

DEFIANCE COUNTY

Basic Financial Statements
(Audited)

For the Year Ended
December 31, 2019



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Board of Commissioners
Defiance County
500 Second Street
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, 2019 through December 31, 2019. 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.

Keith Faber
Auditor of State
Columbus, Ohio

October 12, 2020

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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, 2019, 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, 2019, 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.

Emphasis of Matters

As discussed in Note 3B to the financial statements, during 2019, Defiance County adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Additionally, as discussed in Note 27 to the financial statements, the financial impact of COVID-19 and the ensuring emergency measures, will impact subsequent periods of Defiance County. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other postemployment benefit assets and liabilities and pension and other postemployment benefit 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

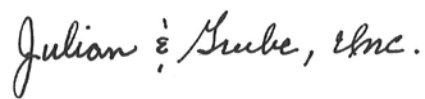
Our audit was conducted to opine on Defiance County's basic financial statements taken as a whole.

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 July 28, 2020, 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.
July 28, 2020

DEFIANCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019. 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 2019 are as follows:

- The total net position of the County increased \$2,077,426 over the 2018's restated net position of \$108,773,321. Net position of governmental activities increased \$211,406, which represents a 0.28% increase from the 2018 restated net position of \$74,379,536. Net position of business-type activities increased \$1,866,020 or 5.43% over the 2018 net position of \$34,393,785.
- General revenues accounted for \$17,599,111 or 50.85% of total governmental activities revenue. Program specific revenues accounted for \$17,012,548 or 49.15% of total governmental activities revenue.
- The County had \$34,400,253 in expenses related to governmental activities; \$17,012,548 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$17,599,111 were adequate to provide for these programs.
- The general fund, the County's largest major governmental fund, had revenues and other financing sources of \$14,541,519 in 2019. The general fund had expenditures and other financing uses of \$13,537,787 in 2019. The fund balance of the general fund increased \$1,003,732 from the 2018 restated fund balance of \$9,659,180.
- The developmental disabilities (DD) fund, a major governmental fund, had revenues of \$4,693,311 in 2019. The DD fund had expenditures of \$3,622,001 in 2019. The DD fund balance increased \$1,071,310 from 2018 to 2019.
- The motor vehicle license and gas tax fund, a major governmental fund, had revenues and other financing sources of \$5,236,353 in 2019. The motor vehicle license and gas tax fund had expenditures of \$4,836,379 in 2019. The motor vehicle license and gas tax fund balance increased \$399,974 from 2018 to 2019.
- The emergency 911 fund, a major governmental fund, had revenues of \$889,045 in 2019. The emergency 911 fund had expenditures of \$1,245,281 in 2019. The emergency 911 fund balance decreased \$356,236 from 2018 to 2019.
- The senior center fund, a major governmental fund, had revenues of \$1,578,150 in 2019. The senior center fund had expenditures of \$1,548,396 in 2019. The senior center fund balance increased \$29,754 from 2018 to 2019.
- The historical jail debt service fund, a major governmental fund, had revenues of \$38,082 in 2019. The historical jail debt service fund had expenditures of \$190,075 in 2019. The historical jail debt service fund balance decreased \$151,993 from 2018 to 2019.
- The county improvement fund, a major governmental fund, had other financing sources of \$600,000 in 2019. The county improvement fund had expenditures of \$601,326 in 2019. The county improvement fund balance decreased \$1,326 from 2018 to 2019.
- Net position for the business-type activities, which consists of the landfill and sewer enterprise funds, increased in 2019 by \$1,866,020. This increase is mainly due to charges for services continuing to outpace the enterprise fund expenses.

DEFIANCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019

- In the general fund, the actual revenues and other financing sources were \$1,762,176 greater than originally budgeted, and actual expenditures and other financing uses were \$3,148,158 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 2019?" 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.

DEFIANCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019

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. Custodial funds are the County's only fiduciary fund type.

DEFIANCE COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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 County's net pension liability/asset and net OPEB 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, 2019 and December 31, 2018. The net position at December 31, 2018 has been restated as described in Note 3.

	Net Position					
	Governmental Activities	Business-type Activities	Restated		2019 Total	Restated 2018 Total
			Governmental Activities	Business-type Activities		
	2019	2019	2018	2018		
Assets						
Current and other assets	\$ 43,520,145	\$ 24,704,487	\$ 39,758,585	\$ 23,111,277	\$ 68,224,632	\$ 62,869,862
Capital assets, net	<u>65,953,213</u>	<u>20,086,970</u>	<u>66,302,229</u>	<u>19,250,283</u>	<u>86,040,183</u>	<u>85,552,512</u>
Total assets	<u>109,473,358</u>	<u>44,791,457</u>	<u>106,060,814</u>	<u>42,361,560</u>	<u>154,264,815</u>	<u>148,422,374</u>
<u>Deferred Outflows of Resources</u>	<u>6,558,316</u>	<u>456,860</u>	<u>3,641,749</u>	<u>244,760</u>	<u>7,015,176</u>	<u>3,886,509</u>
Total assets and deferred outflows of resources	<u>116,031,674</u>	<u>45,248,317</u>	<u>109,702,563</u>	<u>42,606,320</u>	<u>161,279,991</u>	<u>152,308,883</u>
Liabilities						
Other liabilities	1,556,555	394,914	1,869,879	227,631	1,951,469	2,097,510
Long-term liabilities	<u>31,995,190</u>	<u>8,575,399</u>	<u>23,217,195</u>	<u>7,805,681</u>	<u>40,570,589</u>	<u>31,022,876</u>
Total liabilities	<u>33,551,745</u>	<u>8,970,313</u>	<u>25,087,074</u>	<u>8,033,312</u>	<u>42,522,058</u>	<u>33,120,386</u>
<u>Deferred Inflows of Resources</u>	<u>7,888,987</u>	<u>18,199</u>	<u>10,235,953</u>	<u>179,223</u>	<u>7,907,186</u>	<u>10,415,176</u>
Total liabilities and deferred inflows of resources	<u>41,440,732</u>	<u>8,988,512</u>	<u>35,323,027</u>	<u>8,212,535</u>	<u>50,429,244</u>	<u>43,535,562</u>
Net Position						
Net investment in capital assets	63,959,482	18,092,240	67,156,913	17,384,183	82,051,722	84,541,096
Restricted	15,925,631	1,545,538	9,538,179	1,527,138	17,471,169	11,065,317
Unrestricted (deficit)	<u>(5,294,171)</u>	<u>16,622,027</u>	<u>(2,315,556)</u>	<u>15,482,464</u>	<u>11,327,856</u>	<u>13,166,908</u>
Total net position	<u>\$ 74,590,942</u>	<u>\$ 36,259,805</u>	<u>\$ 74,379,536</u>	<u>\$ 34,393,785</u>	<u>\$ 110,850,747</u>	<u>\$ 108,773,321</u>

DEFIANCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019

The net pension liability/asset is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." 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 OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB, net pension/OPEB asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability/asset or net OPEB liability/asset. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability/asset and the net OPEB liability/asset to equal the County's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

DEFIANCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019

In accordance with GASB 68 and GASB 75, the County's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability/asset and net OPEB liability/asset, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2019, the County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$110,850,747. This amounts to \$74,590,942 in the governmental activities and \$36,259,805 in the business-type activities. This is an indication that the County's finances remained strong during 2019.

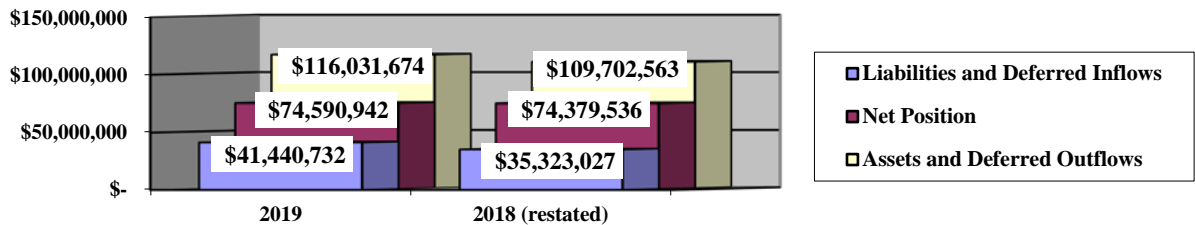
Capital assets reported on the government-wide statements represent the largest portion of the County's assets. At year-end, capital assets represented 55.77% of total governmental and business-type assets. Capital assets include land, easements, construction and progress, land improvements, buildings and improvements, machinery and equipment, vehicles, and infrastructure. The County's net investment in capital assets at December 31, 2019 was \$82,051,722. 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, 2019, 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, \$17,471,169 or 15.76%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$11,327,856 or 10.22% 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, 2019 and December 31, 2018 for the governmental activities and business-type activities. The net position at December 31, 2018 has been restated as described in Note 3.

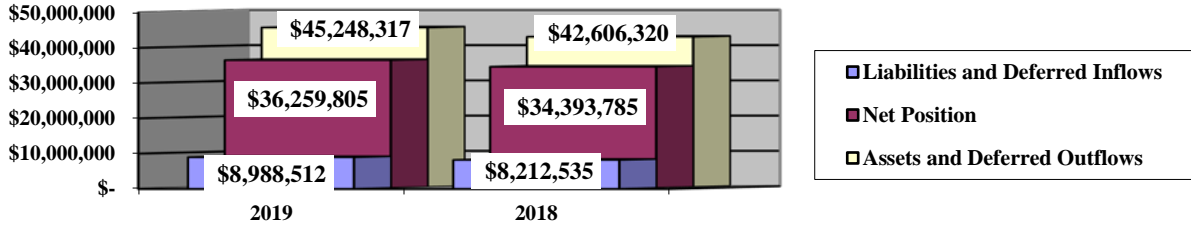
Governmental Activities



DEFIANCE COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Business-type Activities



The following tables show the changes in net position for 2019 and 2018. The net position at December 31, 2018 has been restated as described in Note 3.

	Governmental Activities		Business-type Activities		Total		Restated Total
	2019	2019	2018	2018	2019	2018	
Change in Net Position							
Restated							
Revenues							
Program revenues:							
Charges for services and sales	\$ 4,574,771	\$ 6,174,470	\$ 4,810,071	\$ 5,708,141	\$ 10,749,241	\$ 10,518,212	
Operating grants and contributions	10,569,199	-	7,884,530	-	10,569,199	7,884,530	
Capital grants and contributions	1,868,578	-	3,912,443	-	1,868,578	3,912,443	
Total program revenues	17,012,548	6,174,470	16,607,044	5,708,141	23,187,018	22,315,185	
General revenues:							
Property taxes	6,817,303	-	6,406,358	-	6,817,303	6,406,358	
Sales taxes	6,236,503	-	5,991,459	-	6,236,503	5,991,459	
Unrestricted grants	1,765,369	-	1,971,109	-	1,765,369	1,971,109	
Investment income	1,702,674	149,001	877,746	113,497	1,851,675	991,243	
Miscellaneous	1,077,262	32,551	1,030,809	20,064	1,109,813	1,050,873	
Total general revenues	17,599,111	181,552	16,277,481	133,561	17,780,663	16,411,042	
Total revenues	34,611,659	6,356,022	32,884,525	5,841,702	40,967,681	38,726,227	

DEFIANCE COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Change in Net Position (Continued)

			Restated		Total	Restated Total
	Governmental	Business-type	Governmental	Business-type		
	Activities	Activities	Activities	Activities		
	2019	2019	2018	2018	2019	2018
<u>Expenses</u>						
Program expenses:						
General government						
Legislative and executive	8,821,834	-	8,344,509	-	8,821,834	8,344,509
Judicial	2,232,066	-	2,108,092	-	2,232,066	2,108,092
Public safety	5,777,291	-	5,343,168	-	5,777,291	5,343,168
Public works	8,894,974	-	6,729,961	-	8,894,974	6,729,961
Health	4,313,019	-	4,730,316	-	4,313,019	4,730,316
Human services	3,113,329	-	3,569,554	-	3,113,329	3,569,554
Conservation and recreation	3,206	-	3,251	-	3,206	3,251
Economic development	1,086,979	-	740,211	-	1,086,979	740,211
Interest and fiscal charges	156,095	-	160,349	-	156,095	160,349
Note issuance costs	1,460	-	-	-	1,460	-
Landfill	-	3,448,827	-	3,294,564	3,448,827	3,294,564
Sewer	-	1,041,175	-	937,712	1,041,175	937,712
Total expenses	<u>34,400,253</u>	<u>4,490,002</u>	<u>31,729,411</u>	<u>4,232,276</u>	<u>38,890,255</u>	<u>35,961,687</u>
Change in net position	211,406	1,866,020	1,155,114	1,609,426	2,077,426	2,764,540
Net position at beginning of year (restated)	<u>74,379,536</u>	<u>34,393,785</u>	N/A	<u>32,784,359</u>	<u>108,773,321</u>	N/A
Net position at end of year	<u>\$ 74,590,942</u>	<u>\$ 36,259,805</u>	<u>\$ 74,379,536</u>	<u>\$ 34,393,785</u>	<u>\$ 110,850,747</u>	<u>\$ 108,773,321</u>

Governmental Activities

Governmental activities net position increased by \$211,406 from the 2018 restated net position. The net position of the governmental activities increased mainly due to an increase in operating grants and contributions during 2019. The increase was primarily due to an increase in grant proceeds received.

Public works expenses largely support the operations of the engineer's department, and accounts for \$8,894,974 or 25.86% of the total governmental expenses of the County. These expenses were funded by \$550,674 in direct charges to users, \$5,615,261 in operating grants and contributions, and \$1,868,578 in capital grants and contributions during 2019. General government expenses, which include legislative and executive and judicial programs, accounted for \$11,053,900 or 32.13% of the total governmental expenses of the County. General government expenses were covered by \$3,268,988 in direct charges to users and \$461,077 in operating grants and contributions during 2019.

The State and federal government contributed to the County revenues of \$10,569,199 in operating grants and contributions and \$1,868,578 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Operating grants and contributions of \$1,926,263 or 18.23% subsidized County health programs. Operating grants and contributions of \$5,615,261 or 53.13%, as well as the entire amount of capital grants and contributions, subsidized public works projects.

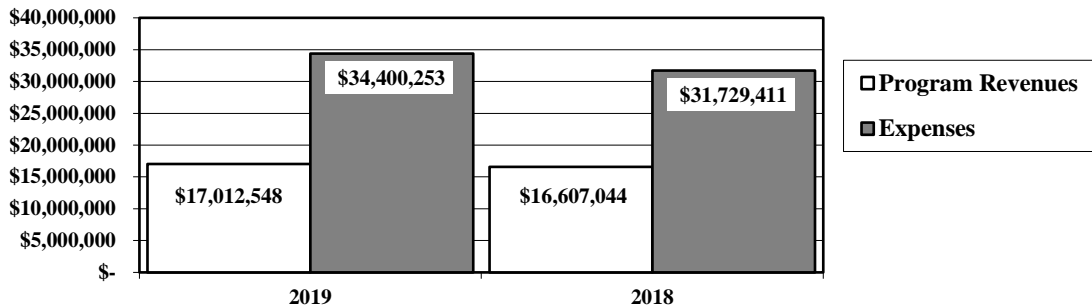
DEFIANCE COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

General revenues totaled \$17,599,111 and amounted to 50.85% of the total revenues of \$34,611,659. These revenues primarily consist of property and sales tax revenue of \$13,053,806 or 74.17% of total general revenues in 2019. 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 \$1,765,369 or 10.03% 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 2019 and 2018. That is, it identifies the cost of these services supported by general revenues (such as tax revenue and unrestricted State grants and entitlements). As can be seen in the graph below, the County is reliant upon general revenues to finance operations as program revenues are not sufficient to cover total expenses.

