



Dave Yost • Auditor of State

DEFIANCE COUNTY
TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	21
Statement of Activities	22
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	24
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	26
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	27
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	30
Developmental Disabilities Fund.....	31
Job and Family Services Fund.....	32
Motor Vehicle License and Gas Tax Fund.....	33
Emergency 911 Fund.....	34
Senior Center Fund.....	35
Statement of Net Position – Proprietary Funds	36
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	37
Statement of Cash Flows – Proprietary Funds.....	38
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds	40
Notes to the Basic Financial Statements	41

DEFIANCE COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Federal Awards Expenditure Schedule.....	93
Notes to the Federal Awards Expenditure Schedule	97
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	99
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by <i>OMB Circular A-133</i>	101
Schedule of Findings	103
Schedule of Prior Audit Findings.....	105



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Defiance County
500 Court Street, Suite A
Defiance, Ohio 43512

To the Board of Commissioners:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Defiance County, Ohio, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Developmental Disabilities Fund, Job and Family Services Fund, Motor Vehicle License and Gas Tax Fund, Emergency 911 Fund, and Senior Center Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2013, the County restated beginning fund balances in the Job and Family Services Fund and Nonmajor Governmental Funds. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

The Schedule is management's responsibility, and 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 the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2014, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

September 11, 2014

This page intentionally left blank.

DEFIANCE COUNTY

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

The management's discussion and analysis of Defiance County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- The total net position of the County increased \$3,707,925. Net position of governmental activities increased \$2,208,411, which represents a 2.47% increase from 2012. Net position of business-type activities increased \$1,499,514 or 5.34% from 2012.
- General revenues accounted for \$13,554,163 or 44.70% of total governmental activities revenue. Program specific revenues accounted for \$16,770,411 or 55.30% of total governmental activities revenue.
- The County had \$28,116,163 in expenses related to governmental activities; \$16,770,411 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$13,554,163 were adequate to provide for these programs.
- The County restated governmental fund balances at December 31, 2012 as described in Note 3.B to the basic financial statements. The general fund, the County's largest major governmental fund, had revenues and other financing sources of \$11,462,119 in 2013. The general fund had expenditures and other financing uses of \$9,167,989 in 2013. The fund balance of the general fund increased \$2,294,130 from 2012 to 2013.
- The developmental disabilities (DD) fund, a major governmental fund, had revenues of \$4,968,903 in 2013. The DD fund had expenditures of \$4,814,453 in 2013. The DD fund balance increased \$154,450 from 2012 to 2013.
- The job and family services fund, a major governmental fund, had revenues and other financing sources of \$1,146,356 in 2013. The job and family services fund had expenditures of \$1,613,297 in 2013. The job and family services fund balance decreased \$466,941 from 2012 to 2013.
- The motor vehicle license and gas tax fund, a major governmental fund, had revenues and other financing sources of \$4,269,387 in 2013. The motor vehicle license and gas tax fund had expenditures of \$4,729,792 in 2013. The motor vehicle license and gas tax fund balance decreased \$460,405 from 2012 to 2013.
- The emergency 911 fund, a major governmental fund, had revenues of \$745,984 in 2013. The emergency 911 fund had expenditures of \$771,173 in 2013. The emergency 911 fund balance decreased \$25,189 from 2012 to 2013.
- The senior center fund, a major governmental fund, had revenues of \$1,378,921 in 2013. The senior center fund had expenditures of \$1,227,498 in 2013. The senior center fund balance increased \$151,423 from 2012 to 2013.
- The historical jail debt service fund, a major governmental fund, had revenues and other financing sources of \$51,620 in 2013. The historical jail debt service fund had expenditures of \$214,575 in 2013. The historical jail debt service fund balance decreased \$162,955 from 2012 to 2013.

DEFIANCE COUNTY

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

- The county improvement fund, a major governmental fund, had other financing sources of \$62,271 in 2013. The county improvement fund had expenditures of \$227,004 in 2013. The county improvement fund balance decreased \$164,733 from 2012 to 2013.
- Net position for the business-type activities, which consists of the landfill and sewer enterprise funds, increased in 2013 by \$1,499,514. This increase is mainly due to charges for services continuing to outpace the enterprise fund expenses.
- In the general fund, the actual revenues and other financing sources were \$1,675,072 higher than originally budgeted and actual expenditures and other financing uses were \$3,526,601 less than the amount in the original budget. These positive variances are a result of the County's conservative budgeting process.

Using the Basic Financial Statements (BFS)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the County as a whole operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's most significant funds with all other nonmajor funds presented in total in one column. In the case of the County, there are eight major governmental funds. The general fund is the largest major governmental fund.

Reporting the County as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities answer the question, "How did we do financially during 2013?" These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the County's net position and changes in net position. The change in net position is important because it tells the reader that, for the County as a whole, the financial position of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, and other factors.

In the statement of net position and the statement of activities, the County is divided into two distinct kinds of activities:

Governmental activities - Most of the County's programs and services are reported here including human services, health, public safety, public works and general government. These services are funded primarily by taxes and intergovernmental revenues including federal and State grants and other shared revenues.

DEFIANCE COUNTY

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

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided.

Reporting the County's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the general fund, developmental disabilities fund (DD), job and family services fund, motor vehicle license and gas tax fund, emergency 911 fund, senior center fund, historical jail debt service fund and county improvement fund. The County's major enterprise funds are the landfill and sewer funds.

Governmental Funds

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

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds

The County maintains proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its landfill and sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County's internal service fund accounts for medical/surgical and dental self-insurance.

DEFIANCE COUNTY

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

Fiduciary Funds

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

The statement of net position provides the perspective of the County as a whole. The table below provides a summary of the County's net position at December 31, 2013 and December 31, 2012.

Net Position

	Governmental Activities 2013	Business-type Activities 2013	Governmental Activities 2012	Business-type Activities 2012	2013 Total	2012 Total
<u>Assets</u>						
Current and other assets	\$ 39,592,875	\$ 16,447,434	\$ 40,387,738	\$ 16,772,193	\$ 56,040,309	\$ 57,159,931
Capital assets, net	<u>65,195,286</u>	<u>19,614,457</u>	<u>62,720,537</u>	<u>17,807,600</u>	<u>84,809,743</u>	<u>80,528,137</u>
Total assets	<u>104,788,161</u>	<u>36,061,891</u>	<u>103,108,275</u>	<u>34,579,793</u>	<u>140,850,052</u>	<u>137,688,068</u>
<u>Deferred Outflows of Resources</u>	<u>38,374</u>	-	<u>42,188</u>	-	<u>38,374</u>	<u>42,188</u>
Total assets and deferred outflows	<u>104,826,535</u>	<u>36,061,891</u>	<u>103,150,463</u>	<u>34,579,793</u>	<u>140,888,426</u>	<u>137,730,256</u>
<u>Liabilities</u>						
Other liabilities	1,245,285	247,749	1,297,750	225,148	1,493,034	1,522,898
Long-term liabilities outstanding	<u>6,239,509</u>	<u>6,225,086</u>	<u>6,906,333</u>	<u>6,265,103</u>	<u>12,464,595</u>	<u>13,171,436</u>
Total liabilities	<u>7,484,794</u>	<u>6,472,835</u>	<u>8,204,083</u>	<u>6,490,251</u>	<u>13,957,629</u>	<u>14,694,334</u>
<u>Deferred Inflows of Resources</u>	<u>5,569,450</u>	-	<u>5,382,500</u>	-	<u>5,569,450</u>	<u>5,382,500</u>
Total liabilities and deferred inflow	<u>13,054,244</u>	<u>6,472,835</u>	<u>13,586,583</u>	<u>6,490,251</u>	<u>19,527,079</u>	<u>20,076,834</u>
<u>Net Position</u>						
Net investment in capital assets	61,818,763	17,467,460	59,016,861	15,664,729	79,286,223	74,681,590
Restricted	15,063,791	1,692,159	16,129,933	1,654,246	16,755,950	17,784,179
Unrestricted	<u>14,889,737</u>	<u>10,429,437</u>	<u>14,417,086</u>	<u>10,770,567</u>	<u>25,319,174</u>	<u>25,187,653</u>
Total net position	<u>\$ 91,772,291</u>	<u>\$ 29,589,056</u>	<u>\$ 89,563,880</u>	<u>\$ 28,089,542</u>	<u>\$ 121,361,347</u>	<u>\$ 117,653,422</u>

DEFIANCE COUNTY

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

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2013, the County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$121,361,347. This amounts to \$91,772,291 in the governmental activities and \$29,589,056 in the business-type activities. This is an indication that the County's finances remained strong during 2013.

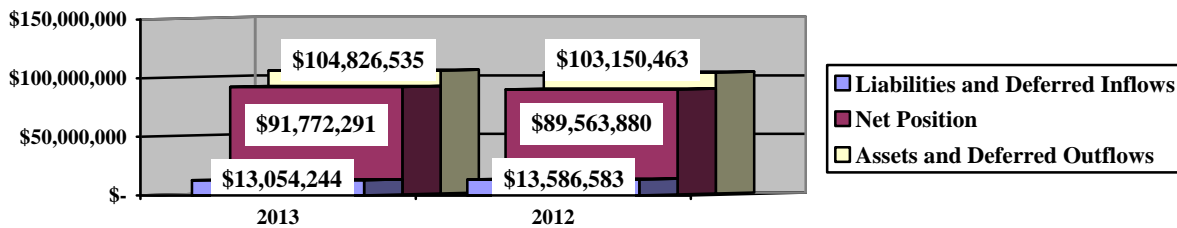
Capital assets reported on the government-wide statements represent the largest portion of the County's assets. At year-end, capital assets represented 60.21% of total governmental and business-type assets. Capital assets include land, easements, land improvements, buildings and improvements, equipment, vehicles, construction in progress and infrastructure. The County's net investment in capital assets at December 31, 2013 was \$79,286,223. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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

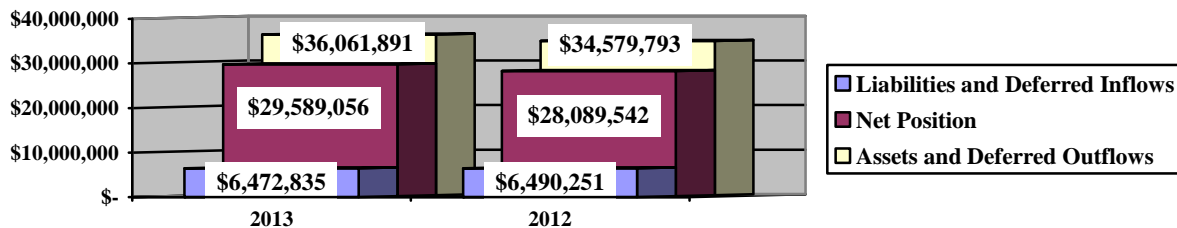
A portion of the County's net position, \$16,755,950 or 13.81%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$25,319,174 or 20.86% may be used to meet the government's ongoing obligations to citizens and creditors.

The graphs below illustrate the County's assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at December 31, 2013 and December 31, 2012 for the governmental activities and business-type activities.

Governmental Activities



Business-type Activities



DEFIANCE COUNTY

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

The table below shows the changes in net position for 2013 and 2012.

	Change in Net Position					
	Governmental	Business-type	Governmental	Business-type	Total	Total
	Activities	Activities	Activities	Activities	2013	2012
	<u>2013</u>	<u>2013</u>	<u>2012</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues						
Program revenues:						
Charges for services and sales	\$ 4,247,321	\$4,267,850	\$ 4,213,391	\$3,888,278	\$ 8,515,171	\$ 8,101,669
Operating grants and contributions	8,855,799	-	9,972,930	-	8,855,799	9,972,930
Capital grants and contributions	<u>3,667,291</u>	<u>237,702</u>	<u>1,741,915</u>	<u>368,249</u>	<u>3,904,993</u>	<u>2,110,164</u>
Total program revenues	<u>16,770,411</u>	<u>4,505,552</u>	<u>15,928,236</u>	<u>4,256,527</u>	<u>21,275,963</u>	<u>20,184,763</u>
General revenues:						
Property taxes	5,422,880	-	5,240,008	-	5,422,880	5,240,008
Sales tax	5,281,160	-	5,058,795	-	5,281,160	5,058,795
Unrestricted grants	2,000,205	-	1,836,688	-	2,000,205	1,836,688
Investment earnings	219,407	26,174	305,867	47,912	245,581	353,779
Reimbursements	-	-	61,435	-	-	61,435
Other	630,511	23,865	599,376	18,406	654,376	617,782
Insurance recoveries	<u>-</u>	<u>-</u>	<u>-</u>	<u>762,492</u>	<u>-</u>	<u>762,492</u>
Total general revenues	<u>13,554,163</u>	<u>50,039</u>	<u>13,102,169</u>	<u>828,810</u>	<u>13,604,202</u>	<u>13,930,979</u>
Total revenues	<u>30,324,574</u>	<u>4,555,591</u>	<u>29,030,405</u>	<u>5,085,337</u>	<u>34,880,165</u>	<u>34,115,742</u>

The decrease in operating grants and contributions in the governmental activities is mainly due to the County's job and family services operations being combined with those of Paulding County during 2013, which resulted in a reduction of grant funding specifically attributable to Defiance County. The increase in capital grants and contributions in the governmental activities is primarily due to ongoing construction projects related to infrastructure acquisition for which the County received grant assistance during 2013. The overall decrease in revenues in the business-type activities is due to insurance recoveries reported by the County during 2012, which were received in response to a fire that destroyed County landfill equipment in the prior year.

DEFIANCE COUNTY

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

Change in Net Position

	Governmental Activities 2013	Business-type Activities 2013	Governmental Activities 2012	Business-type Activities 2012	Total 2013	Total 2012
<u>Expenses</u>						
Program Expenses:						
General government						
Legislative and executive	5,508,772	-	5,493,890	-	5,508,772	5,493,890
Judicial	1,598,780	-	1,602,946	-	1,598,780	1,602,946
Public safety	4,602,974	-	4,528,107	-	4,602,974	4,528,107
Public works	5,810,795	-	4,212,097	-	5,810,795	4,212,097
Health	5,007,763	-	4,880,327	-	5,007,763	4,880,327
Human services	4,886,431	-	5,245,050	-	4,886,431	5,245,050
Conservation and recreation	5,475	-	3,827	-	5,475	3,827
Economic development	468,738	-	246,268	-	468,738	246,268
Interest and fiscal charges	226,435	-	239,229	-	226,435	239,229
Landfill	-	2,222,382	-	2,428,624	2,222,382	2,428,624
Sewer	-	833,695	-	672,071	833,695	672,071
Total expenses	28,116,163	3,056,077	26,451,741	3,100,695	31,172,240	29,552,436
Change in net position	2,208,411	1,499,514	2,578,664	1,984,642	3,707,925	4,563,306
Net position at beginning of year	89,563,880	28,089,542	86,985,216	26,104,900	117,653,422	113,090,116
Net position at end of year	\$ 91,772,291	\$ 29,589,056	\$ 89,563,880	\$ 28,089,542	\$ 121,361,347	\$ 117,653,422

Governmental Activities

Governmental activities net position increased by \$2,208,411 from 2012 to 2013. The net position of the governmental activities improved mainly due to the availability of additional funding through various capital grants and contributions that were used to offset the County's increase in public works expenses.

Public works expenses primarily support the operations of the engineer's department, and accounts for \$5,810,795 or 20.67% of the total governmental expenses of the County. These expenses were funded by \$393,353 in direct charges to users, \$4,292,250 in operating grants and contributions, and \$3,667,291 in capital grants and contributions during 2013. General government expenses, which include legislative and executive and judicial programs, accounted for \$7,107,552 or 25.28% of the total governmental expenses of the County. General government expenses were covered by \$3,031,394 in direct charges to users and \$157,560 in operating grants and contributions during 2013.

The State and federal government contributed to the County revenues of \$8,855,799 in operating grants and contributions and \$3,667,291 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Operating grants and contributions of \$2,107,669 subsidized County health programs. Operating grants and contributions of \$4,292,250 as well as the entire amount of capital grants and contributions, subsidized public works projects.

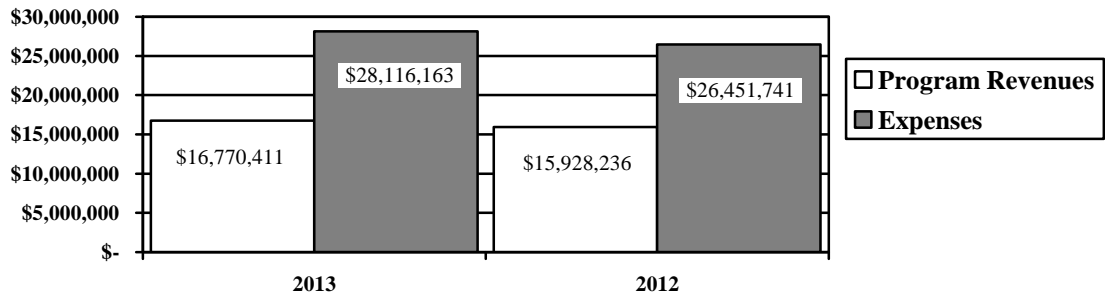
DEFIANCE COUNTY

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

General revenues totaled \$13,554,163, and amounted to 44.70% of the total revenues of \$30,324,574. These revenues primarily consist of property and sales tax revenue of \$10,704,040 or 78.97% of total general revenues in 2013. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with operating grants consisting of local government and local government revenue assistance making up \$2,000,205, or 14.76%, of the total general revenues.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2013 and 2012. That is, it identifies the cost of these services supported by general revenues (such as tax revenue and unrestricted state grants and entitlements). As can be seen in the graph below, the County is reliant upon general revenues to finance operations as program revenues are not sufficient to cover total expenses.

