811.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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, 2015, \$11,163,138 of the government’s bank balance of \$26,989,811 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	\$24,935,987	\$175,490
Cash on Hand	(619,602)	0
Cash and Investments with Fiscal Agents	(27,888)	(10,688)
Certificates of Deposit	164,802	(164,802)
GASB Statement No. 3/GASB Statement No. 40	\$24,453,299	\$0

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after October 1, 2014, on the assessed value listed as of January 1, 2014, 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 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2014, were levied after April 1, 2014, and are collected in 2015 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, 2015, was \$6.30 per \$1,000 of assessed value. The assessed value upon which 2014 property tax receipts were based are as follows:

Category	Assessed Value	Percent
Real Property	\$1,185,051,810	95.80
Public Utility Property	51,906,782	4.20
Total Assessed Value	\$1,236,958,592	100.00%

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 2015 amounted to \$8,578,007 in the General Fund.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 7 – INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables are not presented on the face of the financial statements. At December 31, 2015, the following receivables and payables existed between funds of the County:

Fund	Receivable	Payable
Governmental Funds:		
General Fund	\$290,864	\$0
Other Governmental Funds	164,000	454,864
Total Governmental Funds	\$454,864	\$454,864

The interfund receivables and payables are the repayment of advances.

NOTE 8 – INTERFUND TRANSFERS

Transfers in and out during the year ended December 31, 2015, were as follows:

Fund	Transfer In	Transfer Out
Governmental Funds:		
General Fund	\$16,453	\$2,103,584
Job and Family Services Fund	90,811	0
BODD	0	760,000
Other Governmental Funds	3,308,181	551,861
Total Governmental Funds	\$3,415,445	\$3,415,445

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 2015 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

For 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68” were effective. These GASB pronouncements had no effect on beginning net position as reported December 31, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

The net pension liability represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

The net pension liability represents the County's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the County's obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which pensions are financed; however, the County does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - County employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2015 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2015 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The County's contractually required contribution was \$1,775,688 for year 2015.

Net Pension Liability

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>OPERS</u>
Proportionate Share of the Net Pension Liability	\$11,521,865
Proportion of the Net Pension Liability	0.095529%

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
County's proportionate share of the net pension liability	\$21,196,930	\$11,521,865	\$3,373,129

NOTE 10 - POSTEMPLOYMENT BENEFITS

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.

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

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

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

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

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2015, 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 year ended December 31, 2015, 2014, and 2013, were \$295,948, \$290,712, and \$148,565, respectively.

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.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 12 – LONG-TERM DEBT

Governmental Activities

Details of the changes in the governmental activities long-term debt for the year ended December 31, 2015 are indicated below:

	Balance at 12/31/14	Increases	Decreases	Balance at 12/31/15	Due Within One Year
OWDA Loan	\$0	\$291,545	\$0	\$291,545	\$0
General Obligation Bonds Payable:					
2010 Various Purpose Bonds	\$2,440,000	\$0	\$95,000	\$2,345,000	\$95,000
2012 Various Purpose Improvement Bonds	3,120,000	0	200,000	2,920,000	200,000
2012 Various Purpose Bonds	615,000	0	40,000	575,000	45,000
Total General Obligation Bonds	6,175,000	0	335,000	5,840,000	340,000
Total Long-Term Obligations	\$6,175,000	\$291,545	\$335,000	\$6,131,545	\$340,000

On November 9, 2010, the County issued \$2,810,000 in various purpose bonds for the purpose of building improvements. Of these bonds, \$995,000 are serial bonds with maturity dates of December 1, 2011 to December 1, 2020, and \$1,815,000 are term bonds maturing December 1, 2023, 2026, 2029, 2031, and 2038 at \$365,000, \$415,000, \$465,000, \$315,000, and \$255,000, respectively.

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.

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.

On January 10, 2012, the County issued \$740,000 in various purpose bonds for the acquisition and building improvements. Of this amount, \$210,000 in term bonds will mature on December 1, 2016, \$235,000 on December 1, 2021, and \$295,000 on December 1, 2026.