Governmental Activities – Program Revenues vs. Total Expenses



Governmental Activities

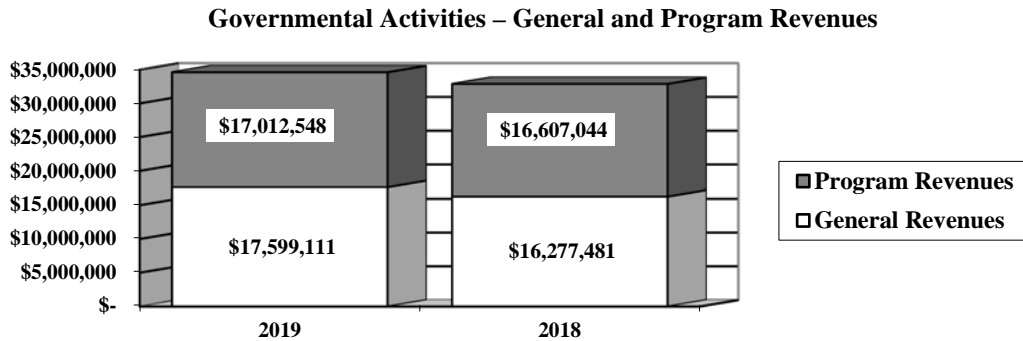
	Total Cost of Services <u>2019</u>	Net Cost of Services <u>2019</u>	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>
Program expenses:				
General government				
Legislative and executive	\$ 8,821,834	\$ 6,104,806	\$ 8,344,509	\$ 5,470,710
Judicial	2,232,066	1,219,029	2,108,092	1,255,497
Public safety	5,777,291	5,085,761	5,343,168	5,003,847
Public works	8,894,974	860,461	6,729,961	(2,115,872)
Health	4,313,019	2,101,642	4,730,316	2,320,530
Human services	3,113,329	1,916,030	3,569,554	2,326,021
Conservation and recreation	3,206	3,206	3,251	3,251
Economic development	1,086,979	(60,785)	740,211	698,034
Interest and fiscal charges	156,095	156,095	160,349	160,349
Note issuance costs	1,460	1,460	-	-
Total	\$ 34,400,253	\$ 17,387,705	\$ 31,729,411	\$ 15,122,367

The dependence upon general revenues for governmental activities is apparent, with 50.55% of expenses supported through taxes and other general revenues during 2019.

DEFIANCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019

The graph below illustrates the County's reliance upon general revenues for 2019 and 2018.



Business-type Activities

The landfill fund and sewer fund are the County's enterprise funds. These operations had program revenues of \$6,174,470, general revenues of \$181,552 and expenses of \$4,490,002 during 2019. The net position of the enterprise funds increased \$1,866,020 or 5.43% during 2019.

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 \$29,041,740, which is \$2,347,548 more than last year's restated total of \$26,694,192.

The table below indicates the fund balance and the total change in fund balance as of December 31, 2019 and December 31, 2018 for all major and nonmajor governmental funds. The fund balances at December 31, 2018 have been restated as described in Note 3.

DEFIANCE COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Fund Balance (deficit) <u>December 31, 2019</u>	Fund Balance (deficit) <u>December 31, 2018</u>	Increase/ <u>(Decrease)</u>
Major Funds:			
General	\$ 10,662,912	\$ 9,659,180	\$ 1,003,732
Developmental Disabilities	5,369,195	4,297,885	1,071,310
Motor Vehicle License and Gas Tax	3,421,157	3,021,183	399,974
Emergency 911	275,802	632,038	(356,236)
Senior Center	585,885	556,131	29,754
Historical Jail Debt Service	(268,913)	(116,920)	(151,993)
County Improvement	2,251,187	2,252,513	(1,326)
Nonmajor Governmental Funds	<u>6,744,515</u>	<u>6,392,182</u>	<u>352,333</u>
Total	<u>\$ 29,041,740</u>	<u>\$ 26,694,192</u>	<u>\$ 2,347,548</u>

General Fund

The County's general fund balance increased \$1,003,732 from the 2018 restated balance. Revenues outpaced expenditures in the general fund during the current year. The table that follows assists in illustrating the revenues of the general fund.

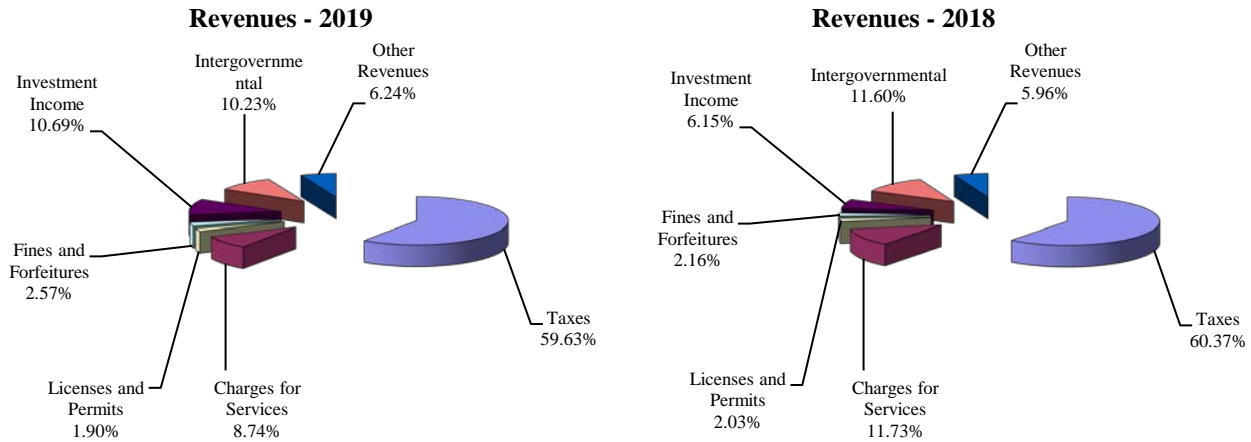
	<u>2019 Amount</u>	<u>2018 Amount</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
<u>Revenues</u>				
Taxes	\$ 8,669,616	\$ 8,252,721	\$ 416,895	5.05 %
Charges for services	1,270,564	1,602,645	(332,081)	(20.72) %
Licenses and permits	276,585	277,399	(814)	(0.29) %
Fines and forfeitures	373,912	294,742	79,170	26.86 %
Intergovernmental	1,487,777	1,585,769	(97,992)	(6.18) %
Investment income	1,554,291	841,023	713,268	84.81 %
Rental income and other	<u>907,905</u>	<u>814,866</u>	<u>93,039</u>	<u>11.42 %</u>
Total	<u>\$ 14,540,650</u>	<u>\$ 13,669,165</u>	<u>\$ 871,485</u>	<u>6.38 %</u>

Overall revenues of the general fund increased \$871,485 or 6.38%. Tax revenues increased \$416,895 or 5.05% mainly due to an increase in sales tax revenues. Charges for services decreased \$332,081 or 20.72% mainly due to a decrease in auditor fees, recorder fees and indirect costs. Intergovernmental revenue decreased \$97,992 or 6.18% mainly due to a decrease in revenue from grants and other governments. Investment income increased \$713,268 or 84.81% due to an increase in investment income and due to changes in fair market value. Rental and other income increased \$93,039 or 11.42% due to an increase in miscellaneous revenues. All other revenues remained consistent with the prior year.

DEFIANCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019

The graphs below illustrate the revenues of the general fund for 2019 and 2018.



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

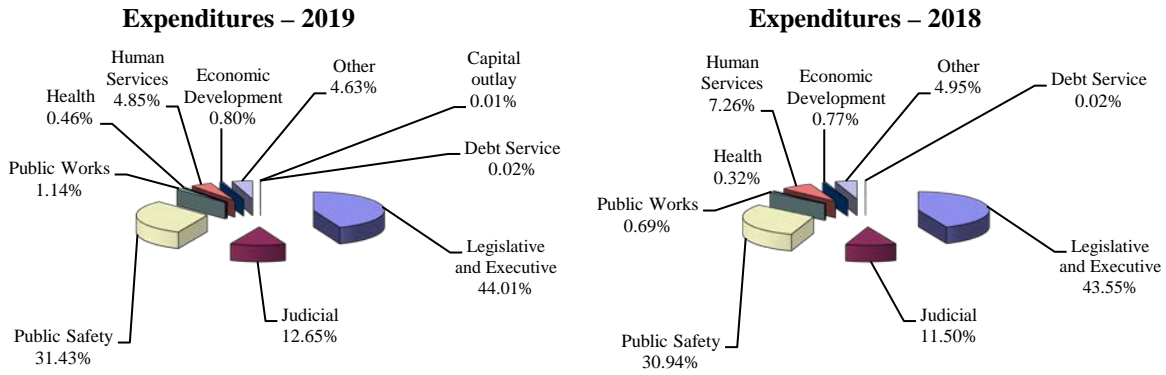
	2019 <u>Amount</u>	2018 <u>Amount</u>	Increase/ (Decrease)	Percentage <u>Change</u>
<u>Expenditures</u>				
General government				
Legislative and executive	\$ 5,677,100	\$ 5,644,677	\$ 32,423	0.57 %
Judicial	1,631,396	1,490,679	140,717	9.44 %
Public safety	4,054,621	4,009,962	44,659	1.11 %
Public works	147,037	89,601	57,436	64.10 %
Health	59,851	42,043	17,808	42.36 %
Human services	626,097	941,208	(315,111)	(33.48) %
Economic development	102,733	100,000	2,733	2.73 %
Other	597,325	641,148	(43,823)	(6.84) %
Capital outlay	648	-	648	100.00 %
Debt service	2,580	2,580	-	-
Total	<u>\$ 12,899,388</u>	<u>\$ 12,961,898</u>	<u>\$ (62,510)</u>	<u>(0.48) %</u>

Overall expenditures of the general fund decreased \$62,510 or 0.48%. Legislative and executive expenditures increased \$32,423 or 0.57% due to fluctuations in payments made by the County Commissioners. Judicial expenditures increased \$140,717 or 9.44% due to an increase in payments related to court costs, primarily probate court and common pleas. Public safety expenditures increased \$44,659 or 1.11% primarily due to the increase in sheriff and regional jail costs. Public works expenditures increased \$57,436 or 64.10% mainly due to an increase in costs related to the County's renovation and reconstruction projects. Health expenditures increased \$17,808 or 42.36% due to an increase in miscellaneous health costs. Human services expenditures decreased \$315,111 or 33.48% 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 \$2,733 or 2.73% primarily due to County demolition costs. Other expenditures decreased \$43,823 or 6.84% which can be attributed to fluctuations in miscellaneous costs. Capital outlay increased \$648 due to an increase in maintenance facility costs.

DEFIANCE COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The graphs below illustrate the expenditures of the general fund for 2019 and 2018.



Developmental Disabilities (DD) Fund

The developmental disabilities (DD) fund, a major governmental fund, had revenues of \$4,693,311 in 2019. The DD fund had expenditures of \$3,622,001 in 2019. The DD fund balance increased \$1,071,310 from 2019 to 2018, which is mainly attributable to a decrease in health expenditures.

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 \$5,236,353 in 2019. The motor vehicle license and gas tax fund had expenditures of \$4,836,379 in 2019. The motor vehicle license and gas tax fund balance increased \$399,974 from 2018 to 2019, which is primarily due to a slight increase in intergovernmental revenues.

Emergency 911 Fund

The emergency 911 fund, a major governmental fund, had revenues of \$889,045 in 2019. The emergency 911 fund had expenditures of \$1,245,281 in 2019. The emergency 911 fund balance decreased \$356,236 from 2018 to 2019, which is primarily due to an increase in public safety expenditures.

Senior Center Fund

The senior center fund, a major governmental fund, had revenues of \$1,578,150 in 2019. The senior center fund had expenditures of \$1,548,396 in 2019. The senior center fund balance increased \$29,754 from 2018 to 2019, which is primarily due to an increase in property tax revenues.

Historical Jail Debt Service Fund

The historical jail debt service fund, a major governmental fund, had revenues of \$38,082 in 2019. The historical jail debt service fund had expenditures of \$190,075 in 2019. The historical jail debt service fund balance decreased \$151,993 from 2018 to 2019.

DEFIANCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019

County Improvement Fund

The county improvement fund, a major governmental fund, had other financing sources of \$600,000 in 2019. The county improvement fund had expenditures of \$601,326 in 2019. The county improvement fund balance decreased \$1,326 from 2018 to 2019.

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 \$11,991,833 and were increased to \$13,997,401 in the final budget. Actual revenues and other financing sources of \$13,754,009 were less than the final budgeted revenues and other financing sources by \$243,392 or 1.74%. In the general fund, the original budgeted appropriations and other financing uses were \$16,994,140. These were increased to \$18,999,708 in the final budget. Actual expenditures and other financing uses of \$13,845,982 were less than final budgeted amounts by \$5,153,726 or 27.13%. 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 2019, the County had \$86,040,183 (net of accumulated depreciation) invested in land, easements, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles, and infrastructure. Of this total, \$65,953,213 was reported in governmental activities and \$20,086,970 was reported in business-type activities.

DEFIANCE COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The following table shows December 31, 2019 capital asset balances compared to December 31, 2018.

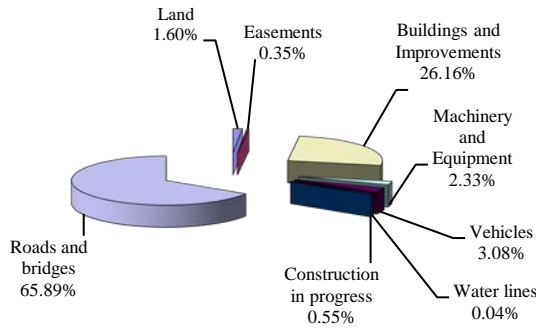
Capital Assets at December 31 (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,058,526	\$ 1,058,526	\$ 1,568,701	\$ 1,568,701	\$ 2,627,227	\$ 2,627,227
Easements	227,849	227,849	-	-	227,849	227,849
Land improvements	-	-	8,200,757	8,401,627	8,200,757	8,401,627
Buildings and improvements	17,253,748	17,412,057	1,858,580	1,882,328	19,112,328	19,294,385
Machinery and equipment	1,533,769	1,577,227	1,557,176	930,154	3,090,945	2,507,381
Vehicles	2,028,246	1,898,805	638,608	450,499	2,666,854	2,349,304
Roads and bridges	43,459,017	44,099,266	-	-	43,459,017	44,099,266
Water lines	27,923	28,499	-	-	27,923	28,499
Sewer lines	-	-	5,837,323	6,016,974	5,837,323	6,016,974
Construction in progress	364,135	-	425,825	-	789,960	-
Total	\$ 65,953,213	\$ 66,302,229	\$ 20,086,970	\$ 19,250,283	\$ 86,040,183	\$ 85,552,512

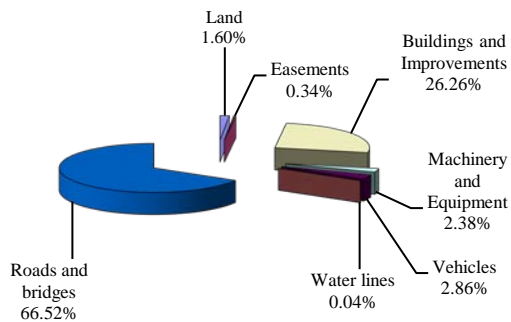
See Note 9 to the basic financial statements for detail on governmental activities and business-type activities capital assets.

The following graphs show the breakdown of governmental activities capital assets by category at December 31, 2019 and December 31, 2018.

