DEFIANCE COUNTY, OHIO

BASIC FINANCIAL STATEMENTS
(Audited)

FOR THE YEAR ENDED
DECEMBER 31, 2017

Dave Yost • Auditor of State

Board of Commissioners
Defiance County
500 Second Street, Suite 301
Defiance, Ohio 43512

We have reviewed the *Independent Auditor's Report* of Defiance County, prepared by Julian & Grube, Inc., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

August 29, 2018

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov

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

Independent Auditor's Report

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, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Defiance 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 Defiance 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 Defiance County's internal control. Accordingly, we express no such 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Developmental Disabilities, Motor Vehicle License and Gas Tax, Emergency 911, and Senior Center funds, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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*, and schedules of net pension liabilities/assets and pension contributions 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 Defiance County's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information 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 June 21, 2018, on our consideration of Defiance 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 Defiance County's internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
June 21, 2018

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DEFIANCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017. 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 2017 are as follows:

- The total net position of the County increased $277,411 over the 2016 net position of $112,697,775. Net position of governmental activities decreased $1,103,452, which represents a 1.36% decrease from the 2016 net position of $80,963,219. Net position of business-type activities increased $1,380,863 or 4.35% over the 2016 net position of $31,734,556.

- General revenues accounted for $15,658,577 or 52.42% of total governmental activities revenue. Program specific revenues accounted for $14,214,233 or 47.58% of total governmental activities revenue.

- The County had $30,976,262 in expenses related to governmental activities; $14,214,233 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of $15,658,577 were not adequate to provide for these programs.

- The general fund, the County's largest major governmental fund, had revenues and other financing sources of $12,958,516 in 2017. The general fund had expenditures and other financing uses of $12,372,301 in 2017. The fund balance of the general fund increased $586,215 from 2016 to 2017.

- The developmental disabilities (DD) fund, a major governmental fund, had revenues of $4,404,209 in 2017. The DD fund had expenditures of $4,567,393 in 2017. The DD fund balance decreased $163,184 from 2016 to 2017.

- The motor vehicle license and gas tax fund, a major governmental fund, had revenues and other financing sources of $4,304,447 in 2017. The motor vehicle license and gas tax fund had expenditures of $4,186,388 in 2017. The motor vehicle license and gas tax fund balance increased $118,059 from 2016 to 2017.

- The emergency 911 fund, a major governmental fund, had revenues of $779,924 in 2017. The emergency 911 fund had expenditures of $955,114 in 2017. The emergency 911 fund balance decreased $175,190 from 2016 to 2017.

- The senior center fund, a major governmental fund, had revenues of $1,510,079 in 2017. The senior center fund had expenditures of $1,487,679 in 2017. The senior center fund balance increased $22,400 from 2016 to 2017.

- The historical jail debt service fund, a major governmental fund, had revenues of $43,440 in 2017. The historical jail debt service fund had expenditures of $196,375 in 2017. The historical jail debt service fund balance decreased $152,935 from 2016 to 2017.

- The county improvement fund, a major governmental fund, had expenditures of $564,232 in 2017. The county improvement fund balance decreased $564,232 from 2016 to 2017.

- Net position for the business-type activities, which consists of the landfill and sewer enterprise funds, increased in 2017 by $1,380,863. 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 $2,124,538 greater than originally budgeted, and actual expenditures and other financing uses were $2,148,930 less than originally budgeted. 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 seven 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 the County do financially during 2017?" 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.

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 (DD) 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 fund and sewer fund.

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 the activities of the self-insurance program for employee health care benefits. It also accounts for the activities of the County clinic.

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 Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability.

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, 2017 and December 31, 2016.

Net Position

	Governmental Activities 2017	Business-type Activities 2017	Governmental Activities 2016	Business-type Activities 2016	2017 Total	2016 Total
Assets						
Current and other assets	$ 39,095,733	$ 21,030,972	$ 38,122,392	$ 19,071,995	$ 60,126,705	$ 57,194,387
Capital assets, net	64,191,437	19,445,245	65,052,336	20,034,018	83,636,682	85,086,354
Total assets	103,287,170	40,476,217	103,174,728	39,106,013	143,763,387	142,280,741
Deferred Outflows of Resources	6,334,716	305,536	4,940,182	238,655	6,640,252	5,178,837
Total assets and deferred outflows of resources	109,621,886	40,781,753	108,114,910	39,344,668	150,403,639	147,459,578
Liabilities						
Other liabilities	1,470,886	171,848	1,368,480	357,864	1,642,734	1,726,344
Long-term liabilities	20,885,537	7,478,434	18,734,068	7,236,268	28,363,971	25,970,336
Total liabilities	22,356,423	7,650,282	20,102,548	7,594,132	30,006,705	27,696,680
Deferred Inflows of Resources	7,405,696	16,052	7,049,143	15,980	7,421,748	7,065,123
Total liabilities and deferred inflows of resources	29,762,119	7,666,334	27,151,691	7,610,112	37,428,453	34,761,803
Net Position						
Net investment in capital assets	61,549,052	17,538,345	62,456,242	18,088,118	79,087,397	80,544,360
Restricted	11,234,193	1,511,423	10,970,750	1,485,875	12,745,616	12,456,625
Unrestricted	7,076,522	14,065,651	7,536,227	12,160,563	21,142,173	19,696,790
Total net position	$ 79,859,767	$ 33,115,419	$ 80,963,219	$ 31,734,556	$ 112,975,186	$ 112,697,775

During a prior year, the County adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the County's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the County's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the County is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the County's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

DEFIANCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2017, the County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $112,975,186. This amounts to $79,859,767 in the governmental activities and $33,115,419 in the business-type activities. This is an indication that the County's finances remained strong during 2017.

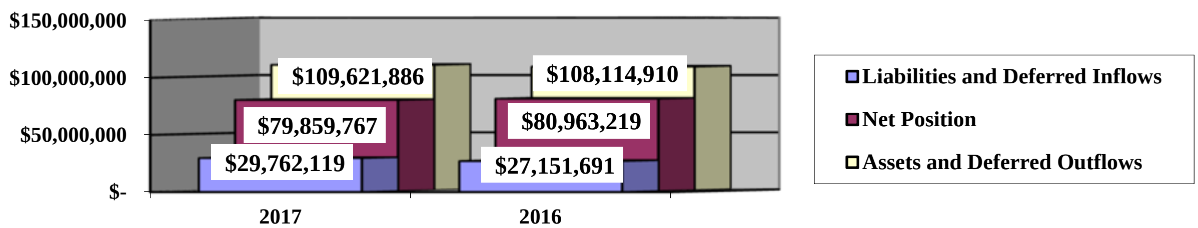
Capital assets reported on the government-wide statements represent the largest portion of the County's assets. At year-end, capital assets represented 58.18% of total governmental and business-type assets. Capital assets include land, easements, land improvements, buildings and improvements, machinery and equipment, vehicles, and infrastructure. The County's net investment in capital assets at December 31, 2017 was $79,087,397. 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, 2017, 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.

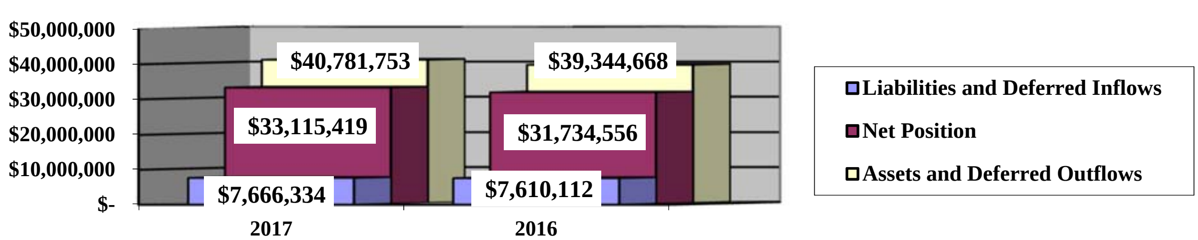
A portion of the County's net position, $12,745,616 or 11.28%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of $21,142,173 or 18.71% may be used to meet the government's ongoing obligations to citizens and creditors.

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, 2017 and December 31, 2016 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, 2017

The following tables show the changes in net position for 2017 and 2016.

Change in Net Position

	Governmental Activities 2017	Business-type Activities 2017	Governmental Activities 2016	Business-type Activities 2016	Total 2017	Total 2016
Revenues						
Program revenues:						
Charges for services and sales	$ 4,054,977	$ 5,202,778	$ 3,933,599	$ 4,968,708	$ 9,257,755	$ 8,902,307
Operating grants and contributions	8,943,957	-	8,338,057	-	8,943,957	8,338,057
Capital grants and contributions	1,215,299	-	726,580	-	1,215,299	726,580
Total program revenues	14,214,233	5,202,778	12,998,236	4,968,708	19,417,011	17,966,944
General revenues:						
Property taxes	6,194,201	-	6,169,644	-	6,194,201	6,169,644
Sales taxes	6,027,376	-	5,892,396	-	6,027,376	5,892,396
Unrestricted grants	1,882,022	-	1,987,523	-	1,882,022	1,987,523
Investment income	517,722	71,072	544,395	57,291	588,794	601,686
Miscellaneous	1,037,256	18,152	1,056,831	252,532	1,055,408	1,309,363
Total general revenues	15,658,577	89,224	15,650,789	309,823	15,747,801	15,960,612
Total revenues	29,872,810	5,292,002	28,649,025	5,278,531	35,164,812	33,927,556

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

Change in Net Position

	Governmental Activities 2017	Business-type Activities 2017	Governmental Activities 2016	Business-type Activities 2016	Total 2017	Total 2016
Expenses						
Program expenses:						
General government						
Legislative and executive	6,449,079	-	6,554,528	-	6,449,079	6,554,528
Judicial	2,081,134	-	2,094,675	-	2,081,134	2,094,675
Public safety	5,880,181	-	5,131,466	-	5,880,181	5,131,466
Public works	7,131,923	-	6,919,708	-	7,131,923	6,919,708
Health	4,457,249	-	4,111,335	-	4,457,249	4,111,335
Human services	3,717,495	-	3,542,534	-	3,717,495	3,542,534
Conservation and recreation	4,823	-	5,088	-	4,823	5,088
Economic development	1,078,940	-	672,895	-	1,078,940	672,895
Interest and fiscal charges	175,438	-	186,830	-	175,438	186,830
Landfill	-	2,994,274	-	3,181,087	2,994,274	3,181,087
Sewer	-	916,865	-	913,549	916,865	913,549
Total expenses	30,976,262	3,911,139	29,219,059	4,094,636	34,887,401	33,313,695
Change in net position before transfers	(1,103,452)	1,380,863	(570,034)	1,183,895	277,411	613,861
Transfers	-	-	120,844	(120,844)	-	-
Change in net position	(1,103,452)	1,380,863	(449,190)	1,063,051	277,411	613,861
Net position at beginning of year	80,963,219	31,734,556	81,412,409	30,671,505	112,697,775	112,083,914
Net position at end of year	$ 79,859,767	$ 33,115,419	$ 80,963,219	$ 31,734,556	$ 112,975,186	$ 112,697,775

Governmental Activities

Governmental activities net position decreased by $1,103,452 from 2016 to 2017. The net position of the governmental activities decreased mainly due to an increase in public safety, public works, health, human services and economic development expenses during 2017.

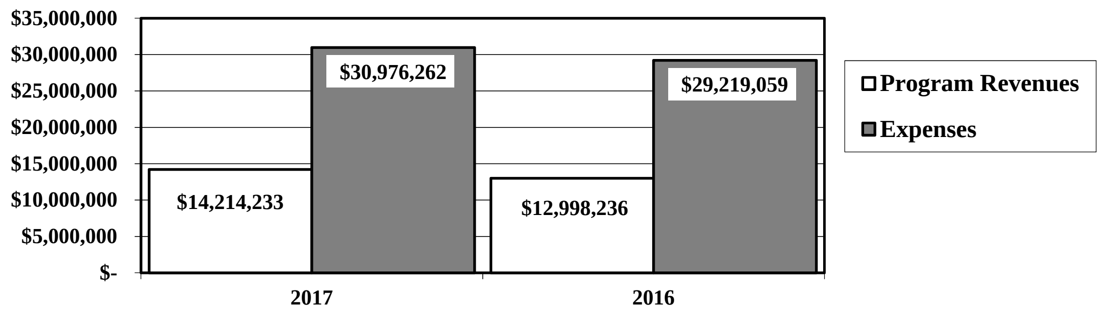
Public works expenses largely support the operations of the engineer's department, and accounts for $7,131,923 or 23.02% of the total governmental expenses of the County. These expenses were funded by $530,117 in direct charges to users, $4,390,094 in operating grants and contributions, and $1,215,299 in capital grants and contributions during 2017. General government expenses, which include legislative and executive and judicial programs, accounted for $8,530,213 or 27.54% of the total governmental expenses of the County. General government expenses were covered by $2,827,858 in direct charges to users and $196,068 in operating grants and contributions during 2017.

The State and federal government contributed to the County revenues of $8,943,957 in operating grants and contributions and $1,215,299 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Operating grants and contributions of $1,823,478 or 20.39% subsidized County health programs. Operating grants and contributions of $4,390,094 or 49.08%, as well as the entire amount of capital grants and contributions, subsidized public works projects.