All of the County's principal and interest payments were made from the bond retirement fund in the year ended December 31, 2015.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 12 – LONG-TERM DEBT (continued)

In October 2015, the County signed a loan agreement with the Ohio Water Development Authority (OWDA) for a \$727,207 loan for the purpose of eliminating the existing waste water treatment plants at the County Jail and County Home and pumping the waste to the City of Greenville for treatment. The loan is a zero percent interest, twenty-year loan, with the first payment due January 1, 2017. During 2015, the County only drew \$ 291,545 of the loan amount. An amortization schedule will be presented for this loan when it is complete.

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, 2015, are an overall debt margin of \$23,583,965 and an unvoted debt margin of \$6,529,586.

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
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	115,000	85,232	225,000	57,188	50,000	19,088
2021-2025	635,000	349,206	1,230,000	203,162	280,000	61,913
2026-2030	775,000	203,656	600,000	39,002	65,000	3,412
2031-2035	355,000	42,562	20,000	800	0	0
2036-2038	50,000	6,936	0	0	0	0
Totals	\$2,345,000	\$1,056,639	\$2,920,000	\$571,804	\$575,000	\$176,245

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Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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, 2015 were as follows:

Fund Balance	General	Auto License And Gas Tax	BODD
Non-Spendable			
Gifts and Bequests	\$0	\$0	\$17,544
Restricted for:			
Roads and Bridges		5,392,445	
Ditch Maintenance			
Ditch Construction			
Job and Family Services			
Developmental Disabilities			3,665,293
Delinquent Real Estate Collection			
Real Estate Assessment			
Federal Aviation Grant			
Children’s Services			
Child Support			
Help Me Grow Grant			
Court Operations			
Felony Delinquent Care and Custody			
Court Special Projects			
Sheriff			
EMA Operations			
Dog and Kennel			
TB Control			
Community Development			
Total Restricted	<u>0</u>	<u>5,392,445</u>	<u>3,665,293</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	72,650		
Subsequent Year Appropriations	4,852,683		
Capital Improvements			
BODD Capital Improvements			
Total Assigned	<u>4,925,333</u>	<u>0</u>	<u>0</u>
Unassigned	<u>1,107,581</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>\$6,032,914</u>	<u>\$5,392,445</u>	<u>\$3,682,837</u>

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 13 – FUND BALANCE (Continued)

Fund Balance	Job and Family Services	Other Governmental Funds	Total
Non-Spendable			
Gifts and Bequests	\$0	\$0	\$17,544
Restricted for:			
Roads and Bridges		\$223,877	5,616,622
Ditch Maintenance		617,583	617,583
Ditch Construction		46,009	46,009
Job and Family Services	\$279,045		279,045
Developmental Disabilities			3,665,293
Delinquent Real Estate Collection		191,174	191,174
Real Estate Assessment		1,955,730	1,955,730
Federal Aviation Grant		2,092	2,092
Children’s Services		124,970	124,970
Child Support		127,843	127,843
Help Me Grow Grant		13,056	13,056
Court Operations		821,431	821,431
Felony Delinquent Care and Custody		162,851	162,851
Court Special Projects		1,225,259	1,225,259
Sheriff		514,669	514,669
EMA Operations		97,046	97,046
Dog and Kennel		166,210	166,210
TB Control		1,647	1,647
Community Development		208,090	208,090
Total Restricted	<u>279,045</u>	<u>6,499,537</u>	<u>15,836,320</u>
Committed to:			
Juvenile Center Operations		159,512	159,512
County Home Operations		183,688	183,688
Economic Development		85,497	85,497
South Industrial Park		16,051	16,051
Government Complex Maintenance		331,788	331,788
Total Committed	<u>0</u>	<u>776,536</u>	<u>776,536</u>
Assigned for:			
Unpaid Obligations			72,650
Subsequent Year Appropriations			4,852,683
Capital Improvements		192,731	192,731
BODD Capital Improvements		9,983	9,983
Total Assigned	<u>0</u>	<u>202,714</u>	<u>5,128,047</u>
Unassigned	<u>0</u>	<u>0</u>	<u>1,107,581</u>
Total Fund Balance	<u>\$279,045</u>	<u>\$7,478,787</u>	<u>\$22,866,028</u>

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 2015, the County contributed \$195,117. Complete financial statements can be obtained from the County Risk Sharing Authority, Inc. at 209 E. State Street, Columbus, Ohio 43215.