Capital Assets – Governmental Activities 2019



Capital Assets – Governmental Activities 2018



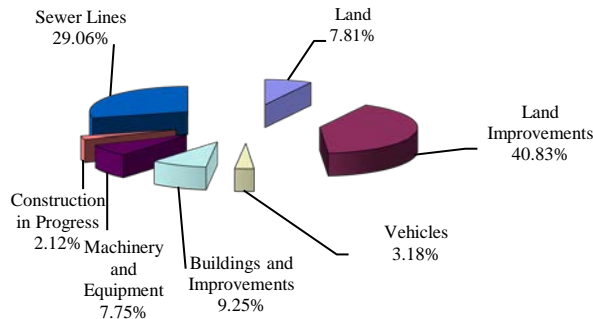
The County's largest governmental activities capital asset category is infrastructure, which includes roads and bridges. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's roads and bridges (cost less accumulated depreciation) represents approximately 65.89% of the County's total governmental activities capital assets.

DEFIANCE COUNTY

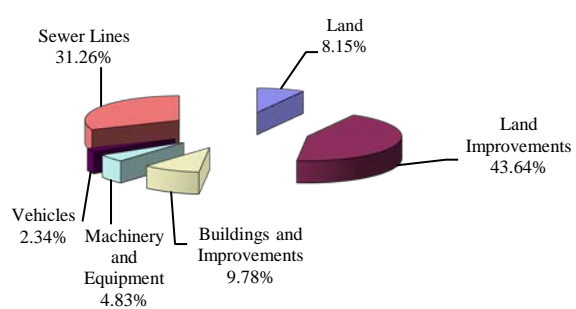
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The following graphs show the breakdown of business-type activities capital assets by category at December 31, 2019 and December 31, 2018.

Capital Assets – Business-type 2019



Capital Assets – Business-type 2018



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 40.83% of the County's total business-type activities capital assets.

Debt Administration

At December 31, 2019, the County had long-term of \$2,100,000 in general obligation bonds, \$295,000 in special assessment bonds, \$1,816,400 in sewer revenue bonds, OWDA loans of \$230,118, Capmark commercial mortgage liability of \$8,000, capital lease obligations of \$181,470, and closure and postclosure liability outstanding of \$4,973,495. Of this total, \$496,394 is due within one year and \$9,108,089 is due in more than one year.

The following table summarizes the short-term and long-term obligations outstanding at December 31, 2019 and December 31, 2018.

	Outstanding Debt, at Year End			
	Governmental Activities <u>2019</u>	Business-type Activities <u>2019</u>	Governmental Activities <u>2018</u>	Business-type Activities <u>2018</u>
Short-term obligations:				
Bond anticipation notes	\$ -	\$ -	\$ 14,173	\$ -
Long-term obligations:				
General obligation bonds	2,100,000	-	2,345,000	-
Special assessment bonds	295,000	-	375,000	-
Sewer revenue bonds	-	1,816,400	-	1,850,100
OWDA loans	230,118	-	304,560	-
Capmark commercial mortgage	-	8,000	-	16,000
Capital lease obligations	181,470	-	222,832	-
Closure and postclosure	-	4,973,495	-	4,792,894
Total	\$ 2,806,588	\$ 6,797,895	\$ 3,261,565	\$ 6,658,994

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).

DEFIANCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019

Economic Factors and Next Year's Budgets and Rates

The County's estimated population for 2019 (the latest information available from the U.S. Census Bureau) was approximately 38,311.

As of December 31, 2019, 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 4.1%, compared to the 3.8% State rate and the 3.4% 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**

DEFIANCE COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 25,706,078	\$ 17,444,125	\$ 43,150,203
Cash and cash equivalents in segregated accounts.	15,071	600	15,671
Cash and cash equivalents with fiscal agent.	-	2,156	2,156
Investments.	-	6,489,816	6,489,816
Receivables (net of allowance for uncollectibles):			
Sales taxes.	984,722	-	984,722
Real estate and other taxes	7,133,909	-	7,133,909
Accounts.	397,121	610,562	1,007,683
Due from external parties	38,626	-	38,626
Intergovernmental.	3,669,813	-	3,669,813
Special assessments	1,041,247	-	1,041,247
Accrued interest	664,608	29,217	693,825
Loans.	1,772,894	-	1,772,894
Internal balances	(53,482)	53,482	-
Prepayments	1,011,093	62,363	1,073,456
Materials and supplies inventory.	1,004,268	9,186	1,013,454
Net pension asset.	48,611	2,980	51,591
Net OPEB asset	85,566	-	85,566
Capital assets:			
Non-depreciable capital assets.	1,650,510	1,994,526	3,645,036
Depreciable capital assets, net.	64,302,703	18,092,444	82,395,147
Total capital assets.	65,953,213	20,086,970	86,040,183
Total assets	109,473,358	44,791,457	154,264,815
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	15,518	-	15,518
Pension.	5,827,218	383,944	6,211,162
OPEB.	715,580	72,916	788,496
Total deferred outflows of resources	6,558,316	456,860	7,015,176
Total assets and deferred outflows of resources.	116,031,674	45,248,317	161,279,991
Liabilities:			
Accounts payable.	636,070	108,322	744,392
Contracts payable.	39,913	170,330	210,243
Accrued wages and benefits.	221,886	25,775	247,661
Due to other governments	200,559	85,809	286,368
Accrued interest payable	11,454	4,678	16,132
Notes payable.	85,000	-	85,000
Claims payable.	350,771	-	350,771
Payroll withholding payable.	10,902	-	10,902
Long-term liabilities:			
Due within one year	961,113	84,929	1,046,042
Due in more than one year:			
Net pension liability	19,468,008	1,123,404	20,591,412
Net OPEB liability.	8,487,448	520,304	9,007,752
Other amounts due in more than one year.	3,078,621	6,846,762	9,925,383
Total liabilities	33,551,745	8,970,313	42,522,058
Deferred inflows of resources:			
Real estate and other taxes levied for the next fiscal year	7,047,450	-	7,047,450
Pension	644,404	16,314	660,718
OPEB.	197,133	1,885	199,018
Total deferred inflows of resources	7,888,987	18,199	7,907,186
Total liabilities and deferred inflows of resources.	41,440,732	8,988,512	50,429,244
Net position:			
Net investment in capital assets.	63,959,482	18,092,240	82,051,722
Restricted for:			
Debt service	749,742	-	749,742
Capital projects	269,009	-	269,009
Other purposes.	4,222,324	-	4,222,324
Human services programs.	721,324	-	721,324
Public works projects.	3,661,000	-	3,661,000
Public safety programs.	874,951	-	874,951
Health services.	5,427,281	-	5,427,281
Landfill closure and postclosure.	-	1,545,538	1,545,538
Unrestricted	(5,294,171)	16,622,027	11,327,856
Total net position	\$ 74,590,942	\$ 36,259,805	\$ 110,850,747

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government:				
Legislative and executive.	\$ 8,821,834	\$ 2,667,028	\$ 50,000	\$ -
Judicial.	2,232,066	601,960	411,077	-
Public safety	5,777,291	253,787	437,743	-
Public works	8,894,974	550,674	5,615,261	1,868,578
Health.	4,313,019	285,114	1,926,263	-
Human services	3,113,329	210,708	986,591	-
Conservation and recreation	3,206	-	-	-
Economic development.	1,086,979	5,500	1,142,264	-
Interest and fiscal charges.	156,095	-	-	-
Note issuance costs.	1,460	-	-	-
Total governmental activities	<u>34,400,253</u>	<u>4,574,771</u>	<u>10,569,199</u>	<u>1,868,578</u>
Business-type activities:				
Landfill.	3,448,827	5,408,244	-	-
Sewer.	1,041,175	766,226	-	-
Total business-type activities	<u>4,490,002</u>	<u>6,174,470</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 38,890,255</u>	<u>\$ 10,749,241</u>	<u>\$ 10,569,199</u>	<u>\$ 1,868,578</u>

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 (restated).
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
\$ (6,104,806)	\$ -	\$ (6,104,806)
(1,219,029)	-	(1,219,029)
(5,085,761)	-	(5,085,761)
(860,461)	-	(860,461)
(2,101,642)	-	(2,101,642)
(1,916,030)	-	(1,916,030)
(3,206)	-	(3,206)
60,785	-	60,785
(156,095)	-	(156,095)
(1,460)	-	(1,460)
(17,387,705)	-	(17,387,705)
-	1,959,417	1,959,417
-	(274,949)	(274,949)
-	1,684,468	1,684,468
(17,387,705)	1,684,468	(15,703,237)
2,377,978	-	2,377,978
785,624	-	785,624
2,561,090	-	2,561,090
1,092,611	-	1,092,611
6,236,503	-	6,236,503
1,765,369	-	1,765,369
1,702,674	149,001	1,851,675
1,077,262	32,551	1,109,813
17,599,111	181,552	17,780,663
211,406	1,866,020	2,077,426
74,379,536	34,393,785	108,773,321
\$ 74,590,942	\$ 36,259,805	\$ 110,850,747

DEFIANCE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General	Developmental Disabilities	Motor Vehicle License and Gas Tax	Emergency 911
Assets:				
Equity in pooled cash and cash equivalents	\$ 5,945,118	\$ 5,180,388	\$ 2,049,581	\$ 310,189
Cash and cash equivalents in segregated accounts.	14,716	-	125	-
Receivables (net of allowance for uncollectibles):				
Sales taxes	984,722	-	-	-
Real estate and other taxes	2,133,082	2,634,825	-	1,263,001
Accounts.	117,642	12,589	160,831	-
Due from external parties	38,626	-	-	-
Intergovernmental	630,147	140,937	2,420,732	48,539
Special assessments	-	-	-	-
Accrued interest	664,608	-	-	-
Loans.	-	-	-	-
Interfund loans.	3,080,315	-	-	-
Due from other funds	182,734	-	83,213	-
Prepayments	654,441	261,495	6,935	10,730
Materials and supplies inventory.	66,927	11,408	883,706	697
Total assets	<u>\$ 14,513,078</u>	<u>\$ 8,241,642</u>	<u>\$ 5,605,123</u>	<u>\$ 1,633,156</u>
Liabilities:				
Accounts payable.	\$ 210,632	\$ 19,395	\$ 4,569	\$ 11,702
Contracts payable.	-	-	-	-
Accrued wages and benefits.	98,438	36,772	26,866	14,503
Compensated absences payable	-	-	-	-
Due to other funds	22,421	18,636	22,673	6,744
Due to other governments	112,513	22,669	18,119	13,158
Interfund loans payable.	-	-	-	-
Notes payable.	-	-	-	-
Payroll withholding payable.	10,902	-	-	-
Total liabilities	<u>454,906</u>	<u>97,472</u>	<u>72,227</u>	<u>46,107</u>
Deferred inflows of resources:				
Real estate and other taxes levied for the next fiscal year	2,107,450	2,600,000	-	1,250,000
Sales tax revenue not available.	472,451	-	-	-
Delinquent real estate and other tax revenue not available.	25,053	34,038	-	12,708
Intergovernmental revenue not available.	599,830	140,937	2,111,739	48,539
Special assessments revenue not available.	-	-	-	-
Accrued interest not available	190,101	-	-	-
Miscellaneous revenue not available.	375	-	-	-
Total deferred inflows of resources	<u>3,395,260</u>	<u>2,774,975</u>	<u>2,111,739</u>	<u>1,311,247</u>
Total liabilities and deferred inflows of resources.	<u>3,850,166</u>	<u>2,872,447</u>	<u>2,183,966</u>	<u>1,357,354</u>
Fund balances:				
Nonspendable	3,930,765	272,903	890,641	11,427
Restricted.	-	5,096,292	2,530,516	264,375
Committed	21,796	-	-	-
Assigned	4,927,285	-	-	-
Unassigned (deficit)	1,783,066	-	-	-
Total fund balances (deficit).	<u>10,662,912</u>	<u>5,369,195</u>	<u>3,421,157</u>	<u>275,802</u>
Total liabilities, deferred inflows of resources and fund balances.	<u>\$ 14,513,078</u>	<u>\$ 8,241,642</u>	<u>\$ 5,605,123</u>	<u>\$ 1,633,156</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Senior Center	Historical Jail Debt Service	County Improvement	Nonmajor Governmental Funds	Total Governmental Funds
\$ 653,500	\$ 1,571,087	\$ 2,228,788	\$ 6,224,376	\$ 24,163,027
-	-	-	230	15,071
-	-	-	-	984,722
1,103,001	-	-	-	7,133,909
-	-	-	106,059	397,121
-	-	-	-	38,626
54,767	-	-	374,691	3,669,813
-	-	-	1,041,247	1,041,247
-	-	-	-	664,608
-	-	-	1,772,894	1,772,894
-	-	125,000	10,000	3,215,315
-	-	-	4,733	270,680
1,345	-	-	22,743	957,689
4,523	-	-	37,007	1,004,268
<u>\$ 1,817,136</u>	<u>\$ 1,571,087</u>	<u>\$ 2,353,788</u>	<u>\$ 9,593,980</u>	<u>\$ 45,328,990</u>
\$ 33,113	\$ -	\$ 62,688	\$ 287,082	\$ 629,181
-	-	39,913	-	39,913
14,051	-	-	31,256	221,886
8,275	-	-	-	8,275
8,534	-	-	171,477	250,485
9,803	-	-	24,297	200,559
-	1,840,000	-	918,501	2,758,501
-	-	-	85,000	85,000
-	-	-	-	10,902
<u>73,776</u>	<u>1,840,000</u>	<u>102,601</u>	<u>1,517,613</u>	<u>4,204,702</u>
1,090,000	-	-	-	7,047,450
-	-	-	-	472,451
12,708	-	-	-	84,507
54,767	-	-	287,572	3,243,384
-	-	-	1,041,247	1,041,247
-	-	-	-	190,101
-	-	-	3,033	3,408
<u>1,157,475</u>	<u>-</u>	<u>-</u>	<u>1,331,852</u>	<u>12,082,548</u>
<u>1,231,251</u>	<u>1,840,000</u>	<u>102,601</u>	<u>2,849,465</u>	<u>16,287,250</u>
5,868	-	-	59,750	5,171,354
580,017	-	-	6,212,043	14,683,243
-	-	-	1,175,099	1,196,895
-	-	2,251,187	-	7,178,472
-	(268,913)	-	(702,377)	811,776
<u>585,885</u>	<u>(268,913)</u>	<u>2,251,187</u>	<u>6,744,515</u>	<u>29,041,740</u>
<u>\$ 1,817,136</u>	<u>\$ 1,571,087</u>	<u>\$ 2,353,788</u>	<u>\$ 9,593,980</u>	<u>\$ 45,328,990</u>

DEFIANCE COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019

Total governmental fund balances		\$ 29,041,740
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		65,953,213
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	\$ 472,451	
Real estate and other taxes receivable	84,507	
Intergovernmental receivable	3,243,384	
Special assessments receivable	1,041,247	
Accrued interest receivable	190,101	
Miscellaneous revenue receivable	3,408	
Total		5,035,098
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.		738,795
An interfund receivable is recorded in governmental activities to reflect underpayments to the internal service fund by the business-type activities.		(30,491)
Unamortized premiums on bond issuances are not recognized in the funds.		(10,626)
Unamortized deferred amounts on refundings are not recognized in the funds.		15,518
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(11,454)
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	48,611	
Deferred outflows of resources	5,827,218	
Deferred inflows of resources	(644,404)	
Net pension liability	(19,468,008)	
Total		(14,236,583)
The net OPEB asset and net OPEB 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 OPEB asset	85,566	
Deferred outflows of resources	715,580	
Deferred inflows of resources	(197,133)	
Net OPEB liability	(8,487,448)	
Total		(7,883,435)
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	(2,100,000)	
Special assessment bonds payable	(295,000)	
OWDA loan payable	(230,118)	
Compensated absences payable	(1,214,245)	
Capital leases payable	(181,470)	
Total		(4,020,833)
Net position of governmental activities		<u>\$ 74,590,942</u>