Governmental Activities – Program Revenues vs. Total Expenses



Governmental Activities

	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>
Program Expenses:				
General government				
Legislative and executive	\$ 5,508,772	\$ 3,102,445	\$ 5,493,890	\$ 3,056,284
Judicial	1,598,780	816,153	1,602,946	884,279
Public safety	4,602,974	4,132,041	4,528,107	4,002,575
Public works	5,810,795	(2,542,099)	4,212,097	(2,257,814)
Health	5,007,763	2,642,344	4,880,327	2,474,411
Human services	4,886,431	2,808,366	5,245,050	2,127,086
Conservation and recreation	5,475	5,475	3,827	3,827
Economic development	468,738	202,052	246,268	187,452
Interest and fiscal charges	226,435	178,975	239,229	45,405
Total	<u>\$ 28,116,163</u>	<u>\$ 11,345,752</u>	<u>\$ 26,451,741</u>	<u>\$10,523,505</u>

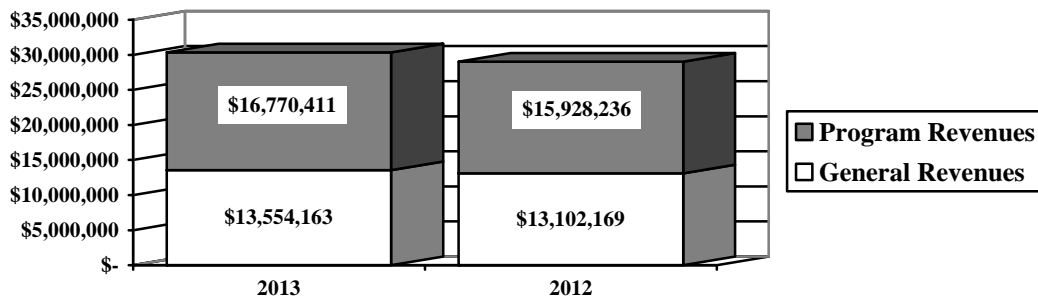
DEFIANCE COUNTY

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

The dependence upon general revenues for governmental activities is apparent, with 40.35% of expenses supported through taxes and other general revenues during 2013.

The graph below illustrates the County's reliance upon general revenues for 2013 and 2012.

Governmental Activities – General and Program Revenues



Business-type Activities

The landfill and sewer funds are the County's enterprise funds. These operations had program revenues of \$4,505,552, general revenues of \$50,039, and expenses of \$3,056,077 during 2013. The net position of the enterprise funds increased \$1,499,514 or 5.34% during 2013.

Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements.

The County's governmental funds reported a combined fund balance of \$27,112,583, which is \$394,653 less than last year's restated total of \$27,507,236.

DEFIANCE COUNTY

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

The fund balances of the County were restated at December 31, 2012 as described in Note 3.B to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2013 and December 31, 2012 for all major and nonmajor governmental funds.

	Fund Balance (Deficit) <u>December 31, 2013</u>	(Restated) Fund Balance (Deficit) <u>December 31, 2012</u>	Increase/ <u>(Decrease)</u>
Major Funds:			
General	\$ 12,375,813	\$ 10,081,683	\$ 2,294,130
Developmental Disabilities	3,763,809	3,609,359	154,450
Job and Family Services	-	466,941	(466,941)
Motor Vehicle License and Gas Tax	1,836,825	2,297,230	(460,405)
Emergency 911	872,030	897,219	(25,189)
Senior Center	445,742	294,319	151,423
Historical Jail Debt Service	(645,047)	(482,092)	(162,955)
County Improvement	3,386,152	3,550,885	(164,733)
Nonmajor Governmental Funds	<u>5,077,259</u>	<u>6,791,692</u>	<u>(1,714,433)</u>
Total	<u><u>\$ 27,112,583</u></u>	<u><u>\$ 27,507,236</u></u>	<u><u>\$ (394,653)</u></u>

General Fund

The County's general fund balance increased \$2,294,130. The primary reason for the increase in fund balance was that the County was not forced to transfer substantial amounts of money to other funds during 2013 to supplement the activities of those funds, as was the case in the prior year. Steady revenues continue to outpace expenditures in the general fund. The table that follows assists in illustrating the revenues of the general fund.

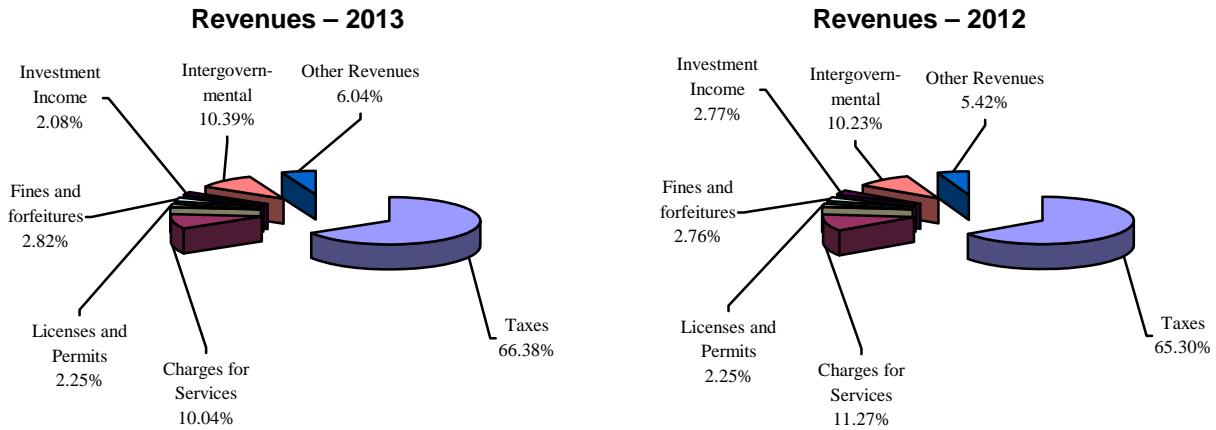
	<u>2013 Amount</u>	<u>2012 Amount</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
<u>Revenues</u>				
Taxes	\$ 7,077,051	\$ 6,785,709	\$ 291,342	4.29 %
Charges for services	1,070,964	1,170,815	(99,851)	(8.53) %
Licenses and permits	239,960	233,624	6,336	2.71 %
Fines and forfeitures	300,598	286,317	14,281	4.99 %
Intergovernmental	1,107,252	1,064,022	43,230	4.06 %
Investment income	222,167	287,447	(65,280)	(22.71) %
Rent income and other	<u>644,244</u>	<u>563,148</u>	<u>81,096</u>	<u>14.40 %</u>
Total	<u><u>\$ 10,662,236</u></u>	<u><u>\$ 10,391,082</u></u>	<u><u>\$ 271,154</u></u>	<u><u>2.61 %</u></u>

Overall revenues of the general fund in 2013 increased \$271,154 or 2.61% from 2012. Tax revenue represents 66.37% of all general fund revenue. Tax revenue increased slightly by \$291,342 or 4.29% from the prior year due to minor increases in both sales tax and property tax revenue. The decrease in investment income of \$65,280 or 22.71% is primarily due to declining interest rates. All other revenues remained comparable to 2012.

DEFIANCE COUNTY

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

The graphs below illustrate the revenue of the general fund for 2013 and 2012.



The table that follows assists in illustrating the expenditures of the general fund.

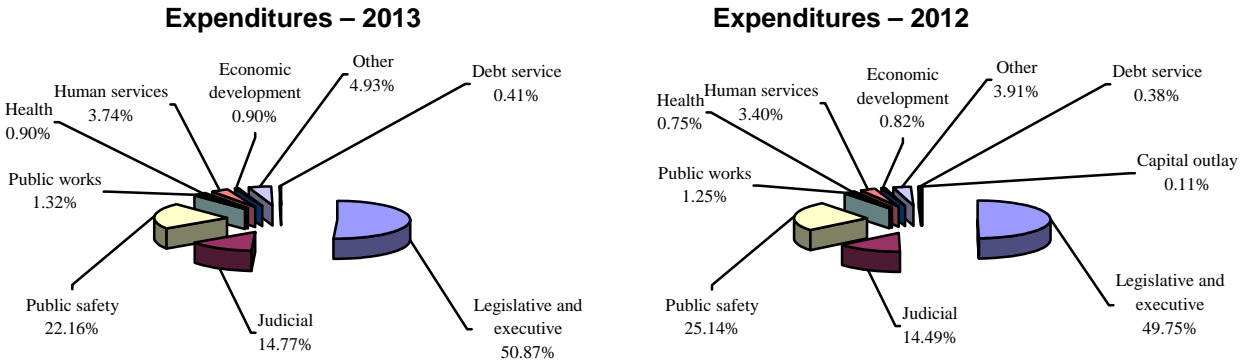
	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>				
General government				
Legislative and executive	\$ 4,373,699	\$ 4,437,709	\$ (64,010)	(1.44) %
Judicial	1,269,685	1,292,704	(23,019)	(1.78) %
Public safety	1,905,324	2,242,237	(336,913)	(15.03) %
Public works	113,132	111,479	1,653	1.48 %
Health	77,675	67,159	10,516	15.66 %
Human services	321,809	303,211	18,598	6.13 %
Economic development	77,733	72,733	5,000	6.87 %
Other	423,487	348,508	74,979	21.51 %
Capital outlay	-	9,450	(9,450)	100.00 %
Debt service	34,998	33,525	1,473	4.39 %
Total	<u>\$ 8,597,542</u>	<u>\$ 8,918,715</u>	<u>\$ (321,173)</u>	<u>(3.60) %</u>

Overall expenditures of the general fund in 2013 decreased \$321,173 or 3.60% from 2012. Public safety expenditures decreased \$336,913 or 15.03% primarily due to a prepaid asset to the Corrections Commission of Northwest Ohio (CCNO) related to regional jail activity that is now being accounted for by the County as part of general fund operations. All other expenditures remained comparable to 2012.

DEFIANCE COUNTY

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

The graphs below illustrate the expenditures of the general fund for 2013 and 2012.



Developmental Disabilities (DD) Fund

The developmental disabilities (DD) fund, a major governmental fund, had revenues of \$4,968,903 in 2013. The DD fund had expenditures of \$4,814,453 in 2013. The DD fund balance increased \$154,450 from 2012 to 2013, mainly due to an increase in property tax revenue that allowed overall revenues to continue to outpace expenditures.

Job and Family Services Fund

The job and family services fund, a major governmental fund, had revenues and other financing sources of \$1,146,356 in 2013. The job and family services fund had expenditures of \$1,613,297 in 2013. The job and family services fund balance decreased \$466,941 from 2012 to 2013, primarily because of a reduction in intergovernmental revenue.

Motor Vehicle License and Gas Tax Fund

The motor vehicle license and gas tax fund, a major governmental fund, had revenues and other financing sources of \$4,269,387 in 2013. The motor vehicle license and gas tax fund had expenditures of \$4,729,792 in 2013. The motor vehicle license and gas tax fund balance decreased \$460,405 from 2012 to 2013, which is primarily attributable to an increase in public works expenditures incurred during 2013.

Emergency 911 Fund

The emergency 911 fund, a major governmental fund, had revenues of \$745,984 in 2013. The emergency 911 fund had expenditures of \$771,173 in 2013. The emergency 911 fund balance decreased \$25,189 from 2012 to 2013, mainly due to an increase in the costs necessary to provide the related public safety services.

Senior Center Fund

The senior center fund, a major governmental fund, had revenues of \$1,378,921 in 2013. The senior center fund had expenditures of \$1,227,498 in 2013. The senior center fund balance increased \$151,423 from 2012 to 2013, primarily because of an increase in property tax revenue that allowed overall revenues to begin outpacing expenditures.

DEFIANCE COUNTY

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

Historical Jail Debt Service Fund

The historical jail debt service fund, a major governmental fund, had revenues and other financing sources of \$51,620 in 2013. The historical jail debt service fund had expenditures of \$214,575 in 2013. The historical jail debt service fund balance decreased \$162,955 from 2012 to 2013, which is primarily attributable to debt service requirements related to the County's various purpose, series 2010 general obligation bonds.

County Improvement Fund

The county improvement fund, a major governmental fund, had other financing sources of \$62,271 in 2013. The county improvement fund had expenditures of \$227,004 in 2013. The county improvement fund balance decreased \$164,733 from 2012 to 2013, mainly due to an increase in capital improvement related expenditures.

Budgeting Highlights - General Fund

The County's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the County's appropriations, which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the County's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity, then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund, DD fund, job and family services fund, motor vehicle license and gas tax fund, emergency 911 fund, and senior center fund. In the general fund, the original budgeted revenues and other financing sources were \$8,999,842 and were increased to \$10,684,096 in the final budget. Actual revenues and other financing sources of \$10,674,914 were less than the final budgeted revenues and other financing sources by \$9,182 or 0.09%. In the general fund, the original budgeted appropriations and other financing uses were \$13,565,193. These were increased to \$15,249,447 in the final budget. Actual expenditures and other financing uses of \$10,038,592 were less than final budgeted amounts by \$5,210,855 or 34.17%. This variance is a result of the County's conservative budgeting practices.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail.

Capital Assets and Debt Administration

Capital Assets

At the end of 2013, the County had \$84,809,743 (net of accumulated depreciation) invested in land, easements, land improvements, buildings and improvements, equipment, vehicles, construction in progress and infrastructure. Of this total, \$65,195,286 was reported in governmental activities and \$19,614,457 was reported in business-type activities.

DEFIANCE COUNTY

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

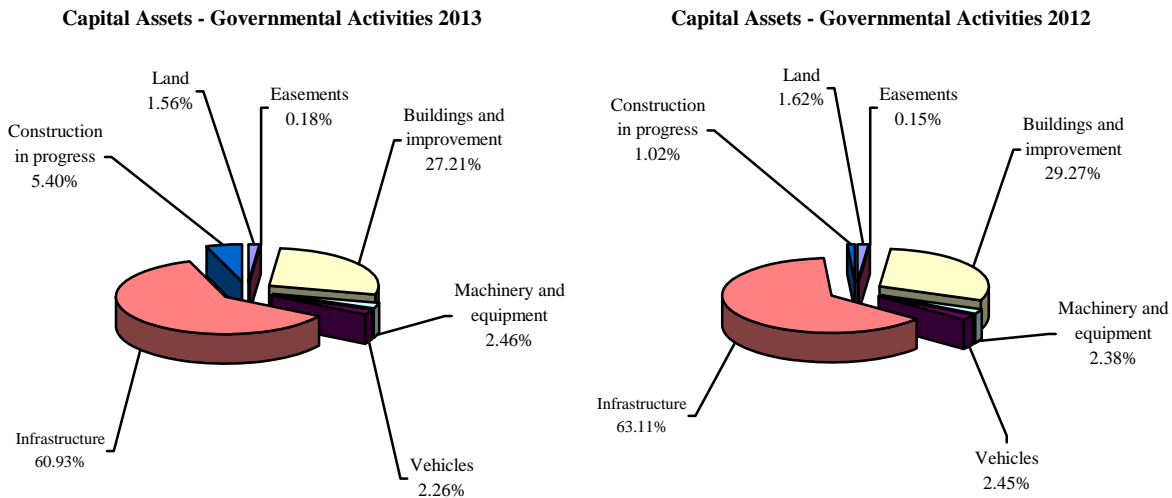
The following table shows December 31, 2013 balances compared to December 31, 2012.

Capital Assets at December 31 (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,018,153	\$ 1,018,153	\$ 1,214,071	\$ 1,214,071	\$ 2,232,224	\$ 2,232,224
Easements	119,051	93,851	-	-	119,051	93,851
Land improvements	-	-	7,562,425	5,448,907	7,562,425	5,448,907
Building and improvements	17,732,815	18,360,862	2,001,064	2,024,812	19,733,879	20,385,674
Machinery and equipment	1,605,564	1,494,173	1,903,515	1,945,527	3,509,079	3,439,700
Vehicles	1,476,180	1,539,304	79,507	65,024	1,555,687	1,604,328
Infrastructure	39,720,042	39,576,240	-	-	39,720,042	39,576,240
Sewer lines	-	-	6,789,131	6,966,379	6,789,131	6,966,379
Construction in progress	3,523,481	637,954	64,744	142,880	3,588,225	780,834
Total	\$ 65,195,286	\$ 62,720,537	\$ 19,614,457	\$ 17,807,600	\$ 84,809,743	\$ 80,528,137

See Note 9 to the basic financial statements for detail on governmental activities and business-type activities capital assets.

The following graphs show the breakdown of governmental capital assets by category at December 31, 2013 and December 31, 2012.



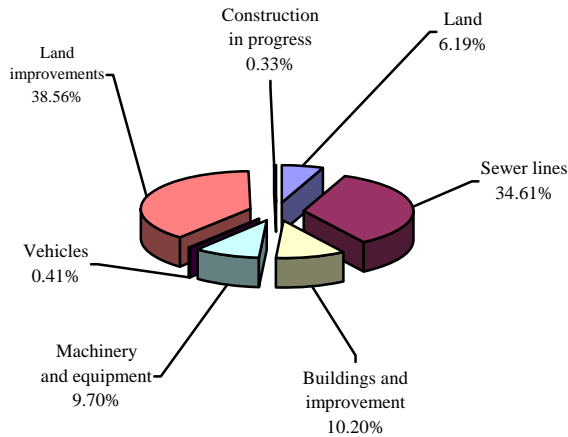
The County's largest governmental activities capital asset category is infrastructure, which includes roads and bridges. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 60.93% of the County's total governmental capital assets.

DEFIANCE COUNTY

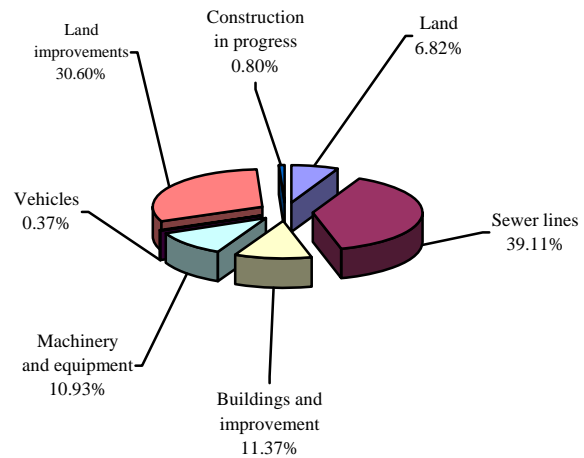
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

The following graphs show the breakdown of business-type capital assets by category at December 31, 2013 and December 31, 2012.

Capital Assets - Business-type Activities 2013



Capital Assets - Business-type Activities 2012



The County's largest business-type capital asset category is land improvements. These items play a vital role in the income producing ability of the business-type activities. The net book value of the County's land improvements (cost less accumulated depreciation) represents approximately 38.56% of the County's total business-type capital assets.

Debt Administration

At December 31, 2013, the County had long-term obligations of \$3,730,000 in general obligation bonds, \$740,000 in special assessment bonds, \$2,005,400 in sewer revenue bonds, OPWC loans of \$140,415, OWDA loans of \$660,530, Capmark commercial mortgage liability of \$50,000, capital lease obligations of \$47,737, and closure and postclosure liability outstanding of \$4,058,669. Of this total, \$573,337 is due within one year and \$10,859,414 is due in more than one year.

DEFIANCE COUNTY

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

The following table summarizes the short-term and long-term obligations outstanding at December 31, 2013 and December 31, 2012.

Outstanding Debt, at Year End				
	Governmental Activities <u>2013</u>	Business-type Activities <u>2013</u>	Governmental Activities <u>2012</u>	Business-type Activities <u>2012</u>
Short-Term Obligations:				
Bond anticipation notes	\$ -	\$ -	\$ 53,700	\$ -
Long-Term Obligations:				
General obligation bonds	3,730,000	-	4,020,000	-
Special assessment bonds	740,000	-	805,000	-
Sewer revenue bonds	-	2,005,400	-	2,032,700
OPWC loans	140,415	-	163,817	-
OWDA loans	660,530	-	728,587	54,171
Capmark commercial mortgage	-	50,000	-	56,000
Capital lease obligations	47,737	-	81,126	-
Closure and postclosure	-	4,058,669	-	4,020,408
Total	<u>\$ 5,318,682</u>	<u>\$ 6,114,069</u>	<u>\$ 5,852,230</u>	<u>\$ 6,163,279</u>

See Notes 16 and 17 to the basic financial statements for detail on governmental activities and business-type activities short-term and long-term obligations.

Economic Factors and Next Year's Budgets and Rates

The County's estimated population for 2010 (the latest information available from the U.S. Census Bureau) was approximately 39,037.

As of December 31, 2013, as reported by the Ohio Job and Family Services Office of Workforce Development and Bureau of Labor Market Information, the County's unemployment rate was 6.2%, compared to the 7.1% state rate and the 6.7% national rate.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Honorable Marlene J. Goodwin, Defiance County Auditor, 500 Second Street, Suite 301, Defiance, Ohio 43512.

DEFIANCE COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 24,037,765	\$ 12,174,284	\$ 36,212,049
Cash and cash equivalents in segregated accounts	45,495	325	45,820
Cash and cash equivalents with fiscal agent		2,161	2,161
Investments		5,259,156	5,259,156
Receivables (net of allowance for uncollectibles):			
Sales taxes	865,897		865,897
Real estate and other taxes	5,698,770		5,698,770
Accounts	52,490	461,401	513,891
Intergovernmental	3,224,828		3,224,828
Special assessments	1,561,805		1,561,805
Accrued interest	70,220	13,228	83,448
Loans	758,074		758,074
Internal balances	1,540,277	(1,540,277)	
Prepayments	1,104,150	73,533	1,177,683
Materials and supplies inventory	633,104	3,623	636,727
Capital assets:			
Non-depreciable capital assets	4,660,685	1,278,815	5,939,500
Depreciable capital assets, net	60,534,601	18,335,642	78,870,243
Total capital assets	65,195,286	19,614,457	84,809,743
Total assets	104,788,161	36,061,891	140,850,052
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	38,374		38,374
Total assets and deferred outflows of resources	104,826,535	36,061,891	140,888,426
Liabilities:			
Accounts payable	326,813	79,946	406,759
Contracts payable	1,704	21,534	23,238
Retainage payable		70,063	70,063
Accrued wages and benefits	411,267	12,349	423,616
Due to other governments	292,795	58,697	351,492
Accrued interest payable	18,771	5,160	23,931
Claims payable	193,935		193,935
Long-term liabilities:			
Due within one year	1,055,114	70,268	1,125,382
Due in more than one year	5,184,395	6,154,818	11,339,213
Total liabilities	7,484,794	6,472,835	13,957,629
Deferred inflows of resources:			
Real estate and other taxes levied for the next fiscal year	5,569,450		5,569,450
Total liabilities and deferred inflows of resources	13,054,244	6,472,835	19,527,079
Net position:			
Net investment in capital assets	61,818,763	17,467,460	79,286,223
Restricted for:			
Debt service	2,347,556		2,347,556
Capital projects	233,316		233,316
Other purposes	3,293,319		3,293,319
Human services programs	679,647		679,647
Public works projects	3,560,479		3,560,479
Public safety programs	1,052,086		1,052,086
Health services	3,897,388		3,897,388
Landfill closure and postclosure		1,692,159	1,692,159
Unrestricted	14,889,737	10,429,437	25,319,174
Total net position	\$ 91,772,291	\$ 29,589,056	\$ 121,361,347

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government:				
Legislative and executive.	\$ 5,508,772	\$ 2,406,270	\$ 57	
Judicial.	1,598,780	625,124	157,503	
Public safety	4,602,974	323,689	147,244	
Public works	5,810,795	393,353	4,292,250	\$ 3,667,291
Health.	5,007,763	257,750	2,107,669	
Human services	4,886,431	232,235	1,845,830	
Conservation and recreation	5,475			
Economic development.	468,738	8,900	257,786	
Interest and fiscal charges.	226,435		47,460	
Total governmental activities	28,116,163	4,247,321	8,855,799	3,667,291
Business-type activities:				
Landfill.	2,222,382	3,533,613		
Sewer.	833,695	734,237		237,702
Total business-type activities	3,056,077	4,267,850		237,702
Total	\$ 31,172,240	\$ 8,515,171	\$ 8,855,799	\$ 3,904,993

General Revenues:

Property taxes levied for:

- General fund.
- Public safety - Emergency 911.
- Human services - County Board of DD
- Human services - Senior Center.
- Sales taxes.
- Grants and entitlements not restricted to specific programs
- Investment income.
- Miscellaneous

Total general revenues

Change in net position

Net position at beginning of year

Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (3,102,445)		\$ (3,102,445)
(816,153)		(816,153)
(4,132,041)		(4,132,041)
2,542,099		2,542,099
(2,642,344)		(2,642,344)
(2,808,366)		(2,808,366)
(5,475)		(5,475)
(202,052)		(202,052)
(178,975)		(178,975)
<u>(11,345,752)</u>		<u>(11,345,752)</u>
	\$ 1,311,231	1,311,231
	138,244	138,244
	<u>1,449,475</u>	<u>1,449,475</u>
<u>(11,345,752)</u>	<u>1,449,475</u>	<u>(9,896,277)</u>
1,820,139		1,820,139
647,937		647,937
2,177,279		2,177,279
777,525		777,525
5,281,160		5,281,160
2,000,205		2,000,205
219,407	26,174	245,581
630,511	23,865	654,376
<u>13,554,163</u>	<u>50,039</u>	<u>13,604,202</u>
2,208,411	1,499,514	3,707,925
<u>89,563,880</u>	<u>28,089,542</u>	<u>117,653,422</u>
<u>\$ 91,772,291</u>	<u>\$ 29,589,056</u>	<u>\$ 121,361,347</u>

DEFIANCE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General	Developmental Disabilities	Motor Vehicle License and Gas Tax	Emergency 911
Assets:				
Equity in pooled cash and cash equivalents	\$ 6,340,995	\$ 3,543,988	\$ 1,151,384	\$ 891,565
Cash and cash equivalents in segregated accounts.	45,345		125	
Receivables (net of allowance for uncollectibles):				
Sales taxes	865,897			
Real estate and other taxes	1,848,429	2,410,677		665,847
Accounts.	32,768		143	
Intergovernmental	618,280	148,823	2,067,108	46,006
Special assessments				
Accrued interest	70,220			
Loans.				
Interfund loans.	5,166,949			
Due from other funds	18,165		14,008	
Prepayments	646,270	384,025	27,377	15,780
Materials and supplies inventory.	76,215	12,500	513,985	1,049
Total assets	<u>\$ 15,729,533</u>	<u>\$ 6,500,013</u>	<u>\$ 3,774,130</u>	<u>\$ 1,620,247</u>
Liabilities:				
Accounts payable.	\$ 148,116	\$ 35,495	\$ 98,947	\$ 4,253
Contracts payable.				
Accrued wages and benefits.	168,519	89,252	65,095	19,930
Due to other funds	14,953		4,760	
Due to other governments	138,223	53,103	46,345	12,487
Interfund loans payable.				
Total liabilities	<u>469,811</u>	<u>177,850</u>	<u>215,147</u>	<u>36,670</u>
Deferred inflows of resources:				
Real estate and other taxes levied for the next fiscal year	1,807,450	2,355,000		651,000
Sales tax revenue not available.	462,581			
Delinquent real estate and other tax revenue not available.	40,136	54,531		14,541
Intergovernmental revenue not available.	556,476	148,823	1,722,158	46,006
Special assessments revenue not available.				
Accrued interest not available	17,266			
Total deferred inflows of resources	<u>2,883,909</u>	<u>2,558,354</u>	<u>1,722,158</u>	<u>711,547</u>
Total liabilities and deferred inflows of resources.	<u>3,353,720</u>	<u>2,736,204</u>	<u>1,937,305</u>	<u>748,217</u>
Fund balances:				
Nonspendable	5,980,288	396,525	541,362	16,829
Restricted.		3,367,284	1,295,463	855,201
Committed	18,813			
Assigned	5,333,367			
Unassigned (deficit)	1,043,345			
Total fund balances (deficit).	<u>12,375,813</u>	<u>3,763,809</u>	<u>1,836,825</u>	<u>872,030</u>
Total liabilities, deferred inflows of resources and fund balances.	<u>\$ 15,729,533</u>	<u>\$ 6,500,013</u>	<u>\$ 3,774,130</u>	<u>\$ 1,620,247</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Senior Center	Historical Jail Debt Service	County Improvement	Nonmajor Governmental Funds	Total Governmental Funds
\$ 486,958	\$ 1,054,953	\$ 3,386,152	\$ 5,779,288	\$ 22,635,283
			25	45,495
				865,897
773,817				5,698,770
			17,224	50,135
60,418			284,193	3,224,828
			1,561,805	1,561,805
				70,220
			758,074	758,074
				5,166,949
			22,819	54,992
11,510			19,188	1,104,150
1,560			27,795	633,104
<u>\$ 1,334,263</u>	<u>\$ 1,054,953</u>	<u>\$ 3,386,152</u>	<u>\$ 8,470,411</u>	<u>\$ 41,869,702</u>
\$ 24,183			\$ 15,819	\$ 326,813
			1,704	1,704
21,778			46,693	411,267
722			33,851	54,286
13,181			29,456	292,795
	\$ 1,700,000		1,437,466	3,137,466
<u>59,864</u>	<u>1,700,000</u>		<u>1,564,989</u>	<u>4,224,331</u>
756,000				5,569,450
				462,581
17,451				126,659
55,206			266,358	2,795,027
			1,561,805	1,561,805
				17,266
<u>828,657</u>			<u>1,828,163</u>	<u>10,532,788</u>
888,521	1,700,000		3,393,152	14,757,119
13,070			687,276	7,635,350
432,672			4,204,134	10,154,754
			553,611	572,424
		\$ 3,386,152		8,719,519
	(645,047)		(367,762)	30,536
<u>445,742</u>	<u>(645,047)</u>	<u>3,386,152</u>	<u>5,077,259</u>	<u>27,112,583</u>
<u>\$ 1,334,263</u>	<u>\$ 1,054,953</u>	<u>\$ 3,386,152</u>	<u>\$ 8,470,411</u>	<u>\$ 41,869,702</u>

DEFIANCE COUNTY

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

Total governmental fund balances		\$ 27,112,583
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		65,195,286
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		
Sales taxes receivable	\$ 462,581	
Real estate and other taxes receivable	126,659	
Intergovernmental receivable	2,795,027	
Special assessments receivable	1,561,805	
Accrued interest receivable	17,266	
Total	4,963,338	4,963,338
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.		710,902
An interfund receivable is recorded in governmental activities to reflect underpayments to the internal service fund by the business-type activities.		10,088
Unamortized premiums on bond issuances are not recognized in the funds.		(25,686)
Unamortized deferred amounts on refundings are not recognized in the funds.		38,374
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(18,771)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable	(3,730,000)	
Special assessment bonds payable	(740,000)	
OPWC loan payable	(140,415)	
OWDA loan payable	(660,530)	
Compensated absences payable	(895,141)	
Capital leases payable	(47,737)	
Total	(6,213,823)	(6,213,823)
Net position of governmental activities		\$ 91,772,291

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

DEFIANCE COUNTY

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

	General	Developmental Disabilities	Job and Family Services	Motor Vehicle License and Gas Tax	Emergency 911
Revenues:					
Property taxes	\$ 1,821,881	\$ 2,179,645			\$ 648,569
Sales taxes	5,255,170				
Special assessments					
Charges for services	1,070,964	99,067			
Licenses and permits	239,960				
Fines and forfeitures	300,598			\$ 17,232	
Intergovernmental	1,107,252	2,563,566	\$ 1,024,739	4,224,843	94,209
Investment income	222,167			848	
Rental income	295,863				
Contributions and donations		31,628			
Other	348,381	94,997	58,169	21,465	3,206
Total revenues	<u>10,662,236</u>	<u>4,968,903</u>	<u>1,082,908</u>	<u>4,264,388</u>	<u>745,984</u>
Expenditures:					
Current:					
General government:					
Legislative and executive	4,373,699				
Judicial	1,269,685				
Public safety	1,905,324				771,173
Public works	113,132			4,729,792	
Health	77,675	4,814,453			
Human services	321,809		1,613,297		
Economic development	77,733				
Other	423,487				
Capital outlay					
Debt service:					
Principal retirement	30,818				
Interest and fiscal charges	4,180				
Total expenditures	<u>8,597,542</u>	<u>4,814,453</u>	<u>1,613,297</u>	<u>4,729,792</u>	<u>771,173</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,064,694</u>	<u>154,450</u>	<u>(530,389)</u>	<u>(465,404)</u>	<u>(25,189)</u>
Other financing sources (uses):					
Sale of capital assets	8,061				
Bond issuance					
Transfers in	791,822		63,448	4,999	
Transfers out	(570,447)				
Total other financing sources (uses)	<u>229,436</u>		<u>63,448</u>	<u>4,999</u>	
Net change in fund balances	2,294,130	154,450	(466,941)	(460,405)	(25,189)
Fund balances (deficit)					
at beginning of year (restated)	10,081,683	3,609,359	\$ 466,941	2,297,230	897,219
Fund balances (deficit) at end of year	<u>\$ 12,375,813</u>	<u>\$ 3,763,809</u>		<u>\$ 1,836,825</u>	<u>\$ 872,030</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Senior Center	Historical Jail Debt Service	County Improvement	Nonmajor Governmental Funds	Total Governmental Funds
\$ 748,280			\$ 30,000	\$ 5,428,375
				5,255,170
			632,237	632,237
98,215			1,153,325	2,421,571
				239,960
			417,715	735,545
453,297	\$ 47,460		4,881,417	14,396,783
			17,471	240,486
			132,923	428,786
54,884			211,286	297,798
24,245			80,048	630,511
<u>1,378,921</u>	<u>47,460</u>		<u>7,556,422</u>	<u>30,707,222</u>
			357,069	4,730,768
			327,313	1,596,998
			1,851,874	4,528,371
			2,419,061	7,261,985
			132,327	5,024,455
1,225,728			1,639,669	4,800,503
			391,005	468,738
				423,487
		\$ 227,004	1,340,980	1,567,984
1,490	100,000		387,540	519,848
280	114,575		107,764	226,799
<u>1,227,498</u>	<u>214,575</u>	<u>227,004</u>	<u>8,954,602</u>	<u>31,149,936</u>
<u>151,423</u>	<u>(167,115)</u>	<u>(227,004)</u>	<u>(1,398,180)</u>	<u>(442,714)</u>
				8,061
			40,000	40,000
	4,160	62,271	464,979	1,391,679
			(821,232)	(1,391,679)
	<u>4,160</u>	<u>62,271</u>	<u>(316,253)</u>	<u>48,061</u>
151,423	(162,955)	(164,733)	(1,714,433)	(394,653)
294,319	(482,092)	3,550,885	6,791,692	27,507,236
<u>\$ 445,742</u>	<u>\$ (645,047)</u>	<u>\$ 3,386,152</u>	<u>\$ 5,077,259</u>	<u>\$ 27,112,583</u>

DEFIANCE COUNTY

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

Net change in fund balances - total governmental funds	\$	(394,653)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.		
Capital outlay	\$ 5,483,739	
Depreciation expense	<u>(2,818,611)</u>	
Total		2,665,128
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(190,379)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(5,495)	
Sales taxes	25,990	
Special assessments	(210,778)	
Intergovernmental	(180,380)	
Investment income	<u>(11,985)</u>	
Total		(382,648)
The issuance of bonds is an other financing source in the funds, but it increases long-term liabilities on the statement of net position.		
		(40,000)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities.		
Decrease in accrued interest payable	1,668	
Amortization of bond premium	2,510	
Amortization of deferred charges on refundings	<u>(3,814)</u>	
Total		364
Principal payments are expenditures in the governmental funds, but the repayments reduce long-term liabilities on the statement of net position.		
General obligation bonds payable	330,000	
Special assessment bonds payable	65,000	
Loans payable	91,459	
Capital leases payable	<u>33,389</u>	
Total		519,848
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		179,859
The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund (plus the \$21,383 internal activity) is allocated among the governmental activities.		
		<u>(149,108)</u>
Change in net position of governmental activities	\$	<u>2,208,411</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 1,707,000	\$ 1,829,267	\$ 1,829,267	
Sales taxes	4,200,000	5,258,144	5,258,144	
Charges for services.	818,020	999,670	1,067,763	\$ 68,093
Licenses and permits	91,900	125,058	125,208	150
Fines and forfeitures	232,100	269,727	269,727	
Intergovernmental.	1,066,000	1,185,859	1,192,843	6,984
Investment income.	423,722	254,601	231,514	(23,087)
Rental income	250,000	287,722	295,863	8,141
Other	210,800	393,353	323,890	(69,463)
Total revenues	<u>8,999,542</u>	<u>10,603,401</u>	<u>10,594,219</u>	<u>(9,182)</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	4,513,065	4,551,873	4,319,741	232,132
Judicial.	1,367,979	1,391,572	1,317,308	74,264
Public safety	2,649,186	2,706,181	2,335,605	370,576
Public works	600,000	579,423	113,133	466,290
Health	78,810	78,810	77,675	1,135
Human services.	633,906	323,906	321,928	1,978
Economic development	78,000	78,000	77,733	267
Other	1,813,155	1,590,992	411,076	1,179,916
Total expenditures	<u>11,734,101</u>	<u>11,300,757</u>	<u>8,974,199</u>	<u>2,326,558</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(2,734,559)</u>	<u>(697,356)</u>	<u>1,620,020</u>	<u>2,317,376</u>
Other financing sources (uses):				
Advances in		70,000	70,000	
Advances out.		(492,281)	(492,281)	
Transfers in		2,634	2,634	
Transfers out.		(572,112)	(572,112)	
Sale of capital assets.	300	8,061	8,061	
Contingencies	(1,831,092)	(2,884,297)		2,884,297
Total other financing sources (uses)	<u>(1,830,792)</u>	<u>(3,867,995)</u>	<u>(983,698)</u>	<u>2,884,297</u>
Net change in fund balance	(4,565,351)	(4,565,351)	636,322	5,201,673
Fund balance at beginning of year	4,400,216	4,400,216	4,400,216	
Prior year encumbrances appropriated	\$ 165,135	\$ 165,135	165,135	
Fund balance at end of year	<u><u>4,400,216</u></u>	<u><u>4,400,216</u></u>	<u><u>\$ 5,201,673</u></u>	<u><u>\$ 5,201,673</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 2,025,000	\$ 2,025,000	\$ 2,187,640	\$ 162,640
Charges for services	2,700	2,700	99,067	96,367
Intergovernmental	2,429,544	2,429,572	2,687,338	257,766
Investment income	250	250		(250)
Contributions and donations	7,000	7,000	31,628	24,628
Other	29,500	29,500	94,997	65,497
Total revenues	<u>4,493,994</u>	<u>4,494,022</u>	<u>5,100,670</u>	<u>606,648</u>
Expenditures:				
Current:				
Health	5,915,994	5,916,022	4,871,031	1,044,991
Net change in fund balance	(1,422,000)	(1,422,000)	229,639	1,651,639
Fund balance at beginning of year	3,024,307	3,024,307	3,024,307	
Prior year encumbrances appropriated	116,950	116,950	116,950	
Fund balance at end of year	<u>\$ 1,719,257</u>	<u>\$ 1,719,257</u>	<u>\$ 3,370,896</u>	<u>\$ 1,651,639</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 1,262,907	\$ 1,024,739	\$ 1,024,739	
Other	515,592	554,895	313,974	\$ (240,921)
Total revenues	1,778,499	1,579,634	1,338,713	(240,921)
Expenditures:				
Current:				
Human services	2,156,202	1,929,584	1,688,663	\$ 240,921
Excess of expenditures over revenues	(377,703)	(349,950)	(349,950)	
Other financing sources:				
Transfers in	91,201	63,448	63,448	
Net change in fund balance	(286,502)	(286,502)	(286,502)	
Fund balance at beginning of year	238,005	238,005	238,005	
Prior year encumbrances appropriated	\$ 48,497	\$ 48,497	\$ 48,497	
Fund balance at end of year				

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 MOTOR VEHICLE LICENSE AND GAS TAX FUND
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 1,000	\$ 98		\$ (98)
Fines and forfeitures	10,000	18,294	\$ 18,294	
Intergovernmental	4,090,000	4,065,023	4,216,612	151,589
Investment income	12,000	848	848	
Other	3,000	20,595	20,732	137
Total revenues	4,116,000	4,104,858	4,256,486	151,628
Expenditures:				
Current:				
Public works	5,635,663	5,625,021	4,790,090	834,931
Excess of expenditures over revenues	(1,519,663)	(1,520,163)	(533,604)	986,559
Other financing sources:				
Transfers in	4,499	4,999	4,999	
Net change in fund balance	(1,515,164)	(1,515,164)	(528,605)	986,559
Fund balance at beginning of year	791,780	791,780	791,780	
Prior year encumbrances appropriated	\$ 723,384	\$ 723,384	723,384	
Fund balance at end of year			\$ 986,559	\$ 986,559

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 EMERGENCY 911 FUND
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 625,500	\$ 651,136	\$ 651,136	
Intergovernmental	93,200	94,209	94,209	
Other		3,206	3,206	
Total revenues	<u>718,700</u>	<u>748,551</u>	<u>748,551</u>	
Expenditures:				
Current:				
Public safety	<u>1,608,863</u>	<u>1,638,714</u>	<u>773,783</u>	\$ 864,931
Net change in fund balance	(890,163)	(890,163)	(25,232)	864,931
Fund balance at beginning of year	857,086	857,086	857,086	
Prior year encumbrances appropriated	\$ 33,077	\$ 33,077	33,077	
Fund balance at end of year	<u><u>864,931</u></u>	<u><u>864,931</u></u>	<u><u>864,931</u></u>	\$ 864,931

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 765,000	\$ 751,363	\$ 751,363	
Charges for services	103,500	94,562	98,215	\$ 3,653
Intergovernmental	433,204	453,908	453,908	
Contributions and donations	5,000	54,766	54,884	118
Other	11,500	24,233	24,245	12
Total revenues	<u>1,318,204</u>	<u>1,378,832</u>	<u>1,382,615</u>	<u>3,783</u>
Expenditures:				
Current:				
Human services	<u>1,617,012</u>	<u>1,677,640</u>	<u>1,299,563</u>	<u>378,077</u>
Net change in fund balance	(298,808)	(298,808)	83,052	381,860
Fund balance at beginning of year	274,711	274,711	274,711	
Prior year encumbrances appropriated	\$ 24,097	\$ 24,097	24,097	
Fund balance at end of year	<u><u> </u></u>	<u><u> </u></u>	<u><u>\$ 381,860</u></u>	<u><u>\$ 381,860</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	<u>Landfill</u>	<u>Sewer</u>	<u>Total</u>	Activities - Internal Service Fund
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 9,397,700	\$ 2,298,140	\$ 11,695,840	\$ 1,402,482
Cash with fiscal agent		2,161	2,161	
Cash and cash equivalents in segregated accounts	225	100	325	
Receivables (net of allowance for uncollectibles):				
Accounts	306,377	155,024	461,401	2,355
Due from other funds	5		5	
Prepayments	67,638	5,895	73,533	
Materials and supplies inventory	2,940	683	3,623	
Total current assets	<u>9,774,885</u>	<u>2,462,003</u>	<u>12,236,888</u>	<u>1,404,837</u>
Noncurrent assets:				
Restricted assets:				
Equity in pooled cash and cash equivalents	478,444		478,444	
Investments	5,259,156		5,259,156	
Accrued interest receivable	13,228		13,228	
Total restricted assets	<u>5,750,828</u>		<u>5,750,828</u>	
Capital assets:				
Non-depreciable capital assets	1,056,475	222,340	1,278,815	
Depreciable capital assets, net	7,506,201	10,829,441	18,335,642	
Total capital assets, net	<u>8,562,676</u>	<u>11,051,781</u>	<u>19,614,457</u>	
Total noncurrent assets	<u>14,313,504</u>	<u>11,051,781</u>	<u>25,365,285</u>	
Total assets	<u>24,088,389</u>	<u>13,513,784</u>	<u>37,602,173</u>	<u>1,404,837</u>
Liabilities:				
Current liabilities:				
Accounts payable	56,537	23,409	79,946	
Contracts payable	21,534		21,534	
Retainage payable	70,063		70,063	
Accrued wages and benefits	7,494	4,855	12,349	
Compensated absences payable	29,528	5,340	34,868	
Due to other funds	144	567	711	
Due to other governments	55,960	2,737	58,697	
Interfund loans payable		1,529,483	1,529,483	500,000
Accrued interest payable		5,160	5,160	
Claims payable				193,935
Revenue bonds		29,400	29,400	
Capmark commercial mortgage payable		6,000	6,000	
Total current liabilities	<u>241,260</u>	<u>1,606,951</u>	<u>1,848,211</u>	<u>693,935</u>
Long-term liabilities:				
Liabilities payable from restricted assets:				
Closure and postclosure payable	4,058,669		4,058,669	
Revenue bonds		1,976,000	1,976,000	
Capmark commercial mortgage payable		44,000	44,000	
Compensated absences	37,227	38,922	76,149	
Total long-term liabilities	<u>4,095,896</u>	<u>2,058,922</u>	<u>6,154,818</u>	
Total liabilities	<u>4,337,156</u>	<u>3,665,873</u>	<u>8,003,029</u>	<u>693,935</u>
Net position:				
Net investment in capital assets	8,471,079	8,996,381	17,467,460	
Restricted for closure and postclosure	1,692,159		1,692,159	
Unrestricted	9,587,995	851,530	10,439,525	710,902
Total net position	<u>\$ 19,751,233</u>	<u>\$ 9,847,911</u>	<u>29,599,144</u>	<u>\$ 710,902</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds			(10,088)	
Net position of business-type activities			<u>\$ 29,589,056</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

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

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Landfill	Sewer	Total	
Operating revenues:				
Charges for services	\$ 3,533,613	\$ 730,698	\$ 4,264,311	\$ 2,354,660
Special assessments		3,539	3,539	
Other	20,175	3,690	23,865	
Total operating revenues.	<u>3,553,788</u>	<u>737,927</u>	<u>4,291,715</u>	<u>2,354,660</u>
Operating expenses:				
Personal services	436,498	158,452	594,950	
Contract services.	1,032,370	51,836	1,084,206	
Materials and supplies.	31,193	33,432	64,625	
Other	331,237	262,048	593,285	
Claims.				2,525,151
Closure and postclosure.	38,261		38,261	
Depreciation.	341,602	261,404	603,006	
Total operating expenses.	<u>2,211,161</u>	<u>767,172</u>	<u>2,978,333</u>	<u>2,525,151</u>
Operating income (loss).	<u>1,342,627</u>	<u>(29,245)</u>	<u>1,313,382</u>	<u>(170,491)</u>
Nonoperating revenues (expenses):				
Interest revenue.	26,174		26,174	
Interest expense and fiscal charges		(56,361)	(56,361)	
Total nonoperating revenues (expenses).	<u>26,174</u>	<u>(56,361)</u>	<u>(30,187)</u>	
Net income (loss) before capital contributions	<u>1,368,801</u>	<u>(85,606)</u>	<u>1,283,195</u>	<u>(170,491)</u>
Capital contributions.		237,702	237,702	
Change in net position	1,368,801	152,096	1,520,897	(170,491)
Net position at beginning of year.	<u>18,382,432</u>	<u>9,695,815</u>		<u>881,393</u>
Net position at end of year	<u>\$ 19,751,233</u>	<u>\$ 9,847,911</u>		<u>\$ 710,902</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(21,383)	
Change in net position of business-type activities			<u>\$ 1,499,514</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

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

	Business-type Activities - Enterprise Funds			Governmental
	Landfill	Sewer	Total	Activities - Internal Service Fund
Cash flows from operating activities:				
Cash received from charges for services	\$ 3,469,410	\$ 729,473	\$ 4,198,883	\$ 2,352,305
Cash received from other operating revenue	20,225	3,690	23,915	
Cash received from special assessments		3,539	3,539	
Cash payments for personal services	(446,077)	(152,572)	(598,649)	
Cash payments for contract services	(1,064,451)	(67,242)	(1,131,693)	
Cash payments for materials and supplies	(30,959)	(33,459)	(64,418)	
Cash payments for claims				(2,483,026)
Cash payments for other expenses	(331,237)	(262,016)	(593,253)	
Net cash provided by (used in) operating activities	1,616,911	221,413	1,838,324	(130,721)
Cash flows from noncapital financing activities:				
Cash received from interfund loans				300,000
Net cash provided by noncapital financing activities				300,000
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(2,136,123)	(191,803)	(2,327,926)	
Cash received from capital grants		353,941	353,941	
Principal payments on bonds		(27,300)	(27,300)	
Interest payments on bonds		(54,133)	(54,133)	
Principal payments on Capmark commercial mortgage		(6,000)	(6,000)	
Interest payments on Capmark commercial mortgage		(2,800)	(2,800)	
Principal payments on OWDA loan		(54,171)	(54,171)	
Net cash provided by (used in) capital and related financing activities	(2,136,123)	17,734	(2,118,389)	
Cash flows from investing activities:				
Cash received from interest	32,338		32,338	
Net cash provided by maturities of investments	2,710,000		2,710,000	
Net cash payments for purchases of investments	(2,710,000)		(2,710,000)	
Net cash provided by investing activities	32,338		32,338	
Net increase (decrease) in cash and cash equivalents	(486,874)	239,147	(247,727)	169,279
Cash and cash equivalents at beginning of year	10,363,243	2,061,254	12,424,497	1,233,203
Cash and cash equivalents at end of year	<u>\$ 9,876,369</u>	<u>\$ 2,300,401</u>	<u>\$ 12,176,770</u>	<u>\$ 1,402,482</u>

-- continued

DEFIANCE COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Business-type Activities - Enterprise Funds			Governmental
	Landfill	Sewer	Total	Activities - Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 1,342,627	\$ (29,245)	\$ 1,313,382	\$ (170,491)
Adjustments:				
Depreciation	341,602	261,404	603,006	
Changes in assets and liabilities:				
(Increase) in accounts receivable	(64,203)	(1,225)	(65,428)	(2,355)
Decrease in due from other funds.	50		50	
(Increase) decrease in prepayments	998	(1,181)	(183)	
(Increase) decrease in materials and supplies inventory.	234	(27)	207	
(Decrease) in accounts payable.	(37,477)	(12,764)	(50,241)	
Increase (decrease) in accrued wages and benefits	(9,276)	740	(8,536)	
Increase in closure and postclosure payable.	38,261	-	38,261	
Increase (decrease) in due to other funds.	29	(1,429)	(1,400)	
Increase in claims payable.				42,125
Increase (decrease) in due to other governments.	472	(459)	13	
Increase in compensated absences payable.	3,594	5,599	9,193	
Net cash provided by (used in) operating activities	<u>\$ 1,616,911</u>	<u>\$ 221,413</u>	<u>\$ 1,838,324</u>	<u>\$ (130,721)</u>

Non-Cash Activity:

In 2013, there was an increase in the fair value of investments in the Landfill fund, in the amount of \$22,437.

In 2013, the Landfill fund purchased capital assets on account in the amount of \$91,597.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2013**

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 8,459,662
Cash in segregated accounts.	789,237
Receivables:	
Real estate and other taxes.	29,193,809
Due from other governments.	1,661,989
Special assessments.	364,329
Total assets	\$ 40,469,026
Liabilities:	
Accounts payable	\$ 5,317
Due to other governments.	32,638,786
Undistributed monies.	7,824,923
Total liabilities.	\$ 40,469,026

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

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

NOTE 1 - DESCRIPTION OF THE COUNTY

A. The County

Defiance County, Ohio (the "County") was created in 1845. The County is governed by a Board of three Commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, a Common Pleas Court Judge, a Juvenile/Probate Court Judge, Engineer, Clerk of Courts, Coroner, Prosecuting Attorney and Sheriff. 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 chief administrators of public services for the entire County.

B. Reporting Entity

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading.

The County's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The basic financial statements include all funds, agencies, boards, commissions, and component units for which the County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14, GASB Statement No. 39 and GASB Statement No. 61 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's basic financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of the PCU's Board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County. The County does not have any component units.

The primary government of the County consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Defiance County, this includes the Board of Developmental Disabilities and all departments and activities that are operated directly by the elected County officials.

The County participates in eleven jointly governed organizations, the Northwest Ohio Juvenile Detention, Training, and Rehabilitation Center; Four County Board of Alcohol, Drug Addiction and Mental Health Services; Corrections Commission of Northwest Ohio; Four County Solid Waste District; Multi-Area Narcotics Task Force; Quadco Rehabilitation Center; Maumee Valley Planning Organization; the Community Improvement Corporation of Defiance County; Northwest Ohio Waiver Administration Council; Defiance-Paulding Consolidated Department of Job and Family Services; and Regional Port Authority of Northwest Ohio (See Note 20).

The County participates in two insurance pools, the County Commissioners Association Service Corporation and the Northern Buckeye Health Plan – Northwest Division of Optimal Health Initiative Consortium (See Note 21).

The County is associated with one related organization, the Defiance County Regional Airport Authority (See Note 22).

DEFIANCE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Defiance County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the County's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net position presents the financial condition of the governmental and business-type activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

Fund Financial Statements - During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. 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. The internal service fund is presented in a single column on the proprietary fund financial statements. Fiduciary funds are reported by type.

B. Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the County are reported in three categories: governmental, proprietary and fiduciary.

DEFIANCE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Governmental Funds - Governmental funds are those through which most governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities and deferred inflows of resources are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the County's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Developmental disabilities fund - This fund accounts for State monies and tax levy monies used to support Good Samaritan School and help the developmentally disabled within the County in a residential and group home environment. It also provides aid to families who have developmentally disabled family members with challenges such as providing handicap accessibility and associated programs.

Job and family services fund - This fund accounts for various federal, State and local revenues as well as transfers from the general fund used to provide general relief and to pay providers of medical assistance and social services.

Motor vehicle license and gas tax fund - This fund accounts for revenues derived from the sale of motor vehicle licenses, gasoline taxes and interest which are restricted by State law to county road and bridge repair/improvement programs. This fund also accounts for court fines collected for the county engineer for road and bridge improvements.

Emergency 911 fund - This fund accounts for tax levy monies used for the operation and maintenance of the County's 911 system.

Senior center fund - This fund accounts for tax levy monies, donations, and federal, State and local monies used for senior citizen programs.

Historical jail debt service fund - This fund accounts for monies used for principal and interest payments on the long-term obligations related to the County historical jail.

County improvement fund - This fund accounts for monies used for various capital projects throughout the County.

Other governmental funds of the County are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

DEFIANCE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the County's major enterprise funds:

Landfill fund - This fund accounts for the operations of the County landfill.

Sewer fund - This fund accounts for the provision of wastewater treatment services to residential and commercial users within the County.

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department to other departments of the County on a cost reimbursement basis. The County's internal service fund accounts for the activities of the self insurance program for employee health care benefits.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. The County did not have any trust funds in 2013. Agency funds are custodial in nature (assets plus deferred outflows of resources equals liabilities plus deferred inflows of resources) and do not involve measurement of results of operations. 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.

C. Measurement Focus

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

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for governmental funds.

DEFIANCE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Like the government-wide financial statements, the proprietary funds are accounted for using a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows reflects how the County finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; proprietary funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and deferred outflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within thirty-one days after year end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the year in which the sales are made. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis.

On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: sales taxes, charges for services, fines and forfeitures, State-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants and interest.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the County that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the County that is applicable to a future reporting period.

DEFIANCE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Property taxes for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance 2014 operations, and other revenues received in advance of the year for which they are intended to finance, have been recorded as deferred inflows of resources. Grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2013 are recorded as deferred inflows of resources on the governmental fund financial statements.

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

Deferred outflows of resources consist of unamortized deferred charges on debt refunding as reported on the statement of net position.

Expenses/Expenditures - On the accrual basis, expenses are recognized at the time they are incurred.

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. Budgetary information for the juvenile probation accounts and an account held for a child in custodial care are not reported in the general fund or the job and family services special revenue fund because they are not included in the entity for which the "appropriated budget" is adopted. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting.

The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, program, department and object level for all funds.

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

DEFIANCE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

F. Cash and Investments

To improve cash management, cash received by the County is pooled and invested. Individual fund integrity is maintained through County records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

Cash and cash equivalents that are held separately within departments of the County and not included in the County Treasury are recorded as "cash and cash equivalents in segregated accounts". Cash and cash equivalents that are held by a trustee for the payment of bonds and coupons are recorded as "cash and cash equivalents with fiscal agent".

During 2013, the County invested in nonnegotiable certificates of deposit, a money market mutual fund, federal agency securities, U.S. Treasury notes, corporate notes, municipal bonds and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, except for nonnegotiable certificates of deposit and the money market mutual fund, which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on December 31, 2013.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the general fund during 2013 was \$222,167, which includes \$170,474 assigned from other County funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. Prepaid items are equally offset by nonspendable fund balance in the governmental funds. This indicates that prepaid items do not constitute available expendable resources even though they are a component of current net position.

DEFIANCE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expensed/expensed when used. Inventory consists of expendable supplies held for consumption. Inventory is equally offset by nonspendable fund balance in the governmental funds. This indicates that inventory does not constitute available expendable resources even though it is a component of current net position.

I. Loans Receivable

Loans receivable represent the right to receive repayment for certain loans made by the County. These loans are based upon written agreements between the County and the various loan recipients. Loans receivable are reported net of allowance for doubtful accounts on the basic financial statements. Reported loans receivable is offset by nonspendable fund balance in the governmental funds for the long-term portion not expected to be collected in the subsequent year. This indicates that it does not constitute available expendable resources even though it is a component of current net position.

J. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the landfill fund represent amounts required by the Environmental Protection Agency (EPA) to be set-aside for closure and postclosure costs.

K. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds.

General capital assets are reported in the governmental activities column on the government-wide statement of net position, but are not reported on the fund financial statements. Capital assets used by the proprietary funds are reported in both the business-type activities column on the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market value on the date donated. The County maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

DEFIANCE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All capital assets are depreciated, except for land, easements and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Buildings and improvements	20 - 150 years	50 years
Land improvements	N/A	50 years
Roads and bridges	15 - 100 years	N/A
Machinery and equipment	5 - 20 years	5 - 20 years
Vehicles	8 - 15 years	8 - 15 years
Sewer lines	N/A	50 years

L. Interfund Receivables/Payables

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund loans receivable/payable" and "due from/to other funds", respectively. Interfund balances are eliminated on the statement of net position, except for any net residual amounts due between governmental and business-type activities. These amounts are presented as "internal balances".

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the County will compensate the employees for the benefits through paid time off or some other means. The County records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the County has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the County's union contracts or departmental personnel policies. The County records a liability for accumulated unused sick leave for any employee with ten years of service with the County.

N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds.

DEFIANCE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

However, compensated absences and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. General obligation bonds, special assessment bonds, various loans, and capital leases paid from governmental funds are recognized as liabilities on the fund financial statements when due.

On the government-wide financial statements, bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premiums.

O. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing or liabilities used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

P. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable and interfund loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Commissioners (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the Board of Commissioners removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

DEFIANCE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Board of Commissioners.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for landfill and sewer services, as well as charges for health insurance in the internal service fund. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

R. Capital Contributions

Capital contributions on the proprietary fund financial statements arise from contributions from governmental activities, from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction. During 2013, the sewer enterprise fund received capital contributions of \$237,702 in the form of grant revenue intended for capital asset acquisition and construction.

S. Interfund Transactions

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

DEFIANCE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The County reported neither type of transaction during 2013.

U. Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

V. Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On both the government-wide financial statements and the fund financial statements, bond issuance costs are recognized in the period in which these items are incurred.

On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds.

On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of bonds and the amount reported on the statement of net position is presented in Note 17.

For current and advance refundings resulting in the defeasance of debt reported in the government-wide financial statements and enterprise funds, the difference between the reacquisition price and the net carrying amount of the old debt is amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred inflow of resources or a deferred outflow of resources.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2013, the County has implemented GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*" and GASB Statement No. 66, "*Technical Corrections-2012*".

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the County.

DEFIANCE COUNTY

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the County.

B. Restatement of Governmental Fund Balances

The County's governmental fund balances were restated at December 31, 2012 as a result of reimbursements due to the job and family services fund from the children services fund and the Workforce Investment Act fund (both nonmajor governmental funds) as of December 31, 2012 that were not captured in the prior year's reported amounts of due to/from other funds. This prior period adjustment had the following effect on the County's governmental fund balances as previously reported:

	<u>Job and Family Services</u>	<u>Other Major Governmental</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 214,379	\$ 20,248,603	\$ 7,044,254	\$ 27,507,236
Adjustment for due to/from other funds	<u>252,562</u>	<u>-</u>	<u>(252,562)</u>	<u>-</u>
Restated fund balance at January 1, 2013	<u>\$ 466,941</u>	<u>\$ 20,248,603</u>	<u>\$ 6,791,692</u>	<u>\$ 27,507,236</u>

C. Deficit Fund Balances

Fund balances at December 31, 2013 included the following individual fund deficits:

<u>Major governmental fund</u>	<u>Deficit</u>
Historical jail debt service	\$ 645,047
<u>Nonmajor governmental funds</u>	
Moving Ohio Forward grant special revenue fund	535
Airport capital projects fund	104,388
Rosedale Road improvements capital projects fund	141,866
Elliot Road water and sewer capital projects fund	103,923
Ridge Ditch St. Mike's Tile capital projects fund	17,050

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities and the reporting of short-term interfund loans as a liability rather than as an other financing source.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

DEFIANCE COUNTY

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

The statements of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund, developmental disabilities fund, job and family services fund, motor vehicle license and gas tax fund, emergency 911 fund and senior center fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

Net Change in Fund Balance

	<u>General</u>	<u>Developmental Disabilities</u>	<u>Job and Family Services</u>	<u>Motor Vehicle License and Gas Tax</u>	<u>Emergency 911</u>	<u>Senior Center</u>
Budget basis	\$ 636,322	\$ 229,639	\$ (286,502)	\$ (528,605)	\$ (25,232)	\$ 83,052
Net adjustment for revenue accruals	(81,220)	(131,767)	(255,805)	7,902	(2,567)	(3,694)
Net adjustment for expenditure accrua	448,198	(35,974)	75,366	(104,527)	629	(3,450)
Net adjustment for other sources/uses	1,213,134	-	-	-	-	-
Funds budgeted elsewhere	(41,495)	-	-	-	-	-
Adjustment for encumbrances	<u>119,191</u>	<u>92,552</u>	<u>-</u>	<u>164,825</u>	<u>1,981</u>	<u>75,515</u>
GAAP basis	<u>\$ 2,294,130</u>	<u>\$ 154,450</u>	<u>\$ (466,941)</u>	<u>\$ (460,405)</u>	<u>\$ (25,189)</u>	<u>\$ 151,423</u>

Certain funds that are legally budgeted as separate County funds are considered part of the general fund on a GAAP basis. This includes the unclaimed monies fund, trust fund, Defiance County Commissioners fund, County Recorder equipment fund, retirement payoffs fund and certificate of title administration fund.

DEFIANCE COUNTY

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

NOTE 5 - 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 withdrawable 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. Inactive monies may be deposited or invested in the following securities:

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;
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 Ohio local governments;
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 items 1 and 2, above, 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 State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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.

DEFIANCE COUNTY

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

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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 County Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year end, the County had \$213,450 in undeposited cash on hand, which is included on the financial statements of the County as part of "equity in pooled cash and cash equivalents".

B. Cash with Fiscal Agent

At year end, the County had \$2,161 in cash deposited with a fiscal agent in a bond and coupon account. This amount is not included in the amount of deposits with financial institutions below.

C. Cash in Segregated Accounts

At year end, the County had \$835,057 in cash and cash equivalents deposited separate from the County's internal investment pool. This amount is included in the amount of deposits with financial institutions below.

D. Deposits with Financial Institutions

At December 31, 2013, the carrying amount of all County deposits, including cash in segregated accounts, was \$39,457,736. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2013, \$5,667,441 of the County's bank balance of \$39,974,500 was exposed to custodial risk as discussed below, while \$34,307,059 was covered by the Federal Deposit Insurance Corporation (FDIC).

The County has no deposit policy for custodial risk beyond the requirements of State statute. Custodial credit risk is the risk that, in the event of bank failure, the County's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the County.

E. Investments

As of December 31, 2013, the County had the following investments and maturities:

DEFIANCE COUNTY

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

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Federal Home Loan Bank	\$ 999,100	\$ -	\$ -	\$ -	\$ -	\$ 999,100
Federal Farm Credit Bank	1,983,530	-	-	-	-	1,983,530
U.S. Treasury Note	119,156	-	-	-	-	119,156
Corporate Note	501,610	501,610	-	-	-	-
Municipal Bonds	1,493,712	651,456	-	-	342,751	499,505
Money Market Mutual Fund	5,514,186	5,514,186	-	-	-	-
STAR Ohio	483,444	483,444	-	-	-	-
Total	\$ 11,094,738	\$ 7,150,696	\$ -	\$ -	\$ 342,751	\$ 3,601,291

The weighted average maturity of investments is 0.99 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the County's investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase.

Credit Risk: The County's investments in federal agency securities, the U.S. Treasury notes and the corporate notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the money market mutual fund an AAAm money market rating. The municipal bonds were not rated. The County has no investment policy dealing with investment credit risk beyond the requirements in State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities, the U.S. Treasury notes, the corporate notes and the municipal bonds are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the County's name. The County has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2013:

DEFIANCE COUNTY

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

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Federal Home Loan Bank	\$ 999,100	9.01
Federal Farm Credit Bank	1,983,530	17.88
U.S. Treasury Note	119,156	1.07
Corporate Note	501,610	4.52
Municipal Bonds	1,493,712	13.46
Money Market Mutual Fund	5,514,186	49.70
STAR Ohio	483,444	4.36
Total	<u>\$ 11,094,738</u>	<u>100.00</u>

F. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2013.

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 39,457,736
Investments	11,094,738
Cash with fiscal agent	2,161
Cash on hand	213,450
Total	<u>\$ 50,768,085</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 24,083,260
Business-type activities	17,435,926
Agency funds	9,248,899
Total	<u>\$ 50,768,085</u>

NOTE 6 - RECEIVABLES

Receivables at December 31, 2013 consisted of accounts (billings for user charged services); sales taxes; accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; interfunds; property taxes; loans; and special assessments. All receivables are considered collectible in full and within one year, except for loans and special assessments. Special assessments in the governmental activities, in the amount of \$1,561,805, will not be received within one year.

Loans receivable represent low interest loans for housing and development projects granted to eligible County property owners and businesses under the Federal Community Block Grant program. During 2013, there were no new loans issued for housing and development projects to the County. The loans with outstanding balances at December 31, 2013 have annual interest rates ranging from 0 - 4.5% and are scheduled to be repaid over periods of up to nine years from the balance sheet date. During 2013, principal in the amount of \$55,474 was repaid to the County and \$60,137 in loans receivable were written off by the County.

DEFIANCE COUNTY

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

NOTE 6 – RECEIVABLES - (Continued)

Loans outstanding at December 31, 2013 were \$758,074, net of allowance for doubtful accounts in the amount of \$92,018. Loans receivable, in the amount of \$640,293, will not be received within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental activities:

Major funds

General fund	
Local government	\$ 198,972
Homestead and rollback	129,973
Other intergovernmental receivables	<u>289,335</u>
Total general fund	<u>618,280</u>
Developmental disabilities fund	
Homestead and rollback	<u>148,823</u>
Motor vehicle license and gas tax fund	
Motor vehicle license tax	915,982
Gasoline tax	1,149,943
Other intergovernmental receivables	<u>1,183</u>
Total motor vehicle license and gas tax fund	<u>2,067,108</u>
Emergency 911 fund	
Homestead and rollback	<u>46,006</u>
Senior center fund	
Homestead and rollback	55,206
Other intergovernmental receivables	<u>5,212</u>
Total senior center fund	<u>60,418</u>
Total major funds	<u><u>\$ 2,940,635</u></u>

DEFIANCE COUNTY

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

NOTE 6 - RECEIVABLES - (Continued)

Nonmajor governmental funds

Community development block grant fund	\$ 50,000
Sarah's house fund	3,858
PSI writer grant fund	15,000
Child support enforcement agency fund	7,663
Law library resource fund	2,048
Public defender application fee fund	320
Rosedale Road improvements fund	205,000
Dog and kennel fund	<u>304</u>
Total nonmajor governmental funds	<u>284,193</u>
Total governmental activities	<u>\$ 3,224,828</u>

Agency funds

Library local government	\$ 554,937
Local government and local government revenue assistance	269,198
Permissive motor vehicle license	112,466
Motor vehicle license tax	212,786
Gasoline tax	<u>512,602</u>
Total agency funds	<u>\$ 1,661,989</u>

NOTE 7 - PERMISSIVE SALES AND USE TAX

In 1987, the County Commissioners, by resolution, imposed a one percent sales tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of tangible personal property, including motor vehicles not subject to the sales tax. As required by State statute, the County Commissioners established how the sales tax proceeds would be allocated prior to implementation. The collection of the sales tax went into effect on January 1, 1988, and the proceeds of the tax were credited entirely to the general fund.

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 Office of Budget and Management the amount of the taxes to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month.

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the County. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years.

DEFIANCE COUNTY

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

NOTE 8 - PROPERTY TAXES – (Continued)

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 later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2013 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2013 operations and the collection of delinquent taxes has been offset by a deferred inflow of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is considered a deferred inflow of resources.

The full tax rate for all County operations for the year ended December 31, 2013 was \$8.91 per \$1,000 of assessed value. The assessed values of real and public utility personal property upon which 2013 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$ 572,258,900
Commercial/industrial/mineral	112,116,500

Public utility

Real	445,340
Personal	<u>73,720,120</u>

Total assessed value	<u>\$ 758,540,860</u>
----------------------	-----------------------

DEFIANCE COUNTY

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

NOTE 9 - CAPITAL ASSETS

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

Governmental activities:	<u>Balance 12/31/12</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/13</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,018,153	\$ -	\$ -	\$ 1,018,153
Easements	93,851	25,200	-	119,051
Construction in progress	<u>637,954</u>	<u>3,493,810</u>	<u>(608,283)</u>	<u>3,523,481</u>
Total capital assets, not being depreciated	<u>1,749,958</u>	<u>3,519,010</u>	<u>(608,283)</u>	<u>4,660,685</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	23,543,034	49,498	-	23,592,532
Roads and bridges	63,086,417	1,744,887	(236,834)	64,594,470
Machinery and equipment	5,893,379	546,879	(667,545)	5,772,713
Vehicles	<u>3,900,299</u>	<u>231,748</u>	<u>(223,129)</u>	<u>3,908,918</u>
Total capital assets, being depreciated	<u>96,423,129</u>	<u>2,573,012</u>	<u>(1,127,508)</u>	<u>97,868,633</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(5,182,172)	(677,545)	-	(5,859,717)
Roads and bridges	(23,510,177)	(1,601,085)	236,834	(24,874,428)
Machinery and equipment	(4,399,206)	(270,249)	502,306	(4,167,149)
Vehicles	<u>(2,360,995)</u>	<u>(269,732)</u>	<u>197,989</u>	<u>(2,432,738)</u>
Total accumulated depreciation	<u>(35,452,550)</u>	<u>(2,818,611)</u>	<u>937,129</u>	<u>(37,334,032)</u>
Total capital assets being depreciated, net	<u>60,970,579</u>	<u>(245,599)</u>	<u>(190,379)</u>	<u>60,534,601</u>
Governmental activities capital assets, net	<u>\$62,720,537</u>	<u>\$3,273,411</u>	<u>\$ (798,662)</u>	<u>\$ 65,195,286</u>

Capital asset activity of business-type activities for the year ended December 31, 2013, was as follows:

DEFIANCE COUNTY

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

NOTE 9 - CAPITAL ASSETS - (Continued)

<u>Business-type activities:</u>	Balance <u>12/31/12</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/13</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,214,071	\$ -	\$ -	\$ 1,214,071
Construction in progress	<u>142,880</u>	<u>2,174,680</u>	<u>(2,252,816)</u>	<u>64,744</u>
Total capital assets, not being depreciated	<u>1,356,951</u>	<u>2,174,680</u>	<u>(2,252,816)</u>	<u>1,278,815</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	5,838,493	2,252,816	-	8,091,309
Buildings and improvements	2,228,542	-	-	2,228,542
Sewer lines	8,862,444	-	-	8,862,444
Machinery and equipment	4,224,982	212,386	-	4,437,368
Vehicles	<u>215,371</u>	<u>22,797</u>	<u>(12,525)</u>	<u>225,643</u>
Total capital assets, being depreciated	<u>21,369,832</u>	<u>2,487,999</u>	<u>(12,525)</u>	<u>23,845,306</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(389,586)	(139,298)	-	(528,884)
Buildings and improvements	(203,730)	(23,748)	-	(227,478)
Sewer lines	(1,896,065)	(177,248)	-	(2,073,313)
Machinery and equipment	(2,279,455)	(254,398)	-	(2,533,853)
Vehicles	<u>(150,347)</u>	<u>(8,314)</u>	<u>12,525</u>	<u>(146,136)</u>
Total accumulated depreciation	<u>(4,919,183)</u>	<u>(603,006)</u>	<u>12,525</u>	<u>(5,509,664)</u>
Total capital assets being depreciated, net	<u>16,450,649</u>	<u>1,884,993</u>	<u>-</u>	<u>18,335,642</u>
Business-type activities capital assets, net	<u>\$ 17,807,600</u>	<u>\$ 4,059,673</u>	<u>\$ (2,252,816)</u>	<u>\$ 19,614,457</u>

Depreciation expense was charged to functions/programs of the County as follows:

Governmental activities:

Legislative and executive	\$ 346,912
Conservation and recreation	5,142
Health	68,701
Human services	317,631
Judicial	5,027
Public safety	156,132
Public works	<u>1,919,066</u>
Total depreciation expense - governmental activities	<u>\$ 2,818,611</u>

DEFIANCE COUNTY

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

NOTE 9 - CAPITAL ASSETS - (Continued)

Business-type activities:

Landfill	\$ 341,602
Sewer	<u>261,404</u>
Total depreciation expense - business-type activities	<u>\$ 603,006</u>

NOTE 10 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2013, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Job and family services fund	\$ 63,448
Motor vehicle license and gas tax fund	4,999
County improvement fund	60,000
Nonmajor governmental funds	442,000
 <u>Transfers from nonmajor governmental funds to:</u>	
General fund	791,822
Historical jail debt service fund	4,160
County improvement fund	2,271
Nonmajor governmental funds	<u>22,979</u>
 Total	 <u>\$1,391,679</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) to move residual equity amounts. Transfers between governmental funds are eliminated on the government-wide financial statements. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

During 2013, a transfer was made to move the residual balance of the regional jail fund (a nonmajor governmental fund) in the amount of \$789,188 to the general fund, as the County began reporting all regional jail operations activity within the general fund during the year. The County also transferred \$2,634, \$4,160 and \$2,271 to the general fund, historical jail debt service fund and county improvement fund, respectively, in order to close out various nonmajor governmental funds before year end. These residual equity transfers are allowable in accordance with Ohio Revised Code.

During 2013, the County repaid a portion of an interfund balance that exists between the rotary ditches fund and the DETDITCH fund (both nonmajor governmental funds). The repayment totaled \$8,600 and came out of the ditch maintenance fund (a nonmajor governmental fund). In order to properly associate the repayment with the appropriate fund, a transfer was recorded to move the repayment out of the ditch maintenance fund and into the DETDITCH fund.

DEFIANCE COUNTY

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

NOTE 10 - INTERFUND TRANSACTIONS - (Continued)

During 2013, the County reported a transfer in the amount of \$14,379 from the DETDITCH fund to the black ditch capital projects fund (both nonmajor governmental funds) in order to record principal and interest payments related to notes payable in the appropriate fund.

- B.** Due from/to other funds consisted of the following at December 31, 2013, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Motor vehicle license and gas tax fur	\$ 4,760
General fund	Senior center fund	722
General fund	Landfill fund	32
General fund	Sewer fund	567
General fund	Nonmajor governmental funds	12,084
Motor vehicle license and gas tax fur	General fund	13,589
Motor vehicle license and gas tax fur	Landfill fund	112
Motor vehicle license and gas tax fur	Nonmajor governmental funds	307
Landfill fund	Nonmajor governmental funds	5
Nonmajor governmental funds	General fund	1,364
Nonmajor governmental funds	Nonmajor governmental funds	<u>21,455</u>
Total		<u>\$ 54,997</u>

Amounts due from/to other funds represent amounts owed between funds for goods or services provided. The balances resulted from the time lag between the dates that payments between the funds are made. Interfund balances between governmental funds are eliminated on the government-wide financial statements. Interfund balances between governmental activities and business-type activities are reported as an internal balance on the statement of net position.

- C.** Interfund loans payable/receivable consisted of the following at December 31, 2013, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Historical jail debt service fund	\$1,700,000
General fund	Sewer fund	1,529,483
General fund	Internal service fund	500,000
General fund	Nonmajor governmental funds	<u>1,437,466</u>
Total		<u>\$5,166,949</u>

The interfund loan balances result from resources provided by the receivable fund to the payable fund to provide cash flow resources until anticipated revenues are received.

The entire balance of interfund receivable is reported as nonspendable fund balance as it is not expected to be received within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements. Interfund balances between governmental activities and business-type activities are reported as an internal balance on the statement of net position.

DEFIANCE COUNTY

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

NOTE 11 - RISK MANAGEMENT

A. General Liability

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. The County has contracted with the County Risk Sharing Authority (CORSA) for the following coverage.

Property	\$78,085,660
Equipment Breakdown	100,000,000
General Liability	1,000,000
Commercial Crime	1,000,000
Excess Liability	9,000,000
Automobile Liability	1,000,000
Law Enforcement Liability	1,000,000
Errors and Omission Liability	1,000,000

Settled claims have not exceeded this commercial coverage in any of the last three years.

B. Health Benefits

The County has established a limited risk management program for employee health care benefits. A third party administrator processes the claims which the County pays. The internal service fund allocates the cost of claims payments by charging a monthly premium to each individual enrolled in the health insurance program. These premiums, along with the premium the County pays for each employee enrolled in the program, are paid into the internal service fund. Claims are paid from the internal service fund.

Under the health insurance program, the internal service fund provides coverage for up to a maximum lifetime benefit of \$2,500,000 per individual. An excess coverage policy covers annual individual claims in excess of \$75,000. Settled claims have not exceeded this commercial coverage in any of the last three years, and there has not been any significant reduction in coverage from the prior year.

Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at December 31, 2013 is estimated by a third party administrator at \$193,935. The changes in the claims liability for 2013 and 2012 were:

DEFIANCE COUNTY

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

NOTE 11 - RISK MANAGEMENT - (Continued)

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2013	\$ 151,810	\$2,525,151	\$ (2,483,026)	\$ 193,935
2012	191,645	2,160,302	(2,200,137)	151,810

C. Workers' Compensation

For 2013, the County participated in the County Commissioners Association Service Corporation (Plan), a workers' compensation insurance purchasing pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, annually the Plan's executive committee calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants.

Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

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

DEFIANCE COUNTY

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

NOTE 12 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The County has outstanding contracts for professional services and construction. The following amounts remain on these contracts as of December 31, 2013:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid as of 12/31/13</u>	<u>Outstanding Balance</u>
Mannik and Smith Group, Inc.	\$ 451,200	\$ (251,158)	\$ 200,042
Miller Brothers Construction, Inc.	1,871,241	(1,801,097)	70,144
Digital Data Technologies, Inc.	126,000	(119,000)	7,000
Appraisal Research Corporation	178,200	(84,702)	93,498
BRS	167,495	(151,880)	15,615
DLZ Architecture	325,000	(156,648)	168,352
Helms & Sons	<u>588,927</u>	<u>(465,814)</u>	<u>123,113</u>
Total	<u>\$ 3,708,063</u>	<u>\$ (3,030,299)</u>	<u>\$ 677,764</u>

NOTE 13 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013 member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan.

DEFIANCE COUNTY

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

NOTE 13 - PENSION PLANS - (Continued)

The 2013 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 12.00% and 12.60%, respectively. The County's contribution rate for 2013 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10% of covered payroll.

The County's contribution rate for pension benefits for members in the Traditional Plan for 2013 was 13.00%. The County's contribution rate for pension benefits for members in the Combined Plan was 13.00%. For those plan members in law enforcement and public safety pension contributions were 17.10%. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011 were \$1,486,548, \$1,114,077, and \$1,156,621, respectively; 93.75% has been contributed for 2013 and 100% has been contributed for 2012 and 2011. The remaining 2013 pension liability has been reported as due to other governments on the basic financial statements. Contributions to the member-directed plan for 2013 were \$43,729 made by the County and \$31,235 made by the plan members.

B. State Teachers Retirement System of Ohio

Plan Description - The County participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

DEFIANCE COUNTY

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

NOTE 13 - PENSION PLANS - (Continued)

Funding Policy - For 2013, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2013, 2012, and 2011 were \$96,086, \$111,580, and \$109,041, respectively; 100 percent has been contributed for 2013, 2012, and 2011.

NOTE 14 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement

Plan Description - 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.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. 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.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2013 local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2013 was 1.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2013 was 1.00%.

DEFIANCE COUNTY

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

NOTE 14 - POSTRETIREMENT BENEFIT PLANS – (Continued)

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. Active members do not make contributions to the post-employment healthcare plan.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$111,169, \$435,003, and \$451,612, respectively; 93.75% has been contributed for 2013 and 100% has been contributed for 2012 and 2011. The remaining 2013 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

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

B. State Teachers Retirement System of Ohio

Plan Description - The County contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2013, 2012, and 2011 were \$7,391, \$8,583, and \$8,388, respectively; 100 percent has been contributed for 2013, 2012, and 2011.

NOTE 15 - OTHER BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws.

DEFIANCE COUNTY

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

NOTE 15 - OTHER BENEFITS – (Continued)

County employees earn and accumulate vacation at varying rates depending on length of service. Current policy credits vacation leave on the employee’s anniversary date. Accumulated vacation cannot exceed three times the annual accumulation rate for an employee. Employees are paid for 100 percent of earned unused vacation leave upon termination.

Sick leave is earned at various rates as defined by County policy and union contracts. There is no limit on the amount of sick leave that may be accumulated. Sick leave benefits are paid upon retirement based on various rates and maximums depending on the contract.

B. Health Care Benefits

Health care benefits are provided to most employees through the County’s self-insurance program. The employees share the cost of the monthly premium with the County.

The employees paid from the developmental disabilities special revenue fund are provided health care, vision, and dental benefits through the Northern Buckeye Health Plan – Northwest Division of Optimal Health Initiative Consortium.

NOTE 16 - SHORT-TERM OBLIGATIONS

The County’s short-term note activity for the year ended December 31, 2013, was as follows:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/13</u>
Governmental activities:						
Black ditch - 2012	10/4/2012	1.50%	\$ 53,700	\$ -	\$ (53,700)	\$ -

The black ditch notes were issued for ditch improvements (See Note 17 for detail).

The County’s general obligation notes are backed by the full faith and credit of the County and have a maturity of one year.

DEFIANCE COUNTY

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

NOTE 17 - LONG-TERM OBLIGATIONS

The original issue date, interest rate, original issue amount and balance at December 31, 2013 for the County's long-term obligations are as follows:

	<u>Original Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance 12/31/2013</u>
<u>General obligation bonds:</u>				
Various purpose improvement	2005	5.25%	\$ 375,000	\$ 250,000
Refunding bonds, series 2010	2010	2 - 4%	1,680,000	1,260,000
Various purpose, series 2010	2010	6.1%	2,385,000	1,980,000
Senior center	2012	1.5%	300,000	200,000
Black ditch	2013	1.5%	40,000	40,000
<u>Special assessment bonds:</u>				
Platter creek	2004	2.25 - 5%	425,000	280,000
Refunding bonds, series 2010	2010	2 - 4%	645,000	460,000
<u>Revenue bonds:</u>				
Green acres	2005	4.1%	60,000	54,900
Auglaize sewer	2012	2.75%	1,977,000	1,950,500
<u>OPWC loan:</u>				
Evansport water	1999	0%	468,050	140,415
<u>OWDA loans:</u>				
Express sewer	2002	1.5%	1,356,038	660,530
Auglaize sewer	2010	1.37%	2,006,868	-
<u>Mortgage:</u>				
Sewer	1980	5%	146,300	50,000

The above amounts include long-term obligations of both the governmental and business-type activities.

DEFIANCE COUNTY

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

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

The County's long-term obligations activity for the year ended December 31, 2013, was as follows:

Governmental activities:	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>12/31/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/13</u>	<u>One Year</u>
<u>General obligation bonds:</u>					
Various purpose improvement	\$ 2,355,000	\$ -	\$ (125,000)	\$ 2,230,000	\$ 125,000
Refunding bonds, series 2010	1,365,000	-	(105,000)	1,260,000	100,000
Senior center	300,000	-	(100,000)	200,000	100,000
Black ditch	-	40,000	-	40,000	20,000
Total general obligation bonds	<u>4,020,000</u>	<u>40,000</u>	<u>(330,000)</u>	<u>3,730,000</u>	<u>345,000</u>
<u>Special assessment bonds:</u>					
Refunding bonds, series 2010	505,000	-	(45,000)	460,000	50,000
Platter creek	300,000	-	(20,000)	280,000	20,000
Total special assessment bonds	<u>805,000</u>	<u>-</u>	<u>(65,000)</u>	<u>740,000</u>	<u>70,000</u>
<u>Other long-term obligations:</u>					
OPWC loans payable	163,817	-	(23,402)	140,415	23,403
OWDA loans payable	728,587	-	(68,057)	660,530	69,082
Capital lease obligations	81,126	-	(33,389)	47,737	30,452
Compensated absences	1,079,607	300,299	(484,765)	895,141	517,177
Total other long-term obligations	<u>2,053,137</u>	<u>300,299</u>	<u>(609,613)</u>	<u>1,743,823</u>	<u>640,114</u>
Total governmental activities long-term obligations	<u>\$ 6,878,137</u>	<u>\$ 340,299</u>	<u>\$ (1,004,613)</u>	6,213,823	<u>\$ 1,055,114</u>
				Add: unamortized premium	25,686
				Total on statement of net position	<u>\$ 6,239,509</u>
Business-type activities:	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>12/31/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/13</u>	<u>One Year</u>
<u>Revenue bonds:</u>					
Sewer revenue bonds	\$ 2,032,700	\$ -	\$ (27,300)	\$ 2,005,400	\$ 29,400
<u>Other long-term obligations:</u>					
Capmark commercial mortgage	56,000	-	(6,000)	50,000	6,000
OWDA loans payable	54,171	-	(54,171)	-	-
Closure and postclosure liability	4,020,408	38,261	-	4,058,669	-
Compensated absences	101,824	46,778	(37,585)	111,017	34,868
Total other long-term obligations	<u>4,232,403</u>	<u>85,039</u>	<u>(97,756)</u>	<u>4,219,686</u>	<u>40,868</u>
Total business-type activities long-term obligations	<u>\$ 6,265,103</u>	<u>\$ 85,039</u>	<u>\$ (125,056)</u>	<u>\$ 6,225,086</u>	<u>\$ 70,268</u>

DEFIANCE COUNTY

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

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

A. Various Purpose General Obligation Bonds, Series 2005

These general obligation bonds were issued in 2005 to provide funds for the improvement of the Doty Run ditch and the State Route 66 sewer. The general obligation bonds reported as governmental activities obligations are payable from special assessments, to the extent these resources are available.

The general obligation bonds of the County are subject to mandatory sinking redemption requirements, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the authorizing legislation. That mandatory redemption is to occur on December 1 in each year, at a redemption price equal to 100% of the principal amount plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption, pursuant to the terms of the mandatory sinking fund redemption requirements of the County. The mandatory redemption is to occur on December 1 in each of the years 2010 through 2020 (with the balance of \$190,000 to be paid at stated maturity on December 1, 2020), at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2014	\$ 15,000
2015	15,000
2016	15,000
2017	15,000
2018	15,000
2019	15,000
2020	20,000

The term bonds maturing on December 1, 2025, are subject to mandatory sinking fund redemption, pursuant to the terms of the mandatory sinking fund redemption requirements of the County. The mandatory redemption is to occur on December 1 in each of the years 2010 through 2025 (with the balance of \$185,000 to be paid at stated maturity on December 1, 2025), at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

DEFIANCE COUNTY

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

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

<u>Year</u>	<u>Amount</u>
2014	\$ 10,000
2015	10,000
2016	10,000
2017	10,000
2018	10,000
2019	10,000
2020	10,000
2021	10,000
2022	15,000
2023	15,000
2024	15,000
2025	15,000

The general obligation bonds are also subject to prior redemption on or after December 1, 2015 by and at the sole option of the County, either in whole or in part on any date, in integral multiples of \$5,000 and by lot within a maturity, at the redemption price of par, plus accrued interest to the redemption date.

B. Various Purpose General Obligation Bonds, Series 2010

On March 11, 2010, the County issued general obligation bonds (Various Purpose General Obligation Bonds, Series 2010) to finance capital improvements related to the County's historical jail. The bonds will mature on December 1, 2029 and all principal and interest payments related to the bonds are recorded as expenditures in the historical jail debt service fund.

The bonds due December 1, 2019 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2015, and on each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year Ended (December 1)</u>	<u>Principal Amount to be Redeemed</u>
2015	\$ 5,000
2016	5,000
2017	10,000
2018	10,000

Unless otherwise called for redemption, the remaining \$100,000 principal amount on the bonds due December 1, 2019 is to be paid at stated maturity.

DEFIANCE COUNTY

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

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

The bonds due December 1, 2029 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2021, and on each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year Ended (December 1)</u>	<u>Principal Amount to be Redeemed</u>
2021	\$ 115,000
2022	120,000
2023	125,000
2024	135,000
2025	145,000
2026	150,000
2027	160,000
2028	170,000

Unless otherwise called for redemption, the remaining \$180,000 principal amount on the bonds due December 1, 2029 is to be paid at stated maturity.

The bonds maturing on and after December 1 2020 are subject to optional redemption at the option of the County on or after December 1, 2019, in whole or in part (in the amount of \$5,000 or any integral multiple thereof) on any date at the redemption price of par, plus accrued interest to the date fixed for redemption. The bonds are subject to optional redemption by the County prior to maturity, in whole at any time or in part on any interest payment date, in the event that the payments from the federal government cease or are in an amount less than 45% of the corresponding interest payable on the bonds at a redemption price equal to the greater of:

- (1) The issue price, but not less than 100% of the principal amount of such bonds to be redeemed; or
- (2) The sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such bonds are not to be redeemed, discounted to the date on which such bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the treasury rate plus 100 basis points. In each case, this is in addition to accrued interest on such bonds to be redeemed at the redemption date. If fewer than all such bonds are to be redeemed, the particular bonds shall be selected on a prorata basis.

C. Various Purpose General Obligation Refunding Bonds, Series 2010

On February 25, 2010, the County issued general obligation bonds (Various Purpose General Obligation Refunding Bonds, Series 2010) to advance refund the callable portion of the Various Purpose General Obligation Bonds, Series 1999. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

DEFIANCE COUNTY

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

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

The reacquisition price exceeded the net carrying amount of the old debt by \$46,010. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt as a deferred outflow of resources. This advance refunding was undertaken to reduce the combined total debt service payments over a 14-year period by \$241,584 and resulted in an economic gain of \$185,280.

General obligation bonds are direct obligations of the County for which its full faith and credit are pledged for repayment.

The bonds due December 1, 2022 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2021, and on each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year Ended</u> <u>(December 1)</u>	<u>Principal Amount to</u> <u>be Redeemed</u>
2021	\$ 115,000

Unless otherwise called for redemption, the remaining \$115,000 principal amount on the bonds due December 1, 2019 is to be paid at stated maturity.

The bonds due December 1, 2024 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2023, and on each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year Ended</u> <u>(December 1)</u>	<u>Principal Amount to</u> <u>be Redeemed</u>
2023	\$ 125,000

Unless otherwise called for redemption, the remaining \$125,000 principal amount on the bonds due December 1, 2024 is to be paid at stated maturity.

The bonds maturing on and after December 1 2020 are subject to optional redemption at the option of the County on or after December 1, 2019, in whole or in part (in the amount of \$5,000 or any integral multiple thereof) on any date at the redemption price of par, plus accrued interest to the date fixed for redemption.

D. Senior Center Improvement General Obligation Bonds

On March 15, 2012, the County issued \$300,000 in general obligation bonds to finance capital improvements related to the County's senior center building. The bonds bear interest at the annual rate of 1.5% and are scheduled to mature on March 15, 2015. Principal and interest payments made on the bonds are paid from the senior center debt service fund (a nonmajor governmental fund).

DEFIANCE COUNTY

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

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

E. Black Ditch General Obligation Bonds

On October 3, 2013, the County issued \$40,000 in general obligation bonds to finance projects related to the County's ditches. The bonds bear interest at the annual rate of 1.5% and are scheduled to mature on October 1, 2015. Principal and interest payments will be made on the bonds from the DETDITCH fund (a nonmajor governmental fund).

F. Special Assessment Bonds

The special assessment bonds are backed by the full faith and credit of the County. In the event that an assessed property owner fails to make payments or insufficient amounts are assessed to fund the debt, the County will be required to pay the related debt. The special assessment bonds are paid from the DETDITCH fund (a nonmajor governmental fund).

G. Brunersburg Sewer Special Assessment Refunding Bonds, Series 2010

On February 25, 2010, the County issued special assessment bonds (Brunersburg Sewer Special Assessment Refunding Bonds, Series 2010) to advance refund the callable portion of the Brunersburg Sewer Special Assessment Bonds, Series 2002. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$6,986. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt as a deferred outflow of resources. This advance refunding was undertaken to reduce the combined total debt service payments over a 12-year period by \$51,371 and resulted in an economic gain of \$46,437.

The bonds due December 1, 2022 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2021, and on each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year Ended</u> <u>(December 1)</u>	<u>Principal Amount to</u> <u>be Redeemed</u>
2021	\$ 60,000

Unless otherwise called for redemption, the remaining \$30,000 principal amount on the bonds due December 1, 2019 is to be paid at stated maturity.

H. Revenue Bonds

In 2005, the County issued sewer revenue bonds in the amount of \$60,000 for the Green Acres sewer system. On November 26, 2012, the County issued sewer revenue bonds in the amount of \$1,977,000 for the Auglaize sewer project. The County has pledged future sewer revenues to repay these revenue bonds, which are payable solely from sewer fund revenues and are payable through 2052. The total principal and interest remaining to be paid on the bonds is \$3,305,105.

DEFIANCE COUNTY

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

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

I. OPWC Loans Payable

In 1999, the County obtained an Ohio Public Works Commission (OPWC) interest free loan, in the amount of \$468,050, for the construction of the Evansport water system. The loan is being repaid from the Evansport water debt service fund (a nonmajor governmental fund).

J. OWDA Loans Payable

The County has entered into debt financing arrangements through the Ohio Water Development Authority (OWDA) to fund construction of wastewater facilities and the Auglaize sewer. The amounts due to the OWDA related to the wastewater facilities are payable from the express sewer debt service fund (a nonmajor governmental fund). The loan related to the Auglaize sewer project was retired during 2013 with \$54,171 in principal payments made by the sewer enterprise fund. The OWDA loan agreements function similar to a line-of-credit agreement. At December 31, 2013, the County has outstanding borrowings of \$660,530. The OWDA loan agreements require semi-annual payments based on the actual amount owed.

K. Capmark Financial Group Incorporated (formerly GMAC) Commercial Mortgage Payable

In 1980, the County obtained a loan through the GMAC Commercial Mortgage Corporation, in the amount of \$146,300, for the Evansport sewer system. In 2006, Capmark Financial Group, Incorporated acquired GMAC Commercial Mortgage Corporation. The loan, being repaid from the sewer enterprise fund with charges for sewer service, is backed by the full faith and credit of the County should these revenues be insufficient to service the mortgage debt requirements.

L. Bond Anticipation Notes Payable

The County reports bond anticipation notes payable as long-term obligations if the County consummates refinancing on a long-term basis prior to the issuance of the current year's financial statements. The only bond anticipation notes payable activity reported by the County during 2013 relates to the retirement of the short-term notes payable for black ditch (See Note 16). Bond anticipation notes are backed by the full faith and credit of the County.

M. Compensated Absences Payable

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the general fund, developmental disabilities fund, motor vehicle license and gas tax fund, emergency 911 fund, senior center fund, various nonmajor governmental funds, landfill enterprise fund and sewer enterprise fund.

N. Capital Lease Obligations

Capital leases will be paid from the general fund, senior center fund, and child support enforcement agency fund (a nonmajor governmental fund). See Note 19 for further detail.

DEFIANCE COUNTY

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

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

O. Legal Debt Margin

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 1% of the total assessed valuation of the County. The Ohio Revised 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 3% of the first \$100,000,000, plus 1.5% of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus 2.5% of such valuation in excess of \$300,000,000.

The effect of the debt limitations described above is an overall debt margin of \$13,555,445 at December 31, 2013.

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

Governmental Activities						
Year Ended	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 345,000	\$ 172,015	\$ 517,015	\$ 70,000	\$ 29,100	\$ 99,100
2015	340,000	164,220	504,220	70,000	27,075	97,075
2016	225,000	153,825	378,825	70,000	24,825	94,825
2017	235,000	144,352	379,352	75,000	22,325	97,325
2018	240,000	134,517	374,517	80,000	19,450	99,450
2019 - 2023	1,250,000	506,030	1,756,030	345,000	47,675	392,675
2024 - 2028	915,000	206,303	1,121,303	30,000	1,500	31,500
2029	180,000	10,980	190,980	-	-	-
Total	<u>\$ 3,730,000</u>	<u>\$ 1,492,242</u>	<u>\$5,222,242</u>	<u>\$ 740,000</u>	<u>\$ 171,950</u>	<u>\$ 911,950</u>

Governmental Activities				
Year Ended	OPWC Loan	OWDA Loans		
	Principal	Principal	Interest	Total
2014	\$ 23,403	\$ 69,082	\$ 9,650	\$ 78,732
2015	23,402	70,122	8,610	78,732
2016	23,403	71,178	7,554	78,732
2017	23,402	72,250	6,482	78,732
2018	23,403	73,338	5,394	78,732
2019 - 2022	23,402	304,560	10,379	314,939
Total	<u>\$ 140,415</u>	<u>\$ 660,530</u>	<u>\$ 48,069</u>	<u>\$ 708,599</u>

DEFIANCE COUNTY

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

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

The County's future annual debt service requirements, including mandatory sinking fund requirements, payable from the enterprise funds are as follows:

<u>Year Ended</u>	Business-type Activities					
	Revenue Bonds			Capmark Commercial Mortgage		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 29,400	\$ 55,904	\$ 85,304	\$ 6,000	\$ 2,500	\$ 8,500
2015	30,200	55,083	85,283	6,000	2,200	8,200
2016	30,900	54,382	85,282	7,000	1,900	8,900
2017	32,000	53,377	85,377	7,000	1,550	8,550
2018	32,800	52,484	85,284	8,000	1,200	9,200
2019 - 2023	178,200	248,298	426,498	16,000	1,200	17,200
2024 - 2028	204,500	222,056	426,556	-	-	-
2029 - 2033	234,900	191,658	426,558	-	-	-
2034 - 2038	269,700	156,848	426,548	-	-	-
2039 - 2043	309,600	116,843	426,443	-	-	-
2044 - 2048	345,900	71,351	417,251	-	-	-
2049 - 2052	307,300	21,421	328,721	-	-	-
Total	<u>\$ 2,005,400</u>	<u>\$ 1,299,705</u>	<u>\$ 3,305,105</u>	<u>\$ 50,000</u>	<u>\$ 10,550</u>	<u>\$ 60,550</u>

Conduit Debt:

In 2001, the County issued \$2,325,000 in Adjustable Rate Demand Economic Development Revenue Refunding Bonds. The proceeds were used for the refunding of economic development revenue bonds issued in 1982 to acquire and construct a supermarket. The County is not obligated in any way to pay the debt charges on the bonds from any of its funds, and therefore, the debt has been excluded entirely from the County's debt presentation. As of December 31, 2013, \$2,325,000 of these bonds was outstanding.

In 2005, the County issued \$700,000 in Ohio Economic Development Revenue Bonds for the purpose of making a loan to assist the Defiance Area YMCA in financing a portion of the cost of acquiring, constructing, improving, installing, and equipping gymnasiums and related facilities. The County is not obligated in any way to pay the debt charges on the bonds from any of its funds, and therefore, the debt has been excluded entirely from the County's debt presentation. As of December 31, 2013, \$541,999 of these bonds was outstanding.

In 2007, the County issued \$1,407,600 in Health Care Facilities Revenue Bonds. The proceeds were used to provide Hospital Facilities at the lowest possible cost to service the residents of the Public Hospital Agencies, which hospital facilities will be available for the service of the general public. The County is not obligated in any way to pay the debt charges on the bonds from any of its funds, and therefore, the debt has been excluded entirely from the County's debt presentation. As of December 31, 2013, \$1,120,300 of these bonds was outstanding.

DEFIANCE COUNTY

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

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

In 2009, the County issued \$11,500,000 in Multifamily Housing Mortgage Revenue Bonds. The proceeds were loaned to Defiance County Health Partners, LLC to finance the acquisition, construction, and equipping of an assisted living multifamily residential housing rental housing facility. The County is not obligated in any way to pay the debt charges on the bonds from any of its funds, and therefore, the debt has been excluded entirely from the County's debt presentation. As of December 31, 2013, \$11,500,000 of these bonds was outstanding.

NOTE 18 - CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the County to place a final cover on the landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the County reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The \$4,058,669 reported as landfill closure and postclosure costs payable at December 31, 2013, represents the cumulative amount reported to date based on the use of 44% of the estimated capacity of the landfill. The County will recognize the remaining estimated costs of closure and postclosure of \$5,240,331 as the remaining estimated capacity is filled. This amount is based on what it would cost to perform all closure and postclosure care in 2013. For financial assurance purposes, Ohio EPA requires closure and postclosure costs to be reported based on the worst case scenario of when closure will occur. For 2013, the liabilities total \$2,010,835 for closure and \$2,047,834 for postclosure costs. The County expects the landfill to have a remaining life of 81 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by State and federal laws and regulations to either make annual contributions to an EPA controlled trust fund or demonstrate financial assurance through the "Local Government Financial Test". For 2013, the County met the Local Government Financial Test requirements.

The County expects to set aside monies for closure and postclosure care obligations at a rate in line with the daily waste consumption of the landfill. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations), these costs may need to be covered by charges to future landfill users or from future tax revenue.

NOTE 19 - CAPITALIZED LEASE - LESSEE DISCLOSURE

In prior years, the County entered into capitalized leases for two copiers, telephone systems and telephone equipment. These lease agreements meet the criteria of capital leases as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

DEFIANCE COUNTY

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

NOTE 19 - CAPITALIZED LEASE - LESSEE DISCLOSURE – (Continued)

Capital assets consisting of equipment have been capitalized in the statement of net position. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in 2013 totaled \$30,818 paid by the general fund, \$1,490 paid by the senior center fund, and \$1,081 paid by the child support enforcement agency fund (a nonmajor governmental fund).

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of December 31, 2013:

<u>Year Ending December 31.</u>	<u>Amount</u>
2014	\$ 32,610
2015	14,015
2016	2,210
2017	<u>2,026</u>
Total minimum lease payments	50,861
Less: amount representing interest	<u>(3,124)</u>
Total	<u>\$ 47,737</u>

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Juvenile Detention, Training, and Rehabilitation Center

The Northwest Ohio Juvenile Detention, Training, and Rehabilitation Center (Center) is a jointly governed organization among Defiance, Fulton, Henry, and Williams Counties. The Center's Board of Trustees consists of thirteen members; three from each county and one at-large member. The Board of Trustees exercises total control over the operation of the Center including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the Center. In 2013, Defiance County contributed \$290,278 for the Center's operations, which represents 20.4% of total contributions. Information can be obtained from Nancy J. Yackee, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

B. Four County Board of Alcohol, Drug Addiction, and Mental Health Services

The Four County Board of Alcohol, Drug Addiction, and Mental Health Services (ADAMHS) is a jointly governed organization among Defiance, Fulton, Henry, and Williams Counties to provide alcohol, drug addiction, and mental health services to individuals in the four counties. The Governing Board of ADAMHS consists of eighteen members; four members appointed by the Ohio Director of Alcohol and Drug Addiction Services, four members appointed by the Ohio Director of Mental Health Services, Defiance and Fulton County Commissioners appointing three members each, and Henry and Williams County Commissioners appointing two members each. The Governing Board exercises total control over the operation of the ADAMHS including budgeting, contracting, and designating management.

DEFIANCE COUNTY

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

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

The County has no ongoing financial interest or responsibility for the ADAMHS. In 2013, Defiance County contributed \$1,285,726 for the ADAMHS' operations, which represents 20% of total contributions. Information can be obtained from Marlene J. Goodwin, Defiance County Auditor, 500 Second Street, Suite 301, Defiance, Ohio 43512.

C. Corrections Commission of Northwest Ohio

Corrections Commission of Northwest Ohio (CCNO) is a jointly governed organization among Defiance, Fulton, Henry, Lucas, and Williams Counties and the City of Toledo. CCNO was established to provide jail space for convicted criminals in the five counties and the City of Toledo and to provide a correctional center for the inmates. CCNO was created in 1986 and occupancy started in 1991. The Commission Team consists of eighteen members; one judge, one chief law enforcement officer, and one county commissioner or administrative official from each entity. The Commission Team exercises total control over the operation of CCNO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for CCNO. In 2013, Defiance County contributed \$1,240,597 for CCNO's operations, which represents 9.1% of total contributions. Information can be obtained from Tonya Justus, Fiscal Manager, Corrections Commission of Northwest Ohio, 03151 County Road 2425, Route 1, Box 100-A, Stryker, Ohio 43557.

D. Four County Solid Waste District

The Four County Solid Waste District (District) is a jointly governed organization among Defiance, Fulton, Paulding, and Williams Counties to make disposal of waste in the four-county area more comprehensive in terms of recycling, incinerating, and landfilling. The District was created in 1989. The Board of Directors consists of twelve members; the three commissioners from each county. The Board of Directors exercises total control over the operation of the District including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the District. In 2013, Defiance County contributed \$125,556 for the District's operations, which represents 59.28% of total contributions. Information can be obtained from Deborah Nester, Williams County Auditor, One Courthouse Square, Bryan, Ohio 43506.

E. Multi-Area Narcotics Task Force

The Multi-Area Narcotics Task Force (Task Force) is a jointly governed organization among Defiance, William, Fulton, and Putnam Counties and the Cities of Defiance and Bryan. The Task Force is jointly controlled by the chief law enforcement officer of each respective entity. The main source of revenue for the Task Force is from federal grants and local matching funds from the entities. The County has no ongoing financial interest or responsibility for the Task Force. In 2013, Defiance County did not make any contributions to the Task Force's operations. Information can be obtained from the Defiance County Sheriff's office, 113 Beide Street, Defiance, Ohio 43512.

DEFIANCE COUNTY

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

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

F. Quadco Rehabilitation Center

The Quadco Rehabilitation Center (Quadco) is a jointly governed organization among Defiance, Fulton, Henry, and Williams Counties. Quadco Rehabilitation Center is a nonprofit corporation that provides services and facilities for training physically and mentally disabled persons. Quadco is responsible for contracting with various agencies to obtain funding to operate the organization. Quadco is governed by an eight-member Board composed of two appointees made by each of the four County Boards of Developmental Disabilities (County Boards of DD). This Board, in conjunction with the County Boards of DD, assesses the needs of adult mentally handicapped and developmentally disabled residents of each county and sets priorities based on available funds. The County provides resources to the Board based on units of service provided to the County. Quadco exercises total control over the operation of Quadco including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for Quadco. In 2013, Defiance County contributed \$840,076 for Quadco's operations, which represents 22% of total contributions.

G. Maumee Valley Planning Organization

Maumee Valley Planning Organization (MVPO) is a jointly governed organization among Defiance, Fulton, Henry, Paulding, and Williams Counties. MVPO is an organization established to improve the social and economic conditions of the region through development and conservation. MVPO is governed by a fifteen member Executive Council composed of the three county commissioners, the mayor of the largest municipality, three mayors selected by the committee of mayors that represent the incorporated cities and villages, the township trustee association president, the regional planning commission chairman, and two members at large to represent business, industry, labor, agricultural, low income, minority groups, education, and consumer protection activities. The County provides resources to the Executive Council based on a membership fee and services provided to the County. MVPO exercises total control over the operation of MVPO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for MVPO. In 2013, Defiance County contributed \$53,690 for MVPO's operations, which represents 7.6% of total contributions. Information can be obtained from Nancy J. Yackee, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

H. Community Improvement Corporation of Defiance County

Community Improvement Corporation of Defiance County (CIC) is a jointly governed organization among Defiance County, the City of Defiance, and the respective villages and townships of Defiance County. The purpose of the CIC is to promote and encourage the establishment and growth of industrial, commercial, distribution, and research facilities within member subdivisions. CIC is governed by a Board of Trustees consisting of fifteen self-appointed members. Not less than two-fifths of the members are to be composed of elected officials. Five of these members include: a member of the Board of County Commissioners of Defiance County, the Auditor of Defiance County, the Mayor or his/her designated elected official of the City of Defiance, the Mayor or his/her designated elected official of the Village of Hicksville, and the President of the Defiance County Trustees. The remaining members represent private residents of Defiance County or employees of Defiance County businesses or firms.

DEFIANCE COUNTY

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

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

The County provides resources to the Board of Trustees based on a membership fee. CIC exercises total control over the operation of CIC including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the CIC. In 2013, Defiance County contributed \$55,000 for CIC's operations, which represents 21% of total contributions. Information can be obtained from the Jerry Hayes, Executive Director, 1300 East Second Street, Suite 201, Defiance, Ohio 43512.

I. Northwest Ohio Waiver Administration Council (NOWAC)

The Northwest Ohio Waiver Administration Council (NOWAC) is a jointly governed organization created under the provisions of Chapter 167 of the Ohio Revised Code. NOWAC is organized as a voluntary organization of local County Boards of Developmental Disabilities in Defiance County, Williams County, Allen County, Henry County, Fulton County, Van Wert County and Paulding County. Each of the participating counties has equal representation and no financial responsibility. NOWAC's purpose is to foster a cooperative effort in regional planning, programming, and the implementation of regional plans and programs. Its primary function is to oversee and obtain contracted services for its clientele in member counties. These services include various types of assistance provided by outside individuals or health care organizations for living maintenance of disabled clients so they can remain in their homes. Defiance County contributed \$2,505,154 towards NOWAC's operation in 2013. Complete financial statements can be obtained from the Northwest Ohio Waiver Administration Council, 815 East Second Street, Suite B, Defiance, Ohio 43512-2511.

J. Defiance-Paulding Consolidated Department of Job and Family Services (DPCJFS)

As of October 1, 2013, the Defiance-Paulding Consolidated Department of Job and Family Services (DPCJFS) was established as a jointly governed organization among Defiance and Paulding Counties used to provide public assistance, children's services, and workforce investment activities to individuals within the two counties. The County transferred \$759,392, the remaining balance of the Job and Family Services funds, to DPCJFS. The Board of DPCJFS consists of six members, with equal representation from both counties. The Board exercises total control over the operation of DPCJFS including budgeting, contracting, and designating management. Defiance County acts as fiscal agent for DPCJFS, but has no ongoing financial interest or responsibility for DPCJFS. In 2013, Defiance County contributed \$17,848 for DPCJFS' operations, which represents 60.32% of total contributions. Information can be obtained from Marlene J. Goodwin, Defiance County Auditor, 500 Second Street, Suite 301, Defiance, Ohio 43512.

K. Regional Port Authority of Northwest Ohio

The Regional Port Authority of Northwest Ohio (the "Authority") was created in June 2008 and is a jointly governed organization between Defiance, Henry, Paulding and Fulton Counties. The Authority was established pursuant to Ohio Revised Code Section 4582.21. The purpose of the Authority is to enhance, foster, aid, provide or promote transportation, economic development, housing, recreation, education, governmental operations, culture, research and the creation and preservation of jobs and employment opportunities.

DEFIANCE COUNTY

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

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

The Authority is governed by a Board consisting of twelve appointed members. Each member county's Board of County Commissioners shall appoint three members. Upon the expiration of the initial terms, each subsequent member of the Board shall serve a four year term commencing on January 1 of each year.

Any county may withdraw from the Authority by resolution of that county's Board of County Commissioners. Upon withdrawal, such county shall not be entitled to any distribution from the Authority and forfeits its rights to receive any funds it contributed to the Authority. The Authority may be dissolved by adoption of a resolution by all member counties' Board of County Commissioners. Upon dissolution and after paying all expenses, costs and debts of the Authority, any real or personal property given to the Authority shall be returned to the county from which it was received, and any balances remaining in the funds of the Authority, and remaining real or personal property of the Authority, shall be distributed to the counties equally.

During 2013, the County did not make any contributions to the Authority. Financial information of the Authority can be obtained by contacting Jerry J. Arkebauer, Executive Director, 1300 E. 2nd Street, Suite 200, Defiance, Ohio 43512.

NOTE 21 - INSURANCE POOLS

A. County Commissioners Association Service Corporation

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

A Group Executive Committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating employers. The Group Executive Committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in December of each year. No participant can have more than one member on the Group Executive Committee in any year and each elected member shall be a County Commissioner.

B. Northern Buckeye Health Plan – Northwest Division of Optimal Health Initiative Consortium

The County is participating in the Northern Buckeye Health Plan (the "Plan") – Northwest Division of Optimal Health Initiative Consortium (OHIC). The Plan is a public entity shared risk pool consisting of education entities within Defiance, Fulton, Henry, and Williams Counties. The Plan is governed by a Board elected from an Assembly consisting of a representative from each participating member.

DEFIANCE COUNTY

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

NOTE 22 - RELATED ORGANIZATION

The Defiance County Regional Airport Authority (the "Airport Authority") was created by resolution of the County Commissioners under the authority of Chapter 308 of the Ohio Revised Code. The Airport Authority is governed by a five-member Board of Trustees appointed by the County Commissioners. The Board of Trustees has the authority to exercise all of the powers and privileges provided under the law. These powers include the ability to sue or be sued in its corporate name; the power to establish and collect rates, rentals, and other charges; the authority to acquire, construct, operate, manage, and maintain airport facilities; the authority to buy and sell real and personal property; and the authority to issue debt for acquiring or constructing any facility or permanent improvement. The Airport Authority serves as custodian of its own funds and maintains all records and accounts independent of Defiance County. Based on the nature of the financial activities of the Airport Authority and the County, there is no benefit/burden relationship between the two entities, thus designating the Airport Authority as a related organization of the County. Although the County has no obligation to provide financial resources to the Airport Authority, the County Commissioners have in prior years allocated certain funds to the Airport Authority. In 2013, the County contributed \$25,200 to the Airport Authority.

NOTE 23 - CONTINGENT LIABILITIES

A. Litigation

The County is a party to several legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The County management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the County.

B. Federal and State Grants

For the period January 1, 2013 to December 31, 2013, the County received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the County believes such disallowances, if any, would be immaterial.

DEFIANCE COUNTY

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

NOTE 24 - OTHER COMMITMENTS

The County utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the County's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 73,926
Developmental disabilities fund	56,390
Motor vehicle license and gas tax fund	162,059
Emergency 911 fund	1,981
Senior center fund	53,564
County improvement fund	168,352
Nonmajor governmental funds	<u>173,558</u>
 Total	 <u>\$ 689,830</u>

NOTE 25 - FUND BALANCE

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

DEFIANCE COUNTY

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

NOTE 25 - FUND BALANCE - (Continued)

Fund Balance	General	Developmental Disabilities	Motor Vehicle License and Gas Tax	Emergency 911
Nonspendable:				
Long-term loans				
Long-term interfund loans	\$5,166,949			
Prepayments	646,270	\$384,025	\$27,377	\$15,780
Materials and supplies inventory	76,215	12,500	513,985	1,049
Unclaimed monies	90,854			
Total nonspendable	<u>5,980,288</u>	<u>396,525</u>	<u>541,362</u>	<u>16,829</u>
Restricted:				
Human services programs				
Public works projects			1,295,463	
Public safety programs				855,201
Health services		3,367,284		
Debt service				
Capital projects				
Other purposes				
Total restricted		<u>3,367,284</u>	<u>1,295,463</u>	<u>855,201</u>
Committed:				
General government	15,615			
Public safety programs				
Economic development				
Capital projects				
County commissioners	192			
Retirement payoffs	3,006			
Other purposes				
Total committed	<u>18,813</u>			
Assigned:				
General government	40,219			
Human services programs	351			
Public safety programs	19,456			
Capital projects				
Subsequent year appropriation	5,273,341			
Total assigned	<u>5,333,367</u>			
Unassigned (deficit)	<u>1,043,345</u>			
Total fund balances (deficit)	<u>\$12,375,813</u>	<u>\$3,763,809</u>	<u>\$1,836,825</u>	<u>\$872,030</u>

- Continued

DEFIANCE COUNTY

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

NOTE 25 - FUND BALANCE - (Continued)

Fund Balance	Senior Center	Historical Jail Debt Service	County Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Long-term loans				\$640,293	\$640,293
Long-term interfund loans					5,166,949
Prepayments	\$11,510			19,188	1,104,150
Materials and supplies inventory	1,560			27,795	633,104
Unclaimed monies					90,854
Total nonspendable	13,070			687,276	7,635,350
Restricted:					
Human services programs	432,672			220,828	653,500
Public works projects				124,887	1,420,350
Public safety programs				159,798	1,014,999
Health services				93,913	3,461,197
Debt service				1,206,970	1,206,970
Capital projects				131,864	131,864
Other purposes				2,265,874	2,265,874
Total restricted	432,672			4,204,134	10,154,754
Committed:					
General government				1,502	17,117
Public safety programs				2,059	2,059
Economic development				94,698	94,698
Capital projects				196,537	196,537
County commissioners					192
Retirement payoffs					3,006
Other purposes				258,815	258,815
Total committed				553,611	572,424
Assigned:					
General government					40,219
Human services programs					351
Public safety programs					19,456
Capital projects			\$3,386,152		3,386,152
Subsequent year appropriation					5,273,341
Total assigned			3,386,152		8,719,519
Unassigned (deficit)		(\$645,047)		(367,762)	30,536
Total fund balances (deficit)	\$445,742	(\$645,047)	\$3,386,152	\$5,077,259	\$27,112,583

NOTE 26 - SUBSEQUENT EVENT

On March 5, 2014, the County issued Flory Road Tile Project Bond Anticipation Notes in the amount of \$86,115. The notes bear interest at an annual rate of 2.05% and are scheduled to mature on March 4, 2015.

DEFIANCE COUNTY

FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
National School Lunch Program			
Noncash Assistance		10.555	\$ 231
Cash Assistance		10.555	18,355
Total National School Lunch Program			<u>18,586</u>
<i>Direct Assistance</i>			
ARRA Water and Waste Disposal System for Rural Communities		10.781	190,999
Total U.S. Department of Agriculture			<u>209,585</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
<i>Special Education Cluster:</i>			
Special Education - Grants to States		84.027	46,493
Special Education - Preschool Grant		84.173	21,614
Total Special Education Cluster			<u>68,107</u>
<i>Passed Through Ohio Department of Health</i>			
Help Me Grow	02010021HG0413/02010021HG0514	84.181	51,652
Total U.S. Department of Education			<u>119,759</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through The Area Office of Aging</i>			
<i>Aging Cluster:</i>			
Grants for Supportive Services and Senior Centers		93.044	47,500
Nutrition Services Incentive Program		93.053	41,342
Special Programs for the Aging - Title III Part C - Nutrition Services		93.045	101,541
Total Aging Cluster			<u>190,383</u>
Lifespan Respite Initiative - Volunteer Expanded Respite Services		93.072	6,360
Total Passed Through The Area Office of Aging			<u>196,743</u>
<i>Passed Through Ohio Department of Job and Family Services</i>			
State Administrative Matching Grants for the Supplemental Assistance Program	G-1415-11-5348	10.561	160,186
Promoting Safe and Stable Families	G-1415-11-5348	93.556	6,177
Temporary Assistance for Needy Families	G-1415-11-5348	93.558	230,146
Child Support Enforcement	G-1415-11-5349	93.563	545,945
Child Care and Development Block Grant	G-1415-11-5348	93.575	28,569
Child Abuse and Neglect Grant	G-1415-11-5348	93.590	1,968
Child Welfare Services State Grants	G-1415-11-5348	93.645	23,454
Social Services Block Grant	G-1415-11-5348	93.667	233,745
Chaffee Foster Care Independence Program	G-1415-11-5348	93.674	1,648
Medical Assistance Program	G-1415-11-5348	93.778	179,840
Foster Care Title IV-E	G-1415-11-5348	93.658	58,751
Foster Care Title IV-E Administration	G-1415-11-5348	93.658	27,140
Total Foster Care Title IV-E			<u>85,891</u>
Adoption Assistance Administration	G-1415-11-5348	93.659	100,782
Non-Recurring Adoption	G-1415-11-5348	93.659	331
Total Adoption Assistance			<u>101,113</u>
Total Passed Through Ohio Department of Job and Family Services			<u>1,598,682</u>
Total U.S. Department of Health and Human Services			<u>1,795,425</u>

(Continued)

DEFIANCE COUNTY

FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through Ohio Department of Public Safety Emergency Management Agency</i>			
State Homeland Security Program	EMW-2011-SS-00070	97.067	26,878
Emergency Management Performance Grant	EMW-2012-EP-00004-S01	97.042	32,099
Emergency Management Performance Grant	EMW-2013-EP-00060-S01	97.042	13,524
Total Emergency Management Performance Grant			<u>45,623</u>
Total U.S. Department of Homeland Security			<u>72,501</u>
U.S. DEPARTMENT OF LABOR			
<i>Passed Through Montgomery County Workforce Investment Act Area 7</i>			
<i>Workforce Investment Act Cluster:</i>			
Workforce Investment Act - Adult	2013-7120-1 / 2012-7120-1	17.258	16,917
Workforce Investment Act - Adult Administration	2013-7120-1 / 2012-7120-2	17.258	446
Total Workforce Investment Act - Adult			<u>17,363</u>
Workforce Investment Act - Youth	2013-7120-1 / 2012-7120-1	17.259	54,201
Workforce Investment Act - Youth Administration	2013-7120-1 / 2012-7120-2	17.259	6,014
Total Workforce Investment Act - Youth			<u>60,215</u>
Workforce Investment Act - Dislocated Worker	2013-7120-1 / 2012-7120-1	17.278	26,696
Workforce Investment Act - Dislocated Worker Administration	2013-7120-1 / 2012-7120-1	17.278	6,573
Total Workforce Investment Act - Dislocated Worker			<u>33,269</u>
Total Workforce Investment Act Cluster			<u>110,847</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Development Services Agency:</i>			
Community Development Block Grant (Formula Grant)	B-F-12-1AS-1	14.228	72,000
Community Development Block Grant (Formula Grant)	B-F-13-1AS-1	14.228	25,000
Total Community Development Block Grant			<u>97,000</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	DEF-27-0.77	20.205	2,381,287
<i>Passed Through Ohio Department of Public Safety Emergency Management Agency</i>			
Hazardous Materials Public Sector	HM-HMP-0302-12-01-00	20.703	7,115
<i>Federal Aviation Administration Direct Assistance</i>			
Airport Improvement Program		20.106	47,874
<i>Passed Through Ohio Department of Public Safety Office of Criminal Justice Services</i>			
High Visibility Enforcement Overtime	HVEO-2012-20-00-00-00353-00	20.600-20.601	213
Total U.S. Department of Transportation			<u>2,436,489</u>

(Continued)

DEFIANCE COUNTY

FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through Ohio Department of Public Safety Office of Criminal Justice Services</i>			
Crime Victims Assistance	2013VAGENE061	16.575	38,688
Crime Victims Assistance	2014VAGENE061	16.575	<u>3,668</u>
Total Crime Victims Assistance			<u>42,356</u>
Edward Byrne Memorial Justice Assistance Grant Formula Program	2012-JG-A01-6407	16.738	<u>39,600</u>
Total U.S. Department of Justice			<u>81,956</u>
U.S. ELECTION ASSISTANCE COMMISSION			
<i>Passed Through the Ohio Secretary of State</i>			
Voting Access for Individuals with Disabilities - Grants to States		93.617	<u>640</u>
Total			<u><u>\$ 4,924,202</u></u>

The accompanying notes are an integral part of this schedule.

This page intentionally left blank.

DEFIANCE COUNTY

NOTES TO THE FEDERAL AWARDS EXPENDITURE SCHEDULE FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

As a subrecipient, the County has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE C - CHILD NUTRITION CLUSTER

The County commingles cash receipts from the United States Department of Agriculture (USDA) with similar State grants. When reporting expenditures on this Schedule, the County assumes it expends federal monies first.

NOTE D - FOOD DONATION PROGRAM

The County reports commodities consumed on the Schedule at their fair value. The County allocated donated food commodities to the program that benefitted from the use of those donated food commodities.

NOTE E - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The County has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money 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 Development Services Agency. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property and by uniform commercial codes on equipment. Expenditures on mortgage loans made by the County were recognized on the Schedule when the disbursements for home repairs were made on the project and not when the mortgage loans were issued.

DEFIANCE COUNTY

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

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

Beginning loans receivable balance as of January 1, 2013	\$	873,685
Loans principal repaid		(55,474)
Loans written off		<u>(60,137)</u>
Ending loans receivable balance as of December 31, 2013	\$	<u>758,074</u>
Cash balance on hand in the revolving loan fund as of December 31, 2013	\$	330,276
Administrative costs expended during 2013	\$	13,376

NOTE F - MATCHING REQUIREMENTS

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

This page intentionally left blank.



Dave Yost • Auditor of State

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

Defiance County
500 Court Street, Suite A
Defiance, Ohio 43512

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 Defiance County, Ohio (the County) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 11, 2014. We also noted the County restated the beginning fund balances of the Job and Family Services Fund and Nonmajor Governmental Funds in 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

www.ohioauditor.gov

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

September 11, 2014



Dave Yost • Auditor of State

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

Defiance County
500 Court Street, Suite A
Defiance, Ohio 43512

To the Board of Commissioners:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the 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, 2013.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484
www.ohioauditor.gov

Report on Internal Control Over Compliance

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

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 compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 11, 2014

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal System for Rural Communities – ARRA – CFDA #10.781 Highway Planning and Construction – CFDA #20.205
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

This page intentionally left blank.

DEFIANCE COUNTY

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Noncompliance citation and material weakness in the Community Development Block Grant (CDBG) and HOME Investment Partnership programs for funds not expended to a balance of less than \$5,000 within fifteen days of being received.	Yes	

This page intentionally left blank.



Dave Yost • Auditor of State

FINANCIAL CONDITION

DEFIANCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 2, 2014