There has been no reduction in coverage from the prior year and settled claims have not exceeded this coverage in any of the past three years.

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

For 2015, 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.

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 2015, the County contributed \$595,728 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, 2015

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 2015, the County contributed \$365,000 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 2014 (the latest information available), the fair value of this support was \$103,462.

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.

SUPPLEMENTAL INFORMATION

**FINANCIAL CONDITION
DARKE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	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-1101-11-5027/G-1213-11-0027	10.561	220,111
Total U.S. Department of Agriculture			220,111
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
(Passed Through the Ohio Department of Development)			
CDBG State Administered Program Cluster:			
Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii			
	B-C-14-1AR-1	14.228	353,296
	B-F-13-1AR-1	14.228	99,834
Total Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii	B-F-14-1AR-1	14.228	87,372
			540,502
Home Investment Partnership Program	B-C-14-1AR-2	14.239	28,006
Total U.S. Department of Housing and Urban Development			568,508
<u>U.S. DEPARTMENT OF LABOR</u>			
(Passed Through Workforce Investment Act Area 7)			
Workforce Investment Act (WIA) Cluster			
WIA Adult Administrative			
	N/A	17.258	556
WIA Adult			
	N/A	17.258	74,323
Special Projects			
	N/A	17.258	198,269
Total WIA Adult Program			273,148
WIA - Youth Administration			
	N/A	17.259	8,227
WIA - Youth			
	N/A	17.259	86,366
Total WIA Youth Program			94,593
WIA - Rapid Response			
	N/A	17.278	301,731
WIA - Dislocated Worker Formula Grants			
	N/A	17.278	34,981
Total WIA Dislocated Worker Formula Grants			336,712
Total Workforce Investment Act Cluster			704,453
Total U.S. Department of Labor			704,453
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
(Direct Receipt - Federal Aviation Administration)			
Airport Improvement Program	AIP-3-39-0082-0912	20.106	6,246
Airport Improvement Program	AIP-3-39-0082-011-2014	20.106	513,577
Total Airport Improvement Program			519,823
(Passed through the Ohio Department of Transportation)			
Highway Planning and Construction			
	99393	20.205	7,200
Highway Planning and Construction			
	89484	20.205	128,356
Total Highway Planning and Construction			135,556
Total U.S. Department of Transportation			655,379
<u>U.S. DEPARTMENT OF EDUCATION</u>			
(Passed through Ohio Department of Health)			
Special Education - Grants for Infants and Families			
	01910021HG0615	84.181	63,445
Special Education - Grants for Infants and Families			
	01910021HG0716	84.181	1,903
Total Special Education - Grants for Infants and Families			65,348
Total U.S. Department of Education			65,348

(Continued)

**FINANCIAL CONDITION
DARKE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
(Passed Through Ohio Department of Job and Family Services)			
Promoting Safe and Stable Families	G-1101-11-5027/G-1213-11-0027	93.556	<u>62,632</u>
Temporary Assistance for Needy Families	G-1101-11-5027/G-1213-11-0027	93.558	<u>834,426</u>
Child Support Enforcement	G-1101-11-5027/G-1213-11-0027	93.563	<u>371,429</u>
Child Care and Development Block Grant	G-1011-11-5027/G-1213-11-0027	93.575	<u>30,863</u>
Stephanie Tubbs Jones Child Welfare Services Program	G-1011-11-5027/G-1213-11-0027	93.645	<u>62,635</u>
Foster Care - Title IV-E	G-1011-11-5027	93.658	<u>504,807</u>
Adoption Assistance	G-1011-11-5027	93.659	<u>127,584</u>
Social Services Block Grant	G-1101-11-5027/G-1213-11-0027	93.667	440,710
(Passed through Ohio Department of Developmental Disabilities)			
Social Services Block Grant	MR-1010	93.667	<u>37,213</u>
Total Social Services Block Grant			<u>477,923</u>
(Passed Through Ohio Department of Job and Family Services)			
Chafee Foster Care Independence Program	G-1011-11-5027	93.674	<u>19,481</u>
Medical Assistance Program	G-1011-11-5027	93.778	566,567
(Passed Through Ohio Department of Development Disabilities):			
Medical Assistance Program	N/A	93.778	<u>109,245</u>
Total Medical Assistance Program			<u>675,812</u>
Total U.S. Department of Health and Human Services			<u>3,167,592</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
(Passed through Ohio Department of Public Safety)			
Emergency Management Performance Grants	EMW-2013-EP-00061-S01	97.042	7,929
Emergency Management Performance Grants	EMW-2014-EP-00064-S01	97.042	6,400
Emergency Management Performance Grants	EMW-2015-EP-00034	97.042	<u>50,962</u>
Total Emergency Management Performance Grants			<u>65,291</u>
Total U.S. Department of Homeland Security			<u>65,291</u>
Total Federal Programs			<u>\$ 5,446,682</u>

The accompanying notes to this schedule are an integral part of this schedule.

**DARKE COUNTY
FINANCIAL CONDITION
FISCAL YEAR ENDED DECEMBER 31, 2015**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -- 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 C— 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 2015 is as follows:

Revolving Loans	Loans Receivable	Cash Balance
Beginning Balance	\$361,318	\$33,584
Loan Repayment Receipts	(50,839)	50,539
Loan Interest Receipts	0	6,723
Administration	0	(2,826)
Ending Balances	\$310,479	\$88,020

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

**DARKE COUNTY
FINANCIAL CONDITION
FISCAL YEAR ENDED DECEMBER 31, 2015**

NOTE D – 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 2015 is as follows:

<u>Revolving Loans</u>	<u>Loans Receivable</u>	<u>Cash Balance</u>
Beginning Balance	\$1,830,381	\$113,545
Loan Interest Receipts	0	1,344
Advance In	0	167,585
Advances Out	0	(167,585)
Administration	0	(396)
Ending Balances	<u>\$1,830,381</u>	<u>\$114,493</u>

These loans are collateralized by mortgages on the property.

NOTE E – INDIRECT COST RATE

CFR 200.414 allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The County has not elected to use the 10% de minimis indirect cost rate.



Julian & Grube, Inc.
Serving Ohio Local Governments

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

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

Darke County
504 South Broadway Street
Greenville, Ohio 45331

To the Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Darke County, Ohio, as of and for the year ended December 31, 2015, 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 20, 2016, 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 as item 2015-001.

Darke County's response to our noncompliance finding is described in the accompanying schedule of findings and the corrective action plan. 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 20, 2016



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Compliance With Requirements Applicable
To Each Major Federal Program and on Internal Control Over
Compliance Required by the Uniform Guidance**

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) *Compliance Supplement* that could directly and materially affect each of Darke County's major federal programs for the year ended December 31, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 each of 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, 2015.

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 the Uniform Guidance, 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 Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
June 20, 2016

DARKE COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2015

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 2 CFR § 200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Workforce Investment Act Cluster - CFDA #17.258, 17.259, 17.278; Temporary Assistance for Needy Families - CFDA #93.558; Medical Assistance Program - CFDA #93.778
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

DARKE COUNTY

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2015**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2015-001

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).

3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS
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None

DARKE COUNTY

CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

DECEMBER 31, 2015

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-001	The County does not have plans to correct the finding. The County will continue filling a cash basis financial report due to the cost of preparing a GAAP basis report.	N/A	Carol Ginn, County Auditor

DARKE COUNTY

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015**

Finding Number	Year Initially Occurred	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2014-001	2008	<p><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.</p>	No	<p>Repeated as finding 2015-001; the County has not changed the accounting basis it used to prepare its annual financial report to GAAP.</p>



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
AUGUST 16, 2016