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, 2019

	General	Developmental Disabilities	Motor Vehicle License and Gas Tax	Emergency 911
Revenues:				
Property taxes	\$ 2,379,360	\$ 2,562,970	\$ -	\$ 782,494
Sales taxes	6,290,256	-	-	-
Special assessments	-	-	-	-
Charges for services	1,270,564	115,749	35	-
Licenses and permits	276,585	-	-	-
Fines and forfeitures	373,912	-	25,566	-
Intergovernmental	1,487,777	1,979,561	5,125,150	88,265
Investment income	1,554,291	1,786	30,754	-
Rental income	319,332	-	-	-
Contributions and donations	-	5,792	-	-
Other	588,573	27,453	49,849	18,286
Total revenues	14,540,650	4,693,311	5,231,354	889,045
Expenditures:				
Current:				
General government:				
Legislative and executive	5,677,100	-	-	-
Judicial	1,631,396	-	-	-
Public safety	4,054,621	-	-	1,196,500
Public works	147,037	-	4,836,379	-
Health	59,851	3,622,001	-	-
Human services	626,097	-	-	-
Economic development	102,733	-	-	-
Other	597,325	-	-	-
Capital outlay	648	-	-	-
Debt service:				
Principal retirement	2,199	-	-	39,163
Interest and fiscal charges	381	-	-	9,618
Note issuance costs	-	-	-	-
Total expenditures	12,899,388	3,622,001	4,836,379	1,245,281
Excess (deficiency) of revenues over (under) expenditures	1,641,262	1,071,310	394,975	(356,236)
Other financing sources (uses):				
Sale of capital assets	869	-	-	-
Transfers in	-	-	4,999	-
Transfers out	(638,399)	-	-	-
Total other financing sources (uses)	(637,530)	-	4,999	-
Net change in fund balances	1,003,732	1,071,310	399,974	(356,236)
Fund balances at beginning of year (restated)	9,659,180	4,297,885	3,021,183	632,038
Fund balances (deficit) at end of year	\$ 10,662,912	\$ 5,369,195	\$ 3,421,157	\$ 275,802

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Senior Center	Historical Jail Debt Service	County Improvement	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,093,312	\$ -	\$ -	\$ -	\$ 6,818,136
-	-	-	-	6,290,256
-	-	-	654,660	654,660
88,663	-	-	1,204,592	2,679,603
-	-	-	-	276,585
-	-	-	213,958	613,436
359,094	38,082	-	4,448,565	13,526,494
-	-	-	16,249	1,603,080
-	-	-	145,062	464,394
2,282	-	-	81,258	89,332
34,799	-	-	411,817	1,130,777
<u>1,578,150</u>	<u>38,082</u>	<u>-</u>	<u>7,176,161</u>	<u>34,146,753</u>
-	-	-	706,070	6,383,170
-	-	-	524,535	2,155,931
-	-	-	548,248	5,799,369
-	-	-	804,326	5,787,742
-	-	-	187,143	3,868,995
1,548,396	-	-	969,386	3,143,879
-	-	-	984,246	1,086,979
-	-	-	-	597,325
-	-	601,326	1,777,287	2,379,261
-	100,000	-	299,442	440,804
-	90,075	-	55,085	155,159
-	-	-	1,460	1,460
<u>1,548,396</u>	<u>190,075</u>	<u>601,326</u>	<u>6,857,228</u>	<u>31,800,074</u>
<u>29,754</u>	<u>(151,993)</u>	<u>(601,326)</u>	<u>318,933</u>	<u>2,346,679</u>
-	-	-	-	869
-	-	600,000	48,130	653,129
-	-	-	(14,730)	(653,129)
-	-	600,000	33,400	869
29,754	(151,993)	(1,326)	352,333	2,347,548
556,131	(116,920)	2,252,513	6,392,182	26,694,192
<u>\$ 585,885</u>	<u>\$ (268,913)</u>	<u>\$ 2,251,187</u>	<u>\$ 6,744,515</u>	<u>\$ 29,041,740</u>

DEFIANCE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Net change in fund balances - total governmental funds	\$	2,347,548
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		
Capital outlay	\$ 3,880,845	
Depreciation expense	<u>(4,215,330)</u>	
Total		(334,485)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(14,531)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(833)	
Sales taxes	(53,753)	
Special assessments	(151,989)	
Intergovernmental	583,519	
Investment income	141,477	
Other	<u>(53,515)</u>	
Total		464,906
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	337	
Amortization of bond premium	2,510	
Amortization of deferred charges on refundings	<u>(3,783)</u>	
Total		(936)
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	245,000	
Special assessment bonds payable	80,000	
Loans payable	74,442	
Capital leases payable	<u>41,362</u>	
Total		440,804
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	1,404,204	
OPEB	<u>9,873</u>	
Total		1,414,077
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(3,934,123)	
OPEB	<u>(715,396)</u>	
Total		(4,649,519)
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.		
		(100,092)
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 (less the \$57,715 internal activity) is allocated among the governmental activities.		
		<u>643,634</u>
Change in net position of governmental activities	\$	<u>211,406</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 2,107,000	\$ 2,385,446	\$ 2,385,446	\$ -
Sales taxes	5,500,000	6,229,129	6,229,129	-
Charges for services.	1,127,150	1,243,266	1,270,959	27,693
Licenses and permits	2,150	2,150	2,175	25
Fines and forfeitures	253,700	338,155	338,220	65
Intergovernmental.	1,342,369	1,468,712	1,485,356	16,644
Investment income.	903,964	1,199,156	1,194,092	(5,064)
Rental income	250,000	305,181	308,017	2,836
Other	500,500	825,531	539,746	(285,785)
Total revenues	11,986,833	13,996,726	13,753,140	(243,586)
Expenditures:				
Current:				
General government:				
Legislative and executive	6,001,576	6,181,063	5,834,041	347,022
Judicial.	1,658,894	1,669,961	1,605,554	64,407
Public safety	4,228,194	4,275,160	4,085,341	189,819
Public works	500,000	500,000	139,906	360,094
Health	99,371	62,172	62,172	-
Human services.	648,320	648,320	621,898	26,422
Economic development	123,000	123,000	122,733	267
Capital outlay	450,000	455,000	648	454,352
Other	2,558,494	2,077,386	592,657	1,484,729
Total expenditures	16,267,849	15,992,062	13,064,950	2,927,112
Excess (deficiency) of revenues over (under) expenditures.	(4,281,016)	(1,995,336)	688,190	2,683,526
Other financing sources (uses):				
Refund of prior year receipts	-	(3,201)	-	3,201
Advances out.	-	(141,000)	(141,000)	-
Transfers out.	-	(640,032)	(640,032)	-
Sale of capital assets.	5,000	675	869	194
Contingencies	(726,291)	(2,223,413)	-	2,223,413
Total other financing sources (uses)	(721,291)	(3,006,971)	(780,163)	2,226,808
Net change in fund balances	(5,002,307)	(5,002,307)	(91,973)	4,910,334
Fund balance at beginning of year	4,737,072	4,737,072	4,737,072	-
Prior year encumbrances appropriated	274,535	274,535	274,535	-
Fund balance at end of year	\$ 9,300	\$ 9,300	\$ 4,919,634	\$ 4,910,334

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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 2,600,000	\$ 2,600,000	\$ 2,573,005	\$ (26,995)
Charges for services.	3,500	3,500	115,749	112,249
Intergovernmental.	1,505,136	1,505,136	1,966,972	461,836
Investment income.	300	300	1,786	1,486
Contributions and donations.	-	-	5,792	5,792
Other	94,683	94,683	27,453	(67,230)
Total revenues	<u>4,203,619</u>	<u>4,203,619</u>	<u>4,690,757</u>	<u>487,138</u>
Expenditures:				
Current:				
Health	6,108,678	6,108,678	3,877,856	2,230,822
Net change in fund balances	(1,905,059)	(1,905,059)	812,901	2,717,960
Fund balance at beginning of year	4,207,535	4,207,535	4,207,535	-
Prior year encumbrances appropriated	44,377	44,377	44,377	-
Fund balance at end of year	<u>\$ 2,346,853</u>	<u>\$ 2,346,853</u>	<u>\$ 5,064,813</u>	<u>\$ 2,717,960</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 MOTOR VEHICLE LICENSE AND GAS TAX FUND
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 1,000	\$ 8	\$ 35	\$ 27
Fines and forfeitures	10,000	27,483	27,483	-
Intergovernmental	4,141,000	5,136,678	5,075,083	(61,595)
Investment income	12,000	30,754	30,754	-
Other	2,000	30,563	30,563	-
Total revenues	<u>4,166,000</u>	<u>5,225,486</u>	<u>5,163,918</u>	<u>(61,568)</u>
Expenditures:				
Current:				
Public works	<u>6,170,927</u>	<u>7,230,413</u>	<u>5,305,184</u>	<u>1,925,229</u>
Excess of expenditures over revenues	<u>(2,004,927)</u>	<u>(2,004,927)</u>	<u>(141,266)</u>	<u>1,863,661</u>
Other financing sources:				
Transfers in	<u>4,999</u>	<u>4,999</u>	<u>4,999</u>	<u>-</u>
Total other financing sources	<u>4,999</u>	<u>4,999</u>	<u>4,999</u>	<u>-</u>
Net change in fund balances	(1,999,928)	(1,999,928)	(136,267)	1,863,661
Fund balance at beginning of year	1,931,312	1,931,312	1,931,312	-
Prior year encumbrances appropriated	68,616	68,616	68,616	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,863,661</u>	<u>\$ 1,863,661</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 EMERGENCY 911 FUND
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 708,912	\$ 757,157	\$ 757,157	\$ -
Intergovernmental	88,292	88,265	88,265	-
Other	-	18,286	18,286	-
Total revenues	<u>797,204</u>	<u>863,708</u>	<u>863,708</u>	<u>-</u>
Expenditures:				
Current:				
Public safety	1,300,332	1,366,836	1,114,450	252,386
Total expenditures	<u>1,300,332</u>	<u>1,366,836</u>	<u>1,114,450</u>	<u>252,386</u>
Net change in fund balances	(503,128)	(503,128)	(250,742)	252,386
Fund balance at beginning of year	497,128	497,128	497,128	-
Prior year encumbrances appropriated	6,000	6,000	6,000	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252,386</u>	<u>\$ 252,386</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 SENIOR CENTER FUND
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 1,020,000	\$ 1,096,683	\$ 1,096,683	\$ -
Charges for services.	87,000	88,922	92,545	3,623
Intergovernmental.	358,465	359,095	359,094	(1)
Contributions and donations.	2,000	2,282	2,282	-
Other	10,000	30,920	34,799	3,879
Total revenues	1,477,465	1,577,902	1,585,403	7,501
Expenditures:				
Current:				
Human services.	2,036,854	2,137,291	1,559,628	577,663
Net change in fund balances	(559,389)	(559,389)	25,775	585,164
Fund balance at beginning of year	532,521	532,521	532,521	-
Prior year encumbrances appropriated	26,868	26,868	26,868	-
Fund balance at end of year	\$ -	\$ -	\$ 585,164	\$ 585,164

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	<u>Landfill</u>	<u>Sewer</u>	<u>Total</u>	Activities - Internal Service Fund
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 16,321,365	\$ 1,122,760	\$ 17,444,125	\$ 1,543,051
Cash with fiscal agent	-	2,156	2,156	-
Cash and cash equivalents in segregated accounts	500	100	600	-
Receivables (net of allowance for uncollectibles):				
Accounts	428,236	182,326	610,562	-
Interfund loans	282,669	-	282,669	-
Due from other funds	146	-	146	-
Prepayments	60,776	1,587	62,363	53,404
Materials and supplies inventory	6,423	2,763	9,186	-
Total current assets	17,100,115	1,311,692	18,411,807	1,596,455
Noncurrent assets:				
Net pension asset	2,346	634	2,980	-
Restricted assets:				
Investments	6,489,816	-	6,489,816	-
Accrued interest receivable	29,217	-	29,217	-
Total restricted assets	6,519,033	-	6,519,033	-
Capital assets:				
Non-depreciable capital assets	1,705,556	288,970	1,994,526	-
Depreciable capital assets, net	8,773,173	9,319,271	18,092,444	-
Total capital assets, net	10,478,729	9,608,241	20,086,970	-
Total noncurrent assets	17,000,108	9,608,875	26,608,983	-
Total assets	34,100,223	10,920,567	45,020,790	1,596,455
Deferred outflows of resources:				
Pension	311,158	72,786	383,944	-
OPEB	62,922	9,994	72,916	-
Total deferred outflows of resources	374,080	82,780	456,860	-
Liabilities:				
Current liabilities:				
Accounts payable	41,938	66,384	108,322	6,889
Contracts payable	170,330	-	170,330	-
Accrued wages and benefits	22,018	3,757	25,775	-
Compensated absences payable	33,153	9,176	42,329	-
Due to other funds	17,519	2,822	20,341	-
Due to other governments	82,905	2,904	85,809	-
Interfund loans payable	-	239,483	239,483	500,000
Accrued interest payable	-	4,678	4,678	-
Revenue bonds payable	-	34,600	34,600	-
Claims payable	-	-	-	350,771
Capmark commercial mortgage payable	-	8,000	8,000	-
Total current liabilities	367,863	371,804	739,667	857,660
Long-term liabilities:				
Liabilities payable from restricted assets:				
Closure and postclosure payable	4,973,495	-	4,973,495	-
Revenue bonds	-	1,781,800	1,781,800	-
Compensated absences	55,720	35,747	91,467	-
Net pension liability	884,535	238,869	1,123,404	-
Net OPEB liability	409,672	110,632	520,304	-
Total long-term liabilities	6,323,422	2,167,048	8,490,470	-
Total liabilities	6,691,285	2,538,852	9,230,137	857,660
Deferred inflows of resources:				
Pension	12,924	3,390	16,314	-
OPEB	1,112	773	1,885	-
Total deferred inflows of resources	14,036	4,163	18,199	-
Net position:				
Net investment in capital assets	10,308,399	7,783,841	18,092,240	-
Restricted for closure and postclosure	1,545,538	-	1,545,538	-
Unrestricted	15,915,045	676,491	16,591,536	738,795
Total net position	\$ 27,768,982	\$ 8,460,332	36,229,314	\$ 738,795
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds			30,491	
Net position of business-type activities			\$ 36,259,805	