General revenues totaled $15,658,577 and amounted to 52.42% of the total revenues of $29,872,810. These revenues primarily consist of property and sales tax revenue of $12,221,577 or 78.05% of total general revenues in 2017. 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 $1,882,022 or 12.02% 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 graph and table show, for governmental activities, the total cost of services and the net cost of services for 2017 and 2016. 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



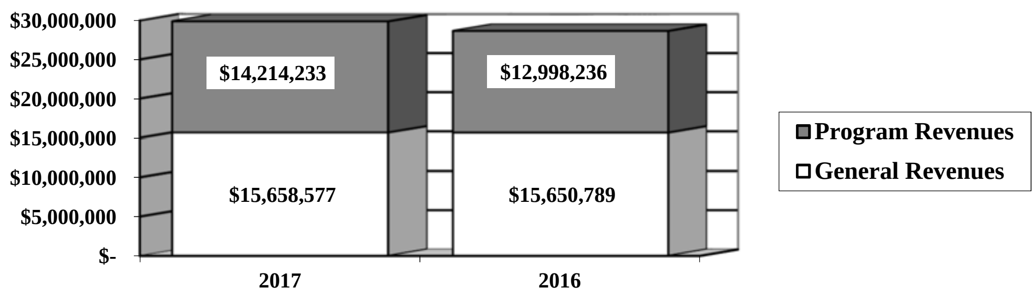
Governmental Activities

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Program expenses:				
General government				
Legislative and executive	$ 6,449,079	$ 4,169,801	$ 6,554,528	$ 4,271,470
Judicial	2,081,134	1,336,486	2,094,675	1,411,804
Public safety	5,880,181	5,518,107	5,131,466	4,593,970
Public works	7,131,923	996,413	6,919,708	1,271,341
Health	4,457,249	2,349,858	4,111,335	2,660,691
Human services	3,717,495	2,539,418	3,542,534	2,412,447
Conservation and recreation	4,823	4,823	5,088	5,088
Economic development	1,078,940	(328,315)	672,895	(549,088)
Interest and fiscal charges	175,438	175,438	186,830	143,100
Total	$ 30,976,262	$ 16,762,029	$ 29,219,059	$ 16,220,823

The dependence upon general revenues for governmental activities is apparent, with 54.11% of expenses supported through taxes and other general revenues during 2017.

The graph below illustrates the County's reliance upon general revenues for 2017 and 2016.

Governmental Activities – General and Program Revenues



Business-type Activities

The landfill fund and sewer fund are the County's enterprise funds. These operations had program revenues of $5,202,778, general revenues of $89,224, and expenses of $3,911,139 during 2017. The net position of the enterprise funds increased $1,380,863 or 4.35% during 2017.

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 $24,715,453, which is $237,117 less than last year's total of $24,952,570.

The table below indicates the fund balance and the total change in fund balance as of December 31, 2017 and December 31, 2016 for all major and nonmajor governmental funds.

	Fund Balance December 31, 2017	Fund Balance December 31, 2016	Increase/ (Decrease)
Major Funds:			
General	$ 9,190,407	$ 8,604,192	$ 586,215
Developmental Disabilities	3,593,809	3,756,993	(163,184)
Motor Vehicle License and Gas Tax	2,824,095	2,706,036	118,059
Emergency 911	630,468	805,658	(175,190)
Senior Center	475,606	453,206	22,400
Historical Jail Debt Service	38,110	191,045	(152,935)
County Improvement	2,338,647	2,902,879	(564,232)
Nonmajor Governmental Funds	5,624,311	5,532,561	91,750
Total	$ 24,715,453	$ 24,952,570	$ (237,117)

General Fund

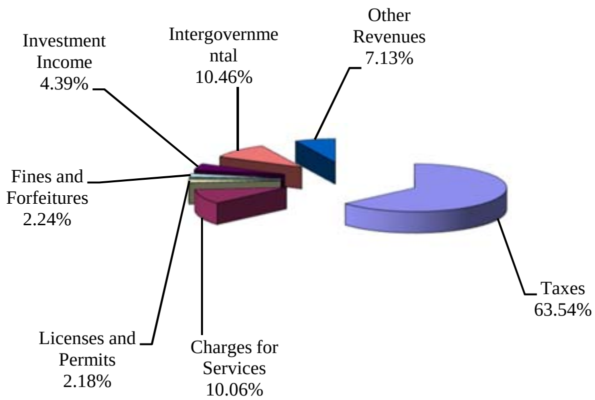
The County's general fund balance increased $586,215. Revenues outpaced expenditures in the general fund during the current year. The table that follows assists in illustrating the revenues of the general fund.

	2017 Amount	2016 Amount	Increase/ (Decrease)	Percentage Change
Revenues				
Taxes	$ 8,195,172	$ 8,111,320	$ 83,852	1.03 %
Charges for services	1,297,713	1,337,750	(40,037)	(2.99) %
Licenses and permits	281,374	272,451	8,923	3.28 %
Fines and forfeitures	288,893	264,966	23,927	9.03 %
Intergovernmental	1,348,962	1,512,562	(163,600)	(10.82) %
Investment income	565,723	533,883	31,840	5.96 %
Rental income and other	919,159	550,024	369,135	67.11 %
Total	$ 12,896,996	$ 12,582,956	$ 314,040	2.50 %

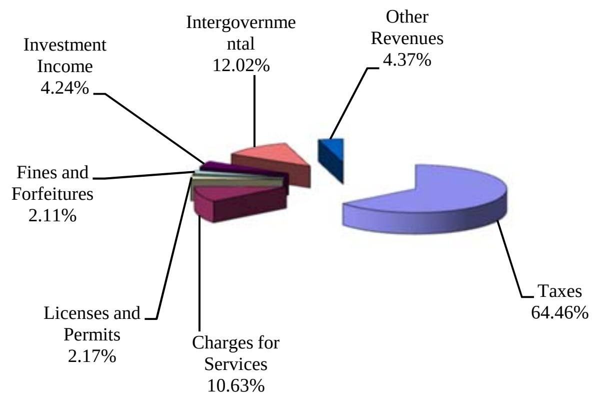
Overall revenues of the general fund increased $314,040 or 2.50%. Tax revenues increased $83,852 or 1.03% mainly due to an increase in sales tax revenues. Charges for services decreased $40,037 or 2.99% mainly due to a decrease in auditor, recorder and prosecuting attorney fees. Intergovernmental revenue decreased $163,600 or 10.82% mainly due to a decrease in revenue from other governments. Investment income increased $31,840 or 5.96% due to an increase in investment income and due to changes in fair market value. Rental and other income increased $369,135 or 67.11% due to an increase in miscellaneous revenues. All other revenues remained consistent with the prior year.

The graphs below illustrate the revenues of the general fund for 2017 and 2016.

Revenues – 2017



Revenues – 2016



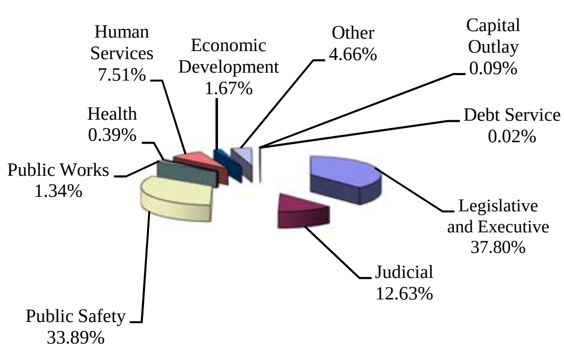
The table that follows assists in illustrating the expenditures of the general fund.

	2017 Amount	2016 Amount	Increase/ (Decrease)	Percentage Change
Expenditures				
General government				
Legislative and executive	$ 4,661,864	$ 5,074,575	$ (412,711)	(8.13) %
Judicial	1,555,300	1,652,800	(97,500)	(5.90) %
Public safety	4,179,315	4,003,929	175,386	4.38 %
Public works	165,788	372,235	(206,447)	(55.46) %
Health	48,531	74,221	(25,690)	(34.61) %
Human services	926,574	980,386	(53,812)	(5.49) %
Economic development	205,466	151,506	53,960	35.62 %
Other	574,466	610,428	(35,962)	(5.89) %
Capital outlay	11,387	15,315	(3,928)	(25.65) %
Debt service	2,886	2,210	676	30.59 %
Total	$ 12,331,577	$ 12,937,605	$ (606,028)	(4.68) %

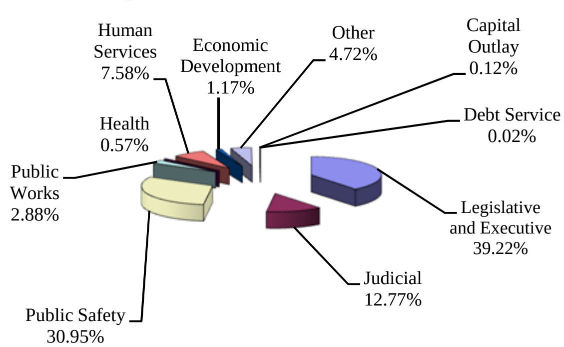
Overall expenditures of the general fund decreased $606,028 or 4.68%. Legislative and executive expenditures decreased $412,711 or 8.13% due to fluctuations in payments made by the County Commissioners. Judicial expenditures decreased $97,500 or 5.90% due to a decrease in payments related to court costs, primarily probate court and common pleas. Public safety expenditures increased $175,386 or 4.38% primarily due to the increase in regional jail and sheriff costs. Public works expenditures decreased $206,447 or 55.46% mainly due to a decrease in costs related to the County's renovation and reconstruction of the Defiance County Courthouse. Health expenditures decreased $25,690 or 34.61% due to a decrease in miscellaneous health costs. Human services expenditures decreased $53,812 or 5.49% which can be primarily attributed to fluctuations in expenditures associated with child services provided by the Defiance-Paulding Consolidated Department of Job and Family Services (DPCDJFS). The County Commissioners contribute monies to DPCDJFS for child services. Economic development expenditures increased $53,960 or 35.62% primarily due to County demolition costs. Other expenditures decreased $35,962 or 5.89% which can be attributed to fluctuations in miscellaneous costs. Capital outlay decreased $3,928 due to a decrease in maintenance facility costs. Debt service costs increased $676 or 30.59% due to an increase in costs related to capital lease obligations.

The graphs below illustrate the expenditures of the general fund for 2017 and 2016.

Expenditures – 2017



Expenditures – 2016



Developmental Disabilities (DD) Fund

The developmental disabilities (DD) fund, a major governmental fund, had revenues of $4,404,209 in 2017. The DD fund had expenditures of $4,567,393 in 2017. The DD fund balance decreased $163,184 from 2016 to 2017, which is mainly attributable to an increase in health expenditures. Overall revenues were slightly less than revenues of 2016.

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 $4,304,447 in 2017. The motor vehicle license and gas tax fund had expenditures of $4,186,388 in 2017. The motor vehicle license and gas tax fund balance increased $118,059 from 2016 to 2017 even though the fund experienced a slight decrease in overall revenues and a slight increase in overall expenditures.

Emergency 911 Fund

The emergency 911 fund, a major governmental fund, had revenues of $779,924 in 2017. The emergency 911 fund had expenditures of $955,114 in 2017. The emergency 911 fund balance decreased $175,190 from 2016 to 2017, which is primarily due to a slight increase in public safety expenditures.

Senior Center Fund

The senior center fund, a major governmental fund, had revenues of $1,510,079 in 2017. The senior center fund had expenditures of $1,487,679 in 2017. The senior center fund balance increased $22,400 from 2016 to 2017, which is mainly due to a slight increase in overall revenues.

Historical Jail Debt Service Fund

The historical jail debt service fund, a major governmental fund, had revenues of $43,440 in 2017. The historical jail debt service fund had expenditures of $196,375 in 2017. The historical jail debt service fund balance decreased $152,935 from 2016 to 2017, which is primarily attributable to slightly increasing expenditures out pacing the slightly decreasing revenues.

County Improvement Fund

The county improvement fund, a major governmental fund, had expenditures of $564,232 in 2017. The county improvement fund balance decreased $564,232 from 2016 to 2017.

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, 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 $10,982,455 and were increased to $13,345,171 in the final budget. Actual revenues and other financing sources of $13,106,993 were less than the final budgeted revenues and other financing sources by $238,178 or 1.78%. In the general fund, the original budgeted appropriations and other financing uses were $15,005,437. These were increased to $17,368,153 in the final budget. Actual expenditures and other financing uses of $12,856,507 were less than final budgeted amounts by $4,511,646 or 25.98%. 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 2017, the County had $83,636,682 (net of accumulated depreciation) invested in land, easements, land improvements, buildings and improvements, machinery and equipment, vehicles, and infrastructure. Of this total, $64,191,437 was reported in governmental activities and $19,445,245 was reported in business-type activities.

The following table shows December 31, 2017 capital asset balances compared to December 31, 2016.

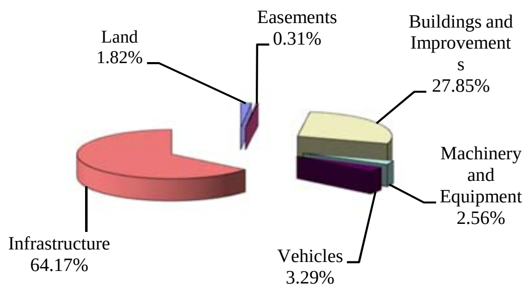
Capital Assets at December 31 (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	$ 1,171,196	$ 1,039,776	$ 1,362,071	$ 1,362,071	$ 2,533,267	$ 2,401,847
Easements	196,849	172,474	-	-	196,849	172,474
Land improvements	-	-	8,501,462	8,697,404	8,501,462	8,697,404
Buildings and improvements	17,877,384	16,130,137	1,906,075	1,929,823	19,783,459	18,059,960
Machinery and equipment	1,645,534	1,718,980	1,116,303	1,326,063	2,761,837	3,045,043
Vehicles	2,111,361	2,121,622	362,709	342,382	2,474,070	2,464,004
Infrastructure	41,189,113	41,524,823	-	-	41,189,113	41,524,823
Sewer lines	-	-	6,196,625	6,376,275	6,196,625	6,376,275
Construction in progress	-	2,344,524	-	-	-	2,344,524
Total	$ 64,191,437	$ 65,052,336	$ 19,445,245	$ 20,034,018	$ 83,636,682	$ 85,086,354

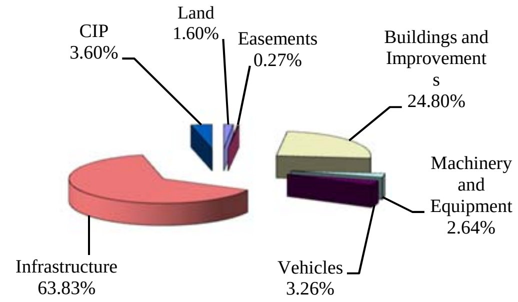
See Note 9 to the basic financial statements for detail on governmental activities and business-type activities capital assets.

The following graphs show the breakdown of governmental activities capital assets by category at December 31, 2017 and December 31, 2016.

Capital Assets – Governmental Activities 2017



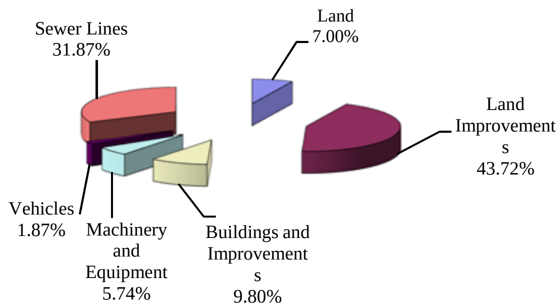
Capital Assets – Governmental Activities 2016



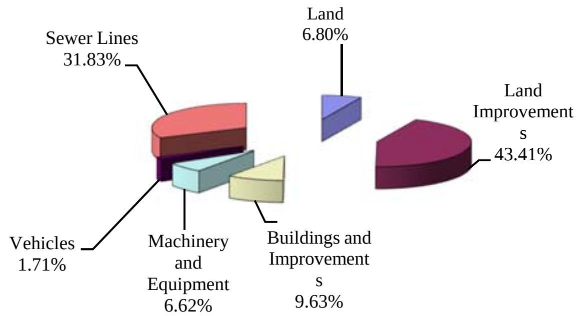
The County's largest governmental activities capital asset category is infrastructure, which includes roads and bridges. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 64.17% of the County's total governmental activities capital assets.

The following graphs show the breakdown of business-type activities capital assets by category at December 31, 2017 and December 31, 2016.

Capital Assets – Business-type 2017



Capital Assets – Business-type 2016



The County's largest business-type activities 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 43.72% of the County's total business-type activities capital assets.

Debt Administration

At December 31, 2017, the County had long-term and short-term obligations of $2,585,000 in general obligation bonds, $455,000 in special assessment bonds, $20,173 in bond anticipation notes, $1,882,900 in sewer revenue bonds, OWDA loans of $377,898, Capmark commercial mortgage liability of $24,000, capital lease obligations of $10,719, and closure and postclosure liability outstanding of $4,644,719. Of this total, $456,403 is due within one year and $9,544,006 is due in more than one year.

The following table summarizes the short-term and long-term obligations outstanding at December 31, 2017 and December 31, 2016.

Outstanding Debt, at Year End

	Governmental Activities 2017	Business-type Activities 2017	Governmental Activities 2016	Business-type Activities 2016
Short-term obligations:				
Bond anticipation notes	$ 6,000	$ -	$ 6,844	$ -
Long-term obligations:				
General obligation bonds	2,585,000	-	2,820,000	-
Special assessment bonds	455,000	-	530,000	-
Bond anticipation notes	14,173	-	20,173	-
Sewer revenue bonds	-	1,882,900	-	1,914,900
OPWC loans	-	-	58,506	-
OWDA loans	377,898	-	450,148	-
Capmark commercial mortgage	-	24,000	-	31,000
Capital lease obligations	10,719	-	1,947	-
Closure and postclosure	-	4,644,719	-	4,549,482
Total	$ 3,448,790	$ 6,551,619	$ 3,887,618	$ 6,495,382

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 (debt administration).

Economic Factors and Next Year's Budgets and Rates

The County's estimated population for 2017 (the latest information available from the U.S. Census Bureau) was approximately 38,488.

As of December 31, 2017, 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 4.3%, compared to the 4.5% State rate and the 4.1% 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 Jill Little, Defiance County Auditor, 500 Second Street, Suite 301, Defiance, Ohio 43512.

BASIC
FINANCIAL STATEMENTS

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DEFIANCE COUNTY

STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	$ 21,762,718	$ 15,015,268	$ 36,777,986
Cash and cash equivalents in segregated accounts	6,098	325	6,423
Cash and cash equivalents with fiscal agent	-	2,151	2,151
Investments	-	5,618,621	5,618,621
Receivables (net of allowance for uncollectibles):			
Sales taxes	987,581	-	987,581
Real estate and other taxes	6,581,904	-	6,581,904
Accounts	113,890	548,353	662,243
Due from external parties	48,711	-	48,711
Intergovernmental	4,387,292	-	4,387,292
Special assessments	1,238,730	-	1,238,730
Accrued interest	47,386	6,734	54,120
Loans	1,627,784	-	1,627,784
Internal balances	231,497	(231,497)	-
Prepayments	1,272,180	64,725	1,336,905
Materials and supplies inventory	770,504	5,303	775,807
Net pension asset	19,458	989	20,447
Capital assets:			
Non-depreciable capital assets	1,368,045	1,362,071	2,730,116
Depreciable capital assets, net	62,823,392	18,083,174	80,906,566
Total capital assets	64,191,437	19,445,245	83,636,682
Total assets	103,287,170	40,476,217	143,763,387
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	23,117	-	23,117
Pension - OPERS	6,006,045	305,536	6,311,581
Pension - STRS	305,554	-	305,554
Total deferred outflows of resources	6,334,716	305,536	6,640,252
Total assets and deferred outflows of resources	109,621,886	40,781,753	150,403,639
Liabilities:			
Accounts payable	387,787	75,315	463,102
Contracts payable	256,115	-	256,115
Accrued wages and benefits	275,085	16,042	291,127
Due to other governments	199,542	75,651	275,193
Accrued interest payable	12,926	4,840	17,766
Notes payable	6,000	-	6,000
Claims payable	333,431	-	333,431
Long-term liabilities:			
Due within one year	915,835	91,411	1,007,246
Due in more than one year:			
Net pension liability	16,396,481	785,881	17,182,362
Other amounts due in more than one year	3,573,221	6,601,142	10,174,363
Total liabilities	22,356,423	7,650,282	30,006,705
Deferred inflows of resources:			
Real estate and other taxes levied for the next fiscal year	6,500,450	-	6,500,450
Pension - OPERS	271,497	16,052	287,549
Pension - STRS	633,749	-	633,749
Total deferred inflows of resources	7,405,696	16,052	7,421,748
Total liabilities and deferred inflows of resources	29,762,119	7,666,334	37,428,453
Net position:			
Net investment in capital assets	61,549,052	17,538,345	79,087,397
Restricted for:			
Debt service	1,606,137	-	1,606,137
Capital projects	135,479	-	135,479
Other purposes	4,041,316	-	4,041,316
Public works projects	3,435,784	-	3,435,784
Public safety programs	660,388	-	660,388
Health services	1,355,089	-	1,355,089
Landfill closure and postclosure	-	1,511,423	1,511,423
Unrestricted	7,076,522	14,065,651	21,142,173
Total net position	$ 79,859,767	$ 33,115,419	$ 112,975,186

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

		Program Revenues		
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Governmental activities:				
General government:				
Legislative and executive	$ 6,449,079	$ 2,279,278	$ -	$ -
Judicial	2,081,134	548,580	196,068	-
Public safety	5,880,181	191,291	170,783	-
Public works	7,131,923	530,117	4,390,094	1,215,299
Health	4,457,249	283,913	1,823,478	-
Human services	3,717,495	214,989	963,088	-
Conservation and recreation	4,823	-	-	-
Economic development	1,078,940	6,809	1,400,446	-
Interest and fiscal charges	175,438	-	-	-
Total governmental activities	30,976,262	4,054,977	8,943,957	1,215,299
Business-type activities:				
Landfill	2,994,274	4,505,629	-	-
Sewer	916,865	697,149	-	-
Total business-type activities	3,911,139	5,202,778	-	-
Total	$ 34,887,401	$ 9,257,755	$ 8,943,957	$ 1,215,299

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
$ (4,169,801)	$ -	$ (4,169,801)
(1,336,486)	-	(1,336,486)
(5,518,107)	-	(5,518,107)
(996,413)	-	(996,413)
(2,349,858)	-	(2,349,858)
(2,539,418)	-	(2,539,418)
(4,823)	-	(4,823)
328,315	-	328,315
(175,438)	-	(175,438)
(16,762,029)	-	(16,762,029)
-	1,511,355	1,511,355
-	(219,716)	(219,716)
-	1,291,639	1,291,639
(16,762,029)	1,291,639	(15,470,390)
2,188,804	-	2,188,804
687,219	-	687,219
2,319,104	-	2,319,104
999,074	-	999,074
6,027,376	-	6,027,376
1,882,022	-	1,882,022
517,722	71,072	588,794
1,037,256	18,152	1,055,408
15,658,577	89,224	15,747,801
(1,103,452)	1,380,863	277,411
80,963,219	31,734,556	112,697,775
$ 79,859,767	$ 33,115,419	$ 112,975,186

DEFIANCE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General	Developmental Disabilities	Motor Vehicle License and Gas Tax	Emergency 911
Assets:				
Equity in pooled cash and cash equivalents	$ 4,940,961	$ 3,388,049	$ 1,973,465	$ 420,979
Cash and cash equivalents in segregated accounts	5,948	-	125	-
Receivables (net of allowance for uncollectibles):				
Sales taxes	987,581	-	-	-
Real estate and other taxes	2,132,681	2,715,282	-	709,142
Accounts	83,992	-	18,871	-
Due from external parties	48,711	-	-	-
Intergovernmental	778,532	194,123	2,138,877	43,795
Special assessments	-	-	-	-
Accrued interest	47,386	-	-	-
Loans	-	-	-	-
Interfund loans	2,964,937	-	-	200,000
Due from other funds	131,307	-	23,105	-
Prepayments	838,546	316,966	3,258	39,320
Materials and supplies inventory	62,988	12,629	656,584	504
Total assets	$ 13,023,570	$ 6,627,049	$ 4,814,285	$ 1,413,740
Liabilities:				
Accounts payable	$ 188,072	$ 32,311	$ 47,952	$ 2,239
Contracts payable	-	-	-	-
Accrued wages and benefits	126,152	48,633	35,147	14,231
Compensated absences payable	-	906	-	-
Due to other funds	27,908	22,256	23,763	6,783
Due to other governments	123,944	21,198	18,518	7,474
Interfund loans payable	-	-	-	-
Notes payable	-	-	-	-
Total liabilities	466,076	125,304	125,380	30,727
Deferred inflows of resources:				
Real estate and other taxes levied for the next fiscal year	2,107,450	2,681,000	-	700,000
Sales tax revenue not available	529,343	-	-	-
Delinquent real estate and other tax revenue not available	24,149	32,813	-	8,750
Intergovernmental revenue not available	653,764	194,123	1,864,810	43,795
Special assessments revenue not available	-	-	-	-
Accrued interest not available	20,259	-	-	-
Miscellaneous revenue not available	32,122	-	-	-
Total deferred inflows of resources	3,367,087	2,907,936	1,864,810	752,545
Total liabilities and deferred inflows of resources	3,833,163	3,033,240	1,990,190	783,272
Fund balances:				
Nonspendable	3,973,743	329,595	659,842	39,824
Restricted	-	3,264,214	2,164,253	590,644
Committed	33,198	-	-	-
Assigned	4,629,683	-	-	-
Unassigned (deficit)	553,783	-	-	-
Total fund balances (deficit)	9,190,407	3,593,809	2,824,095	630,468
Total liabilities, deferred inflows of resources and fund balances	$ 13,023,570	$ 6,627,049	$ 4,814,285	$ 1,413,740

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Senior Center	Historical Jail Debt Service	County Improvement	Nonmajor Governmental Funds	Total Governmental Funds
$ 530,788	$ 1,738,110	$ 2,229,656	$ 4,958,775	$ 20,180,783
-	-	-	25	6,098
-	-	-	-	987,581
1,024,799	-	-	-	6,581,904
-	-	-	11,027	113,890
-	-	-	-	48,711
62,426	-	-	1,169,539	4,387,292
-	-	-	1,238,730	1,238,730
-	-	-	-	47,386
-	-	-	1,627,784	1,627,784
-	-	125,000	-	3,289,937
-	-	-	4,789	159,201
5,780	-	-	14,648	1,218,518
3,918	-	-	33,881	770,504
$ 1,627,711	$ 1,738,110	$ 2,354,656	$ 9,059,198	$ 40,658,319
$ 27,312	$ -	$ 16,009	$ 72,530	$ 386,425
-	-	-	256,115	256,115
18,869	-	-	32,053	275,085
-	-	-	-	906
9,172	-	-	60,519	150,401
10,076	-	-	18,332	199,542
-	1,700,000	-	850,454	2,550,454
-	-	-	6,000	6,000
65,429	1,700,000	16,009	1,296,003	3,824,928
1,012,000	-	-	-	6,500,450
-	-	-	-	529,343
12,250	-	-	-	77,962
62,426	-	-	900,154	3,719,072
-	-	-	1,238,730	1,238,730
-	-	-	-	20,259
-	-	-	-	32,122
1,086,676	-	-	2,138,884	12,117,938
1,152,105	1,700,000	16,009	3,434,887	15,942,866
9,698	-	-	1,276,899	6,289,601
465,908	38,110	-	3,818,647	10,341,776
-	-	-	1,025,049	1,058,247
-	-	2,338,647	-	6,968,330
-	-	-	(496,284)	57,499
475,606	38,110	2,338,647	5,624,311	24,715,453
$ 1,627,711	$ 1,738,110	$ 2,354,656	$ 9,059,198	$ 40,658,319

DEFIANCE COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017

Total governmental fund balances		$ 24,715,453
Amounts reported for governmental activities on the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		64,191,437
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	$ 529,343	
Real estate and other taxes receivable	77,962	
Intergovernmental receivable	3,719,072	
Special assessments receivable	1,238,730	
Accrued interest receivable	20,259	
Miscellaneous revenue receivable	32,122	
Total		5,617,488
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.		800,804
An interfund receivable is recorded in governmental activities to reflect underpayments to the internal service fund by the business-type activities.		(16,786)
Unamortized premiums on bond issuances are not recognized in the funds.		(15,646)
Unamortized deferred amounts on refundings are not recognized in the funds.		23,117
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(12,926)
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.		
Net pension asset	19,458	
Deferred outflows of resources	6,311,599	
Deferred inflows of resources	(905,246)	
Net pension liability	(16,396,481)	
Total		(10,970,670)
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	(2,585,000)	
Special assessment bonds payable	(455,000)	
OWDA loan payable	(377,898)	
Notes payable	(14,173)	
Compensated absences payable	(1,029,714)	
Capital leases payable	(10,719)	
Total		(4,472,504)
Net position of governmental activities		$ 79,859,767

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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DEFIANCE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Developmental Disabilities	Motor Vehicle License and Gas Tax	Emergency 911
Revenues:				
Property taxes	$ 2,187,482	$ 2,317,306	$ -	$ 686,739
Sales taxes	6,007,690	-	-	-
Special assessments	-	-	-	-
Charges for services	1,297,713	122,013	69	-
Licenses and permits	281,374	-	-	-
Fines and forfeitures	288,893	-	22,776	-
Intergovernmental	1,348,962	1,917,964	4,245,093	87,747
Investment income	565,723	887	11,698	-
Rental income	297,080	-	-	-
Contributions and donations	-	9,227	-	-
Other	622,079	36,812	19,812	5,438
Total revenues	12,896,996	4,404,209	4,299,448	779,924
Expenditures:				
Current:				
General government:				
Legislative and executive	4,661,864	-	-	-
Judicial	1,555,300	-	-	-
Public safety	4,179,315	-	-	955,114
Public works	165,788	-	4,186,388	-
Health	48,531	4,567,393	-	-
Human services	926,574	-	-	-
Economic development	205,466	-	-	-
Other	574,466	-	-	-
Capital outlay	11,387	-	-	-
Debt service:				
Principal retirement	2,615	-	-	-
Interest and fiscal charges	271	-	-	-
Total expenditures	12,331,577	4,567,393	4,186,388	955,114
Excess (deficiency) of revenues over (under) expenditures	565,419	(163,184)	113,060	(175,190)
Other financing sources (uses):				
Sale of capital assets	50,133	-	-	-
Note issuance	-	-	-	-
Capital lease transaction	11,387	-	-	-
Transfers in	-	-	4,999	-
Transfers out	(40,724)	-	-	-
Total other financing sources (uses)	20,796	-	4,999	-
Net change in fund balances	586,215	(163,184)	118,059	(175,190)
Fund balances at beginning of year	8,604,192	3,756,993	2,706,036	805,658
Fund balances at end of year	$ 9,190,407	$ 3,593,809	$ 2,824,095	$ 630,468

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Senior Center	Historical Jail Debt Service	County Improvement	Nonmajor Governmental Funds	Total Governmental Funds
$ 998,402	$ -	$ -	$ -	$ 6,189,929
-	-	-	-	6,007,690
-	-	-	590,689	590,689
90,905	-	-	835,654	2,346,354
-	-	-	-	281,374
-	-	-	191,214	502,883
373,920	43,440	-	3,210,018	11,227,144
-	-	-	16,734	595,042
-	-	-	136,316	433,396
5,497	-	-	60,977	75,701
41,355	-	-	344,615	1,070,111
1,510,079	43,440	-	5,386,217	29,320,313
-	-	-	620,477	5,282,341
-	-	-	342,950	1,898,250
-	-	-	141,098	5,275,527
-	-	-	91,406	4,443,582
-	-	-	221,142	4,837,066
1,487,679	-	23,047	943,546	3,380,846
-	-	-	873,474	1,078,940
-	-	-	-	574,466
-	-	541,185	1,670,586	2,223,158
-	95,000	-	365,929	463,544
-	101,375	-	73,757	175,403
1,487,679	196,375	564,232	5,344,365	29,633,123
22,400	(152,935)	(564,232)	41,852	(312,810)
-	-	-	-	50,133
-	-	-	14,173	14,173
-	-	-	-	11,387
-	-	-	59,410	64,409
-	-	-	(23,685)	(64,409)
-	-	-	49,898	75,693
22,400	(152,935)	(564,232)	91,750	(237,117)
453,206	191,045	2,902,879	5,532,561	24,952,570
$ 475,606	$ 38,110	$ 2,338,647	$ 5,624,311	$ 24,715,453

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, 2017

Net change in fund balances - total governmental funds		$ (237,117)
Amounts reported for governmental activities in the statement of activities are different because:		
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 depreciation expense exceeded capital outlays in the current period.		
Capital outlay	$ 2,839,424	
Depreciation expense	(3,638,766)	
Total		(799,342)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		(61,557)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	4,272	
Sales taxes	19,686	
Special assessments	(143,159)	
Intergovernmental	761,469	
Investment income	(56,916)	
Other	(32,855)	
Total		552,497
The issuance of notes and capital leases are an other financing source in the funds, but increase long-term liabilities on the statement of net position.		(25,560)
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	1,269	
Amortization of bond premium	2,510	
Amortization of deferred charges on refundings	(3,814)	
Total		(35)
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	235,000	
Special assessment bonds payable	75,000	
Loans payable	130,756	
Bond anticipation notes	20,173	
Capital leases payable	2,615	
Total		463,544
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		1,284,256
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities.		(2,622,745)
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.		(63,678)
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 $22,601 internal activity) is allocated among the governmental activities.		406,285
Change in net position of governmental activities		$ (1,103,452)

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, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
Revenues:				
Property taxes	$ 2,107,000	$ 2,219,313	$ 2,219,313	$ -
Sales taxes	5,300,000	6,012,705	6,012,706	1
Charges for services	1,007,500	1,257,779	1,270,029	12,250
Licenses and permits	77,950	2,669	2,694	25
Fines and forfeitures	235,100	294,533	299,819	5,286
Intergovernmental	1,229,332	1,314,497	1,314,497	-
Investment income	469,323	709,270	618,323	(90,947)
Rental income	250,000	294,345	297,080	2,735
Other	305,250	863,572	696,044	(167,528)
Total revenues	10,981,455	12,968,683	12,730,505	(238,178)
Expenditures:				
Current:				
General government:				
Legislative and executive	5,309,828	5,451,362	5,111,682	339,680
Judicial	1,682,036	1,684,346	1,585,359	98,987
Public safety	4,227,473	4,285,636	4,206,546	79,090
Public works	541,596	498,996	133,097	365,899
Health	92,393	55,893	55,406	487
Human services	1,016,165	956,165	919,134	37,031
Economic development	203,000	203,000	202,733	267
Capital outlay	425,000	425,000	-	425,000
Other	1,397,486	1,569,035	570,756	998,279
Total expenditures	14,894,977	15,129,433	12,784,713	2,344,720
Excess of expenditures over revenues	(3,913,522)	(2,160,750)	(54,208)	2,106,542
Other financing sources (uses):				
Advances in	-	326,355	326,355	-
Advances out	-	(30,000)	(30,000)	-
Transfers out	-	(41,794)	(41,794)	-
Sale of capital assets	1,000	50,133	50,133	-
Contingencies	(110,460)	(2,166,926)	-	2,166,926
Total other financing sources (uses)	(109,460)	(1,862,232)	304,694	2,166,926
Net change in fund balances	(4,022,982)	(4,022,982)	250,486	4,273,468
Fund balance at beginning of year	3,840,659	3,840,659	3,840,659	-
Prior year encumbrances appropriated	182,323	182,323	182,323	-
Fund balance at end of year	$ -	$ -	$ 4,273,468	$ 4,273,468

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	**Final**	**Actual**	
Revenues:				
Property taxes.	$ 2,500,000	$ 2,500,000	$ 2,350,529	$ (149,471)
Charges for services.	40,700	40,700	122,013	81,313
Intergovernmental.	1,647,139	1,650,862	1,953,898	303,036
Investment income.	30	30	887	857
Contributions and donations.	220	220	9,227	9,007
Other	23,000	23,000	36,812	13,812
Total revenues	4,211,089	4,214,812	4,473,366	258,554
Expenditures:				
Current:				
Health	6,189,698	6,193,421	4,465,845	1,727,576
Net change in fund balances	(1,978,609)	(1,978,609)	7,521	1,986,130
Fund balance at beginning of year	3,125,635	3,125,635	3,125,635	-
Prior year encumbrances appropriated	58,940	58,940	58,940	-
Fund balance at end of year	$ 1,205,966	$ 1,205,966	$ 3,192,096	$ 1,986,130

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
Charges for services	$ 1,000	$ 43	$ 69	$ 26
Fines and forfeitures	10,000	20,961	20,996	35
Intergovernmental	4,141,000	4,272,795	4,305,691	32,896
Investment income	12,000	11,698	11,698	-
Other	2,000	31,356	31,381	25
Total revenues	4,166,000	4,336,853	4,369,835	32,982
Expenditures:				
Current:				
Public works	5,937,627	6,108,480	4,235,027	1,873,453
Excess (deficiency) of revenues over (under) expenditures	(1,771,627)	(1,771,627)	134,808	1,906,435
Other financing sources:				
Transfers in	4,999	4,999	4,999	-
Net change in fund balances	(1,766,628)	(1,766,628)	139,807	1,906,435
Fund balance at beginning of year	1,741,737	1,741,737	1,741,737	-
Prior year encumbrances appropriated	24,891	24,891	24,891	-
Fund balance at end of year	$ -	$ -	$ 1,906,435	$ 1,906,435

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	**Final**	**Actual**	
Revenues:				
Property taxes	$ 700,000	$ 696,649	$ 696,649	$ -
Intergovernmental	85,000	87,747	87,747	-
Other	-	5,438	5,438	-
Total revenues	785,000	789,834	789,834	-
Expenditures:				
Current:				
Public safety	1,389,866	1,394,700	1,006,605	388,095
Total expenditures	1,389,866	1,394,700	1,006,605	388,095
Net change in fund balances	(604,866)	(604,866)	(216,771)	388,095
Fund balance at beginning of year	599,397	599,397	599,397	-
Prior year encumbrances appropriated	5,469	5,469	5,469	-
Fund balance at end of year	$ -	$ -	$ 388,095	$ 388,095

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, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
Revenues:				
Property taxes	$ 1,008,000	$ 1,012,499	$ 1,012,499	$ -
Charges for services	97,000	90,452	91,977	1,525
Intergovernmental	390,908	382,347	382,347	-
Contributions and donations	5,000	5,497	5,497	-
Other	12,000	41,355	41,355	-
Total revenues	1,512,908	1,532,150	1,533,675	1,525
Expenditures:				
Current:				
Human services	1,930,715	1,949,957	1,492,231	457,726
Net change in fund balances	(417,807)	(417,807)	41,444	459,251
Fund balance at beginning of year	383,274	383,274	383,274	-
Prior year encumbrances appropriated	34,533	34,533	34,533	-
Fund balance at end of year	$ -	$ -	$ 459,251	$ 459,251

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Landfill	Sewer	Total	
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	$ 13,306,492	$ 1,177,989	$ 14,484,481	$ 1,581,935
Cash with fiscal agent	-	2,151	2,151	-
Cash and cash equivalents in segregated accounts	225	100	325	-
Receivables (net of allowance for uncollectibles):				
Accounts	433,103	115,250	548,353	-
Due from other funds	49	-	49	-
Prepayments	61,217	3,508	64,725	53,662
Materials and supplies inventory	3,365	1,938	5,303	-
Total current assets	13,804,451	1,300,936	15,105,387	1,635,597
Noncurrent assets:				
Net pension asset	743	246	989	-
Restricted assets:				
Equity in pooled cash and cash equivalents	530,787	-	530,787	-
Investments	5,618,621	-	5,618,621	-
Accrued interest receivable	6,734	-	6,734	-
Total restricted assets	6,156,142	-	6,156,142	-
Capital assets:				
Non-depreciable capital assets	1,139,731	222,340	1,362,071	-
Depreciable capital assets, net	8,196,829	9,886,345	18,083,174	-
Total capital assets, net	9,336,560	10,108,685	19,445,245	-
Total noncurrent assets	15,493,445	10,108,931	25,602,376	-
Total assets	29,297,896	11,409,867	40,707,763	1,635,597
Deferred outflows of resources:				
Pension - OPERS	229,325	76,211	305,536	-
Total deferred outflows of resources	229,325	76,211	305,536	-
Liabilities:				
Current liabilities:				
Accounts payable	35,812	39,503	75,315	1,362
Accrued wages and benefits	12,419	3,623	16,042	-
Compensated absences payable	41,593	9,018	50,611	-
Due to other funds	7,120	1,729	8,849	-
Due to other governments	73,776	1,875	75,651	-
Interfund loans payable	-	239,483	239,483	500,000
Accrued interest payable	-	4,840	4,840	-
Claims payable	-	-	-	333,431
Revenue bonds	-	32,800	32,800	-
Capmark commercial mortgage payable	-	8,000	8,000	-
Total current liabilities	170,720	340,871	511,591	834,793
Long-term liabilities:				
Liabilities payable from restricted assets:				
Closure and postclosure payable	4,644,719	-	4,644,719	-
Revenue bonds	-	1,850,100	1,850,100	-
Capmark commercial mortgage payable	-	16,000	16,000	-
Compensated absences	41,086	49,237	90,323	-
Net pension liability	590,217	195,664	785,881	-
Total long-term liabilities	5,276,022	2,111,001	7,387,023	-
Total liabilities	5,446,742	2,451,872	7,898,614	834,793
Deferred inflows of resources:				
Pension - OPERS	14,311	1,741	16,052	-
Total deferred inflows of resources	14,311	1,741	16,052	-
Net position:				
Net investment in capital assets	9,336,560	8,201,785	17,538,345	-
Restricted for closure and postclosure	1,511,423	-	1,511,423	-
Unrestricted	13,218,185	830,680	14,048,865	800,804
Total net position	$ 24,066,168	$ 9,032,465	33,098,633	$ 800,804
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds			16,786	
Net position of business-type activities			$ 33,115,419	

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, 2017

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Landfill	**Sewer**	**Total**	
Operating revenues:				
Charges for services	$ 4,505,629	$ 697,149	$ 5,202,778	$ 3,642,325
Other.	17,219	933	18,152	-
Total operating revenues.	4,522,848	698,082	5,220,930	3,642,325
Operating expenses:				
Personal services	610,635	211,627	822,262	-
Contract services.	587,434	26,595	614,029	172,047
Materials and supplies.	222,392	52,461	274,853	-
Other	1,107,652	305,991	1,413,643	-
Claims.	-	-	-	3,041,392
Closure and postclosure.	95,237	-	95,237	-
Depreciation.	386,460	272,413	658,873	-
Total operating expenses.	3,009,810	869,087	3,878,897	3,213,439
Operating income (loss).	1,513,038	(171,005)	1,342,033	428,886
Nonoperating revenues (expenses):				
Interest revenue.	71,072	-	71,072	-
Interest expense and fiscal charges	-	(54,843)	(54,843)	-
Total nonoperating revenues (expenses).	71,072	(54,843)	16,229	-
Change in net position	1,584,110	(225,848)	1,358,262	428,886
Net position at beginning of year.	22,482,058	9,258,313		371,918
Net position at end of year	$ 24,066,168	$ 9,032,465		$ 800,804
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			22,601	
Change in net position of business-type activities			$ 1,380,863	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Landfill	**Sewer**	**Total**	
Cash flows from operating activities:				
Cash received from charges for services	$ 4,498,862	$ 689,211	$ 5,188,073	$ 3,642,325
Cash received from other operating revenue	96,690	4,110	100,800	-
Cash received from special assessments	-	6,740	6,740	-
Cash payments for personal services	(503,474)	(177,737)	(681,211)	-
Cash payments for contract services	(846,319)	(92,357)	(938,676)	(232,391)
Cash payments for materials and supplies	(208,987)	(47,695)	(256,682)	-
Cash payments for claims	-	-	-	(3,164,363)
Cash payments for other expenses	(1,115,344)	(280,042)	(1,395,386)	-
Net cash provided by operating activities	1,921,428	102,230	2,023,658	245,571
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(70,100)	-	(70,100)	-
Principal payments on bonds	-	(32,000)	(32,000)	-
Interest payments on bonds	-	(53,377)	(53,377)	-
Principal payments on Capmark commercial mortgage	-	(7,000)	(7,000)	-
Interest payments on Capmark commercial mortgage	-	(1,550)	(1,550)	-
Net cash used in capital and related financing activities	(70,100)	(93,927)	(164,027)	-
Cash flows from investing activities:				
Cash received from interest	79,747	-	79,747	-
Net cash provided by maturities of investments	2,564,001	-	2,564,001	-
Net cash payments for purchases of investments	(2,548,585)	-	(2,548,585)	-
Net cash provided by investing activities	95,163	-	95,163	-
Net increase in cash and cash equivalents	1,946,491	8,303	1,954,794	245,571
Cash and cash equivalents at beginning of year	11,891,013	1,171,937	13,062,950	1,336,364
Cash and cash equivalents at end of year	$ 13,837,504	$ 1,180,240	$ 15,017,744	$ 1,581,935

- - continued

DEFIANCE COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Landfill	**Sewer**	**Total**	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 1,513,038	$ (171,005)	$ 1,342,033	$ 428,886
Adjustments:				
Depreciation	386,460	272,413	658,873	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
(Increase) decrease in accounts receivable	(6,767)	1,979	(4,788)	-
Decrease in due from other funds	11	-	11	-
(Increase) decrease in prepayments	4,650	893	5,543	(53,662)
(Increase) decrease in materials and supplies inventory	415	(1,250)	(835)	-
(Increase) in net pension asset	(175)	(66)	(241)	-
(Increase) in deferred outflows - pension - OPERS	(48,119)	(18,762)	(66,881)	-
(Decrease) in accounts payable	(165,471)	(29,538)	(195,009)	(6,682)
Increase in accrued wages and benefits	5,142	1,347	6,489	-
Increase in closure and postclosure payable	95,237	-	95,237	-
(Decrease) in due to other funds	(3,918)	(1,445)	(5,363)	-
Decrease in claims payable	-	-	-	(122,971)
Increase in due to other governments	2,489	99	2,588	-
Increase in compensated absences payable	15,307	2,781	18,088	-
Increase in net pension liability	120,951	46,890	167,841	-
Increase (decrease) in deferred inflows - pension - OPERS	2,178	(2,106)	72	-
Net cash provided by operating activities	$ 1,921,428	$ 102,230	$ 2,023,658	$ 245,571

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2017

		Agency
Assets:		
Equity in pooled cash and cash equivalents	$	7,788,679
Cash in segregated accounts		1,097,155
Receivables:		
Real estate and other taxes		36,360,286
Due from other governments		1,770,350
Special assessments		433,434
Total assets	$	47,449,904
Liabilities:		
Accounts payable	$	6,214
Due to other governments		40,359,062
Due to external parties		48,711
Undistributed monies		7,035,917
Total liabilities	$	47,449,904

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements - 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.

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.

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

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.

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.

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.

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. It also accounts for the activities of the County clinic.

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 2017. 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.

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 Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the County, See Note 13 for deferred outflows of resources related the County's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the County, unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the County, See Note 13 for deferred inflows of resources related to the County's net pension liability. This deferred inflow of resources is only reported on the government-wide 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 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.

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 2017, the County invested in nonnegotiable certificates of deposit, a money market mutual fund, federal agency securities, a U.S. Treasury note, commercial paper, and municipal bonds. Investments are reported at fair value, except for nonnegotiable certificates of deposit and the money market mutual fund, which are both reported at cost. Fair value is based on quoted market prices.

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 2017 was $565,723, which includes $440,122 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. Fair Value Measurements

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2017 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 net current assets.

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

I. Inventory

Inventory is presented at cost on a first-in, first-out basis, and is expended/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 net current assets.

J. 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 net current assets.

K. 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.

L. 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 acquisition 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.

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:

Description	Governmental Activities Estimated Lives	Business-type Activities Estimated Lives
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

M. 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 activities and business-type activities. These amounts are presented as "internal balances".

N. 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 with the County.

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.

O. 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.

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and net pension liability 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, bond anticipation notes, 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.

P. 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.

Q. 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 portion 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.

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

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. 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.

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for 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.

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.

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 2017.

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

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.

W. Pensions

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2017, the County has implemented GASB Statement No. 80, *"Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14"*, GASB Statement No. 81 *"Irrevocable Split-Interest Agreements"*, and GASB Statement No. 82, *"Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73"*.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the County.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the County.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the County.

B. Deficit Fund Balances

Fund balances at December 31, 2017 included the following individual fund deficits:

Nonmajor funds	Deficit
Court computer resource fund	$ 20,268
FEMA Hazard mitigation fund	6,267
Safety Capital grant fund	7,975
Airport fund	423,683
Flory tile capital fund	6,000
Ridge ditch capital project fund	13,929
Ridge ditch St. Mike's tile capital project fund	15,450

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

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.

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, 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);

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

(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

	General	Developmental Disabilities	Motor Vehicle License and Gas Tax	Emergency 911	Senior Center
Budget basis	$ 250,486	$ 7,521	$ 139,807	$ (216,771)	$ 41,444
Net adjustment for revenue accruals	(294,922)	(69,157)	(70,387)	(9,910)	(23,596)
Net adjustment for expenditure accruals	505,102	(213,140)	(18,391)	44,441	(21,789)
Net adjustment for other sources/uses	(283,898)	-	-	-	-
Funds budgeted elsewhere	244,687	-	-	-	-
Adjustment for encumbrances	164,760	111,592	67,030	7,050	26,341
GAAP basis	$ 586,215	$ (163,184)	$ 118,059	$ (175,190)	$ 22,400

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.

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;

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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 and two hundred seventy days, respectively, 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. 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 $338,091 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 $2,151 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.

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

C. Cash in Segregated Accounts

At year end, the County had $1,103,578 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, 2017, the carrying amount of all County deposits was $20,953,718 and the bank balance of all County deposits was $22,346,239. Of the bank balance, $7,277,804 was covered by the FDIC, $14,395,373 was covered by the Ohio Pooled Collateral System, and $673,062 was potentially exposed to custodial credit risk discussed below because those deposits were uninsured and could be uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the County to a successful claim by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the County and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. Financial institutions which have received an extension (the "grace period") from the Ohio Treasurer of State to participate in the OPCS beyond December 31, 2017 may also pledge a single pool of eligible securities to secure the repayment of all public moneys deposited in the institution and not otherwise secured pursuant to law, provided that at all times the total market value of the securities so pledged is at least equal to 105% of the total amount of all public deposits to be secured by the pooled securities that are not covered by any federal deposit insurance. For 2017, certain County financial institutions participated in OPCS and some did not participate in the OPCS because they received an extension of time to participate.

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

E. Investments

As of December 31, 2017, the County had the following investments and maturities:

Measurement/ Investment type	Measurement Amount	Investment Maturities 6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Fair Value:						
Commercial Paper	$ 20,075,310	$ 6,011,727	$ 14,063,583	$ -	$ -	$ -
Federal Home Loan Mortgage Corporation	98,149	-	-	-	-	98,149
Federal National Mortgage Association	2,322,818	-	-	-	2,322,818	-
Negotiable Certificates of Deposit	2,702,813	247,686	477,982	-	739,362	1,237,783
Repurchase Agreement	4,815,965	4,815,965	-	-	-	-
Total	$ 30,015,055	$ 11,075,378	$ 14,541,565	$ -	$ 3,062,180	$ 1,335,932

The weighted average maturity of investments is 0.68 years.

The County's investments in commercial paper, federal agency securities and negotiable CD's are valued using quoted market prices (Level 2 inputs).

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 of 270 days from the date of purchase

Credit Risk: The County's investments in federal agency securities and the investments that underly the Repurchase Agreement were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The County's investment in commercial paper is rated A-1+ and P-1 by Standard & Poor's and Moody's Investor Services, respectively. The negotiable CD's 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 note, commercial paper, 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 credit 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.

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2017:

Measurement/ Investment type	Measurement Amount	% of Total
Fair Value:		
Commercial Paper	$ 20,075,310	66.88
Federal Home Loan Mortgage Corporation	98,149	0.33
Federal National Mortgage Association	2,322,818	7.74
Negotiable Certificates of Deposit	2,702,813	9.00
Repurchase Agreement	4,815,965	16.05
Total	$ 30,015,055	100.00

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, 2017:

Cash and investments per note	
Carrying amount of deposits	$ 20,935,718
Investments	30,015,055
Cash with fiscal agent	2,151
Cash on hand	338,091
Total	$ 51,291,015

Cash and investments per statement of net position	
Governmental activities	$ 21,768,816
Business-type activities	20,636,365
Agency funds	8,885,834
Total	$ 51,291,015

NOTE 6 - RECEIVABLES

Receivables at December 31, 2017 consisted of accounts (billings for user charged services); sales taxes; accrued interest; amounts due from external parties; intergovernmental receivables arising from grants, entitlements, and shared revenues; real estate and other 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 $1,238,730, will not be received within one year.

NOTE 6 - RECEIVABLES - (Continued)

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. The loans with outstanding balances at December 31, 2017 have annual interest rates ranging from 0 - 4.5%, and are scheduled to be repaid over periods of up to eight years from the balance sheet date. During 2017, principal in the amount of $103,054 was repaid to the County and $200,849 in loans receivable were written off by the County. Loans outstanding at December 31, 2017 were $1,627,784, net of allowance for doubtful accounts in the amount of $92,018 in the nongovernmental funds. Loans receivable, in the amount of $1,228,320, 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	$ 218,982
Homestead and rollback	146,928
Public safety	16,519
Other intergovernmental receivables	396,103
Total general fund	778,532
Developmental disabilities fund	
IDEA grants	52,450
Homestead and rollback	141,673
Total developmental disabilities fund	194,123
Motor vehicle license and gas tax fund	
Gasoline and motor vehicle license tax	2,131,049
Other intergovernmental receivables	7,828
Total motor vehicle license and gas tax fund	2,138,877
Emergency 911 fund	
Homestead and rollback	43,795
Senior center fund	
Homestead and rollback	55,205
Other intergovernmental receivables	7,221
Total senior center fund	62,426
Total major funds	$ 3,217,753

NOTE 6 - RECEIVABLES - (Continued)

Nonmajor governmental funds	
Community development block grant fund	$ 721,640
PSI writer grant fund	15,000
Sarah House fund	5,770
Issue II	256,115
Airport	171,014
Total nonmajor governmental funds	1,169,539
Total governmental activities	$ 4,387,292

Agency funds	
Library local government	$ 616,284
Local government and local government revenue assistance	296,269
Permissive motor vehicle license	115,492
Motor vehicle license tax	210,123
Gasoline tax	532,182
Total agency funds	$ 1,770,350

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 Ohio Department of Taxation certifies payment amounts to the Ohio Department of Budget and Management (OBM) so that OBM can issue the amount of the tax to be returned to the County. The Ohio Department of Taxation'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. 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. 2017 public utility property taxes became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 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, 2017 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 2017 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, 2017 was $8.91 per $1,000 of assessed value. The assessed values of real and public utility personal property upon which 2017 property tax receipts were based are as follows:

Real property	
Residential/agricultural	$ 695,534,850
Commercial/industrial/mineral	114,752,220
Public utility	
Real	480,370
Personal	95,348,460
Total assessed value	$ 906,115,900

NOTE 9 - CAPITAL ASSETS

The capital asset activity of governmental activities for the year ended December 31, 2017, was as follows:

Governmental activities:	Balance January 1, 2017	Additions	Disposals	Balance December 31, 2017
Capital assets, not being depreciated:				
Land	$ 1,039,776	$ 131,420	$ -	$ 1,171,196
Easements	172,474	24,375	-	196,849
Construction in progress	2,344,524	90,069	(2,434,593)	-
Total capital assets, not being depreciated	3,556,774	245,864	(2,434,593)	1,368,045
Capital assets, being depreciated:				
Buildings and improvements	24,034,371	2,496,827	-	26,531,198
Roads and bridges	72,361,548	1,881,972	-	74,243,520
Machinery and equipment	6,269,659	266,032	(57,765)	6,477,926
Vehicles	5,228,513	383,322	(306,897)	5,304,938
Total capital assets, being depreciated	107,894,091	5,028,153	(364,662)	112,557,582
Less: accumulated depreciation:				
Buildings and improvements	(7,904,234)	(749,580)	-	(8,653,814)
Roads and bridges	(30,836,725)	(2,217,682)	-	(33,054,407)
Machinery and equipment	(4,550,679)	(330,766)	49,053	(4,832,392)
Vehicles	(3,106,891)	(340,738)	254,052	(3,193,577)
Total accumulated depreciation	(46,398,529)	(3,638,766)	303,105	(49,734,190)
Total capital assets being depreciated, net	61,495,562	1,389,387	(61,557)	62,823,392
Governmental activities capital assets, net	$ 65,052,336	$ 1,635,251	$ (2,496,150)	$ 64,191,437

NOTE 9 - CAPITAL ASSETS - (Continued)

The capital asset activity of business-type activities for the year ended December 31, 2017, was as follows:

Business-type activities:	Balance January 1, 2017	Additions	Disposals	Balance December 31, 2017
Capital assets, not being depreciated:				
Land	$ 1,362,071	$ -	$ -	$ 1,362,071
Total capital assets, not being depreciated	1,362,071	-	-	1,362,071
Capital assets, being depreciated:				
Land improvements	9,797,054	-	-	9,797,054
Buildings and improvements	2,228,542	-	-	2,228,542
Sewer lines	8,982,537	-	-	8,982,537
Machinery and equipment	4,494,578	6,400	-	4,500,978
Vehicles	531,195	63,700	-	594,895
Total capital assets, being depreciated	26,033,906	70,100	-	26,104,006
Less: accumulated depreciation:				
Land improvements	(1,099,650)	(195,942)	-	(1,295,592)
Buildings and improvements	(298,719)	(23,748)	-	(322,467)
Sewer lines	(2,606,262)	(179,650)	-	(2,785,912)
Machinery and equipment	(3,168,515)	(216,160)	-	(3,384,675)
Vehicles	(188,813)	(43,373)	-	(232,186)
Total accumulated depreciation	(7,361,959)	(658,873)	-	(8,020,832)
Total capital assets being depreciated, net	18,671,947	(588,773)	-	18,083,174
Business-type activities capital assets, net	$ 20,034,018	$ (588,773)	$ -	$ 19,445,245

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

Governmental activities:	
Legislative and executive	$ 452,797
Judicial	43,976
Public safety	223,162
Public works	2,533,059
Health	54,773
Human services	327,793
Conservation and recreation	3,206
Total depreciation expense - governmental activities	$ 3,638,766

NOTE 9 - CAPITAL ASSETS - (Continued)

Business-type activities:	
Landfill	$ 386,460
Sewer	272,413
Total depreciation expense - business-type activities	$ 658,873

NOTE 10 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended December 31, 2017 consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	Amount
Motor vehicle license and gas tax fund	$ 4,999
Nonmajor governmental funds	35,725
Transfers from nonmajor governmental funds to:	
Nonmajor governmental funds	23,685
Total	$ 64,409

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.

B. Due from/to other funds consisted of the following at December 31, 2017, as reported on the fund financial statements:

Receivable fund	Payable fund	Amount
General fund	Developmental disabilities fund	$ 22,256
General fund	Motor vehicle license and gas tax fund	23,763
General fund	Emergency 911 fund	6,783
General fund	Senior center fund	9,172
General fund	Nonmajor governmental funds	60,484
General fund	Landfill fund	7,120
General fund	Sewer fund	1,729
Motor vehicle license and gas tax fund	General fund	23,105
Nonmajor governmental funds	General fund	4,789
Landfill fund	General fund	14
Landfill fund	Nonmajor governmental funds	35
Total		$ 159,250

NOTE 10 - INTERFUND TRANSACTIONS - (Continued)

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 receivable/payable consisted of the following at December 31, 2017, as reported on the fund financial statements:

Receivable fund	Payable fund	Amount
General fund	Historical jail debt service fund	$ 1,700,000
General fund	Sewer fund	239,483
General fund	Internal service fund	500,000
General fund	Nonmajor governmental funds	525,454
Emergency 911	Nonmajor governmental funds	200,000
County improvement fund	Nonmajor governmental funds	125,000
Total		$ 3,289,937

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 loans 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.

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	$ 92,148,276
Equipment Breakdown	100,000,000
General Liability	1,000,000
Commercial Crime	1,000,000
Excess Liability	1,000,000
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, and there has not been any significant reduction in coverage from the prior year.

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Health Benefits

The County has established a limited risk management program for employee health care benefits. A third party administrator processes the claims that 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, 2017 is estimated by a third party administrator at $333,431. The changes in the claims payable liability for 2017 and 2016 were as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Year
2017	$ 456,402	$ 3,041,392	$ (3,164,363)	$ 333,431
2016	256,617	2,972,167	(2,772,382)	456,402

C. Workers' Compensation

For 2017, 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.

NOTE 11 - RISK MANAGEMENT - (Continued)

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.

Participants 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, participants are not relieved of their 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.

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, 2017:

Vendor	Contract Amount	Amount Paid as of December 31, 2017	Outstanding Balance
Appraisal Research Corporation	$ 697,690	$ (643,886)	$ 53,804
Mannik & Smith Group, Inc.	87,000	(31,237)	55,763
Eagon and Associates, Inc.	49,490	(45,095)	4,395
Manatron. Inc.	48,400	(47,860)	540
Digital Data Technologies, Inc.	216,000	(212,000)	4,000
Gerken Paving, Inc.	260,000	(230,525)	29,475
Conduent Business Services	20,556	(1,772)	18,784
Fenson Contracting, LLC	16,315	-	16,315
Total	$ 1,395,451	$ (1,212,375)	$ 183,076

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

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

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* or *net pension asset*, respectively, on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - County employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

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

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 2.25%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 2.25% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

	State and Local	Public Safety	Law Enforcement
2017 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2017 Actual Contribution Rates			
Employer:			
Pension	13.0 %	17.1 %	17.1 %
Post-employment Health Care Benefits	1.0 %	1.0 %	1.0 %
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.
** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

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

The County's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was $1,282,292 for 2017. Of this amount, $167,355 is reported as due to other governments.

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description – County licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 11.5% of the 13% member rate goes to the DC Plan and the remaining 1.5% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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.

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the year ending December 31, 2017, plan members were required to contribute 14% of their annual covered salary. The County was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The 2017 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was $68,777 for 2017. Of this amount, $1,729 is reported as due to other governments.

Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2016, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The County's proportion of the net pension liability or asset was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS - Traditional	OPERS - Combined	OPERS - Member-Directed	STRS	Total
Proportion of the net pension liability/asset prior measurement date	0.09817200%	0.04192000%	0.04669900%	0.00521774%	
Proportion of the net pension liability/asset current measurement date	0.09611900%	0.04903500%	0.04452900%	0.00395153%	
Change in proportionate share	-0.00205300%	0.00711500%	-0.00217000%	-0.00126621%	
Proportionate share of the net pension liability	$ 16,243,668	$ -	$ -	$ 938,694	$ 17,182,362
Proportionate share of the net pension asset	-	(20,309)	(138)	-	(20,447)
Pension expense	3,359,066	14,673	170	(588,335)	2,785,574

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OPERS - Combined	OPERS - Member-Directed	STRS	Total
Deferred outflows of resources					
Differences between expected and actual experience	$ 22,017	$ -	$ 1,407	$ 36,250	$ 59,674
Net difference between projected and actual earnings on pension plan investments	2,419,058	4,955	118	-	2,424,131
Changes of assumptions	2,576,441	4,950	156	205,302	2,786,849
Changes in employer's proportionate percentage/ difference between employer contributions	187	-	-	-	187
County contributions subsequent to the measurement date	1,241,737	21,701	18,854	64,002	1,346,294
Total deferred outflows of resources	$ 6,259,440	$ 31,606	$ 20,535	$ 305,554	$ 6,617,135
Deferred inflows of resources					
Differences between expected and actual experience	$ 96,675	$ 10,388	$ -	$ 7,566	$ 114,629
Net difference between projected and actual earnings on pension plan investments	-	-	-	30,977	30,977
Changes in employer's proportionate percentage/ difference between employer contributions	180,486	-	-	595,206	775,692
Total deferred outflows of resources	$ 277,161	$ 10,388	$ -	$ 633,749	$ 921,298

$1,346,294 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2018.

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS - Traditional	OPERS - Combined	OPERS - Member-Directed	STRS	Total
Year Ending December 31:					
2018	$ 1,928,605	$ 963	$ 247	$ (150,546)	$ 1,779,269
2019	2,028,742	963	244	(108,403)	1,921,546
2020	854,101	747	237	(76,314)	778,771
2021	(70,906)	(1,008)	193	(56,931)	(128,652)
2022	-	(822)	198	(3)	(627)
Thereafter	-	(1,326)	562	-	(764)
Total	$ 4,740,542	$ (483)	$ 1,681	$ (392,197)	$ 4,349,543

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, for the defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Wage inflation	3.25%
Future salary increases, including inflation	3.25% to 10.75% including wage inflation
COLA or ad hoc COLA	Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple
Investment rate of return	7.50%
Actuarial cost method	Individual entry age

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

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

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.75 %
Domestic equities	20.70	6.34
Real estate	10.00	4.75
Private equity	10.00	8.97
International equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

Discount Rate **-** The discount rate used to measure the total pension liability/asset was 7.50%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. A discount rate of 8.00% was used in the previous measurement period. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate **-** The following table presents the County's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.50%, as well as what the County's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	$ 24,815,832	$ 16,243,668	$ 9,100,283
Combined Plan	1,460	(20,310)	(37,222)
Member-Directed Plan	331	(138)	(331)

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected salary increases	2.50% at age 65 to 12.50% at age 20
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	0% effective July 1, 2017

Post-retirement mortality rates are based on RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016; pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016; and post-retirement disabled mortality rates are based on RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. The 2016 year mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022–Scale AA) for Males and Females. Males' ages were set back two years through age 89 and no set back for age 90 and above. Females younger than age 80 were set back four years, one year set back from age 80 through 89 and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study, effective July 1, 2017. As a result of the experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the COLA was reduced to zero, (b) inflation assumptions were lowered from 2.75% to 2.50%, (c) Investment return assumptions were lowered from 7.75% to 7.45%, (d) total salary increases rates were lowered by decreasing merit component of the individual salary increases, as well as by 0.25% due to lower inflation, (e) payroll growth assumptions were lowered to 3.00%, (f) updated the health and disability mortality assumption to the "RP-2014" mortality tables with generational improvement scale MP-2016 and (g) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	33.24 %

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicated that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate **-** The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. A discount rate of 7.75% was used in the previous measurement period. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 % was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate **-** The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75%) or one-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
County's proportionate share of the net pension liability	$ 1,345,587	$ 938,694	$ 595,949

NOTE 14 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) 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/financial/reports.shtml, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered 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 2017, local government employers contributed 14.00% of covered payroll. 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 and Combined Plan for 2017 was 1.00%.

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.

NOTE 14 - POSTRETIREMENT BENEFIT PLANS – (Continued)

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2017, 2016, and 2015 were $137,661, $259,223, and $248,366, respectively; 91.01% has been contributed for 2017 and 100% has been contributed for 2016 and 2015. The remaining 2017 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 4.00% of the employer contributions toward the health care fund after the end of the transition period.

B. State Teachers Retirement System

Plan Description – The County participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org 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 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The County did not make any contributions for health care for the fiscal years ended December 31, 2017, 2016 and 2015.

NOTE 15 - OTHER BENEFITS

A. Compensated Absences

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

County employees earn and accumulate vacation leave at varying rates depending on length of service. Current policy credits vacation leave on an employee's anniversary date. Accumulated vacation leave 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.

NOTE 15 - OTHER BENEFITS - (Continued)

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 bond anticipation note activity for the year ended December 31, 2017, was as follows:

	Date	Date	Rate	January 1, 2017	Additions	Reductions	December 31, 2017
Governmental activities:							
Flory Road Tile - 2017	3/2/2017	3/1/2018	2.31%	$ -	$ 6,000	$ -	$ 6,000
Flory Road Tile - 2016	2/29/2016	3/2/2017	2.20%	6,844	-	(6,844)	-
Total Governmental Activities				$ 6,844	$ 6,000	$ (6,844)	$ 6,000

The Flory Road Tile bond anticipation notes were issued in order to replace an existing drainage tile at Flory Road (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.

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NOTE 17 - LONG-TERM OBLIGATIONS

The original issue date, interest rate, original issue amount, and balance at December 31, 2017 for the County's long-term obligations are as follows:

	Original Issue Date	Interest Rate	Original Issue Amount	Balance December 31, 2017
General obligation bonds:				
Various purpose improvement	2005	5.25%	$ 375,000	$ 150,000
Refunding bonds, series 2010	2010	2 - 4%	1,680,000	825,000
Various purpose, series 2010	2010	1.25 - 6.1%	2,385,000	1,610,000
Special assessment bonds:				
Platter creek	2004	2.25 - 5%	425,000	195,000
Refunding bonds, series 2010	2010	2 - 4%	645,000	260,000
Bond anticipation notes:				
Flory Road Tile - 2014	2014	2.05%	25,967	14,173
Revenue bonds:				
Green acres	2005	4.1%	60,000	51,200
Auglaize sewer	2012	2.75%	1,977,000	1,831,700
OWDA loans:				
Express sewer	2002	1.5%	1,356,038	377,898
Capmark Commercial Mortgage:				
Sewer	1980	5%	146,300	24,000

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

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NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

During 2017, the following activity occurred in the County's long-term obligations.

Governmental activities:	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017	Due Within One Year
General obligation bonds:					
Various purpose improvement	$ 1,880,000	$ -	$ (120,000)	$ 1,760,000	$ 125,000
Refunding bonds, series 2010	940,000	-	(115,000)	825,000	115,000
Total general obligation bonds	2,820,000	-	(235,000)	2,585,000	240,000
Special assessment bonds:					
Refunding bonds, series 2010	310,000	-	(50,000)	260,000	55,000
Platter creek	220,000	-	(25,000)	195,000	25,000
Total special assessment bonds	530,000	-	(75,000)	455,000	80,000
Other long-term obligations:					
Bond anticipation notes payable	20,173	14,173	(20,173)	14,173	14,173
OPWC loans payable	58,506	-	(58,506)	-	-
OWDA loans payable	450,148	-	(72,250)	377,898	73,338
Capital lease obligations	1,947	11,387	(2,615)	10,719	2,092
Net pension liability	13,826,357	3,377,965	(807,841)	16,396,481	-
Compensated absences	1,008,781	569,108	(547,269)	1,030,620	506,232
Total other long-term obligations	15,365,912	3,972,633	(1,508,654)	17,829,891	595,835
Total governmental activities long-term obligations	$ 18,715,912	$ 3,972,633	$ (1,818,654)	20,869,891	$ 915,835
	Add: unamortized premium			15,646	
	Total on statement of net position			$ 20,885,537	

Business-type activities:	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017	Due Within One Year
Revenue bonds:					
Sewer revenue bonds	$ 1,914,900	$ -	$ (32,000)	$ 1,882,900	$ 32,800
Other long-term obligations:					
Capmark commercial mortgage	31,000	-	(7,000)	24,000	8,000
Closure and postclosure liability	4,549,482	95,237	-	4,644,719	-
Net pension obligation	618,040	167,841	-	785,881	-
Compensated absences	122,846	58,669	(40,581)	140,934	50,611
Total other long-term obligations	5,321,368	321,747	(47,581)	5,595,534	58,611
Total business-type activities long-term obligations	$ 7,236,268	$ 321,747	$ (79,581)	$ 7,478,434	$ 91,411

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:

Year	Amount
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:

Year	Amount
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

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

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:

Year Ended (December 1)	Principal Amount to be Redeemed
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.

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:

Year Ended (December 1)	Principal Amount to be Redeemed
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.

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

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.

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.

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:

Year Ended (December 1)	Principal Amount to be Redeemed
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.

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

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:

Year Ended (December 1)	Principal Amount to be Redeemed
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. 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 and the Brunersburg sewer debt service fund (both nonmajor governmental funds).

E. 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.

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:

Year Ended (December 1)	Principal Amount to be Redeemed
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.

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

F. 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 $2,963,859.

G. 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 was repaid from the Evansport water debt service fund (a nonmajor governmental fund). During 2017, the OPWC loan was paid in full.

H. OWDA Loans Payable

The County entered into a debt financing arrangement through the Ohio Water Development Authority (OWDA) to fund construction of wastewater facilities. 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 OWDA loan agreement functions similar to a line-of-credit agreement. At December 31, 2017, the County has outstanding borrowings of $377,898. The OWDA loan agreement requires semi-annual payments based on the actual amount owed.

I. 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.

J. Bond Anticipation Notes Payable

In 2017, the County issued bond anticipation notes in the amount of $20,173 to finance the replacement of an existing drainage tile at Flory Road. 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 bond anticipation notes will mature March 1, 2018. Bond anticipation notes are backed by the full faith and credit of the County.

K. 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.

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

L. Net Pension Obligation

See Note 13 for detail.

M. Capital Lease Obligations

Capital leases will be paid from the general fund and the senior center fund. See Note 18 for further detail.

N. 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 legal debt margin of $18,970,693 at December 31, 2017.

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

	Governmental Activities					
	General Obligation Bonds			Special Assessment Bonds		
Year Ended	Principal	Interest	Total	Principal	Interest	Total
2018	$ 240,000	134,517	$ 374,517	$ 80,000	$ 19,450	$ 99,450
2019	245,000	123,814	368,814	80,000	16,275	96,275
2020	250,000	112,892	362,892	85,000	13,100	98,100
2021	240,000	102,329	342,329	90,000	9,600	99,600
2022	250,000	89,886	339,886	60,000	5,700	65,700
2023 - 2027	1,010,000	262,062	1,272,062	60,000	4,500	64,500
2028 - 2029	350,000	32,330	382,330	-	-	-
Total	$ 2,585,000	$ 857,830	$ 3,442,830	$ 455,000	$ 68,625	$ 523,625

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

	OWDA Loans		
Year Ended	Principal	Interest	Total
2018	$ 73,338	$ 5,394	$ 78,732
2019	74,442	4,290	78,732
2020	75,562	3,170	78,732
2021	76,700	2,032	78,732
2022	77,856	887	78,743
Total	$ 377,898	$ 15,773	$ 393,671

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

	Business-type Activities					
	Revenue Bonds			Capmark Commercial Mortgage		
Year Ended	Principal	Interest	Total	Principal	Interest	Total
2018	$ 32,800	$ 52,484	$ 85,284	$ 8,000	$ 1,200	$ 9,200
2019	33,700	51,568	85,268	8,000	800	8,800
2020	34,600	50,761	85,361	8,000	400	8,400
2021	35,600	49,661	85,261	-	-	-
2022	36,700	48,667	85,367	-	-	-
2023 - 2027	199,000	227,510	426,510	-	-	-
2028 - 2032	228,400	198,162	426,562	-	-	-
2033 - 2037	262,300	164,199	426,499	-	-	-
2038 - 2042	301,200	125,294	426,494	-	-	-
2043 - 2047	339,600	80,781	420,381	-	-	-
2048 - 2052	379,000	31,872	410,872	-	-	-
Total	$ 1,882,900	$ 1,080,959	$ 2,963,859	$ 24,000	$ 2,400	$ 26,400

Conduit Debt:

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, 2017, $444,851 of these bonds was outstanding.

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

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, 2017, $872,596 of these bonds was outstanding.

In 2009, the County issued $11,355,000 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, 2017, $10,770,000 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 $4,644,719 reported as landfill closure and postclosure costs payable at December 31, 2017, represents the cumulative amount reported to date based on the use of 47% of the estimated capacity of the landfill. The County will recognize the remaining estimated costs of closure and postclosure of $2,474,872 and $2,663,109, respectively, as the remaining estimated capacity is filled. This amount is based on what it would cost to perform all closure and postclosure care in 2017. For financial assurance purposes, Ohio Environmental Protection Agency (EPA) requires closure and postclosure costs to be reported based on the worst case scenario of when closure will occur. For 2017, the liabilities total $2,296,028 for closure and $2,348,691 for postclosure costs. The County expects the landfill to have a remaining life of 57 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 2017, 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 a prior year and during the current year, the County entered into capital leases for copier 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.

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 2017 consisted of $2,615 paid by the general 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, 2017:

Year Ending December 31,	Amount
2018	$ 2,580
2019	2,580
2020	2,580
2021	2,580
2022	1,720
Total minimum lease payments	12,040
Less: amount representing interest	(1,321)
Total	$ 10,719

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 2017, Defiance County contributed $347,595 for the Center's operations, which represents 21% of total contributions. Information can be obtained from Brett Kolb, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

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. The County has no ongoing financial interest or responsibility for the ADAMHS. In 2017, Defiance County contributed $1,128,408 for the ADAMHS' operations, which represents 17% of total contributions. Information can be obtained from Jill Little, 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. 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 2017, Defiance County contributed $1,555,665 for CCNO's operations, which represents 8.9% 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 2017, Defiance County contributed $316,426 for the District's operations, which represents 57.45% of total contributions. Information can be obtained from Julie Beagle, Williams County Auditor, One Courthouse Square, Bryan, Ohio 43506.

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

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 2017, Defiance County contributed $25,000 to the Task Force's operations, which represents 10% of total contributions. Information can be obtained from the Defiance County Sheriff's office, 113 Beide Street, Defiance, Ohio 43512.

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 2017, Defiance County contributed $31,960 for Quadco's operations.

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 2017, Defiance County contributed $147,159 for MVPO's operations, which represents 26.6% of total contributions. Information can be obtained from Brett Kolb, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

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. 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 2016, Defiance County contributed $80,000 for CIC's operations, which represents 24% 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 $14,282 towards NOWAC's operations in 2017. 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)

On 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 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 2017, Defiance County contributed $676,992 for DPCJFS' operations, which represents 10.89% of total contributions. Information can be obtained from Jill Little, Defiance County Auditor, 500 Second Street, Suite 301, 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.

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 2017, 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, 2017 to December 31, 2017, 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.

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:

Fund	Year-End Encumbrances
General fund	$ 43,081
Developmental disabilities fund	102,916
Motor vehicle license and gas tax fund	35,560
Emergency 911 fund	5,403
Senior center fund	17,661
County improvement fund	102,665
Nonmajor governmental funds	45,668
Total	$ 352,954

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:

Fund Balance	General	Developmental Disabilities	Motor Vehicle License and Gas Tax	Emergency 911
Nonspendable:				
Long-term loans	$ -	$ -	$ -	$ -
Long-term interfund loans	2,964,937	-	-	-
Prepayments	838,546	316,966	3,258	39,320
Materials and supplies inventory	62,988	12,629	656,584	504
Unclaimed monies	107,272	-	-	-
Total nonspendable	3,973,743	329,595	659,842	39,824
Restricted:				
General government	-	-	-	-
Human services programs	-	-	-	-
Public works projects	-	-	2,164,253	-
Public safety programs	-	-		590,644
Economic development	-	-	-	-
Health services	-	3,264,214	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Total restricted	-	3,264,214	2,164,253	590,644
Committed:				
General government	-	-	-	-
Public safety programs	-	-	-	-
Economic development	-	-	-	-
Capital projects	-	-	-	-
County commissioners	192	-	-	-
Retirement payoffs	33,006	-	-	-
Other purposes	-	-	-	-
Total committed	33,198	-	-	-
Assigned:				
General government	71,077	-	-	-
Public safety programs	26,393	-	-	-
Health services	8,000	-	-	-
Capital projects	-	-	-	-
Subsequent year appropriation	4,524,213	-	-	-
Total assigned	4,629,683	-	-	-
Unassigned	553,783	-	-	-
Total fund balances (deficit)	$ 9,190,407	$ 3,593,809	$ 2,824,095	$ 630,468

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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	$ -	$ -	$ -	$ 1,228,370	$ 1,228,370
Long-term interfund loans	-	-	-	-	2,964,937
Prepayments	5,780	-	-	14,648	1,218,518
Materials and supplies inventory	3,918	-	-	33,881	770,504
Unclaimed monies	-	-	-	-	107,272
Total nonspendable	9,698	-	-	1,276,899	6,289,601
Restricted:					
General government	-	-	-	936,476	936,476
Human services programs	465,908	-	-	82,555	548,463
Public works projects	-	-	-	156,847	2,321,100
Public safety programs	-	-	-	423,021	1,013,665
Economic development	-	-	-	428,251	428,251
Health services	-	-	-	56,396	3,320,610
Debt service	-	38,110	-	857,795	895,905
Capital projects	-	-	-	108,365	108,365
Other purposes	-	-	-	768,941	768,941
Total restricted	465,908	38,110	-	3,818,647	10,341,776
Committed:					
General government	-	-	-	345,938	345,938
Public safety programs	-	-	-	1,332	1,332
Economic development	-	-	-	252,482	252,482
Capital projects	-	-	-	406,139	406,139
County commissioners	-	-	-	-	192
Retirement payoffs	-	-	-	-	33,006
Other purposes	-	-	-	19,158	19,158
Total committed	-	-	-	1,025,049	1,058,247
Assigned:					
General government	-	-	-	-	71,077
Public safety programs	-	-	-	-	26,393
Health services	-	-	-	-	8,000
Capital projects	-	-	2,338,647	-	2,338,647
Subsequent year appropriation	-	-	-	-	4,524,213
Total assigned	-	-	2,338,647	-	6,968,330
Unassigned (deficit)	-	-	-	(496,284)	57,499
Total fund balances (deficit)	$ 475,606	$ 38,110	$ 2,338,647	$ 5,624,311	$ 24,715,453

NOTE 26 - TAX ABATEMENTS

The County was part of multiple Enterprise Zone (EZ) tax abatement agreements with local businesses. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone Program provides tax exemptions for a portion of the value of new real property when the investment is made in conjunction with a project that includes job creation or job retention. These tax abatements reduce assessed value by a percentage agreed upon by all parties that authorize these types of agreements. Taxes can be abated up to 100% for up to 12 years. A majority of the County's abatements are for 10 years or less and are 70-75% abated. The total value of real property subject to exemption for 2017 was $8,433,740. The total value of taxes abated for 2017 was $69,432.

NOTE 27 - SIGNIFICANT SUBSEQUENT EVENTS

On March 1, 2018, the City issued a $14,173 bond anticipation note to retire a portion of the $6,000 anticipation note issued on March 2, 2017 (See Note 16 and 17). This note bears an interest rate of 3.16% and matures on March 1, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

DEFIANCE COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST FOUR YEARS

	2017	2016	2015	2014
Traditional Plan:				
County's proportion of the net pension liability	0.096119%	0.981720%	0.099140%	0.099140%
County's proportionate share of the net pension liability	$ 16,243,668	$ 12,697,862	$ 8,865,265	$ 8,665,029
County's covered payroll	$ 9,327,692	$ 9,066,192	$ 8,854,367	$ 11,244,962
County's proportionate share of the net pension liability as a percentage of its covered payroll	174.14%	140.06%	100.12%	77.06%
Plan fiduciary net position as a percentage of the total pension liability	77.25%	81.08%	86.45%	86.36%
Combined Plan:				
County's proportion of the net pension asset	0.049035%	0.041920%	0.055613%	0.055613%
County's proportionate share of the net pension asset	$ 20,310	$ 15,233	$ 15,874	$ 4,326
County's covered payroll	$ 182,225	$ 140,808	$ 193,642	$ 190,023
County's proportionate share of the net pension asset as a percentage of its covered payroll	11.15%	10.82%	8.20%	2.28%
Plan fiduciary net position as a percentage of the total pension asset	116.55%	116.90%	114.83%	104.56%
Member Directed Plan:				
County's proportion of the net pension asset	0.044529%	0.046699%	n/a	n/a
County's proportionate share of the net pension asset	$ 138	$ 133	n/a	n/a
County's covered payroll	$ 183,008	$ 242,375	n/a	n/a
County's proportionate share of the net pension asset as a percentage of its covered payroll	0.08%	0.05%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	103.40%	103.91%	n/a	n/a

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the County's measurement date which is the prior year-end.

DEFIANCE COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR YEARS

	2017	**2016**	**2015**	**2014**
County's proportion of the net pension liability	0.00395153%	0.00521774%	0.00632304%	0.00730021%
County's proportionate share of the net pension liability	$ 938,694	$ 1,746,535	$ 1,747,503	$ 1,775,664
County's covered payroll	$ 466,464	$ 624,043	$ 733,300	$ 739,123
County's proportionate share of the net pension liability as a percentage of its covered payroll	201.24%	279.87%	238.31%	240.24%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the County's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

DEFIANCE COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COUNTY CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	2017	2016	2015	2014
Traditional Plan:				
Contractually required contribution	$ 1,241,737	$ 1,119,323	$ 1,087,943	$ 1,062,524
Contributions in relation to the contractually required contribution	(1,241,737)	(1,119,323)	(1,087,943)	(1,062,524)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
County's covered payroll	$ 9,551,823	$ 9,327,692	$ 9,066,192	$ 8,854,367
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%
Combined Plan:				
Contractually required contribution	$ 21,701	$ 21,867	$ 16,897	$ 23,237
Contributions in relation to the contractually required contribution	(21,701)	(21,867)	(16,897)	(23,237)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
County's covered payroll	$ 166,931	$ 182,225	$ 140,808	$ 193,642
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%
Member Directed Plan:				
Contractually required contribution	$ 18,854	$ 21,961	$ 29,085	
Contributions in relation to the contractually required contribution	(18,854)	(21,961)	(29,085)	
Contribution deficiency (excess)	$ -	$ -	$ -	
County's covered payroll	$ 188,540	$ 183,008	$ 242,375	
Contributions as a percentage of covered payroll	10.00%	12.00%	12.00%	

Note: Information prior to 2011 for the City's combined plan and prior to 2016 for the City's member directed plan was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2013	2012	2011	2010	2009	2008
$ 1,461,845	$ 1,102,306	$ 1,145,914	$ 1,019,306	$ 978,577	$ 876,505
(1,461,845)	(1,102,306)	(1,145,914)	(1,019,306)	(978,577)	(876,505)
$ -	$ -	$ -	$ -	$ -	$ -
$ 11,244,962	$ 11,023,060	$ 11,459,140	$ 11,431,469	$ 12,044,025	$ 12,521,500
13.00%	10.00%	10.00%	8.92%	8.13%	7.00%
$ 24,703	$ 11,771	$ 10,707	$ 11,430	$ -	$ -
(24,703)	(11,771)	(10,707)	(11,430)	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ 190,023	$ 148,063	$ 134,679	$ 117,997	$ -	$ -
13.00%	7.95%	7.95%	9.69%	8.13%	7.00%

DEFIANCE COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COUNTY CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN YEARS

	2017	**2016**	**2015**	**2014**
Contractually required contribution	$ 68,777	$ 65,305	$ 87,366	$ 102,662
Contributions in relation to the contractually required contribution	(68,777)	(65,305)	(87,366)	(102,662)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
County's covered payroll	$ 491,264	$ 466,464	$ 624,043	$ 733,300
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2013	2012	2011	2010	2009	2008
$ 96,086	$ 111,580	$ 109,041	$ 110,983	$ 103,992	$ 108,853
(96,086)	(111,580)	(109,041)	(110,983)	(103,992)	(108,853)
$ -	$ -	$ -	$ -	$ -	$ -
$ 739,123	$ 858,308	$ 838,777	$ 853,715	$ 799,938	$ 837,331
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2016. For 2017, the Cost of Living Adjustment (COLA) was reduced to 0% effective July 1, 2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the COLA was reduced to zero, (b) inflation assumptions were lowered from 2.75% to 2.50%, (c) Investment return assumptions were lowered from 7.75% to 7.45%, (d) total salary increases rates were lowered by decreasing merit component of the individual salary increases, as well as by 0.25% due to lower inflation, (e) payroll growth assumptions were lowered to 3.00%, (f) updated the health and disability mortality assumption to the “RP-2014” mortality tables with generational improvement scale MP-2016 and (g) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

SUPPLEMENTARY INFORMATION

DEFIANCE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

FEDERAL GRANTOR *Pass Through Grantor* Program / Cluster Title	Pass Through Entity Identifying Number	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Child Nutrition Cluster:			
National School Lunch Program		10.555	$ 7,829
National School Lunch Program - Donations		10.555	2,885
Total National School Lunch Program and Child Nutrition Cluster			10,714
Total U.S. Department of Agriculture			10,714
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Ohio Development Services Agency			
Community Development Block Grant (Formula Grant)	B-F-16-1AS-1	14.228	251,359
Community Development Block Grant (CHIP)	B-C-16-1AS-1	14.228	100,506
Community Development Block Grant (CHIP)	S-C-16-1AS-1	14.228	78,673
Community Development Block Grant Revolving Loans	2017	14.228	229,088
Total Community Development Block Grant			659,626
Home Investment Partnerships Program (CHIP)	B-C-16-1AS-2	14.239	593,662
Total U.S. Department of Housing and Urban Development			1,253,288
U.S. DEPARTMENT OF JUSTICE			
Passed Through Ohio Attorney General's Office			
Crime Victims Assistance	2017-VOCA-43554361	16.575	74,745
Crime Victims Assistance	2018-VOCA-109844800	16.575	24,130
Total Crime Victims Assistance			98,875
Passed Through Ohio Office of Criminal Justice Services			
Edward Byrne Memorial Justice Assistance Grant Program	2016-JG-A01-6407	16.738	50,000
Total U.S. Department of Justice			148,875
U.S. DEPARTMENT OF TRANSPORTATION			
Direct:			
Airport Improvement Program		20.106	181,034
Passed Through Ohio Department of Transportation			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	PID 103460	20.205	1,200
Total Highway Planning and Construction Cluster			1,200
Passed Through Ohio Emergency Management Agency			
Interagency Hazardous Materials Public Sector Training and Planning Grants	HM-HMP-0531-16-01-00	20.703	1,021
Total U.S. Department of Transportation			183,255
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Special Education Cluster:			
Special Education - Grants to States		84.027	46,779
Special Education - Preschool Grants		84.173	20,915
Total Special Education Cluster			67,694
Passed Through Ohio Department of Developmental Disabilities			
Special Education - Grants for Infants and Families (Help Me Grow)	02010021HG0817	84.181	40,040
Special Education - Grants for Infants and Families (Early Intervention Part C)	02010021HG0817	84.181A	84,986
Total Special Education - Grants for Infants and Families			125,026
Total U.S. Department of Education			192,720

(Continued)

DEFIANCE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

FEDERAL GRANTOR *Pass Through Grantor* Program / Cluster Title	Pass Through Entity Identifying Number	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through The Area Office of Aging of Northwest Ohio			
Aging Cluster:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers		93.044	45,345
Special Programs for the Aging - Title III, Part C1 - Nutrition Services		93.045	15,165
Special Programs for the Aging - Title III, Part C2 - Nutrition Services		93.045	56,806
Total Special Programs for the Aging - Title III, Part C - Nutrition Services			71,971
Nutrition Services Incentive Program		93.053	60,609
Total Aging Cluster			177,925
Passed Through Ohio Department of Job and Family Services			
Promoting Safe and Stable Families	G-1819-11-5730	93.556	14,626
Child Support Enforcement	G-1819-11-5730	93.563	643,895
Stephanie Tubbs Jones Child Welfare Services Program	G-1819-11-5730	93.645	1,808
Passed Through Ohio Department of Developmental Disabilities			
Social Services Block Grant	G-1819-11-5730	93.667	22,887
Medicaid Cluster:			
Medical Assistance Program	G-1819-11-5730	93.778	24,695
Total Medicaid Cluster			24,695
Total U.S. Department of Health and Human Services			885,836
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through Ohio Emergency Management Agency			
Emergency Management Performance Grant	EMC-2016-EP-00003-S01	97.042	31,549
Emergency Management Performance Grant	EMC-2017-EP-00006-S01	97.042	16,887
Total Emergency Management Performance Grants			48,436
Total U.S. Department of Homeland Security			48,436
Total			**$ 2,723,124**

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Defiance County (the County's) under programs of the federal government for the year ended December 31, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

The County commingles cash receipts from the U.S. Department of Agriculture 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 the fair value. The County allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE E - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) and HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GRANT PROGRAMS with REVOLVING LOAN CASH BALANCE

The current cash balance on the County's local program income account as of December 31, 2017 is $141,656.

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.

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

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

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, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Defiance County's basic financial statements and have issued our report thereon dated June 21, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Defiance 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 Defiance 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 Defiance County's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Commissioners
Defiance County

Compliance and Other Matters

As part of reasonably assuring whether Defiance 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*.

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

Julian & Grube, Inc.

Julian & Grube, Inc.
June 21, 2018

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

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

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

To the Board of Commissioners:

Report on Compliance for the Major Federal Program

We have audited Defiance County's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Defiance County's major federal program for the year ended December 31, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies Defiance County's major federal program.

Management's Responsibility

Defiance County's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on Defiance County's compliance for Defiance County's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about Defiance 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 Defiance County's major program. However, our audit does not provide a legal determination of Defiance County's compliance.

Opinion on the Major Federal Program

In our opinion, Defiance County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2017.

Board of Commissioners
Defiance County

Report on Internal Control Over Compliance

Defiance 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 Defiance County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of Defiance County's internal control over compliance.

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

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

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

Julian & Grube, Inc.

Julian & Grube, Inc.
June 21, 2018

DEFIANCE COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2017

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 2 CFR § 200.516(a)?*	No
(d)(1)(vii)	*Major Programs (listed):*	Community Development Block Grant - CFDA #14.228
(d)(1)(viii)	*Dollar Threshold: Type A/B Programs*	Type A: >$750,000 Type B: all others
(d)(1)(ix)	*Low Risk Auditee?*	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS

None

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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
SEPTEMBER, 11 2018