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, 2019

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	<u>Landfill</u>	<u>Sewer</u>	<u>Total</u>	Activities - Internal Service Fund
Operating revenues:				
Charges for services	\$ 5,408,244	\$ 766,226	\$ 6,174,470	\$ 3,737,510
Other	30,604	1,947	32,551	-
Total operating revenues.	<u>5,438,848</u>	<u>768,173</u>	<u>6,207,021</u>	<u>3,737,510</u>
Operating expenses:				
Personal services	884,634	236,174	1,120,808	-
Contract services.	651,414	100,681	752,095	219,426
Materials and supplies.	60,656	57,151	117,807	-
Other	1,212,557	320,937	1,533,494	-
Claims.	-	-	-	2,816,735
Closure and postclosure.	180,601	-	180,601	-
Depreciation.	470,845	267,056	737,901	-
Total operating expenses.	<u>3,460,707</u>	<u>981,999</u>	<u>4,442,706</u>	<u>3,036,161</u>
Operating income (loss).	<u>1,978,141</u>	<u>(213,826)</u>	<u>1,764,315</u>	<u>701,349</u>
Nonoperating revenues (expenses):				
Interest revenue.	149,001	-	149,001	-
Interest expense and fiscal charges	-	(52,291)	(52,291)	-
Loss on sale of capital assets	(25,075)	(27,645)	(52,720)	-
Total nonoperating revenues (expenses).	<u>123,926</u>	<u>(79,936)</u>	<u>43,990</u>	<u>-</u>
Change in net position	2,102,067	(293,762)	1,808,305	701,349
Net position at beginning of year.	<u>25,666,915</u>	<u>8,754,094</u>		<u>37,446</u>
Net position at end of year	<u>\$ 27,768,982</u>	<u>\$ 8,460,332</u>		<u>\$ 738,795</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>57,715</u>	
Change in net position of business-type activities			<u>\$ 1,866,020</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			Governmental
	Landfill	Sewer	Total	Activities - Internal Service Fund
Cash flows from operating activities:				
Cash received from charges for services	\$ 5,377,847	\$ 718,975	\$ 6,096,822	\$ 3,737,510
Cash received from other operating revenue	30,528	4,616	35,144	-
Cash received from special assessments	-	6,482	6,482	-
Cash payments for personal services	(648,535)	(203,661)	(852,196)	-
Cash payments for contract services	(513,016)	(113,799)	(626,815)	(315,479)
Cash payments for materials and supplies	(56,674)	(58,240)	(114,914)	-
Cash payments for claims	-	-	-	(3,148,003)
Cash payments for other expenses	(1,209,543)	(314,332)	(1,523,875)	-
Net cash provided by operating activities	2,980,607	40,041	3,020,648	274,028
Cash flows from noncapital financing activities:				
Advance Out	(282,669)	-	(282,669)	-
Net cash used in noncapital financial activities	(282,669)	-	(282,669)	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(1,624,980)	-	(1,624,980)	-
Principal payments on bonds	-	(33,700)	(33,700)	-
Interest payments on bonds	-	(51,568)	(51,568)	-
Principal payments on Capmark commercial mortgage	-	(8,000)	(8,000)	-
Interest payments on Capmark commercial mortgage	-	(800)	(800)	-
Net cash used in capital and related financing activities	(1,624,980)	(94,068)	(1,719,048)	-
Cash flows from investing activities:				
Cash received from interest	125,149	-	125,149	-
Net cash provided by maturities of investments	6,314,667	-	6,314,667	-
Net cash payments for purchases of investments	(6,489,816)	-	(6,489,816)	-
Net cash used in investing activities	(50,000)	-	(50,000)	-
Net increase (decrease) in cash and cash equivalents	1,022,958	(54,027)	968,931	274,028
Cash and cash equivalents at beginning of year	15,298,907	1,179,043	16,477,950	1,269,023
Cash and cash equivalents at end of year	\$ 16,321,865	\$ 1,125,016	\$ 17,446,881	\$ 1,543,051

- - continued

DEFIANCE COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Fund</u>
	<u>Landfill</u>	<u>Sewer</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 1,978,141	\$ (213,826)	\$ 1,764,315	\$ 701,349
Adjustments:				
Depreciation	470,845	267,056	737,901	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
(Increase) in accounts receivable	(30,397)	(38,100)	(68,497)	-
(Increase) in due from other funds.	(76)	-	(76)	-
(Increase) decrease in prepayments	265	2,139	2,404	(52,943)
(Increase) in materials and supplies inventory.	(5)	(667)	(672)	-
Decrease in net pension asset	39	50	89	-
(Increase) in deferred outflows - pension.	(154,295)	(39,606)	(193,901)	-
(Increase) in deferred outflows - OPEB	(14,952)	(3,247)	(18,199)	-
(Decrease) in accounts payable.	(17,405)	(8,495)	(25,900)	(43,110)
Increase in contracts payable.	170,330	-	170,330	-
Increase in accrued wages and benefits	12,326	668	12,994	-
Increase in closure and postclosure payable.	180,601	-	180,601	-
(Decrease) in due to other funds.	(17,173)	(969)	(18,142)	-
(Decrease) in claims payable.	-	-	-	(331,268)
Increase in due to other governments.	6,572	1,036	7,608	-
Increase in compensated absences payable.	12,013	(14,882)	(2,869)	-
Increase in net pension liability.	414,377	103,990	518,367	-
Increase in net OPEB liability.	94,969	20,350	115,319	-
(Decrease) in deferred inflows - pension.	(103,237)	(28,597)	(131,834)	-
(Decrease) in deferred inflows - OPEB.	(22,331)	(6,859)	(29,190)	-
Net cash provided by operating activities	<u>\$ 2,980,607</u>	<u>\$ 40,041</u>	<u>\$ 3,020,648</u>	<u>\$ 274,028</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019

	Custodial
Assets:	
Equity in pooled cash and cash equivalents	\$ 8,194,215
Cash in segregated accounts	1,266,884
Receivables:	
Real estate and other taxes	46,577,735
Due from other governments	2,094,181
Accounts	633
Special assessments.	545,365
Total assets	58,679,013
Liabilities:	
Accounts payable	398
Due to external party	38,626
Due to other governments	48,929,936
Total liabilities	48,968,960
Net position:	
Restricted for individuals, organizations and other governments .	9,710,053
Total net position	\$ 9,710,053

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Custodial
Additions:	
Intergovernmental	\$ 4,995,505
Amounts received as fiscal agent	18,072,977
Licenses, permits and fees for other governments	13,210,035
Property tax collection for other governments	36,492,593
Earnings on investments	2,669
Other custodial fund collections	1,183,548
Total additions	73,957,327
Deductions:	
Distributions of state funds to other governments	4,996,970
Distributions as fiscal agent	16,693,326
Licenses, permits and fees distributions to other governments	13,778,355
Property tax distributions to other governments	36,383,564
Other custodial fund disbursements	1,184,068
Total deductions	73,036,283
Net change in fiduciary net position	921,044
Net position beginning of year (restated)	8,789,009
Net position end of year	\$ 9,710,053

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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 the 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).

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Defiance County have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

B. Fund Accounting

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

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

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

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

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.

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.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

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 custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The County did not have any trust funds in 2019. Custodial 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 custodial 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.

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.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

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 (See Note 8). Revenue from sales taxes is recognized in the year in which the sales are made (See Note 7). 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 Notes 13 and 14 for deferred outflows of resources related to the County's net pension liability and net OPEB liability, respectively. 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.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019, but which were levied to finance 2020 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 Notes 13 and 14 for deferred inflows of resources related to the County's net pension liability and net OPEB liability, respectively. 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 custodial 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.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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 2019, the County invested in nonnegotiable certificates of deposit, negotiable certificates of deposit, money market mutual funds, federal agency securities, commercial paper, and a repurchase agreement. Investments are reported at fair value, except for nonnegotiable certificates of deposit and the money market mutual funds, 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 2019 was \$1,554,291, which includes \$1,159,281 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, 2019 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.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

I. Inventory

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

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

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

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.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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, claims, judgements and compensated absences 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 2019.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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 refunding's 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/Other Postemployment Benefits (OPEB)

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2019, the County has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations", GASB Statement No. 84, "Fiduciary Activities", GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements" and GASB Statement No. 90, "Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61".

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the County.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the County will no longer be reporting agency funds. The County reviewed its agency funds and certain funds will be reported in the new fiduciary classification of custodial funds, while other funds have been reclassified as governmental or proprietary funds. These fund reclassifications resulted in the restatement of the County's financial statements.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the County; however, certain disclosures in Note 17 have been modified to conform to the new requirements.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the County.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Restatement of Net Position and Fund Balances

The implementation of GASB 84 had the following effect on fund balance as reported at December 31, 2018:

	<u>General</u>	<u>Developmental Disabilities</u>	<u>Motor Vehicle License and Gas Tax</u>	<u>Emergency 911</u>	<u>Senior Center</u>
Fund Balance as previously reported	\$ 9,653,467	\$ 4,297,885	\$ 3,021,183	\$ 632,038	\$ 556,131
GASB Statement No. 84	<u>5,713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restated Fund Balance, at December 31, 2018	<u>\$ 9,659,180</u>	<u>\$ 4,297,885</u>	<u>\$ 3,021,183</u>	<u>\$ 632,038</u>	<u>\$ 556,131</u>

	<u>Historial Jail Debt Service</u>	<u>County Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance as previously reported	\$ (116,920)	\$ 2,252,513	\$ 6,356,270	\$ 26,652,567
GASB Statement No. 84	<u>-</u>	<u>-</u>	<u>35,912</u>	<u>41,625</u>
Restated Fund Balance, at December 31, 2018	<u>\$ (116,920)</u>	<u>\$ 2,252,513</u>	<u>\$ 6,392,182</u>	<u>\$ 26,694,192</u>

The implementation of the GASB 84 pronouncement had the following effect on the net position as reported at December 31, 2018:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position as previously reported	\$ 74,337,911	\$ 34,393,785
GASB Statement No. 84	<u>41,625</u>	<u>-</u>
Restated net position, at December 31, 2018	<u>\$ 74,379,536</u>	<u>\$ 34,393,785</u>

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

Due to the implementation of GASB Statement No.84, the new classification of custodial funds is reporting a beginning net position of \$8,789,009. Also, related to the implementation of GASB Statement No. 84, the County will no longer be reporting agency funds. At December 31, 2018, agency funds reported assets and liabilities of \$50,173,702.

C. Deficit Fund Balances

Fund balances at December 31, 2019 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
Historical Jail debt service fund	\$ 268,913
<u>Nonmajor funds</u>	
Court Computer Resource fund	1,574
Indigent Guardianship	99
High Visibility Enforcement fund	1,572
Airport fund	387,278
Lake Shore Project fund	164,516
Haymaker Drive Project fund	120,999
Stuckman Lateral Project fund	1,460
Ridge ditch capital project fund	9,228
Ridge ditch St. Mike's tile capital project fund	15,450

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances 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 accounting principles generally accepted in the United States of America (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);

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

	<u>General</u>	<u>Developmental Disabilities</u>	<u>Motor Vehicle License and Gas Tax</u>	<u>Emergency 911</u>	<u>Senior Center</u>
Budget basis	\$ (91,973)	\$ 812,901	\$ (136,267)	\$ (250,742)	\$ 25,775
Net adjustment for revenue accruals	476,031	2,554	67,436	25,337	(7,253)
Net adjustment for expenditure accruals	124,503	211,478	400,189	(136,831)	(15,636)
Net adjustment for other sources/uses	142,633	-	-	-	-
Funds budgeted elsewhere	78,003	-	-	-	-
Adjustment for encumbrances	<u>274,535</u>	<u>44,377</u>	<u>68,616</u>	<u>6,000</u>	<u>26,868</u>
GAAP basis	<u>\$ 1,003,732</u>	<u>\$ 1,071,310</u>	<u>\$ 399,974</u>	<u>\$ (356,236)</u>	<u>\$ 29,754</u>

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

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage 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, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
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 forty percent of the interim monies available for investment at any one time if training requirements have been met; 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. Except as notes above, 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.

DEFIANCE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At year end, the County had \$250,387 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 \$2,156 in cash deposited with a fiscal agent in a bond and coupon account. This amount is included in the amount of deposits with financial institutions below.

C. Cash in Segregated Accounts

At year end, the County had \$1,282,555 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, 2019, the carrying amount of all County deposits was \$44,881,611 and the bank balance of all County deposits was \$46,367,108. Of the bank balance, \$45,218,498 was covered by the FDIC, \$1,148,610 was covered by the Ohio Pooled Collateral System. 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’s 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 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 rate set by the Treasurer of State.

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DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

E. Investments

As of December 31, 2019, the County had the following investments and maturities:

Measurement/ Investment type	Investment Maturities					
	Measurement Amount	6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
<i>Fair Value:</i>						
Commercial Paper	\$ 6,342,115	\$ 2,083,508	\$ 4,258,607	\$ -	\$ -	\$ -
Federal Home Loan Bank	980,070	-	-	-	-	980,070
Negotiable Certificates of Deposit	3,474,080	-	1,240,720	-	-	2,233,360
Money Market Mutual Funds	91,067	91,067	-	-	-	-
Repurchase Agreement	3,097,459	3,097,459	-	-	-	-
Total	\$ 13,984,791	\$ 5,272,034	\$ 5,499,327	\$ -	\$ -	\$ 3,213,430

The weighted average maturity of investments is 1.01 years.

The County's investment in Money Market Mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The County's investments in commercial paper, federal agency securities, negotiable CD's, and Repurchase Agreements 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 Repurchase Agreements, 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 U.S. government money market mutual funds carry a rating of AA+ by Standard & Poor's and Aaa by Moody's. 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, commercial paper, and the repurchase agreement 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.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019:

<u>Measurement/ Investment type</u>	<u>Measurement Amount</u>	<u>% of Total</u>
<i>Fair Value:</i>		
Commercial Paper	\$ 6,342,115	45.35
Federal Home Loan Bank	980,070	7.01
Negotiable Certificates of Deposit	3,474,080	24.84
Money Market Mutual Funds	91,067	0.65
Repurchase Agreement	<u>3,097,459</u>	<u>22.15</u>
Total	<u>\$ 13,984,791</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2019:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 44,881,611
Investments	13,984,791
Cash with fiscal agent	2,156
Cash on hand	<u>250,387</u>
Total	<u>\$ 59,118,945</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 25,721,149
Business-type activities	23,936,697
Custodial funds	<u>9,461,099</u>
Total	<u>\$ 59,118,945</u>

NOTE 6 - RECEIVABLES

Receivables at December 31, 2019 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 \$1,041,247, will not be received within one year.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019 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 2019, principal in the amount of \$99,276 was repaid to the County, \$451,243 was issued in new loans and \$283,761 in loans receivable were written off by the County. Loans outstanding at December 31, 2019 were \$1,772,894, net of allowance for doubtful accounts in the amount of \$92,018 in the nongovernmental funds. Loans receivable, in the amount of \$1,357,636, 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	\$ 240,354
Homestead and rollback	145,128
Other intergovernmental receivables	<u>244,665</u>
Total general fund	<u>630,147</u>

Developmental disabilities fund

Homestead and rollback	<u>140,937</u>
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Motor vehicle license and gas tax fund

Gasoline and motor vehicle license tax	<u>2,420,732</u>
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Emergency 911 fund

Homestead and rollback	<u>48,539</u>
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Senior center fund

Homestead and rollback	<u>54,767</u>
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Total major funds	<u><u>\$ 3,295,122</u></u>
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Nonmajor governmental funds

DARE fund	\$ 13,801
PSI writer grant fund	15,000
Sarah House fund	7,533
Wireless 911 fund	5,567
Probation service grant	112,500
Common pleas court probation fund	5,669
Airport	<u>214,621</u>
Total nonmajor governmental funds	<u>374,691</u>

Total governmental activities	<u><u>\$ 3,669,813</u></u>
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DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 6 - RECEIVABLES - (Continued)

Custodial funds

Library local government	\$ 673,690
Local government and local government revenue assistance	324,274
Permissive motor vehicle license	116,359
Motor vehicle license tax	226,607
Gasoline tax	654,456
IDEA grant	77,751
Department of Justice grant	<u>21,044</u>
 Total custodial funds	 <u>\$ 2,094,181</u>

NOTE 7 - PERMISSIVE SALES AND USE TAX

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

Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The 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. 2019 public utility property taxes became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - PROPERTY TAXES - (Continued)

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. The collection and distribution of taxes for all subdivisions within the County itself, is accounted for through custodial funds. 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, 2019 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 2019 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, 2019 was \$9.11 per \$1,000 of assessed value. The assessed values of real and public utility personal property upon which 2019 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 697,207,530
Commercial/industrial/mineral	126,320,350
<u>Public utility</u>	
Real	496,850
Personal	<u>143,332,550</u>
Total assessed value	<u>\$ 967,357,280</u>

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DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - CAPITAL ASSETS

The capital asset activity of governmental activities for the year ended December 31, 2019, was as follows:

Governmental activities:	<u>Balance</u> <u>January 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>December 31, 2019</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,058,526	\$ -	\$ -	\$ 1,058,526
Easements	227,849	-	-	227,849
Construction in progress	<u>-</u>	<u>364,135</u>	<u>-</u>	<u>364,135</u>
Total capital assets, not being depreciated	<u>1,286,375</u>	<u>364,135</u>	<u>-</u>	<u>1,650,510</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	26,886,761	670,139	-	27,556,900
Waterlines	28,787	-	-	28,787
Roads and bridges	79,581,264	2,000,246	-	81,581,510
Machinery and equipment	6,730,270	330,712	(5,300)	7,055,682
Vehicles	<u>5,364,081</u>	<u>515,613</u>	<u>(186,054)</u>	<u>5,693,640</u>
Total capital assets, being depreciated	<u>118,591,163</u>	<u>3,516,710</u>	<u>(191,354)</u>	<u>121,916,519</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(9,474,704)	(828,448)	-	(10,303,152)
Waterlines	(288)	(576)	-	(864)
Roads and bridges	(35,481,998)	(2,640,495)	-	(38,122,493)
Machinery and equipment	(5,153,043)	(374,170)	5,300	(5,521,913)
Vehicles	<u>(3,465,276)</u>	<u>(371,641)</u>	<u>171,523</u>	<u>(3,665,394)</u>
Total accumulated depreciation	<u>(53,575,309)</u>	<u>(4,215,330)</u>	<u>176,823</u>	<u>(57,613,816)</u>
Total capital assets being depreciated, net	<u>65,015,854</u>	<u>(698,620)</u>	<u>(14,531)</u>	<u>64,302,703</u>
Governmental activities capital assets, net	<u>\$ 66,302,229</u>	<u>\$ (334,485)</u>	<u>\$ (14,531)</u>	<u>\$ 65,953,213</u>

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DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - CAPITAL ASSETS - (Continued)

The capital asset activity of business-type activities for the year ended December 31, 2019, was as follows:

Business-type activities:	Balance			Balance
	<u>January 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>December 31, 2019</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,568,701	\$ -	\$ -	\$ 1,568,701
Constuction in progress	<u>-</u>	<u>425,825</u>	<u>-</u>	<u>425,825</u>
Total capital assets, not being depreciated	<u>1,568,701</u>	<u>425,825</u>	<u>-</u>	<u>1,994,526</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	9,895,623	-	-	9,895,623
Buildings and improvements	2,228,542	-	-	2,228,542
Sewer lines	8,982,537	-	-	8,982,537
Machinery and equipment	4,508,462	916,282	(95,902)	5,328,842
Vehicles	<u>735,735</u>	<u>285,201</u>	<u>(73,605)</u>	<u>947,331</u>
Total capital assets, being depreciated	<u>26,350,899</u>	<u>1,201,483</u>	<u>(169,507)</u>	<u>27,382,875</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,493,996)	(200,870)	-	(1,694,866)
Buildings and improvements	(346,214)	(23,748)	-	(369,962)
Sewer lines	(2,965,563)	(179,651)	-	(3,145,214)
Machinery and equipment	(3,578,308)	(261,615)	68,257	(3,771,666)
Vehicles	<u>(285,236)</u>	<u>(72,017)</u>	<u>48,530</u>	<u>(308,723)</u>
Total accumulated depreciation	<u>(8,669,317)</u>	<u>(737,901)</u>	<u>116,787</u>	<u>(9,290,431)</u>
Total capital assets being depreciated, net	<u>17,681,582</u>	<u>463,582</u>	<u>(52,720)</u>	<u>18,092,444</u>
Business-type activities capital assets, net	<u>\$ 19,250,283</u>	<u>\$ 889,407</u>	<u>\$ (52,720)</u>	<u>\$ 20,086,970</u>

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

Governmental activities:	
Legislative and executive	\$ 521,267
Judicial	80,660
Public safety	262,272
Public works	2,968,011
Health	47,322
Human services	332,592
Conservation and recreation	<u>3,206</u>
Total depreciation expense - governmental activities	<u>\$ 4,215,330</u>

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - CAPITAL ASSETS - (Continued)

Business-type activities:

Landfill	\$ 470,845
Sewer	<u>267,056</u>
Total depreciation expense - business-type activities	<u>\$ 737,901</u>

NOTE 10 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2019 consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Motor vehicle license and gas tax fund	\$ 4,999
County improvement fund	600,000
Nonmajor governmental funds	33,400
<u>Transfers from nonmajor governmental funds to:</u>	
Nonmajor governmental funds	<u>14,730</u>
Total	<u>\$ 653,129</u>

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

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DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - INTERFUND TRANSACTIONS - (Continued)

- B.** Due from/to other funds consisted of the following at December 31, 2019, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Developmental disabilities fund	\$18,636
General fund	Motor vehicle license and gas tax fund	22,527
General fund	Emergency 911 fund	6,744
General fund	Senior center fund	8,534
General fund	Nonmajor governmental funds	114,479
General fund	Landfill fund	8,992
General fund	Sewer fund	2,822
Motor vehicle license and gas tax fund	General fund	17,786
Motor vehicle license and gas tax fund	Landfill fund	8,527
Motor vehicle license and gas tax fund	Nonmajor governmental funds	56,900
Nonmajor governmental funds	General fund	4,635
Nonmajor governmental funds	Nonmajor governmental funds	98
Landfill fund	Motor vehicle license and gas tax fund	<u>146</u>
Total		<u>\$270,826</u>

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

- C.** Interfund loans receivable/payable consisted of the following at December 31, 2019, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Historical jail debt service fund	\$ 1,840,000
General fund	Sewer fund	239,483
General fund	Internal service fund	500,000
General fund	Nonmajor governmental funds	500,832
County improvement fund	Nonmajor governmental funds	125,000
Nonmajor governmental funds	Nonmajor governmental funds	10,000
Landfill fund	Nonmajor governmental funds	<u>282,669</u>
Total		<u>\$ 3,497,984</u>

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

DEFIANCE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 10 - INTERFUND TRANSACTIONS - (Continued)

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	\$101,631,875
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.

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.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 11 - RISK MANAGEMENT - (Continued)

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, 2019 is estimated by a third party administrator at \$350,771. The changes in the claims payable liability for 2019 and 2018 were as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Year
2019	\$ 682,039	\$ 2,816,735	\$ (3,148,003)	\$ 350,771
2018	333,431	3,606,813	(3,258,205)	682,039

C. Workers’ Compensation

For 2019, the County participated in the County Commissioners Association Service Corporation (Plan), a workers' compensation insurance purchasing pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, annually the Plan's Executive Committee calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's Executive Committee then collects rate contributions from, or pays rate equalization rebates to, the various participants.

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

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.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 12 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The County has outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2019:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid as of December 31, 2019</u>	<u>Outstanding Balance</u>
Appraisal Research Corporation	\$ 218,689	\$ (215,494)	\$ 3,195
DDTI	252,000	(248,000)	4,000
Eagon and Associates, Inc.	28,350	(25,234)	3,116
Fidlar Technologies	49,302	(28,535)	20,767
GL Lloyd Earthmoving	6,700	-	6,700
Lexur Appraisal Service	95,800	(58,345)	37,455
Manatron. Inc.	194,945	(184,204)	10,741
Mannik & Smith Group	125,000	(34,843)	90,157
RCM Architects	12,000	(4,430)	7,570
The Sidwell Company	61,761	(33,833)	27,928
The Weber Company	33,690	(30,227)	3,463
Tri County Equipment & Repair	425,825	(255,495)	170,330
Zenz Farms Inc.	<u>65,583</u>	<u>-</u>	<u>65,583</u>
Total	<u>\$ 1,569,645</u>	<u>\$ (1,118,640)</u>	<u>\$ 451,005</u>

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.

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.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

GASB 68 assumes any net pension liability/asset 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 is presented as a long-term net pension liability/asset 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):

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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
Traditional Plan 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	Traditional Plan 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	Traditional Plan 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
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% 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
Traditional Plan 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	Traditional Plan 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	Traditional Plan 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 3.00%.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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 1.00% 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 3.00% 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
2019 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee ***	10.0 %	*	**
2019 Actual Contribution Rates			
Employer:			
Pension	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits *****	0.0 %	0.0 %	0.0 %
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.

*** Member contributions within the combined plan are not used to fund the defined benefit retirement allowance

***** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4.00%.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 \$1,446,492 for 2019. Of this amount, \$174,305 is reported as due to other governments.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers 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 website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. 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.

Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% 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, 12% of the 14% member rate goes to the DC Plan and the remaining 2% 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 to 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.

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 2019, 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 2019 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was \$84,194 for 2019. Of this amount, \$2,268 is reported as due to other governments.

Net 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, 2018, 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. STRS's total pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability 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	0.09572900%	0.05476900%	0.04622400%	0.00493484%	
Proportion of the net pension liability/asset current measurement date	<u>0.09449800%</u>	<u>0.06026300%</u>	<u>0.05551900%</u>	<u>0.00516629%</u>	
Change in proportionate share	<u>-0.00123100%</u>	<u>0.00549400%</u>	<u>0.00929500%</u>	<u>0.00023145%</u>	
Proportionate share of the net pension liability	\$ 19,448,918	\$ -	\$ -	\$ 1,142,494	\$ 20,591,412
Proportionate share of the net pension asset	-	(50,640)	(951)	-	(51,591)
Pension expense	4,214,445	14,053	(246)	(17,856)	4,210,396

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OPERS - Combined	Member- Directed	STRS	Total
Deferred outflows of resources					
Differences between expected and actual experience	\$ 897	\$ -	\$ 3,956	\$ 9,302	\$ 14,155
Net difference between projected and actual earnings on pension plan investments	2,639,764	10,908	315	-	2,650,987
Changes of assumptions	1,693,078	11,311	296	134,208	1,838,893
Changes in employer's proportionate percentage/ difference between employer contributions	48,519	-	-	170,852	219,371
Contributions subsequent to the measurement date	1,390,345	29,952	26,195	41,264	1,487,756
Total deferred outflows of resources	\$ 5,772,603	\$ 52,171	\$ 30,762	\$ 355,626	\$ 6,211,162
Deferred inflows of resources					
Differences between expected and actual experience	\$ 255,375	\$ 20,681	\$ -	\$ 4,945	\$ 281,001
Net difference between projected and actual earnings on pension plan investments	-	-	-	55,835	55,835
employer contributions	114,264	-	-	209,618	323,882
Total deferred inflows of resources	\$ 369,639	\$ 20,681	\$ -	\$ 270,398	\$ 660,718

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

\$1,487,756 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, 2020.

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

Year Ending December 31:	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	STRS	Total
2020	\$ 1,722,260	\$ 1,709	\$ 659	\$ (11,609)	\$ 1,713,019
2021	817,779	(470)	602	(5,616)	812,295
2022	244,892	(239)	612	46,268	291,533
2023	1,227,684	3,175	736	14,917	1,246,512
2024	4	(1,309)	543	4	(758)
Thereafter	-	(1,328)	1,415	-	87
Total	\$ 4,012,619	\$ 1,538	\$ 4,567	\$ 43,964	\$ 4,062,688

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, 2018, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

Wage inflation	3.25%
Future salary increases, including inflation COLA or ad hoc COLA	3.25% to 10.75% including wage inflation 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	
Current measurement date	7.20%
Prior measurement date	7.50%
Actuarial cost method	Individual entry age

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. 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 expected 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 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 was 2.94% for 2018.

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 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.79 %
Domestic equities	19.00	6.21
Real estate	10.00	4.90
Private equity	10.00	10.81
International equities	20.00	7.83
Other investments	18.00	5.50
Total	<u>100.00 %</u>	<u>5.95 %</u>

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2018 was 7.50%. 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/Asset 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 7.20%, 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 (6.20%) or one-percentage-point higher (8.20%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
County's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 28,731,707	\$ 19,448,917	\$ 11,734,836
Combined Plan	(16,756)	(50,640)	(75,175)
Member-Directed Plan	(417)	(951)	(1,669)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

	July 1, 2019
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the 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. Post-retirement disabled mortality rates are based on the 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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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	<u>100.00 %</u>	

*10-Year 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' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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 (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
County's proportionate share of the net pension liability	\$ 1,669,628	\$ 1,142,494	\$ 696,248

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

The net OPEB liability/asset reported on the statement of net position represents a liability/asset to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability/asset represents the County's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates annually.

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability/asset on the accrual basis of accounting. Any liability for the contractually-required OPEB 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 - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care 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.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 75. See OPERS' CAFR referenced below for additional information.

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 Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care was 0.00% for the Traditional and Combined plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The County's contractually required contribution was \$10,479 for 2019. Of this amount, \$1,263 is reported as due to other governments.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered 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 partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For 2019, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liabilities, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. STRS’s total OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The County's proportion of the net OPEB liability was based on the County's share of contributions to the retirement plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.09257000%	0.00493484%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.09194000%</u>	<u>0.00516629%</u>	
Change in proportionate share	<u>-0.00063000%</u>	<u>0.00023145%</u>	
Proportionate share of the net OPEB liability	\$ 9,007,752	\$ -	\$ 9,007,752
OPEB asset	\$ -	\$ 85,566	\$ 85,566
OPEB expense	\$ 804,475	\$ (20,543)	\$ 783,932

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

At December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 3,051	\$ 7,758	\$ 10,809
Net difference between projected and actual earnings on OPEB plan investments	412,951	-	412,951
Changes of assumptions	290,421	1,798	292,219
Changes in employer's proportionate percentage/difference between employer contributions	31,506	30,533	62,039
Contributions subsequent to the measurement date	10,478	-	10,478
Total deferred outflows of resources	<u>\$ 748,407</u>	<u>\$ 40,089</u>	<u>\$ 788,496</u>
	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 24,441	\$ 4,353	\$ 28,794
Net difference between projected and actual earnings on OPEB plan investments	-	5,373	5,373
Changes of assumptions	-	93,813	93,813
Changes in employer's proportionate percentage/difference between employer contributions	71,038	-	71,038
Total deferred inflows of resources	<u>\$ 95,479</u>	<u>\$ 103,539</u>	<u>\$ 199,018</u>

\$10,478 reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Year Ending December 31:	OPERS	STRS	Total
2020	\$ 294,890	\$ (14,473)	\$ 280,417
2021	71,803	(14,472)	57,331
2022	67,728	(12,317)	55,411
2023	208,029	(11,563)	196,466
2024	-	(11,093)	(11,093)
Thereafter	-	468	468
Total	\$ 642,450	\$ (63,450)	\$ 579,000

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.

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DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25 to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	3.96%
Prior Measurement date	3.85%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.50%
Municipal Bond Rate	
Current measurement date	3.71%
Prior Measurement date	3.31%
Health Care Cost Trend Rate	
Current measurement date	10.00% initial, 3.25% ultimate in 2029
Prior Measurement date	7.50%, initial 3.25%, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

The long-term expected rate of return on health care 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.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. 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 Health Care portfolio is 5.60% for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	<u>100.00 %</u>	<u>5.16 %</u>

Discount Rate - A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - The following table presents the County's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96%, as well as what the County's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96%) or one-percentage-point higher (4.96%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
County's proportionate share of the net OPEB liability	\$ 11,524,272	\$ 9,007,752	\$ 7,006,453

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
County's proportionate share of the net OPEB liability	\$ 8,658,404	\$ 9,007,752	\$ 9,410,107

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

	July 1, 2019		July 1, 2018	
	Initial	Ultimate	Initial	Ultimate
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discounted rate of return	7.45%		7.45%	
Health care cost trends				
Medical				
Pre-Medicare	6.00%	4.00%	6.00%	4.00%
Medicare	5.00%	4.00%	5.00%	4.00%
Prescription Drug				
Pre-Medicare	9.62%	4.00%	8.00%	4.00%
Medicare	4.00%	4.00%	-5.23%	4.00%

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the 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. For disabled retirees, mortality rates are based on the 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.

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation**</u>	<u>Long-Term Expected Real Rate of Return *</u>
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	<u>100.00 %</u>	

*10-Year 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' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

** The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2019.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the County's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
County's proportionate share of the net OPEB asset	\$ 73,014	\$ 85,566	\$ 96,120
	1% Decrease	Current Trend Rate	1% Increase
County's proportionate share of the net OPEB asset	\$ 97,028	\$ 85,566	\$ 71,528

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.

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

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 16 - SHORT-TERM OBLIGATIONS

The County's short-term bond anticipation note activity for the year ended December 31, 2019, was as follows:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance January 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2019</u>
Governmental activities:							
Flory Road Tile - 2018	3/2/2018	3/1/2019	3.16%	\$ 14,173	\$ -	\$ (14,173)	\$ -
Stuckman Ditch Improvement - 2019	8/19/2019	8/18/2020	3.52%	-	85,000	-	85,000
Total Governmental Activities				<u>\$ 14,173</u>	<u>\$ 85,000</u>	<u>\$ (14,173)</u>	<u>\$ 85,000</u>

The Flory Road Tile bond anticipation note was issued in order to replace an existing drainage tile at Flory Road. The Stuckman Ditch Improvement bond anticipation note was issued for the purpose of constructing the Stuckman Road Ditch Project.

The County's bond anticipation notes were backed by the full faith and credit of the County.

NOTE 17 - LONG-TERM OBLIGATIONS

The original issue date, interest rate, original issue amount, and balance at December 31, 2019 for the County's long-term obligations are as follows:

	<u>Original Issue Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Balance December 31, 2019</u>
<u>General obligation bonds:</u>				
Various purpose improvement	2005	5.25%	\$ 375,000	\$ 100,000
Refunding bonds, series 2010	2010	2 - 4%	1,680,000	590,000
Various purpose, series 2010	2010	1.25 - 6.1%	2,385,000	1,410,000
<u>Special assessment bonds:</u>				
Platter creek	2004	2.25 - 5%	425,000	145,000
Refunding bonds, series 2010	2010	2 - 4%	645,000	150,000
<u>Revenue bonds:</u>				
Green acres	2005	4.1%	60,000	49,200
Auglaize sewer	2012	2.75%	1,977,000	1,767,200
<u>OWDA loans:</u>				
Express sewer	2002	1.5%	1,356,038	230,118
<u>Capmark Commercial Mortgage:</u>				
Sewer	1980	5%	146,300	8,000

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

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

During 2019, the following activity occurred in the County's long-term obligations.

	Balance			Balance	Due Within
	<u>January 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2019</u>	<u>One Year</u>
Governmental activities:					
<u>General obligation bonds:</u>					
Various purpose improvement	\$ 1,635,000	\$ -	\$ (125,000)	\$ 1,510,000	\$ 140,000
Refunding bonds, series 2010	<u>710,000</u>	<u>-</u>	<u>(120,000)</u>	<u>590,000</u>	<u>110,000</u>
Total general obligation bonds	<u>2,345,000</u>	<u>-</u>	<u>(245,000)</u>	<u>2,100,000</u>	<u>250,000</u>
<u>Special assessment bonds:</u>					
Refunding bonds, series 2010	205,000	-	(55,000)	150,000	60,000
Platter creek	<u>170,000</u>	<u>-</u>	<u>(25,000)</u>	<u>145,000</u>	<u>25,000</u>
Total special assessment bonds	<u>375,000</u>	<u>-</u>	<u>(80,000)</u>	<u>295,000</u>	<u>85,000</u>
<u>Other long-term obligations:</u>					
OWDA loans payable - Direct Borrowing	304,560	-	(74,442)	230,118	75,562
Capital lease obligations	222,832	-	(41,362)	181,470	43,232
Net pension liability	11,721,083	7,746,925	-	19,468,008	-
Net OPEB liability	7,119,296	1,368,152	-	8,487,448	-
Compensated absences	<u>1,116,288</u>	<u>580,351</u>	<u>(474,119)</u>	<u>1,222,520</u>	<u>507,319</u>
Total other long-term obligations	<u>20,484,059</u>	<u>9,695,428</u>	<u>(589,923)</u>	<u>29,589,564</u>	<u>626,113</u>
Total governmental activities					
long-term obligations	<u>\$ 23,204,059</u>	<u>\$ 9,695,428</u>	<u>\$ (914,923)</u>	31,984,564	<u>\$ 961,113</u>
				10,626	
				<u>\$ 31,995,190</u>	
Business-type activities:					
<u>Revenue bonds:</u>					
Sewer revenue bonds	\$ 1,850,100	\$ -	\$ (33,700)	\$ 1,816,400	\$ 34,600
<u>Other long-term obligations:</u>					
Capmark commercial mortgage - Direct					
Borrowing	16,000	-	(8,000)	8,000	8,000
Closure and postclosure liability	4,792,894	180,601	-	4,973,495	-
Net pension obligation	605,037	518,367	-	1,123,404	-
Net OPEB liability	404,985	115,319	-	520,304	-
Compensated absences	<u>136,665</u>	<u>44,865</u>	<u>(47,734)</u>	<u>133,796</u>	<u>42,329</u>
Total other long-term obligations	<u>5,955,581</u>	<u>859,152</u>	<u>(55,734)</u>	<u>6,758,999</u>	<u>50,329</u>
Total business-type activities					
long-term obligations	<u>\$ 7,805,681</u>	<u>\$ 859,152</u>	<u>\$ (89,434)</u>	<u>\$ 8,575,399</u>	<u>\$ 84,929</u>

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

A. Various Purpose General Obligation Bonds, Series 2005

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

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

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

<u>Year</u>	<u>Amount</u>
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:

<u>Year</u>	<u>Amount</u>
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

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

The remaining \$100,000 principal amount on the bonds due December 1, 2019, was 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:

<u>Year Ended</u> <u>(December 1)</u>	<u>Principal Amount to</u> <u>be Redeemed</u>
2020	\$ 110,000
2021	115,000
2022	120,000
2023	125,000
2024	135,000
2025	145,000
2026	150,000
2027	160,000
2028	170,000
2029	180,000

Unless otherwise called for redemption, the remaining principal amounts due on the bonds is to be paid at stated maturity.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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:

<u>Year Ended</u> <u>(December 1)</u>	<u>Principal Amount to</u> <u>be Redeemed</u>
2020	\$ 110,000
2021	115,000
2022	115,000

Unless otherwise called for redemption, the remaining principal amounts due on the bonds is to be paid at stated maturity.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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:

<u>Year Ended</u> <u>(December 1)</u>	<u>Principal Amount to</u> <u>be Redeemed</u>
2023	\$ 125,000
2024	125,000

Unless otherwise called for redemption, the remaining principal amounts due on the bonds 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 Platter Creek and Refunding Bonds, Series 2010, 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:

<u>Year Ended</u> <u>(December 1)</u>	<u>Principal Amount to</u> <u>be Redeemed</u>
2021	\$ 60,000
2022	30,000

Unless otherwise called for redemption, the remaining principal amounts due on the bonds is to be paid at stated maturity.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 \$2,793,307.

G. 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, 2019, the County has outstanding borrowings of \$230,118. The OWDA loan agreement requires semi-annual payments based on the actual amount owed. These loans are direct borrowings. In the event of default, the OWDA may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the County to pay any fines, penalties, interest, or late charges associated with the default.

H. 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. This loan is a direct borrowing that has terms negotiated between the County and the creditor.

I. 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.

J. Net Pension Obligation and Net OPEB Liability

See Notes 13 and 14 for details. The County pays obligations related to employee compensation from the benefitting from their service which for the County, is primarily the general fund.

K. Capital Lease Obligations

Capital leases will be paid from the general fund, the emergency 911 fund, and the senior center fund. See Note 19 for further detail.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

L. 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 \$21,031,504 at December 31, 2019.

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

<u>Year Ended</u>	Governmental Activities					
	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	265,000	77,109	342,109	30,000	3,000	33,000
2024	275,000	63,431	338,431	30,000	1,500	31,500
2025 - 2029	820,000	153,852	973,852	-	-	-
Total	\$ 2,100,000	\$ 599,499	\$ 2,699,499	\$ 295,000	\$ 32,900	\$ 327,900

<u>Year Ended</u>	OWDA Loans		
	Principal	Interest	Total
2020	\$ 75,562	\$ 3,170	\$ 78,732
2021	76,700	2,032	78,732
2022	77,856	887	78,743
Total	\$ 230,118	\$ 6,089	\$ 236,207

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

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

Year Ended	Business-type Activities					
	Revenue Bonds			Capmark Commercial Mortgage		
	Principal	Interest	Total	Principal	Interest	Total
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	37,600	47,641	85,241	-	-	-
2024	38,600	46,713	85,313	-	-	-
2025 - 2029	210,400	216,213	426,613	-	-	-
2030 - 2034	241,500	185,081	426,581	-	-	-
2035 - 2039	277,100	149,287	426,387	-	-	-
2040 - 2044	318,300	108,204	426,504	-	-	-
2045 - 2049	352,400	61,709	414,109	-	-	-
2050 - 2052	233,600	12,970	246,570	-	-	-
Total	\$ 1,816,400	\$ 976,907	\$ 2,793,307	\$ 8,000	\$ 400	\$ 8,400

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, 2019, \$388,801 of these bonds was outstanding.

In 2007, the County issued \$1,407,600 in Health Care Facilities Revenue Bonds. The proceeds were used to provide hospital facilities at the lowest possible cost to service the residents of the Public Hospital Agencies, which hospital facilities will be available for the service of the general public. The County is not obligated in any way to pay the debt charges on the bonds from any of its funds, and therefore, the debt has been excluded entirely from the County's debt presentation. As of December 31, 2019, \$720,361 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, 2019, \$10,430,000 of these bonds was outstanding.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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 \$4,973,495 reported as landfill closure and postclosure costs payable at December 31, 2019 represents the cumulative amount reported to date based on the use of 49% of the estimated capacity of the landfill. The County will recognize the remaining estimated costs of closure and postclosure of \$2,506,938 and \$2,697,667, 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 2019. 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 2019, the liabilities total \$2,456,762 for closure and \$2,516,733 for postclosure costs. The County expects the landfill to have a remaining life of 53 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 2019, 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, the County entered into capital leases for copier and emergency 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 copier equipment has been capitalized in the statement of net position. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in 2019 consisted of \$2,199 paid by the general fund.

Police radios and other miscellaneous emergency equipment in the amount of \$214,205, has not been capitalized since the assets do not meet the County's capitalization threshold. A corresponding liability is recorded in the government-wide financial statements. Principal payments in 2019 consisted of \$39,163 paid by the emergency 911 fund.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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, 2019:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 51,360
2021	51,361
2022	50,500
2023	<u>48,780</u>
Total minimum lease payments	202,001
Less: amount representing interest	<u>(20,531)</u>
Total	<u>\$ 181,470</u>

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

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

The Northwest Ohio Juvenile Detention, Training, and Rehabilitation Center (Center) is a jointly governed organization among Defiance, Fulton, Henry, and Williams Counties. The Center’s Board of Trustees consists of thirteen members; three from each county and one at-large member. The Board of Trustees exercises total control over the operation of the Center including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the Center. In 2019, Defiance County contributed \$350,346 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.

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 2019, Defiance County contributed \$1,211,022 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.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

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 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 2019, Defiance County contributed \$1,560,017 for CCNO's operations, which represents 8.2% 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 2019, Defiance County contributed \$351,396 for the District's operations, which represents 42% of total contributions. Information can be obtained from Julie Beagle, Williams County Auditor, One Courthouse Square, Bryan, Ohio 43506.

E. Multi-Area Narcotics Task Force

The Multi-Area Narcotics Task Force (Task Force) is a jointly governed organization among Defiance, William, Fulton, and Putnam Counties and the Cities of Defiance and Bryan. The Task Force is jointly controlled by the chief law enforcement officer of each respective entity. The main source of revenue for the Task Force is from federal grants and local matching funds from the entities. The County has no ongoing financial interest or responsibility for the Task Force. In 2019, 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 2019, Defiance County contributed \$84,295 for Quadco's operations.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

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 2019, Defiance County contributed \$180,911 for MVPO's operations, which represents 18.46% of total contributions. Information can be obtained from Brett Kolb, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

H. Community Improvement Corporation of Defiance County

Community Improvement Corporation of Defiance County (CIC) is a jointly governed organization among Defiance County, the City of Defiance, and the respective villages and townships of Defiance County. The purpose of the CIC is to promote and encourage the establishment and growth of industrial, commercial, distribution, and research facilities within member subdivisions. CIC is governed by a Board of Trustees consisting of fifteen self-appointed members. Not less than two-fifths of the members are to be composed of elected officials. Five of these members include: a member of the Board of County Commissioners of Defiance County, the Auditor of Defiance County, the Mayor or his/her designated elected official of the City of Defiance, the Mayor or his/her designated elected official of the Village of Hicksville, and the President of the Defiance County Trustees. The remaining members represent private residents of Defiance County or employees of Defiance County businesses or firms. 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 2019, Defiance County contributed \$80,000 for CIC's operations, which represents 25% of total contributions. Information can be obtained from the Jerry Hayes, Executive Director, 1300 East Second Street, Suite 201, Defiance, Ohio 43512.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

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 \$14,896 towards NOWAC's operations in 2019. 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 2019, Defiance County contributed \$372,831 for DPCJFS' operations, which represents 5.4% 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.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 21 - INSURANCE POOLS - (Continued)

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 2019, 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, 2019 to December 31, 2019, the County received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the County believes such disallowances, if any, would be immaterial.

DEFIANCE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 24 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 285,646
Developmental disabilities fund	25,868
Motor vehicle license and gas tax fund	173,652
Emergency 911 fund	4,644
Senior center fund	7,301
County improvement fund	48,660
Nonmajor governmental funds	<u>190,811</u>
Total	<u>\$ 736,582</u>

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DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 interfund loans	\$ 3,080,315	\$ -	\$ -	\$ -
Prepayments	654,441	261,495	6,935	10,730
Materials and supplies inventory	66,927	11,408	883,706	697
Unclaimed monies	<u>129,082</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total nonspendable	<u>3,930,765</u>	<u>272,903</u>	<u>890,641</u>	<u>11,427</u>
Restricted:				
General government	-	-	-	-
Human services programs	-	-	-	-
Public works projects	-	-	2,530,516	-
Public safety programs	-	-	-	264,375
Economic development	-	-	-	-
Health services	-	5,096,292	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total restricted	<u>-</u>	<u>5,096,292</u>	<u>2,530,516</u>	<u>264,375</u>
Committed:				
General government	-	-	-	-
Public safety programs	-	-	-	-
Economic development	-	-	-	-
Capital projects	-	-	-	-
Retirement payoffs	21,796	-	-	-
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total committed	<u>21,796</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned:				
General government	280,743	-	-	-
Public safety programs	1,740	-	-	-
Health services	518	-	-	-
Other purposes	2,645	-	-	-
Capital projects	-	-	-	-
Subsequent year appropriation	<u>4,641,639</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assigned	<u>4,927,285</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned	<u>1,783,066</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>\$ 10,662,912</u>	<u>\$ 5,369,195</u>	<u>\$ 3,421,157</u>	<u>\$ 275,802</u>

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 25 - FUND BALANCE - (Continued)

Fund Balance	Senior Center	Historical Jail Debt Service	County Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Long-term interfund loans	\$ -	\$ -	\$ -	\$ -	\$ 3,080,315
Prepayments	1,345	-	-	22,743	957,689
Materials and supplies inventory	4,523	-	-	37,007	1,004,268
Unclaimed monies	-	-	-	-	129,082
Total nonspendable	<u>5,868</u>	<u>-</u>	<u>-</u>	<u>59,750</u>	<u>5,171,354</u>
Restricted:					
General government	-	-	-	1,334,575	1,334,575
Human services programs	580,017	-	-	102,761	682,778
Public works projects	-	-	-	239,385	2,769,901
Public safety programs	-	-	-	506,414	770,789
Economic development	-	-	-	1,995,024	1,995,024
Health services	-	-	-	81,579	5,177,871
Debt service	-	-	-	749,742	749,742
Capital projects	-	-	-	269,009	269,009
Other purposes	-	-	-	933,554	933,554
Total restricted	<u>580,017</u>	<u>-</u>	<u>-</u>	<u>6,212,043</u>	<u>14,683,243</u>
Committed:					
General government	-	-	-	361,292	361,292
Public safety programs	-	-	-	1,263	1,263
Economic development	-	-	-	298,992	298,992
Capital projects	-	-	-	491,082	491,082
Retirement payoffs	-	-	-	-	21,796
Other purposes	-	-	-	22,470	22,470
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,175,099</u>	<u>1,196,895</u>
Assigned:					
General government	-	-	-	-	280,743
Public safety programs	-	-	-	-	1,740
Health services	-	-	-	-	518
Other purposes	-	-	-	-	2,645
Capital projects	-	-	2,251,187	-	2,251,187
Subsequent year appropriation	-	-	-	-	4,641,639
Total assigned	<u>-</u>	<u>-</u>	<u>2,251,187</u>	<u>-</u>	<u>7,178,472</u>
Unassigned (deficit)	<u>-</u>	<u>(268,913)</u>	<u>-</u>	<u>(702,377)</u>	<u>811,776</u>
Total fund balances (deficit)	<u>\$ 585,885</u>	<u>\$ (268,913)</u>	<u>\$ 2,251,187</u>	<u>\$ 6,744,515</u>	<u>\$ 29,041,740</u>

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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 2019 was \$8,902,130. The total value of taxes abated for 2019 was \$93,472.

NOTE 27 - SIGNIFICANT SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the County. The County's investment portfolio and the investments of the pension and other employee benefit plan in which the County participates may incur a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the County's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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REQUIRED SUPPLEMENTARY INFORMATION

DEFIANCE COUNTY

SCHEDULES OF THE 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 SIX YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Traditional Plan:</i>				
County's proportion of the net pension liability	0.094498%	0.095729%	0.096119%	0.981720%
County's proportionate share of the net pension liability	\$ 19,448,917	\$ 11,241,058	\$ 16,243,668	\$ 12,697,862
County's covered payroll	\$ 9,580,671	\$ 9,551,823	\$ 9,327,692	\$ 9,066,192
County's proportionate share of the net pension liability as a percentage of its covered payroll	203.00%	117.68%	174.14%	140.06%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	84.66%	77.25%	81.08%
<i>Combined Plan:</i>				
County's proportion of the net pension asset	0.060263%	0.054769%	0.049035%	0.041920%
County's proportionate share of the net pension asset	\$ 50,640	\$ 55,808	\$ 20,310	\$ 15,233
County's covered payroll	\$ 176,807	\$ 166,931	\$ 182,225	\$ 140,808
County's proportionate share of the net pension asset as a percentage of its covered payroll	28.64%	33.43%	11.15%	10.82%
Plan fiduciary net position as a percentage of the total pension asset	126.64%	137.28%	116.55%	116.90%
<i>Member Directed Plan:</i>				
County's proportion of the net pension asset	0.055519%	0.046224%	0.044529%	0.046699%
County's proportionate share of the net pension asset	\$ 951	\$ 1,207	\$ 138	\$ 133
County's covered payroll	\$ 217,700	\$ 188,540	\$ 183,008	\$ 242,375
County's proportionate share of the net pension asset as a percentage of its covered payroll	0.44%	0.64%	0.08%	0.05%
Plan fiduciary net position as a percentage of the total pension asset	113.42%	124.46%	103.40%	103.91%

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 fiscal year were determined as of the County's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>
	0.099140%	0.099140%
\$	8,865,265	\$ 8,665,029
\$	8,854,367	\$ 11,244,962
	100.12%	77.06%
	86.45%	86.36%
	0.055613%	0.055613%
\$	15,874	\$ 4,326
\$	193,642	\$ 190,023
	8.20%	2.28%
	114.83%	104.56%
	n/a	n/a
	n/a	n/a
	n/a	n/a
	n/a	n/a
	n/a	n/a

DEFIANCE COUNTY

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST SIX YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
County's proportion of the net pension liability	0.00516629%	0.00493484%	0.00395153%	0.00521774%
County's proportionate share of the net pension liability	\$ 1,142,494	\$ 1,085,061	\$ 938,694	\$ 1,746,535
County's covered payroll	\$ 593,279	\$ 491,264	\$ 466,464	\$ 624,043
County's proportionate share of the net pension liability as a percentage of its covered payroll	192.57%	220.87%	201.24%	279.87%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.30%	75.30%	66.80%

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 fiscal year were determined as of the County's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
0.00632304%	0.00730021%
\$ 1,747,503	\$ 1,775,664
\$ 733,300	\$ 739,123
238.31%	240.24%
72.10%	74.70%

DEFIANCE COUNTY

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 1,390,345	\$ 1,341,294	\$ 1,241,737	\$ 1,119,323
Contributions in relation to the contractually required contribution	<u>(1,390,345)</u>	<u>(1,341,294)</u>	<u>(1,241,737)</u>	<u>(1,119,323)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 9,931,036	\$ 9,580,671	\$ 9,551,823	\$ 9,327,692
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 29,952	\$ 24,753	\$ 21,701	\$ 21,867
Contributions in relation to the contractually required contribution	<u>(29,952)</u>	<u>(24,753)</u>	<u>(21,701)</u>	<u>(21,867)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 213,943	\$ 176,807	\$ 166,931	\$ 182,225
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 26,195	\$ 21,770	\$ 18,854	\$ 21,961
Contributions in relation to the contractually required contribution	<u>(26,195)</u>	<u>(21,770)</u>	<u>(18,854)</u>	<u>(21,961)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 261,950	\$ 217,700	\$ 188,540	\$ 183,008
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	12.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 1,087,943	\$ 1,062,524	\$ 1,461,845	\$ 1,102,306	\$ 1,145,914	\$ 1,019,306
<u>(1,087,943)</u>	<u>(1,062,524)</u>	<u>(1,461,845)</u>	<u>(1,102,306)</u>	<u>(1,145,914)</u>	<u>(1,019,306)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 9,066,192	\$ 8,854,367	\$ 11,244,962	\$ 11,023,060	\$ 11,459,140	\$ 11,431,469
12.00%	12.00%	13.00%	10.00%	10.00%	8.92%
\$ 16,897	\$ 23,237	\$ 24,703	\$ 11,771	\$ 10,707	\$ 11,430
<u>(16,897)</u>	<u>(23,237)</u>	<u>(24,703)</u>	<u>(11,771)</u>	<u>(10,707)</u>	<u>(11,430)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 140,808	\$ 193,642	\$ 190,023	\$ 148,063	\$ 134,679	\$ 117,997
12.00%	12.00%	13.00%	7.95%	7.95%	9.69%
\$ 29,085					
<u>(29,085)</u>					
<u>\$ -</u>					
\$ 242,375					
12.00%					

DEFIANCE COUNTY

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 84,194	\$ 83,059	\$ 68,777	\$ 65,305
Contributions in relation to the contractually required contribution	<u>(84,194)</u>	<u>(83,059)</u>	<u>(68,777)</u>	<u>(65,305)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 601,386	\$ 593,279	\$ 491,264	\$ 466,464
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 87,366	\$ 102,662	\$ 96,086	\$ 111,580	\$ 109,041	\$ 110,983
<u>(87,366)</u>	<u>(102,662)</u>	<u>(96,086)</u>	<u>(111,580)</u>	<u>(109,041)</u>	<u>(110,983)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 624,043	\$ 733,300	\$ 739,123	\$ 858,308	\$ 838,777	\$ 853,715
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

DEFIANCE COUNTY

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
County's proportion of the net OPEB liability	0.091940%	0.092570%	0.092410%
County's proportionate share of the net OPEB liability	\$ 9,007,752	\$ 7,524,281	\$ 6,946,194
County's covered payroll	\$ 9,975,178	\$ 9,907,294	\$ 9,692,925
County's proportionate share of the net OPEB liability as a percentage of its covered payroll	90.30%	75.95%	71.66%
Plan fiduciary net position as a percentage of the total OPEB liability	46.33%	54.14%	54.05%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal 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 THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
County's proportion of the net OPEB liability	0.00516629%	0.00493484%	0.03951530%
County's proportionate share of the net OPEB liability (asset)	\$ (85,566)	\$ (79,000)	\$ 154,174
County's covered payroll	\$ 593,279	\$ 491,264	\$ 466,464
County's proportionate share of the net OPEB liability as a percentage of its covered payroll	14.42%	16.08%	33.05%
Plan fiduciary net position as a percentage of the total OPEB liability	174.70%	176.00%	47.10%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal 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 THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 10,478	\$ 8,708	\$ 102,447	\$ 259,223
Contributions in relation to the contractually required contribution	<u>(10,478)</u>	<u>(8,708)</u>	<u>(102,447)</u>	<u>(259,223)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 10,406,929	\$ 9,975,178	\$ 9,907,294	\$ 9,692,925
Contributions as a percentage of covered payroll	0.10%	0.09%	1.03%	2.67%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 248,366	\$ 240,086	\$ 111,169	\$ 435,003	\$ 451,612	\$ 566,337
<u>(248,366)</u>	<u>(240,086)</u>	<u>(111,169)</u>	<u>(435,003)</u>	<u>(451,612)</u>	<u>(566,337)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 9,449,375	\$ 9,048,009	\$ 11,434,985	\$ 11,171,123	\$ 11,593,819	\$ 11,549,466
2.63%	2.65%	0.97%	3.89%	3.90%	4.90%

DEFIANCE COUNTY

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 601,386	\$ 593,279	\$ 491,264	\$ 466,464
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ -	\$ 7,333	\$ 7,391	\$ 8,583	\$ 8,388	\$ 8,537
-	(7,333)	(7,391)	(8,583)	(8,388)	(8,537)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 624,043	\$ 733,300	\$ 739,123	\$ 858,308	\$ 838,777	\$ 853,715
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

DEFIANCE COUNTY

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019**

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2019.

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%. There were no changes in assumptions for 2018. For 2019 the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%.

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, STRS decreased the Cost of Living Adjustment (COLA) to zero effective July 1, 2017. There were no changes in benefit terms for 2018.

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 changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes of assumption for 2018-2019.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2019.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25%, ultimate in 2029.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2019.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) increase in the discount rate from 4.13% to 7.45% and (b) decrease in trend rates from 6.00%-11.00% initial; 4.50% ultimate down to 5.23%-9.62% initial; 4.00% ultimate. For 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) increase in prescription drug trend rates from -5.23%-9.62% initial; 4.00% ultimate up to 4.00%-9.62% initial; 4.00% ultimate.

DEFIANCE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM / CLUSTER TITLE	PASS THROUGH ENTITY IDENTIFYING NUMBER / ADDITIONAL AWARD IDENTIFICATION	FEDERAL CFDA NUMBER	TOTAL FEDERAL EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
<i>Child Nutrition Cluster:</i>			
National School Lunch Program		10.555	\$ 12,995
National School Lunch Program - Food Donation		10.555	491
Total National School Lunch Program and Child Nutrition Cluster			13,486
Total U.S. Department of Agriculture			13,486
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Development Services Agency</i>			
Community Development Block Grant (Formula Grant)	B-F-17-1AS-1	14.228	536,519
Community Development Block Grant (CHIP)	B-C-18-1AS-1	14.228	63,534
Total Community Development Block Grant			600,053
Home Investment Partnerships Program (CHIP)	B-C-18-1AS-2	14.239	384,579
Total U.S. Department of Housing and Urban Development			984,632
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through Ohio Attorney General's Office</i>			
Crime Victims Assistance	2019-VOCA-132137575	16.575	94,428
Crime Victims Assistance	2020-VOCA-132926099	16.575	34,887
Total Crime Victims Assistance			129,315
<i>Passed Through Ohio Department of Public Safety Office of Criminal Justice Services</i>			
Edward Byrne Memorial Justice Assistance Grant Program	2018-JG-A01-6407	16.738	65,262
Total U.S. Department of Justice			194,577
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
<i>Highway Planning and Construction Cluster:</i>			
Highway Planning and Construction	PID 99207	20.205	257,218
Highway Planning and Construction	PID 104145	20.205	433,370
Total Highway Planning and Construction Cluster			690,588
<i>Passed Through Ohio Emergency Management Agency</i>			
Interagency Hazardous Materials Public Sector Training and Planning Grants	HM-HMP-0531-16-01-00	20.703	1,032
Total U.S. Department of Transportation			691,620
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
<i>Special Education Cluster:</i>			
Special Education - Grants to States		84.027	27,954
Special Education - Preschool Grants		84.173	5,546
Total Special Education Cluster			33,500
<i>Passed Through Ohio Department of Developmental Disabilities</i>			
Special Education - Grants for Infants and Families (Early Intervention, Part C)	H181A170024	84.181	65,362
Special Education - Grants for Infants and Families (Early Intervention, Part C)	H181A180024	84.181	133,865
Total Special Education - Grants for Infants and Families			199,227
Total U.S. Department of Education			232,727

(Continued)

DEFIANCE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM / CLUSTER TITLE	PASS THROUGH ENTITY IDENTIFYING NUMBER / ADDITIONAL AWARD IDENTIFICATION	FEDERAL CFDA NUMBER	TOTAL FEDERAL EXPENDITURES
U.S. ELECTION ASSISTANCE COMMISSION			
<i>Passed Through Ohio Secretary of State</i>			
HAVA Election Security Grants		90.404	29,991
Total U.S. Election Assistance Commission			29,991
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through The Area Office of Aging of Northwest Ohio</i>			
<i>Aging Cluster:</i>			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers		93.044	38,090
Special Programs for the Aging - Title III, Part C1 - Nutrition Services		93.045	15,167
Special Programs for the Aging - Title III, Part C2 - Nutrition Services		93.045	54,476
Total Special Programs for the Aging - Title III, Part C - Nutrition Services			69,643
Nutrition Services Incentive Program		93.053	63,707
Total Aging Cluster			171,440
<i>Passed Through Ohio Department of Job and Family Services</i>			
Child Support Enforcement	G-1819-11-5730	93.563	290,120
Child Support Enforcement	G-2021-11-5917	93.563	300,432
Total Child Support Enforcement			590,552
<i>Passed Through Ohio Department of Developmental Disabilities</i>			
Social Services Block Grant	1901OHSOSR	93.667	22,364
<i>Medicaid Cluster:</i>			
Medical Assistance Program	1905OH5ADM	93.778	83,247
Medical Assistance Program	2005OH5ADM	93.778	29,758
Total Medicaid Cluster			113,005
Total U.S. Department of Health and Human Services			897,361
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through Ohio Emergency Management Agency</i>			
Emergency Management Performance Grant	EMC-2018-EP-00008-S01	97.042	65,022
Emergency Management Performance Grant	EMC-2019-EP-00005	97.042	16,982
Total Emergency Management Performance Grant			82,004
Total U.S. Department of Homeland Security			82,004
Total Federal Expenditures			\$ 3,126,398

The accompanying notes are an integral part of this schedule.

DEFIANCE COUNTY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 1 – BASIS OF PRESENTATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Defiance County (the County) under programs of the federal government for the year ended December 31, 2019. 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. Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be limited to as to reimbursement.

NOTE 2 – DE MINIMIS COST RATE

The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - 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 4 – 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 5 - 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, 2019 is \$147,126.

NOTE 6 - 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.

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

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, 2019, and the related notes to the financial statements, which collectively comprise Defiance County's basic financial statements and have issued our report thereon dated July 28, 2020, wherein we noted as discussed in Note 3B to the financial statements, Defiance County adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Additionally, as discussed in Note 27 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures, will impact subsequent periods of Defiance County.

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 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.

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.
July 28, 2020

**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, 2019. 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, 2019.

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.
July 28, 2020

DEFIANCE COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2019

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR § 200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Highway Planning and Construction Cluster
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	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
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None

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OHIO AUDITOR OF STATE KEITH FABER



DEFIANCE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/20/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov