



Dave Yost • Auditor of State

DEFIANCE COUNTY
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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Defiance County
500 Court Street, Suite A
Defiance, Ohio 43512-2158

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Defiance County, Ohio (the County), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Defiance County, Ohio, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison 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 Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2016, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

September 19, 2016

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DEFIANCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)

The management's discussion and analysis of Defiance County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2015. 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 2015 are as follows:

- The total net position of the County increased \$2,056,718 over the restated net position of \$110,027,196. Net position of governmental activities increased \$937,020, which represents a 1.16% increase from the restated net position of \$80,475,389. Net position of business-type activities increased \$1,119,698 or 3.79% over the restated net position of \$29,551,807.
- General revenues accounted for \$14,933,284 or 52.59% of total governmental activities revenue. Program specific revenues accounted for \$13,462,874 or 47.41% of total governmental activities revenue.
- The County had \$27,429,284 in expenses related to governmental activities; \$13,462,874 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$14,933,284 were adequate to provide for these programs.
- The general fund, the County's largest major governmental fund, had revenues and other financing sources of \$12,230,003 in 2015. The general fund had expenditures and other financing uses of \$12,775,495 in 2015. The fund balance of the general fund decreased \$545,492 from 2014 to 2015.
- The developmental disabilities (DD) fund, a major governmental fund, had revenues of \$4,606,496 in 2015. The DD fund had expenditures of \$4,612,776 in 2015. The DD fund balance decreased \$6,280 from 2014 to 2015.
- The motor vehicle license and gas tax fund, a major governmental fund, had revenues and other financing sources of \$4,486,048 in 2015. The motor vehicle license and gas tax fund had expenditures of \$4,078,346 in 2015. The motor vehicle license and gas tax fund balance increased \$407,702 from 2014 to 2015.
- The emergency 911 fund, a major governmental fund, had revenues of \$806,100 in 2015. The emergency 911 fund had expenditures of \$811,389 in 2015. The emergency 911 fund balance decreased \$5,289 from 2014 to 2015.
- The senior center fund, a major governmental fund, had revenues of \$1,386,914 in 2015. The senior center fund had expenditures of \$1,338,557 in 2015. The senior center fund balance increased \$48,357 from 2014 to 2015.
- The historical jail debt service fund, a major governmental fund, had revenues and other financing sources of \$145,414 in 2015. The historical jail debt service fund had expenditures of \$193,575 in 2015. The historical jail debt service fund balance decreased \$48,161 from 2014 to 2015.
- The county improvement fund, a major governmental fund, had other financing sources of \$700,000 in 2015. The county improvement fund had expenditures of \$485,156 in 2015. The county improvement fund balance increased \$214,844 from 2014 to 2015.

DEFIANCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)

- Net position for the business-type activities, which consists of the landfill and sewer enterprise funds, increased in 2015 by \$1,119,698. This increase is mainly due to charges for services continuing to outpace the enterprise fund expenses.
- In the general fund, the actual revenues and other financing sources were \$2,975,387 greater than originally budgeted, and actual expenditures and other financing uses were \$2,523,837 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 2015?" 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, 2015 (UNAUDITED)

Reporting the County's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

DEFIANCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

Government-Wide Financial Analysis

The statement of net position provides the perspective of the County as a whole. The table below provides a summary of the County's net position at December 31, 2015 and December 31, 2014. The net position at December 31, 2014 has been restated as described in Note 3.A

	Net Position					
	Governmental	Business-type	Restated	Restated	2015	Restated
	Activities	Activities	Governmental	Business-type		2014
	2015	2015	2014	2014	Total	Total
<u>Assets</u>						
Current and other assets	\$ 38,799,678	\$ 17,518,973	\$ 37,819,889	\$ 15,826,865	\$ 56,318,651	\$ 53,646,754
Capital assets, net	64,186,246	20,197,363	64,254,358	20,708,431	84,383,609	84,962,789
Total assets	<u>102,985,924</u>	<u>37,716,336</u>	<u>102,074,247</u>	<u>36,535,296</u>	<u>140,702,260</u>	<u>138,609,543</u>
<u>Deferred Outflows of Resources</u>	<u>1,670,310</u>	<u>75,240</u>	<u>1,134,955</u>	<u>51,742</u>	<u>1,745,550</u>	<u>1,186,697</u>
Total assets and deferred outflows of resources	<u>104,656,234</u>	<u>37,791,576</u>	<u>103,209,202</u>	<u>36,587,038</u>	<u>142,447,810</u>	<u>139,796,240</u>
<u>Liabilities</u>						
Other liabilities	1,145,454	208,843	1,095,779	233,854	1,354,297	1,329,633
Long-term liabilities	15,499,095	6,903,069	15,693,579	6,801,377	22,402,164	22,494,956
Total liabilities	<u>16,644,549</u>	<u>7,111,912</u>	<u>16,789,358</u>	<u>7,035,231</u>	<u>23,756,461</u>	<u>23,824,589</u>
<u>Deferred Inflows of Resources</u>	<u>6,599,276</u>	<u>8,159</u>	<u>5,944,455</u>	<u>-</u>	<u>6,607,435</u>	<u>5,944,455</u>
Total liabilities and deferred inflows of resources	<u>23,243,825</u>	<u>7,120,071</u>	<u>22,733,813</u>	<u>7,035,231</u>	<u>30,363,896</u>	<u>29,769,044</u>
<u>Net Position</u>						
Net investment in capital assets	61,383,958	17,911,631	61,214,734	18,683,237	79,295,589	79,897,971
Restricted	9,518,240	1,585,473	14,649,699	1,613,136	11,103,713	16,262,835
Unrestricted	10,510,211	11,174,401	4,610,956	9,255,434	21,684,612	13,866,390
Total net position	<u>\$ 81,412,409</u>	<u>\$ 30,671,505</u>	<u>\$ 80,475,389</u>	<u>\$ 29,551,807</u>	<u>\$ 112,083,914</u>	<u>\$ 110,027,196</u>

DEFIANCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)

During 2015, the County adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the County's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

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

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

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

DEFIANCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)

As a result of implementing GASB 68, the County is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, for governmental activities from \$89,727,135 to \$80,475,389 and business-type activities from \$29,912,796 to \$29,551,807.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2015, the County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$112,083,914. This amounts to \$81,412,409 in the governmental activities and \$30,671,505 in the business-type activities. This is an indication that the County's finances remained strong during 2015.

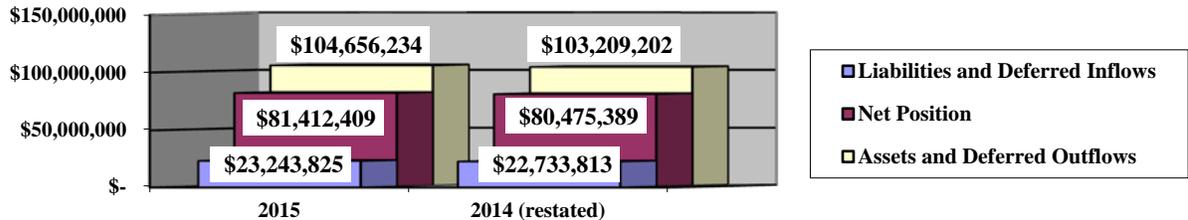
Capital assets reported on the government-wide statements represent the largest portion of the County's assets. At year-end, capital assets represented 59.97% of total governmental and business-type assets. Capital assets include land, construction in progress, easements, land improvements, buildings and improvements, machinery and equipment, vehicles, and infrastructure. The County's net investment in capital assets at December 31, 2015 was \$79,295,589. 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, 2015, 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, \$11,103,713 or 9.91%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$21,684,612 or 19.35% 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, 2015 and December 31, 2014 for the governmental activities and business-type activities.

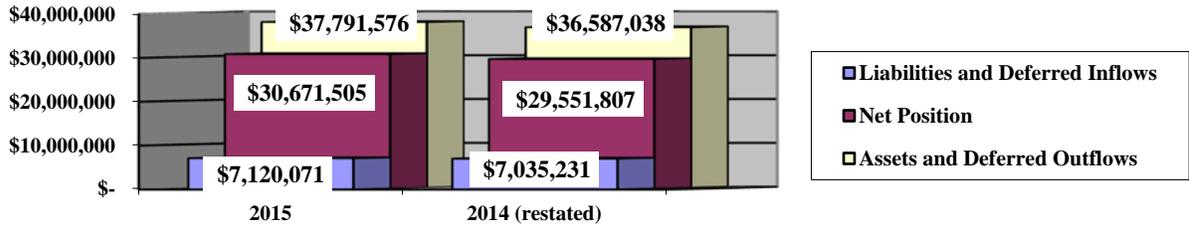
Governmental Activities



DEFIANCE COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

Business-type Activities



The following tables show the changes in net position for 2015 and 2014. The net position at December 31, 2014 has been restated as described in Note 3.A.

	Governmental Activities		Business-type Activities		Total	
	2015	2015	Restated 2014	Restated 2014	2015	2014
Change in Net Position						
Revenues						
Program revenues:						
Charges for services and sales	\$ 4,129,743	\$ 4,781,645	\$ 4,092,476	\$ 4,205,762	\$ 8,911,388	\$ 8,298,238
Operating grants and contributions	8,056,736	-	7,529,672	-	8,056,736	7,529,672
Capital grants and contributions	1,276,395	-	1,689,094	-	1,276,395	1,689,094
Total program revenues	13,462,874	4,781,645	13,311,242	4,205,762	18,244,519	17,517,004
General revenues:						
Property taxes	6,050,051	-	5,534,004	-	6,050,051	5,534,004
Sales taxes	5,733,557	-	5,442,135	-	5,733,557	5,442,135
Unrestricted grants	1,895,191	-	2,075,889	-	1,895,191	2,075,889
Investment income	323,198	36,264	293,725	41,079	359,462	334,804
Miscellaneous	931,287	14,699	827,399	17,271	945,986	844,670
Total general revenues	14,933,284	50,963	14,173,152	58,350	14,984,247	14,231,502
Total revenues	28,396,158	4,832,608	27,484,394	4,264,112	33,228,766	31,748,506

DEFIANCE COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

			Change in Net Position		Total	Restated Total
	Governmental	Business-type	Restated	Restated		
	Activities	Activities	Governmental	Business-type		
	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<u>Expenses</u>						
Program expenses:						
General government						
Legislative and executive	5,613,678	-	6,255,908	-	5,613,678	6,255,908
Judicial	1,806,316	-	1,813,330	-	1,806,316	1,813,330
Public safety	4,629,931	-	5,079,258	-	4,629,931	5,079,258
Public works	6,719,177	-	7,519,669	-	6,719,177	7,519,669
Health	5,018,068	-	5,354,832	-	5,018,068	5,354,832
Human services	3,112,102	-	3,060,409	-	3,112,102	3,060,409
Conservation and recreation	5,183	-	5,490	-	5,183	5,490
Economic development	325,156	-	217,645	-	325,156	217,645
Interest and fiscal charges	199,673	-	213,104	-	199,673	213,104
Landfill	-	2,848,068	-	3,016,041	2,848,068	3,016,041
Sewer	-	894,696	-	934,236	894,696	934,236
Total expenses	<u>27,429,284</u>	<u>3,742,764</u>	<u>29,519,645</u>	<u>3,950,277</u>	<u>31,172,048</u>	<u>33,469,922</u>
Change in net position before transfers	966,874	1,089,844	(2,035,251)	313,835	2,056,718	(1,721,416)
Transfers	<u>(29,854)</u>	<u>29,854</u>	<u>(9,905)</u>	<u>9,905</u>	<u>-</u>	<u>-</u>
Change in net position	937,020	1,119,698	(2,045,156)	323,740	2,056,718	(1,721,416)
Net position at beginning of year (restated)	<u>80,475,389</u>	<u>29,551,807</u>	<u>82,520,545</u>	<u>29,228,067</u>	<u>110,027,196</u>	<u>111,748,612</u>
Net position at end of year	<u>\$ 81,412,409</u>	<u>\$ 30,671,505</u>	<u>\$ 80,475,389</u>	<u>\$ 29,551,807</u>	<u>\$ 112,083,914</u>	<u>\$ 110,027,196</u>

Governmental Activities

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,152,137 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,186,973. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Total 2015 program expenses under GASB 68	\$ 27,429,284	\$ 3,742,764
Pension expense under GASB 68	(1,140,667)	(46,306)
2015 contractually required contributions	<u>1,095,675</u>	<u>52,652</u>
Adjusted 2015 program expenses	27,384,292	3,749,110
Total 2014 program expenses under GASB 27	<u>29,519,645</u>	<u>3,950,277</u>
Increase (decrease) in program expenses not related to pension	<u>\$ (2,135,353)</u>	<u>\$ (201,167)</u>

DEFIANCE COUNTY

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

Governmental activities net position increased by \$937,020 from 2014 to 2015. The net position of the governmental activities increased mainly due to a decrease in legislative and executive expenses incurred during 2015. Human services expenses decreased during 2015 primarily due to the elimination of costs associated with job and family services.

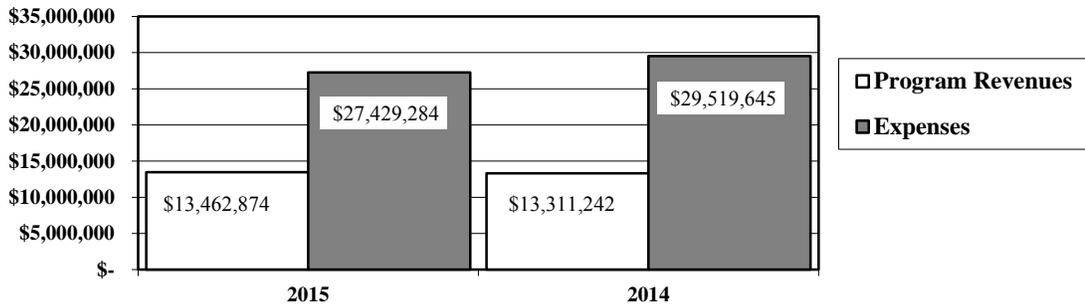
Public works expenses largely support the operations of the engineer’s department, and accounts for \$6,719,177 or 24.50% of the total governmental expenses of the County. These expenses were funded by \$445,149 in direct charges to users, \$4,652,428 in operating grants and contributions, and \$1,276,395 in capital grants and contributions during 2015. General government expenses, which include legislative and executive and judicial programs, accounted for \$7,419,994 or 27.05% of the total governmental expenses of the County. General government expenses were covered by \$3,058,867 in direct charges to users and \$189,418 in operating grants and contributions during 2015.

The State and federal government contributed to the County revenues of \$8,056,736 in operating grants and contributions and \$1,276,395 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Operating grants and contributions of \$1,712,803 or 21.26% subsidized County health programs. Operating grants and contributions of \$4,652,428 or 57.75%, as well as the entire amount of capital grants and contributions, subsidized public works projects.

General revenues totaled \$14,933,284, and amounted to 52.59% of the total revenues of \$28,396,158. These revenues primarily consist of property and sales tax revenue of \$11,783,608 or 78.91% of total general revenues in 2015. 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 \$1,895,191 or 12.69% 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 2015 and 2014. 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



DEFIANCE COUNTY

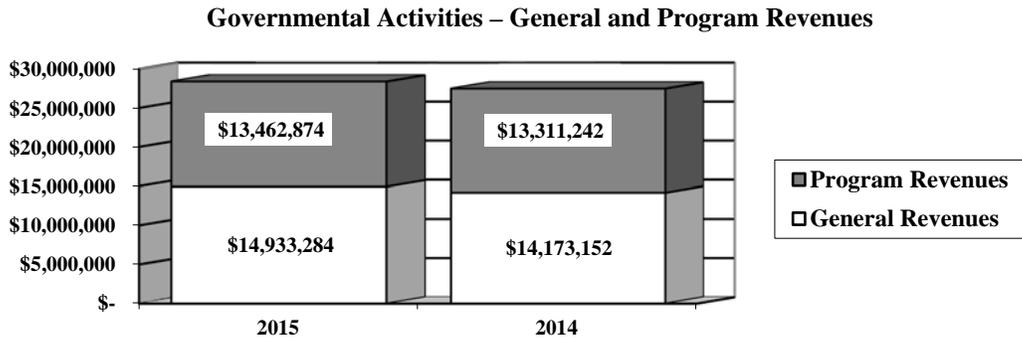
**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

Governmental Activities

	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>
Program expenses:				
General government				
Legislative and executive	\$ 5,613,678	\$ 3,132,295	\$ 6,255,908	\$ 3,773,877
Judicial	1,806,316	1,039,414	1,813,330	1,100,366
Public safety	4,629,931	4,298,032	5,079,258	4,753,979
Public works	6,719,177	345,205	7,519,669	984,835
Health	5,018,068	3,084,411	5,354,832	3,399,869
Human services	3,112,102	1,965,147	3,060,409	1,930,819
Conservation and recreation	5,183	5,183	5,490	5,490
Economic development	325,156	(57,536)	217,645	92,762
Interest and fiscal charges	199,673	154,259	213,104	166,406
Total	\$ 27,429,284	\$ 13,966,410	\$ 29,519,645	\$ 16,208,403

The dependence upon general revenues for governmental activities is apparent, with 50.92% of expenses supported through taxes and other general revenues during 2015.

The graph below illustrates the County’s reliance upon general revenues for 2015 and 2014.



Business-type Activities

The landfill fund and sewer fund are the County’s enterprise funds. These operations had program revenues of \$4,781,645, general revenues of \$50,963, transfers in of \$29,854, and expenses of \$3,742,764 during 2015. The net position of the enterprise funds increased \$1,119,698 or 3.79% during 2015.

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.

DEFIANCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

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 \$26,397,985, which is \$217,607 more than last year's total of \$26,180,378.

The table below indicates the fund balance and the total change in fund balance as of December 31, 2015 and December 31, 2014 for all major and nonmajor governmental funds.

	Fund Balance (Deficit) <u>December 31, 2015</u>	Fund Balance (Deficit) <u>December 31, 2014</u>	Increase/ <u>(Decrease)</u>
Major Funds:			
General	\$ 11,902,955	\$ 12,448,447	\$ (545,492)
Developmental Disabilities	3,357,810	3,364,090	(6,280)
Motor Vehicle License and Gas Tax	2,164,859	1,757,157	407,702
Emergency 911	876,686	881,975	(5,289)
Senior Center	464,182	415,825	48,357
Historical Jail Debt Service	(858,360)	(810,199)	(48,161)
County Improvement	3,304,045	3,089,201	214,844
Nonmajor Governmental Funds	<u>5,185,808</u>	<u>5,033,882</u>	<u>151,926</u>
Total	<u>\$ 26,397,985</u>	<u>\$ 26,180,378</u>	<u>\$ 217,607</u>

General Fund

The County's general fund balance decreased \$545,492. Steady revenues continue to outpace expenditures in the general fund. The table that follows assists in illustrating the revenues of the general fund.

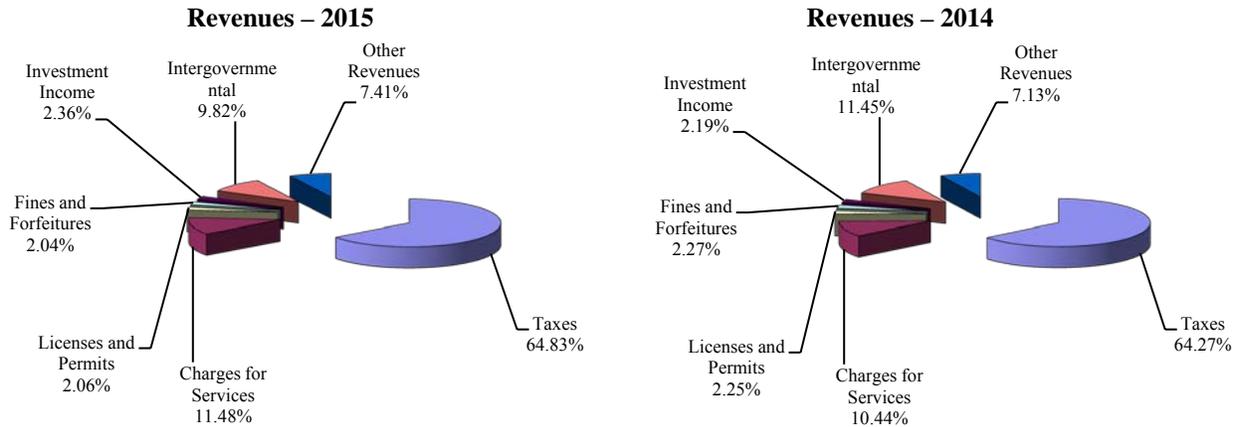
	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 7,901,932	\$ 7,323,245	\$ 578,687	7.90 %
Charges for services	1,398,840	1,189,817	209,023	17.57 %
Licenses and permits	251,433	256,461	(5,028)	(1.96) %
Fines and forfeitures	248,652	258,451	(9,799)	(3.79) %
Intergovernmental	1,197,116	1,304,023	(106,907)	(8.20) %
Investment income	287,719	249,465	38,254	15.33 %
Rental income and other	<u>902,731</u>	<u>811,826</u>	<u>90,905</u>	<u>11.20 %</u>
Total	<u>\$ 12,188,423</u>	<u>\$ 11,393,288</u>	<u>\$ 795,135</u>	<u>6.98 %</u>

Overall revenues of the general fund increased \$795,135 or 6.98%. Charges for services increased \$209,023 or 17.57% mainly due to the reporting of regional jail activity in the general fund for the duration of 2015. The increase in other revenues is also attributable to regional jail activity. Fines and forfeitures decreased \$9,799 or 3.79% primarily due to a reduction in fines and fees received through the Clerk of Courts. Intergovernmental revenue decreased \$106,907 or 8.20% mainly due to decrease in revenue from other governments as of December 31, 2015.

DEFIANCE COUNTY

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

The graphs below illustrate the revenues of the general fund for 2015 and 2014.



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

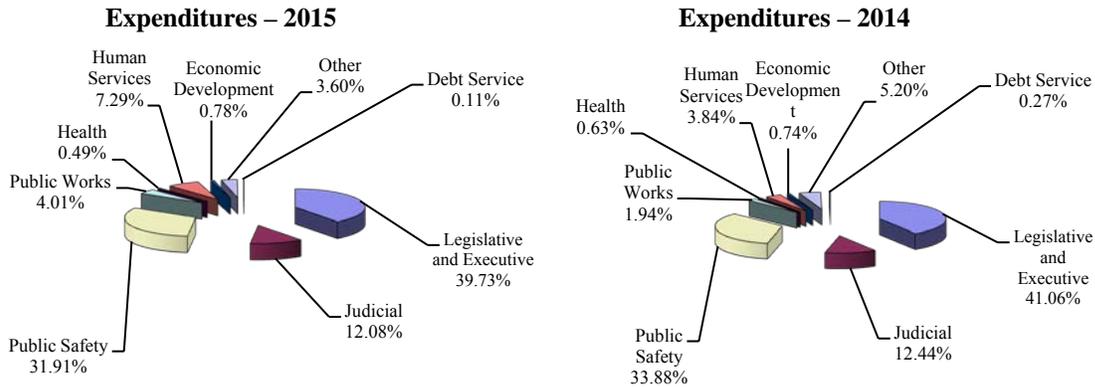
	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>				
General government				
Legislative and executive	\$ 4,711,231	\$ 4,621,752	\$ 89,479	1.94 %
Judicial	1,433,067	1,400,030	33,037	2.36 %
Public safety	3,783,630	3,813,152	(29,522)	(0.77) %
Public works	475,920	218,859	257,061	117.46 %
Health	58,265	70,615	(12,350)	(17.49) %
Human services	864,296	432,280	432,016	99.94 %
Economic development	92,733	82,733	10,000	12.09 %
Other	426,517	584,975	(158,458)	(27.09) %
Debt service	12,983	30,840	(17,857)	(57.90) %
Total	<u>\$ 11,858,642</u>	<u>\$ 11,255,236</u>	<u>\$ 603,406</u>	<u>5.36 %</u>

Overall expenditures of the general fund increased \$603,406 or 5.36%. Judicial expenditures increased \$33,037 or 2.36% partially due to an increase in payments made by the County related to juvenile detention. Public safety expenditures decreased \$29,522 or 0.77% primarily due to the slight decrease in regional jail activity. Public works expenditures increased \$257,061 or 117.46% mainly due to costs incurred during the County’s process to renovate and reconstruct the Defiance County Courthouse. Human services expenditures increased \$432,016 or 99.94% and other expenditures decreased \$158,458 or 27.09%, both of 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.

DEFIANCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)

The graphs below illustrate the expenditures of the general fund for 2015 and 2014.



Developmental Disabilities (DD) Fund

The developmental disabilities (DD) fund, a major governmental fund, had revenues of \$4,606,496 in 2015. The DD fund had expenditures of \$4,612,776 in 2015. The DD fund balance decreased \$6,280 from 2014 to 2015, which is mainly attributable to a reduction in intergovernmental revenues. Overall expenditures were slightly more than overall revenues despite expenditures decreasing from 2014.

Motor Vehicle License and Gas Tax Fund

The motor vehicle license and gas tax fund, a major governmental fund, had revenues and other financing sources of \$4,486,048 in 2015. The motor vehicle license and gas tax fund had expenditures of \$4,078,346 in 2015. The motor vehicle license and gas tax fund balance increased \$407,702 from 2014 to 2015 even though the fund experienced a moderate increase in overall revenues and a moderate decrease in overall expenditures.

Emergency 911 Fund

The emergency 911 fund, a major governmental fund, had revenues of \$806,100 in 2015. The emergency 911 fund had expenditures of \$811,389 in 2015. The emergency 911 fund balance decreased \$5,289 from 2014 to 2015, which is primarily due to a slight increase in property taxes, along with a minor increase in overall expenditures.

Senior Center Fund

The senior center fund, a major governmental fund, had revenues of \$1,386,914 in 2015. The senior center fund had expenditures of \$1,338,557 in 2015. The senior center fund balance increased \$48,357 from 2014 to 2015, which is mainly due to an increase in property taxes less a decrease in intergovernmental revenues while expenditures remained approximately the same.

DEFIANCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)

Historical Jail Debt Service Fund

The historical jail debt service fund, a major governmental fund, had revenues and other financing sources of \$145,414 in 2015. The historical jail debt service fund had expenditures of \$193,575 in 2015. The historical jail debt service fund balance decreased \$48,161 from 2014 to 2015, which is primarily attributable to debt service requirements related to the County's various purpose, series 2010 general obligation bonds.

County Improvement Fund

The county improvement fund, a major governmental fund, had other financing sources of \$700,000 in 2015. The county improvement fund had expenditures of \$485,156 in 2015. The county improvement fund balance increased \$214,844 from 2014 to 2015 due to a \$700,000 transfer from the general fund.

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 \$9,768,456, and were increased to \$12,873,508 in the final budget. Actual revenues and other financing sources of \$12,743,843 were less than the final budgeted revenues and other financing sources by \$129,665 or 1.01%. In the general fund, the original budgeted appropriations and other financing uses were \$15,640,418. These were increased to \$18,745,470 in the final budget. Actual expenditures and other financing uses of \$13,116,581 were less than final budgeted amounts by \$5,628,889 or 30.03%. 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 2015, the County had \$84,383,609 (net of accumulated depreciation) invested in land, construction in progress, easements, land improvements, buildings and improvements, machinery and equipment, vehicles, and infrastructure. Of this total, \$64,186,246 was reported in governmental activities and \$20,197,363 was reported in business-type activities.

DEFIANCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

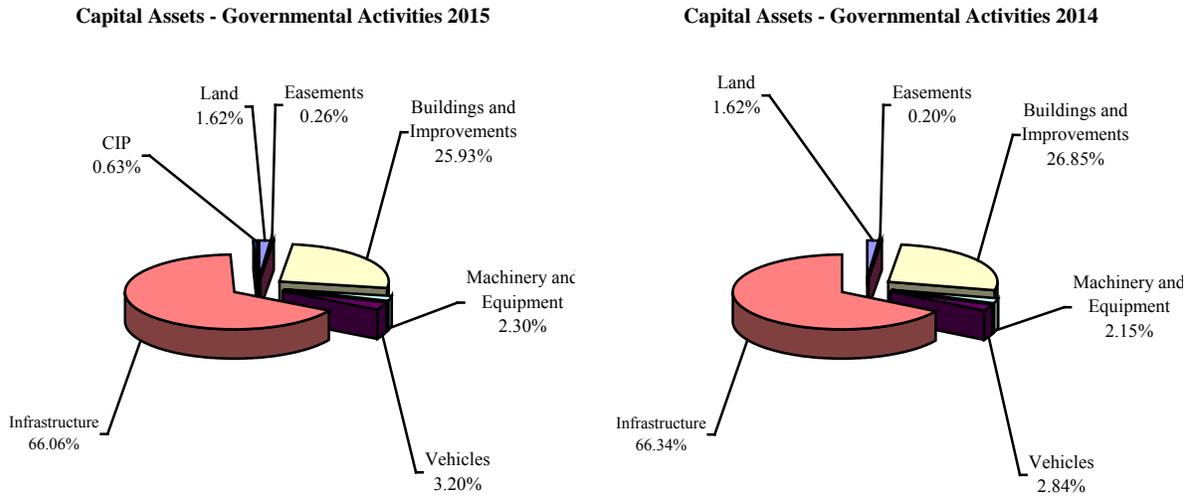
The following table shows December 31, 2015 capital asset balances compared to December 31, 2014.

Capital Assets at December 31 (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,039,776	\$ 1,039,776	\$ 1,214,071	\$ 1,214,071	\$ 2,253,847	\$ 2,253,847
Easements	165,474	127,031	-	-	165,474	127,031
Land improvements	-	-	8,893,345	9,089,286	8,893,345	9,089,286
Buildings and improvements	16,643,376	17,251,341	1,953,570	1,977,317	18,596,946	19,228,658
Machinery and equipment	1,478,607	1,379,344	1,517,596	1,692,175	2,996,203	3,071,519
Vehicles	2,051,978	1,827,432	104,557	123,701	2,156,535	1,951,133
Infrastructure	42,400,406	42,629,434	-	-	42,400,406	42,629,434
Sewer lines	-	-	6,434,632	6,611,881	6,434,632	6,611,881
Construction in progress	406,629	-	79,592	-	486,221	-
Total	\$ 64,186,246	\$ 64,254,358	\$ 20,197,363	\$ 20,708,431	\$ 84,383,609	\$ 84,962,789

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, 2015 and December 31, 2014.



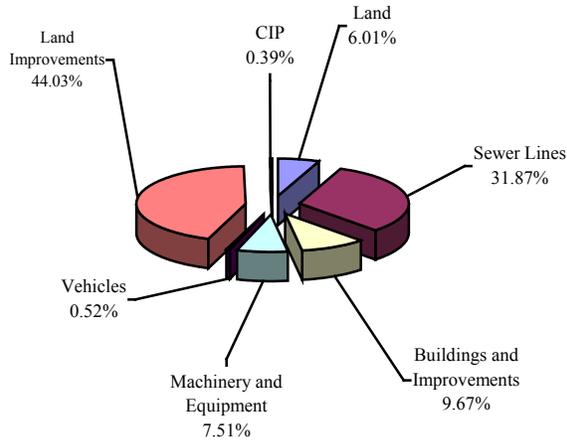
The County's largest governmental activities capital asset category is infrastructure, which includes roads and bridges. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 66.06% of the County's total governmental activities capital assets.

DEFIANCE COUNTY

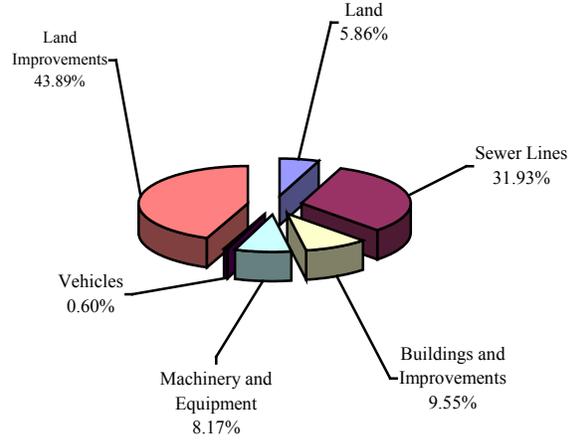
**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

The following graphs show the breakdown of business-type activities capital assets by category at December 31, 2015 and December 31, 2014.

Capital Assets - Business-type Activities 2015



Capital Assets - Business-type Activities 2014



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 44.03% of the County’s total business-type activities capital assets.

Debt Administration

At December 31, 2015, the County had long-term obligations of \$3,045,000 in general obligation bonds, \$600,000 in special assessment bonds, \$25,967 in bond anticipation notes, \$1,945,800 in sewer revenue bonds, OPWC loans of \$81,909, OWDA loans of \$521,326, Capmark commercial mortgage liability of \$38,000, capital lease obligations of \$3,915, and closure and postclosure liability outstanding of \$4,342,582. Of this total, \$455,416 is due within one year and \$10,149,083 is due in more than one year.

DEFIANCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

The following table summarizes the short-term and long-term obligations outstanding at December 31, 2015 and December 31, 2014.

Outstanding Debt, at Year End				
	Governmental Activities <u>2015</u>	Business-type Activities <u>2015</u>	Governmental Activities <u>2014</u>	Business-type Activities <u>2014</u>
Short-term obligations:				
Bond anticipation notes	\$ -	\$ -	\$ 60,148	\$ -
Long-term obligations:				
General obligation bonds	3,045,000	-	3,285,000	-
Special assessment bonds	600,000	-	670,000	-
Bond anticipation notes	25,967	-	25,967	-
Sewer revenue bonds	-	1,945,800	-	1,976,000
OPWC loans	81,909	-	105,311	-
OWDA loans	521,326	-	591,448	-
Capmark commercial mortgage	-	38,000	-	44,000
Capital lease obligations	3,915	-	17,285	-
Closure and postclosure	-	4,342,582	-	4,228,674
Total	<u>\$ 4,278,117</u>	<u>\$ 6,326,382</u>	<u>\$ 4,755,159</u>	<u>\$ 6,248,674</u>

See Notes 16 to the basic financial statements for detail on governmental activities and business-type activities long-term obligations (debt administration).

Economic Factors and Next Year's Budgets and Rates

The County's estimated population for 2015 (the latest information available from the U.S. Census Bureau) was approximately 38,352.

As of December 31, 2015, 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 5.8%, compared to the 4.7% State rate and the 5.0% 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.

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DEFIANCE COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 22,828,317	\$ 13,216,051	\$ 36,044,368
Cash and cash equivalents in segregated accounts.	1,055	325	1,380
Cash and cash equivalents with fiscal agent.	-	2,161	2,161
Investments.	-	5,234,679	5,234,679
Receivables (net of allowance for uncollectibles):			
Sales taxes.	976,740	-	976,740
Real estate and other taxes	5,921,422	-	5,921,422
Accounts.	170,762	479,374	650,136
Intergovernmental.	3,265,145	-	3,265,145
Special assessments	1,361,843	-	1,361,843
Accrued interest	95,983	17,277	113,260
Loans.	1,044,413	-	1,044,413
Internal balances	1,512,449	(1,512,449)	-
Prepayments	906,769	74,736	981,505
Materials and supplies inventory.	699,662	6,063	705,725
Net pension asset.	15,118	756	15,874
Capital assets:			
Non-depreciable capital assets.	1,611,879	1,293,663	2,905,542
Depreciable capital assets, net.	62,574,367	18,903,700	81,478,067
Total capital assets.	<u>64,186,246</u>	<u>20,197,363</u>	<u>84,383,609</u>
Total assets	<u>102,985,924</u>	<u>37,716,336</u>	<u>140,702,260</u>
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	30,745	-	30,745
Pension - OPERS	1,503,592	75,240	1,578,832
Pension - STRS.	135,973	-	135,973
Total deferred outflows of resources	<u>1,670,310</u>	<u>75,240</u>	<u>1,745,550</u>
Total assets and deferred outflows of resources.	<u>104,656,234</u>	<u>37,791,576</u>	<u>142,447,810</u>
Liabilities:			
Accounts payable.	380,481	110,632	491,113
Contracts payable.	98,694	7,463	106,157
Accrued wages and benefits.	128,297	7,056	135,353
Due to other governments	266,196	78,676	344,872
Accrued interest payable	15,169	5,016	20,185
Claims payable.	256,617	-	256,617
Long-term liabilities:			
Due within one year	899,489	79,311	978,800
Due in more than one year:			
Net pension liability	10,190,289	422,479	10,612,768
Other amounts due in more than one year.	4,409,317	6,401,279	10,810,596
Total liabilities	<u>16,644,549</u>	<u>7,111,912</u>	<u>23,756,461</u>
Deferred inflows of resources:			
Real estate and other taxes levied for the next fiscal year	5,838,145	-	5,838,145
Pension - OPERS	163,047	8,159	171,206
Pension - STRS.	598,084	-	598,084
Total deferred inflows of resources	<u>6,599,276</u>	<u>8,159</u>	<u>6,607,435</u>
Total liabilities and deferred inflows of resources.	<u>23,243,825</u>	<u>7,120,071</u>	<u>30,363,896</u>
Net position:			
Net investment in capital assets.	61,383,958	17,911,631	79,295,589
Restricted for:			
Debt service	1,974,007	-	1,974,007
Capital projects	27,067	-	27,067
Other purposes.	3,293,167	-	3,293,167
Human services programs.	55,897	-	55,897
Public works projects.	3,060,365	-	3,060,365
Public safety programs.	747,727	-	747,727
Health services.	360,010	-	360,010
Landfill closure and postclosure.	-	1,585,473	1,585,473
Unrestricted	10,510,211	11,174,401	21,684,612
Total net position	<u>\$ 81,412,409</u>	<u>\$ 30,671,505</u>	<u>\$ 112,083,914</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Program Revenues</u>	
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government:				
Legislative and executive.	\$ 5,613,678	\$ 2,481,383	\$ -	\$ -
Judicial.	1,806,316	577,484	189,418	-
Public safety	4,629,931	153,118	178,781	-
Public works	6,719,177	445,149	4,652,428	1,276,395
Health.	5,018,068	220,854	1,712,803	-
Human services	3,112,102	246,360	900,595	-
Conservation and recreation	5,183	-	-	-
Economic development.	325,156	5,395	377,297	-
Interest and fiscal charges.	199,673	-	45,414	-
Total governmental activities	<u>27,429,284</u>	<u>4,129,743</u>	<u>8,056,736</u>	<u>1,276,395</u>
Business-type activities:				
Landfill.	2,848,068	4,070,432	-	-
Sewer.	894,696	711,213	-	-
Total business-type activities	<u>3,742,764</u>	<u>4,781,645</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 31,172,048</u>	<u>\$ 8,911,388</u>	<u>\$ 8,056,736</u>	<u>\$ 1,276,395</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

Transfers.

Total general revenues and transfers.

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
\$ (3,132,295)	\$ -	\$ (3,132,295)
(1,039,414)	-	(1,039,414)
(4,298,032)	-	(4,298,032)
(345,205)	-	(345,205)
(3,084,411)	-	(3,084,411)
(1,965,147)	-	(1,965,147)
(5,183)	-	(5,183)
57,536	-	57,536
(154,259)	-	(154,259)
<u>(13,966,410)</u>	<u>-</u>	<u>(13,966,410)</u>
-	1,222,364	1,222,364
<u>-</u>	<u>(183,483)</u>	<u>(183,483)</u>
-	1,038,881	1,038,881
<u>(13,966,410)</u>	<u>1,038,881</u>	<u>(12,927,529)</u>
2,199,908	-	2,199,908
690,865	-	690,865
2,330,239	-	2,330,239
829,039	-	829,039
5,733,557	-	5,733,557
1,895,191	-	1,895,191
323,198	36,264	359,462
931,287	14,699	945,986
<u>14,933,284</u>	<u>50,963</u>	<u>14,984,247</u>
<u>(29,854)</u>	<u>29,854</u>	<u>-</u>
<u>14,903,430</u>	<u>80,817</u>	<u>14,984,247</u>
937,020	1,119,698	2,056,718
<u>80,475,389</u>	<u>29,551,807</u>	<u>110,027,196</u>
<u>\$ 81,412,409</u>	<u>\$ 30,671,505</u>	<u>\$ 112,083,914</u>

DEFIANCE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<u>General</u>	<u>Developmental Disabilities</u>	<u>Motor Vehicle License and Gas Tax</u>	<u>Emergency 911</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 5,960,905	\$ 3,427,150	\$ 1,274,997	\$ 873,526
Cash and cash equivalents in segregated accounts	905	-	125	-
Receivables (net of allowance for uncollectibles):				
Sales taxes	976,740	-	-	-
Real estate and other taxes	2,133,838	2,258,354	-	689,561
Accounts	95,341	-	1,299	-
Intergovernmental	645,110	144,029	2,212,903	44,511
Special assessments	-	-	-	-
Accrued interest	95,983	-	-	-
Loans	-	-	-	-
Interfund loans	4,938,505	-	-	-
Due from other funds	77,781	-	12,899	-
Prepayments	681,042	71,629	32,156	23,382
Materials and supplies inventory	59,470	13,553	606,545	536
Total assets	<u>\$ 15,665,620</u>	<u>\$ 5,914,715</u>	<u>\$ 4,140,924</u>	<u>\$ 1,631,516</u>
Liabilities:				
Accounts payable	\$ 225,935	\$ 80,112	\$ 33,233	\$ 3,039
Contracts payable	1,515	-	-	-
Accrued wages and benefits	55,582	23,748	16,440	7,357
Compensated absences payable	-	-	16,129	-
Due to other funds	12,225	-	6,207	-
Due to other governments	148,009	51,338	22,703	10,542
Interfund loans payable	-	-	-	-
Total liabilities	<u>443,266</u>	<u>155,198</u>	<u>94,712</u>	<u>20,938</u>
Deferred inflows of resources:				
Real estate and other taxes levied for the next fiscal year	2,107,450	2,222,500	-	680,000
Sales tax revenue not available	492,643	-	-	-
Delinquent real estate and other tax revenue not available	25,890	35,178	-	9,381
Intergovernmental revenue not available	591,667	144,029	1,881,353	44,511
Special assessments revenue not available	-	-	-	-
Accrued interest not available	80,236	-	-	-
Miscellaneous revenue not available	21,513	-	-	-
Total deferred inflows of resources	<u>3,319,399</u>	<u>2,401,707</u>	<u>1,881,353</u>	<u>733,892</u>
Total liabilities and deferred inflows of resources	<u>3,762,665</u>	<u>2,556,905</u>	<u>1,976,065</u>	<u>754,830</u>
Fund balances:				
Nonspendable	5,772,936	85,182	638,701	23,918
Restricted	-	3,272,628	1,526,158	852,768
Committed	3,198	-	-	-
Assigned	5,735,595	-	-	-
Unassigned (deficit)	391,226	-	-	-
Total fund balances (deficit)	<u>11,902,955</u>	<u>3,357,810</u>	<u>2,164,859</u>	<u>876,686</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,665,620</u>	<u>\$ 5,914,715</u>	<u>\$ 4,140,924</u>	<u>\$ 1,631,516</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Senior Center	Historical Jail Debt Service	County Improvement	Nonmajor Governmental Funds	Total Governmental Funds
\$ 480,243	\$ 841,640	\$ 3,324,255	\$ 5,417,336	\$ 21,600,052
-	-	-	25	1,055
-	-	-	-	976,740
839,669	-	-	-	5,921,422
6,756	-	-	67,366	170,762
62,904	-	-	155,688	3,265,145
-	-	-	1,361,843	1,361,843
-	-	-	-	95,983
-	-	-	1,010,788	1,010,788
-	-	-	-	4,938,505
-	-	-	21,455	112,135
15,461	-	-	41,254	864,924
1,868	-	-	17,690	699,662
<u>\$ 1,406,901</u>	<u>\$ 841,640</u>	<u>\$ 3,324,255</u>	<u>\$ 8,093,445</u>	<u>\$ 41,019,016</u>
\$ 23,819	\$ -	\$ -	\$ 13,123	\$ 379,261
-	-	20,210	76,969	98,694
8,775	-	-	16,395	128,297
-	-	-	-	16,129
14	-	-	56,252	74,698
10,903	-	-	22,701	266,196
-	1,700,000	-	1,209,022	2,909,022
<u>43,511</u>	<u>1,700,000</u>	<u>20,210</u>	<u>1,394,462</u>	<u>3,872,297</u>
828,195	-	-	-	5,838,145
-	-	-	-	492,643
11,258	-	-	-	81,707
59,755	-	-	129,741	2,851,056
-	-	-	1,361,843	1,361,843
-	-	-	-	80,236
-	-	-	21,591	43,104
<u>899,208</u>	<u>-</u>	<u>-</u>	<u>1,513,175</u>	<u>10,748,734</u>
<u>942,719</u>	<u>1,700,000</u>	<u>20,210</u>	<u>2,907,637</u>	<u>14,621,031</u>
17,329	-	-	846,859	7,384,925
446,853	-	-	4,108,680	10,207,087
-	-	-	744,589	747,787
-	-	3,304,045	-	9,039,640
-	(858,360)	-	(514,320)	(981,454)
<u>464,182</u>	<u>(858,360)</u>	<u>3,304,045</u>	<u>5,185,808</u>	<u>26,397,985</u>
<u>\$ 1,406,901</u>	<u>\$ 841,640</u>	<u>\$ 3,324,255</u>	<u>\$ 8,093,445</u>	<u>\$ 41,019,016</u>

DEFIANCE COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

Total governmental fund balances	\$	26,397,985
<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.		64,186,246
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	\$ 492,643	
Real estate and other taxes receivable	81,707	
Intergovernmental receivable	2,851,056	
Special assessments receivable	1,361,843	
Accrued interest receivable	80,236	
Miscellaneous revenue receivable	43,104	
Total		4,910,589
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.		512,273
An interfund receivable is recorded in governmental activities to reflect underpayments to the internal service fund by the business-type activities.		(20,846)
Unamortized premiums on bond issuances are not recognized in the funds.		(20,667)
Unamortized deferred amounts on refundings are not recognized in the funds.		30,745
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(15,169)
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	15,118	
Deferred outflows of resources	1,639,565	
Deferred inflows of resources	(761,131)	
Net pension liability	(10,190,289)	
Total		(9,296,737)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable	(3,045,000)	
Special assessment bonds payable	(600,000)	
OPWC loan payable	(81,909)	
OWDA loan payable	(521,326)	
Notes payable	(25,967)	
Compensated absences payable	(993,893)	
Capital leases payable	(3,915)	
Total		(5,272,010)
Net position of governmental activities	\$	81,412,409

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, 2015

	<u>General</u>	<u>Developmental Disabilities</u>	<u>Motor Vehicle License and Gas Tax</u>	<u>Emergency 911</u>
Revenues:				
Property taxes	\$ 2,202,610	\$ 2,333,908	\$ -	\$ 691,844
Sales taxes	5,699,322	-	-	-
Special assessments	-	-	-	-
Charges for services	1,398,840	54,507	1,402	-
Licenses and permits	251,433	-	-	-
Fines and forfeitures	248,652	-	16,114	-
Intergovernmental	1,197,116	2,083,645	4,454,334	88,496
Investment income	287,719	-	294	-
Rental income	305,913	-	-	-
Contributions and donations	-	70,658	-	-
Other	596,818	63,778	8,905	25,760
Total revenues	<u>12,188,423</u>	<u>4,606,496</u>	<u>4,481,049</u>	<u>806,100</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	4,711,231	-	-	-
Judicial	1,433,067	-	-	-
Public safety	3,783,630	-	-	811,389
Public works	475,920	-	4,078,346	-
Health	58,265	4,612,776	-	-
Human services	864,296	-	-	-
Economic development	92,733	-	-	-
Other	426,517	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	12,365	-	-	-
Interest and fiscal charges	618	-	-	-
Total expenditures	<u>11,858,642</u>	<u>4,612,776</u>	<u>4,078,346</u>	<u>811,389</u>
Excess (deficiency) of revenues over (under) expenditures	<u>329,781</u>	<u>(6,280)</u>	<u>402,703</u>	<u>(5,289)</u>
Other financing sources (uses):				
Sale of capital assets	41,580	-	-	-
Note issuance	-	-	-	-
Transfers in	-	-	4,999	-
Transfers out	(916,853)	-	-	-
Total other financing sources (uses)	<u>(875,273)</u>	<u>-</u>	<u>4,999</u>	<u>-</u>
Net change in fund balances	(545,492)	(6,280)	407,702	(5,289)
Fund balances (deficit) at beginning of year	<u>12,448,447</u>	<u>3,364,090</u>	<u>1,757,157</u>	<u>881,975</u>
Fund balances (deficit) at end of year	<u>\$ 11,902,955</u>	<u>\$ 3,357,810</u>	<u>\$ 2,164,859</u>	<u>\$ 876,686</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Senior Center	Historical Jail Debt Service	County Improvement	Nonmajor Governmental Funds	Total Governmental Funds
\$ 830,214	\$ -	\$ -	\$ -	\$ 6,058,576
-	-	-	-	5,699,322
-	-	-	577,002	577,002
95,109	-	-	920,430	2,470,288
-	-	-	-	251,433
-	-	-	209,160	473,926
430,180	45,414	-	2,573,946	10,873,131
-	-	-	24,771	312,784
-	-	-	134,893	440,806
5,759	-	-	172,754	249,171
25,652	-	-	167,245	888,158
<u>1,386,914</u>	<u>45,414</u>	<u>-</u>	<u>4,780,201</u>	<u>28,294,597</u>
-	-	-	530,312	5,241,543
-	-	-	384,459	1,817,526
-	-	-	145,071	4,740,090
-	-	-	871,501	5,425,767
-	-	-	163,965	4,835,006
1,337,525	-	-	773,112	2,974,933
-	-	-	232,423	325,156
-	-	-	1,050	427,567
-	-	485,156	1,199,785	1,684,941
1,005	85,000	-	344,491	442,861
27	108,575	-	90,073	199,293
<u>1,338,557</u>	<u>193,575</u>	<u>485,156</u>	<u>4,736,242</u>	<u>28,114,683</u>
<u>48,357</u>	<u>(148,161)</u>	<u>(485,156)</u>	<u>43,959</u>	<u>179,914</u>
-	-	-	-	41,580
-	-	-	25,967	25,967
-	100,000	700,000	152,329	957,328
-	-	-	(70,329)	(987,182)
<u>-</u>	<u>100,000</u>	<u>700,000</u>	<u>107,967</u>	<u>37,693</u>
48,357	(48,161)	214,844	151,926	217,607
415,825	(810,199)	3,089,201	5,033,882	26,180,378
<u>\$ 464,182</u>	<u>\$ (858,360)</u>	<u>\$ 3,304,045</u>	<u>\$ 5,185,808</u>	<u>\$ 26,397,985</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, 2015

Net change in fund balances - total governmental funds	\$	217,607
<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	\$ 3,269,457	
Depreciation expense	(3,269,853)	
Total		(396)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		(67,716)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(8,525)	
Sales taxes	34,235	
Special assessments	(83,712)	
Intergovernmental	92,428	
Investment income	24,031	
Other	43,104	
Total		101,561
The issuance of notes is an other financing source in the funds, but it increases long-term liabilities on the statement of net position.		(25,967)
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	925	
Amortization of bond premium	2,510	
Amortization of deferred charges on refundings	(3,815)	
Total		(380)
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	240,000	
Special assessment bonds payable	70,000	
Loans payable	93,524	
Bond anticipation notes	25,967	
Capital leases payable	13,370	
Total		442,861
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		1,095,676
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities.		(1,140,667)
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.		(46,258)
The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund (plus the \$50,256 internal activity) is allocated among the governmental activities.		360,699
Change in net position of governmental activities	\$	937,020

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, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 2,007,000	\$ 2,195,897	\$ 2,195,897	\$ -
Sales taxes	4,700,000	5,672,831	5,672,831	-
Charges for services	871,510	1,351,294	1,369,864	18,570
Licenses and permits	101,950	99,980	100,055	75
Fines and forfeitures	224,600	263,353	263,353	-
Intergovernmental	1,131,796	1,285,880	1,285,880	-
Investment income	245,600	383,424	338,234	(45,190)
Rental income	250,000	303,244	305,913	2,669
Other	235,500	642,191	536,276	(105,915)
Total revenues	<u>9,767,956</u>	<u>12,198,094</u>	<u>12,068,303</u>	<u>(129,791)</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	4,859,922	4,913,556	4,681,364	232,192
Judicial	1,455,531	1,587,495	1,492,938	94,557
Public safety	4,019,597	4,055,844	3,860,684	195,160
Public works	620,092	577,140	463,695	113,445
Health	77,894	77,894	58,265	19,629
Human services	565,716	865,716	863,968	1,748
Economic development	98,000	98,000	92,733	5,267
Other	2,137,883	1,426,396	500,378	926,018
Total expenditures	<u>13,834,635</u>	<u>13,602,041</u>	<u>12,014,025</u>	<u>1,588,016</u>
Excess of revenues over/(under) expenditures	<u>(4,066,679)</u>	<u>(1,403,947)</u>	<u>54,278</u>	<u>1,458,225</u>
Other financing sources (uses):				
Advances in	-	634,086	634,086	-
Advances out	-	(184,314)	(184,314)	-
Transfers out	-	(918,242)	(918,242)	-
Sale of capital assets	500	41,328	41,454	126
Contingencies	(1,805,783)	(4,040,873)	-	4,040,873
Total other financing sources (uses)	<u>(1,805,283)</u>	<u>(4,468,015)</u>	<u>(427,016)</u>	<u>4,040,999</u>
Net change in fund balance	(5,871,962)	(5,871,962)	(372,738)	5,499,224
Fund balance at beginning of year	5,648,747	5,648,747	5,648,747	-
Prior year encumbrances appropriated	225,602	225,602	225,602	-
Fund balance at end of year	<u>\$ 2,387</u>	<u>\$ 2,387</u>	<u>\$ 5,501,611</u>	<u>\$ 5,499,224</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 DEVELOPMENTAL DISABILITIES FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 2,165,000	\$ 2,165,000	\$ 2,329,171	\$ 164,171
Charges for services	3,150	3,150	54,507	51,357
Intergovernmental	1,888,324	1,888,324	2,083,645	195,321
Investment income	25	25	-	(25)
Contributions and donations	7,000	7,000	70,658	63,658
Other	22,500	22,500	63,778	41,278
Total revenues	<u>4,085,999</u>	<u>4,085,999</u>	<u>4,601,759</u>	<u>515,760</u>
Expenditures:				
Current:				
Health	<u>6,077,668</u>	<u>6,077,668</u>	<u>4,312,460</u>	<u>1,765,208</u>
Net change in fund balance	(1,991,669)	(1,991,669)	289,299	2,280,968
Fund balance at beginning of year	2,853,733	2,853,733	2,853,733	-
Prior year encumbrances appropriated	43,031	43,031	43,031	-
Fund balance at end of year	<u>\$ 905,095</u>	<u>\$ 905,095</u>	<u>\$ 3,186,063</u>	<u>\$ 2,280,968</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, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services	\$ 1,000	\$ 1,385	\$ 1,402	\$ 17
Fines and forfeitures	10,000	17,130	17,130	-
Intergovernmental	4,041,000	4,366,388	4,486,871	120,483
Investment income	12,000	294	294	-
Other	2,000	8,201	8,231	30
Total revenues	<u>4,066,000</u>	<u>4,393,398</u>	<u>4,513,928</u>	<u>120,530</u>
Expenditures:				
Current:				
Public works	5,032,258	5,359,656	4,257,841	1,101,815
Excess of expenditures over revenues	<u>(966,258)</u>	<u>(966,258)</u>	<u>256,087</u>	<u>1,222,345</u>
Other financing sources:				
Transfers in	4,999	4,999	4,999	-
Net change in fund balance	<u>(961,259)</u>	<u>(961,259)</u>	<u>261,086</u>	<u>1,222,345</u>
Fund balance at beginning of year	901,828	901,828	901,828	-
Prior year encumbrances appropriated	59,431	59,431	59,431	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,222,345</u>	<u>\$ 1,222,345</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 656,000	\$ 690,162	\$ 690,162	\$ -
Intergovernmental	94,000	88,496	88,496	-
Other	-	25,760	25,760	-
Total revenues	<u>750,000</u>	<u>804,418</u>	<u>804,418</u>	<u>-</u>
Expenditures:				
Current:				
Public safety	<u>1,605,103</u>	<u>1,659,521</u>	<u>820,280</u>	<u>839,241</u>
Net change in fund balance	(855,103)	(855,103)	(15,862)	839,241
Fund balance at beginning of year	851,087	851,087	851,087	-
Prior year encumbrances appropriated	4,016	4,016	4,016	-
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 839,241</u></u>	<u><u>\$ 839,241</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 SENIOR CENTER FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 787,500	\$ 828,195	\$ 828,195	\$ -
Charges for services	97,000	92,040	95,109	3,069
Intergovernmental	453,194	429,132	432,672	3,540
Contributions and donations	5,000	5,701	5,744	43
Other	13,500	25,232	25,252	20
Total revenues	<u>1,356,194</u>	<u>1,380,300</u>	<u>1,386,972</u>	<u>6,672</u>
Expenditures:				
Current:				
Human services	<u>1,758,557</u>	<u>1,782,663</u>	<u>1,378,682</u>	<u>403,981</u>
Excess of expenditures over revenues	<u>(402,363)</u>	<u>(402,363)</u>	<u>8,290</u>	<u>410,653</u>
Net change in fund balance	<u>(402,363)</u>	<u>(402,363)</u>	<u>8,290</u>	<u>410,653</u>
Fund balance at beginning of year	<u>364,917</u>	<u>364,917</u>	<u>364,917</u>	<u>-</u>
Prior year encumbrances appropriated	<u>37,446</u>	<u>37,446</u>	<u>37,446</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 410,653</u></u>	<u><u>\$ 410,653</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

	<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	\$ 10,140,404	\$ 2,399,548	\$ 12,539,952	\$ 1,228,265
Cash with fiscal agent	-	2,161	2,161	-
Cash and cash equivalents in segregated accounts	225	100	325	-
Receivables (net of allowance for uncollectibles):				
Accounts	356,930	122,444	479,374	-
Due from other funds	135	-	135	-
Prepayments	68,835	5,901	74,736	41,845
Materials and supplies inventory	3,974	2,089	6,063	-
Total current assets	<u>10,570,503</u>	<u>2,532,243</u>	<u>13,102,746</u>	<u>1,270,110</u>
Noncurrent assets:				
Net pension asset	573	183	756	-
Restricted assets:				
Equity in pooled cash and cash equivalents	676,099	-	676,099	-
Investments	5,234,679	-	5,234,679	-
Accrued interest receivable	17,277	-	17,277	-
Total restricted assets	<u>5,928,055</u>	<u>-</u>	<u>5,928,055</u>	<u>-</u>
Capital assets:				
Non-depreciable capital assets	991,731	301,932	1,293,663	-
Depreciable capital assets, net	8,611,538	10,292,162	18,903,700	-
Total capital assets, net	<u>9,603,269</u>	<u>10,594,094</u>	<u>20,197,363</u>	<u>-</u>
Total noncurrent assets	<u>15,531,897</u>	<u>10,594,277</u>	<u>26,126,174</u>	<u>-</u>
Total assets	<u>26,102,400</u>	<u>13,126,520</u>	<u>39,228,920</u>	<u>1,270,110</u>
Deferred outflows of resources:				
Pension - OPERS	56,992	18,248	75,240	-
Total deferred outflows of resources	<u>56,992</u>	<u>18,248</u>	<u>75,240</u>	<u>-</u>
Liabilities:				
Current liabilities:				
Accounts payable	62,190	48,442	110,632	1,220
Contracts payable	7,463	-	7,463	-
Accrued wages and benefits	5,332	1,724	7,056	-
Compensated absences payable	34,090	7,321	41,411	-
Due to other funds	2,700	1,247	3,947	-
Due to other governments	76,556	2,120	78,676	-
Interfund loans payable	-	1,529,483	1,529,483	500,000
Accrued interest payable	-	5,016	5,016	-
Claims payable	-	-	-	256,617
Revenue bonds	-	30,900	30,900	-
Capmark commercial mortgage payable	-	7,000	7,000	-
Total current liabilities	<u>188,331</u>	<u>1,633,253</u>	<u>1,821,584</u>	<u>757,837</u>
Long-term liabilities:				
Liabilities payable from restricted assets:				
Closure and postclosure payable	4,342,582	-	4,342,582	-
Revenue bonds	-	1,914,900	1,914,900	-
Capmark commercial mortgage payable	-	31,000	31,000	-
Compensated absences	70,048	42,749	112,797	-
Net pension liability	320,013	102,466	422,479	-
Total long-term liabilities	<u>4,732,643</u>	<u>2,091,115</u>	<u>6,823,758</u>	<u>-</u>
Total liabilities	<u>4,920,974</u>	<u>3,724,368</u>	<u>8,645,342</u>	<u>757,837</u>
Deferred inflows of resources:				
Pension - OPERS	6,180	1,979	8,159	-
Total deferred inflows of resources	<u>6,180</u>	<u>1,979</u>	<u>8,159</u>	<u>-</u>
Net position:				
Net investment in capital assets	9,603,269	8,308,362	17,911,631	-
Restricted for closure and postclosure	1,585,473	-	1,585,473	-
Unrestricted	10,043,496	1,110,059	11,153,555	512,273
Total net position	<u>\$ 21,232,238</u>	<u>\$ 9,418,421</u>	<u>30,650,659</u>	<u>\$ 512,273</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds			20,846	
Net position of business-type activities			<u>\$ 30,671,505</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<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	\$ 4,070,432	\$ 711,213	\$ 4,781,645	\$ 3,301,211
Other	14,699	-	14,699	-
Total operating revenues.	<u>4,085,131</u>	<u>711,213</u>	<u>4,796,344</u>	<u>3,301,211</u>
Operating expenses:				
Personal services	517,977	175,318	693,295	-
Contract services.	640,643	97,856	738,499	290,950
Materials and supplies.	134,468	38,414	172,882	-
Other	1,113,001	274,868	1,387,869	-
Claims.	-	-	-	2,599,306
Closure and postclosure.	113,908	-	113,908	-
Depreciation.	360,886	268,466	629,352	-
Total operating expenses.	<u>2,880,883</u>	<u>854,922</u>	<u>3,735,805</u>	<u>2,890,256</u>
Operating income (loss).	<u>1,204,248</u>	<u>(143,709)</u>	<u>1,060,539</u>	<u>410,955</u>
Nonoperating revenues (expenses):				
Interest revenue.	36,264	-	36,264	-
Interest expense and fiscal charges	-	(57,215)	(57,215)	-
Total nonoperating revenues (expenses).	<u>36,264</u>	<u>(57,215)</u>	<u>(20,951)</u>	<u>-</u>
Net income (loss) before transfers.	<u>1,240,512</u>	<u>(200,924)</u>	<u>1,039,588</u>	<u>410,955</u>
Transfer in	29,854	79,592	109,446	-
Transfer out	(79,592)	-	(79,592)	-
Change in net position	1,190,774	(121,332)	1,069,442	410,955
Net position at beginning of year (restated)	<u>20,041,464</u>	<u>9,539,753</u>		<u>101,318</u>
Net position at end of year	<u>\$ 21,232,238</u>	<u>\$ 9,418,421</u>		<u>\$ 512,273</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>50,256</u>	
Change in net position of business-type activities			<u>\$ 1,119,698</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Fund
	<u>Landfill</u>	<u>Sewer</u>	<u>Total</u>	
Cash flows from operating activities:				
Cash received from charges for services	\$ 4,027,762	\$ 719,326	\$ 4,747,088	\$ 3,301,211
Cash received from other operating revenue	14,669	-	14,669	-
Cash payments for personal services	(509,701)	(175,446)	(685,147)	-
Cash payments for contract services	(670,737)	(110,075)	(780,812)	(275,266)
Cash payments for materials and supplies	(135,580)	(38,944)	(174,524)	-
Cash payments for claims	-	-	-	(2,608,644)
Cash payments for other expenses	(1,113,001)	(274,868)	(1,387,869)	-
Net cash provided by (used in) operating activities	<u>1,613,412</u>	<u>119,993</u>	<u>1,733,405</u>	<u>417,301</u>
Cash flows from noncapital financing activities:				
Cash used in transfers out	(49,738)	-	(49,738)	-
Net cash provided by noncapital financing activities	<u>(49,738)</u>	<u>-</u>	<u>(49,738)</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Cash received from capital grants	-	-	-	-
Cash received from issuance of bonds	-	-	-	-
Acquisition of capital assets	(38,692)	-	(38,692)	-
Principal payments on bonds	-	(30,200)	(30,200)	-
Interest payments on bonds	-	(55,082)	(55,082)	-
Principal payments on Capmark commercial mortgage	-	(6,000)	(6,000)	-
Interest payments on Capmark commercial mortgage	-	(2,200)	(2,200)	-
Net cash used in capital and related financing activities	<u>(38,692)</u>	<u>(93,482)</u>	<u>(132,174)</u>	<u>-</u>
Cash flows from investing activities:				
Cash received from interest	46,311	-	46,311	-
Net cash provided by maturities of investments	2,079,799	-	2,079,799	-
Net cash payments for purchases of investments	(2,073,673)	-	(2,073,673)	-
Net cash provided by investing activities	<u>52,437</u>	<u>-</u>	<u>52,437</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	1,577,419	26,511	1,603,930	417,301
Cash and cash equivalents at beginning of year	<u>9,239,309</u>	<u>2,375,298</u>	<u>11,614,607</u>	<u>810,964</u>
Cash and cash equivalents at end of year	<u>\$ 10,816,728</u>	<u>\$ 2,401,809</u>	<u>\$ 13,218,537</u>	<u>\$ 1,228,265</u>

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DEFIANCE COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<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 (used in) operating activities:				
Operating income (loss)	\$ 1,204,248	\$ (143,709)	\$ 1,060,539	\$ 410,955
Adjustments:				
Depreciation	360,886	268,466	629,352	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources				
(Increase) decrease in accounts receivable	(42,670)	8,113	(34,557)	-
(Increase) in due from other funds.	(30)	-	(30)	-
(Increase) decrease in prepayments	(7,088)	(4,620)	(11,708)	15,238
(Increase) in materials and supplies inventory.	(1,112)	(530)	(1,642)	-
(Increase) in net pension asset	(417)	(133)	(550)	-
(Increase) in deferred outflows - pension - OPERS	(17,799)	(5,699)	(23,498)	-
Increase (decrease) in accounts payable.	(24,160)	(8,148)	(32,308)	446
Increase in contracts payable.	2,269	-	2,269	-
Increase in accrued wages and benefits	863	481	1,344	-
Increase in closure and postclosure payable.	113,908	-	113,908	-
Increase (decrease) in due to other funds.	(6,357)	749	(5,608)	-
Decrease in claims payable.	-	-	-	(9,338)
Increase (decrease) in due to other governments.	4,496	(745)	3,751	-
Increase in compensated absences payable.	12,967	1,475	14,442	-
Increase in net pension liability.	7,228	2,314	9,542	-
Increase in deferred inflows - pension - OPERS	6,180	1,979	8,159	-
Net cash provided by (used in) operating activities	<u>\$ 1,613,412</u>	<u>\$ 119,993</u>	<u>\$ 1,733,405</u>	<u>\$ 417,301</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2015

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 9,127,587
Cash in segregated accounts.	959,770
Receivables:	
Real estate and other taxes.	34,172,697
Due from other governments.	1,851,647
Special assessments.	<u>753,656</u>
Total assets	<u>\$ 46,865,357</u>
Liabilities:	
Accounts payable	\$ 5,489
Loan payable.	33,625
Due to other governments.	38,872,556
Undistributed monies.	<u>7,953,687</u>
Total liabilities.	<u>\$ 46,865,357</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1 - DESCRIPTION OF THE COUNTY

A. The County

Defiance County, Ohio (the "County") was created in 1845. The County is governed by a Board of three Commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, a Common Pleas Court Judge, a Juvenile/Probate Court Judge, Engineer, Clerk of Courts, Coroner, Prosecuting Attorney and Sheriff. Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and chief administrators of public services for the entire County.

B. Reporting Entity

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

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

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

The County participates in eleven jointly governed organizations, the Northwest Ohio Juvenile Detention, Training, and Rehabilitation Center; Four County Board of Alcohol, Drug Addiction and Mental Health Services; Corrections Commission of Northwest Ohio; Four County Solid Waste District; Multi-Area Narcotics Task Force; Quadco Rehabilitation Center; Maumee Valley Planning Organization; the Community Improvement Corporation of Defiance County; Northwest Ohio Waiver Administration Council; Defiance-Paulding Consolidated Department of Job and Family Services; and Regional Port Authority of Northwest Ohio (See Note 19).

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 20).

The County is associated with one related organization, the Defiance County Regional Airport Authority (See Note 21).

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

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

B. Fund Accounting

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

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

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

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

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

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

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

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

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

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

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (Continued)

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

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

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

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

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

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

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. The County did not have any trust funds in 2015. Agency funds are custodial in nature (assets plus deferred outflows of resources equals liabilities plus deferred inflows of resources) and do not involve measurement of results of operations. The County's agency funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent, and for taxes, State-levied shared revenues and fines and forfeitures collected and distributed to other political subdivisions.

C. Measurement Focus

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

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

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

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

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

D. Basis of Accounting

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

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

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: sales taxes, charges for services, fines and forfeitures, State-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants and interest.

Deferred Inflows of Resources and Deferred Outflows of Resources - 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, deferred outflows of resources have been reported for the following items related to the County's net pension liability: (1) the net difference between projected and actual investment earnings on pension plan assets, (2) the County's contributions to the pension systems subsequent to the measurement date and (3) differences between expected and actual experience.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

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

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.

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, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 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, income taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The County also reports deferred inflow of resources for the following items related to the County's net pension liability: (1) the net difference between projected and actual investment earnings on pension plan assets, (2) differences between expected and actual experience and (3) differences between employer's contributions and the employer's proportional share of contributions. These deferred inflows of resources are only reported on the government-wide statement of net position.

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

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

E. Budgetary Process

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

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

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

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

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.

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 2015, the County invested in nonnegotiable certificates of deposit, a money market mutual fund, federal agency securities, a U.S. Treasury note, commercial paper, and municipal bonds. Investments are reported at fair value, except for nonnegotiable certificates of deposit and the money market mutual fund, which are both reported at cost. Fair value is based on quoted market prices.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the general fund during 2015 was \$287,719, which includes \$204,020 assigned from other County funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2015 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, 2015
(Continued)

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

H. Inventory

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

I. Loans Receivable

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

J. Restricted Assets

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

K. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column on the government-wide statement of net position, but are not reported on the fund financial statements. Capital assets used by the proprietary funds are reported in both the business-type activities column on the government-wide statement of net position and in the respective funds.

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

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:

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

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

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

L. Interfund Receivables/Payables

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

M. Compensated Absences

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

N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the proprietary funds are reported on the proprietary fund financial statements.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. General obligation bonds, special assessment bonds, bond anticipation notes, various loans, and capital leases paid from governmental funds are recognized as liabilities on the fund financial statements when due.

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

O. Net Position

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

The County’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

P. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term 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, 2015 (Continued)

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.

Q. Operating Revenues and Expenses

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

R. 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.

S. 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 2015.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

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

T. 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.

U. 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 16.

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

V. Pensions

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For 2015, the County implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the County's pension plan disclosures, as presented in Note 13 to the financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities and business-type activities at January 1, 2015 have been restated as follows:

	Governmental Activities		
Net position as previously reported	\$ 89,727,135		
Net pension asset	4,120		
Deferred outflows	1,100,395		
Deferred inflows	(328,505)		
Net pension liability	(10,027,756)		
Restated net position at January 1, 2015	\$ 80,475,389		
	Business-Type Activities	Landfill Fund	Sewer Fund
Net position as previously reported	\$ 29,912,796	\$ 20,314,900	\$ 9,627,306
Net pension asset	206	156	50
Deferred outflows	51,742	39,193	12,549
Net pension liability	(412,937)	(312,785)	(100,152)
Restated net position at January 1, 2015	\$ 29,551,807	\$ 20,041,464	\$ 9,539,753

Other than employer contributions subsequent to the measurement date, the County made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on governmental fund balances.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at December 31, 2015 included the following individual fund deficits:

<u>Major governmental fund</u>	<u>Deficit</u>
Historical jail debt service fund	\$ 858,360
<u>Nonmajor governmental funds</u>	
Court computer resource fund	27,778
Airport capital projects fund	299,086
Elliot Road water and sewer capital projects fund	103,923
Ridge Ditch capital projects fund	17,016
Ridge Ditch St. Mike's Tile capital projects fund	15,450
Fairgrounds restrooms project capital projects fund	49,386

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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);
- (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,

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

(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	\$ (372,738)	\$ 289,299	\$ 261,086	\$ (15,862)	\$ 8,290
Net adjustment for revenue accruals	(67,079)	4,737	(32,879)	1,682	(58)
Net adjustment for expenditure accruals	139,209	(431,785)	126,843	8,054	10,673
Net adjustment for other sources/uses	(448,257)	-	-	-	-
Funds budgeted elsewhere	12,522	-	-	-	-
Adjustment for encumbrances	<u>190,851</u>	<u>131,469</u>	<u>52,652</u>	<u>837</u>	<u>29,452</u>
GAAP basis	<u>\$ (545,492)</u>	<u>\$ (6,280)</u>	<u>\$ 407,702</u>	<u>\$ (5,289)</u>	<u>\$ 48,357</u>

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

NOTE 5 - DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items 1 and 2 above, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days and two hundred seventy days, respectively, from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the County Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year end, the County had \$210,355 in undeposited cash on hand, which is included on the financial statements of the County as part of "equity in pooled cash and cash equivalents".

B. Cash with Fiscal Agent

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

C. Cash in Segregated Accounts

At year end, the County had \$961,150 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.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

D. Deposits with Financial Institutions

At December 31, 2015, the carrying amount of all County deposits, including cash in segregated accounts, was \$21,623,715. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2015, \$676,478 of the County’s bank balance of \$22,847,965 was exposed to custodial risk as discussed below, while \$22,171,487 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

E. Investments

As of December 31, 2015, the County had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
Commercial Paper	\$ 996,580	\$ 996,580	\$ -	\$ -	\$ -	\$ -
Federal Home Loan Bank	16,177,271	-	1,482,394	4,707,269	-	9,987,608
Federal Home Loan Mortgage Corporation	300,168	-	-	-	-	300,168
Federal National Mortgage Association	6,229,289	-	-	-	1,494,889	4,724,400
Municipal Bonds	501,725	-	501,725	-	-	-
Negotiable Certificates of Deposit	2,692,126	-	-	-	494,265	2,197,861
U.S. Treasury Note	105,707	-	105,707	-	-	-
Money Market Mutual Fund	2,530,848	2,530,848	-	-	-	-
Total	\$ 29,533,714	\$ 3,527,428	\$ 2,089,826	\$ 4,707,269	\$ 1,989,154	\$ 17,210,037

The weighted average maturity of investments is 2.55 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the County’s investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County and that an investment must be purchased with the expectation that it will be held to maturity. . State statute limits investments in commercial paper to a maximum of 270 days from the date of purchase

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: The County's investments in federal agency securities and the U.S. Treasury note were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned the money market mutual fund an AAAM money market rating. Ohio law requires the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. 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 municipal bonds were not rated. The County has no investment policy dealing with investment credit risk beyond the requirements in State statute.

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

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, 2015:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Commercial Paper	\$ 996,580	3.37
Federal Home Loan Bank	13,175,588	44.61
Federal Home Loan Mortgage Corporation	3,301,851	11.18
Federal National Mortgage Association	6,229,289	21.09
Municipal Bonds	501,725	1.70
Negotiable Certificates of Deposit	2,692,126	9.12
U.S. Treasury Note	105,707	0.36
Money Market Mutual Fund	<u>2,530,848</u>	<u>8.57</u>
 Total	 <u>\$ 29,533,714</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, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 21,623,715
Investments	29,533,714
Cash with fiscal agent	2,161
Cash on hand	<u>210,355</u>
Total	<u>\$ 51,369,945</u>

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 22,829,372
Business-type activities	18,453,216
Agency funds	<u>10,087,357</u>
Total	<u>\$ 51,369,945</u>

NOTE 6 - RECEIVABLES

Receivables at December 31, 2015 consisted of accounts (billings for user charged services); sales taxes; accrued interest; 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 \$1,361,843, will not be received within one year.

Loans receivable represent low interest loans for housing and development projects granted to eligible County property owners and businesses under the Federal Community Block Grant program. During 2015, there were two new loans for housing and development projects issued to the County in the amount of \$245,000. The loans with outstanding balances at December 31, 2015 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 2015, principal in the amount of \$133,317 was repaid to the County and \$54,818 in loans receivable were written off by the County. Loans outstanding at December 31, 2015 were \$1,010,788, net of allowance for doubtful accounts in the amount of \$92,018 in the nongovernmental funds. Loans receivable, in the amount of \$787,915, will not be received within one year.

A summary of the principal items of intergovernmental receivables follows:

DEFIANCE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

NOTE 6 - RECEIVABLES - (Continued)

General fund	
Local government	\$ 220,075
Homestead and rollback	149,762
Other intergovernmental receivables	<u>275,273</u>
Total general fund	<u>645,110</u>
Developmental disabilities fund	
Homestead and rollback	<u>144,029</u>
Motor vehicle license and gas tax fund	
Motor vehicle license tax	1,031,473
Gasoline tax	1,178,357
Other intergovernmental receivables	<u>3,073</u>
Total motor vehicle license and gas tax fund	<u>2,212,903</u>
Emergency 911 fund	
Homestead and rollback	<u>44,511</u>
Senior center fund	
Homestead and rollback	53,414
Other intergovernmental receivables	<u>9,490</u>
Total senior center fund	<u>62,904</u>
Total major funds	<u>\$ 3,109,457</u>

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 6 - RECEIVABLES - (Continued)

<u>Nonmajor governmental funds</u>	
DARE fund	\$ 14,946
Community development block grant fund	84,400
PSI writer grant fund	15,000
Sarah House fund	11,421
Wireless 911 fund	5,188
Airport capital projects fund	<u>24,733</u>
Total nonmajor governmental funds	<u>155,688</u>
Total governmental activities	<u>\$ 3,265,145</u>
<u>Agency funds</u>	
Library local government	\$ 629,889
Local government and local government revenue assistance	300,423
Permissive motor vehicle license	116,014
Motor vehicle license tax	280,290
Gasoline tax	<u>525,031</u>
Total agency funds	<u>\$ 1,851,647</u>

NOTE 7 - PERMISSIVE SALES AND USE TAX

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

Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the Office of Budget and Management the amount of the taxes to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

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. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2015 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 2015 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, 2015 was \$8.91 per \$1,000 of assessed value. The assessed values of real and public utility personal property upon which 2015 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 687,095,900
Commercial/industrial/mineral	111,223,970
<u>Public utility</u>	
Real	496,010
Personal	<u>99,481,980</u>
Total assessed value	<u>\$ 898,297,860</u>

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 9 - CAPITAL ASSETS

The capital asset activity of governmental activities for the year ended December 31, 2015, was as follows:

Governmental activities:	<u>Balance</u> <u>January 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>December 31, 2015</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,039,776	\$ -	\$ -	\$ 1,039,776
Easements	127,031	38,443	-	165,474
Construction in progress	-	406,629	-	406,629
Total capital assets, not being depreciated	<u>1,166,807</u>	<u>445,072</u>	<u>-</u>	<u>1,611,879</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	23,791,207	71,967	(7,183)	23,855,991
Roads and bridges	69,317,613	1,798,097	-	71,115,710
Machinery and equipment	5,682,754	401,043	(294,879)	5,788,918
Vehicles	4,523,217	553,278	(123,172)	4,953,323
Total capital assets, being depreciated	<u>103,314,791</u>	<u>2,824,385</u>	<u>(425,234)</u>	<u>105,713,942</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(6,539,866)	(678,137)	5,388	(7,212,615)
Roads and bridges	(26,688,179)	(2,027,125)	-	(28,715,304)
Machinery and equipment	(4,303,410)	(246,542)	239,641	(4,310,311)
Vehicles	(2,695,785)	(318,049)	112,489	(2,901,345)
Total accumulated depreciation	<u>(40,227,240)</u>	<u>(3,269,853)</u>	<u>357,518</u>	<u>(43,139,575)</u>
Total capital assets being depreciated, net	<u>63,087,551</u>	<u>(445,468)</u>	<u>(67,716)</u>	<u>62,574,367</u>
Governmental activities capital assets, net	<u>\$ 64,254,358</u>	<u>\$ (396)</u>	<u>\$ (67,716)</u>	<u>\$ 64,186,246</u>

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 9 - CAPITAL ASSETS - (Continued)

The capital asset activity of business-type activities for the year ended December 31, 2015, was as follows:

Business-type activities:	Balance			Balance
	<u>January 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>December 31, 2015</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,214,071	\$ -	\$ -	\$ 1,214,071
Construction in progress	<u>-</u>	<u>79,592</u>	<u>-</u>	<u>79,592</u>
Total capital assets, not being depreciated	<u>1,214,071</u>	<u>79,592</u>	<u>-</u>	<u>1,293,663</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	9,797,054	-	-	9,797,054
Buildings and improvements	2,228,542	-	-	2,228,542
Sewer lines	8,862,444	-	-	8,862,444
Machinery and equipment	4,437,368	38,692	(5,800)	4,470,260
Vehicles	<u>315,962</u>	<u>-</u>	<u>(14,986)</u>	<u>300,976</u>
Total capital assets, being depreciated	<u>25,641,370</u>	<u>38,692</u>	<u>(20,786)</u>	<u>25,659,276</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(707,768)	(195,941)	-	(903,709)
Buildings and improvements	(251,225)	(23,747)	-	(274,972)
Sewer lines	(2,250,563)	(177,249)	-	(2,427,812)
Machinery and equipment	(2,745,193)	(213,271)	5,800	(2,952,664)
Vehicles	<u>(192,261)</u>	<u>(19,144)</u>	<u>14,986</u>	<u>(196,419)</u>
Total accumulated depreciation	<u>(6,147,010)</u>	<u>(629,352)</u>	<u>20,786</u>	<u>(6,755,576)</u>
Total capital assets being depreciated, net	<u>19,494,360</u>	<u>(590,660)</u>	<u>-</u>	<u>18,903,700</u>
Business-type activities capital assets, net	<u>\$ 20,708,431</u>	<u>\$ (511,068)</u>	<u>\$ -</u>	<u>\$ 20,197,363</u>

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

Governmental activities:

Legislative and executive	\$ 367,117
Judicial	7,332
Public safety	160,422
Public works	2,345,610
Health	68,816
Human services	315,414
Conservation and recreation	<u>5,142</u>
Total depreciation expense - governmental activities	<u>\$ 3,269,853</u>

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 9 - CAPITAL ASSETS - (Continued)

Business-type activities:

Landfill	\$ 360,886
Sewer	<u>268,466</u>
Total depreciation expense - business-type activities	<u><u>\$ 629,352</u></u>

NOTE 10 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2015 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
Historical jail debt service fund	100,000
Community improvement fund	700,000
Landfill fund	29,854
Nonmajor governmental funds	82,000
<u>Transfers from nonmajor governmental funds to:</u>	
Nonmajor governmental funds	<u>70,329</u>
 Total	 <u><u>\$ 987,182</u></u>
<u>Transfers from landfill fund to:</u>	
Sewer fund	<u><u>\$ 79,592</u></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.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 10 - INTERFUND TRANSACTIONS - (Continued)

- B.** Due from/to other funds consisted of the following at December 31, 2015, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Motor vehicle license and gas tax fund	\$ 6,207
General fund	Senior center fund	14
General fund	Nonmajor governmental funds	33,988
General fund	Landfill fund	2,700
General fund	Sewer fund	1,247
General fund	Agency fund	33,625
Motor vehicle license and gas tax fund	Nonmajor governmental funds	674
Motor vehicle license and gas tax fund	General fund	12,225
Landfill fund	Nonmajor governmental fund	135
Nonmajor governmental fund	Nonmajor governmental funds	<u>21,455</u>
 Total		 <u>\$ 112,270</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, 2015, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Historical jail debt service fund	\$ 1,700,000
General fund	Sewer fund	1,529,483
General fund	Internal service fund	500,000
General fund	Nonmajor governmental funds	<u>1,209,022</u>
 Total		 <u>\$ 4,938,505</u>

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

The entire balance of interfund 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.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 11 - RISK MANAGEMENT

A. General Liability

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has contracted with the County Risk Sharing Authority (CORSA) for the following coverage:

Property	\$ 85,291,983
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.

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, 2015 is estimated by a third party administrator at \$256,617. The changes in the claims payable liability for 2015 and 2014 were as follows:

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 11 - RISK MANAGEMENT - (Continued)

	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Year
2015	\$ 265,955	\$ 2,599,306	\$ (2,608,644)	\$ 256,617
2014	193,935	3,060,581	(2,988,561)	265,955

C. Workers' Compensation

For 2015, 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.

NOTE 12 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The County has outstanding contracts for professional services and construction. The following amounts remain on these contracts as of December 31, 2015:

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 12 - SIGNIFICANT CONTRACTUAL COMMITMENTS – (Continued)

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid as of December 31, 2015</u>	<u>Outstanding Balance</u>
Alloway Environmental	\$ 24,978	\$ (16,388)	\$ 8,590
Appraisal Research Corporation	502,435	(244,594)	257,841
BRS	167,495	(35,178)	132,317
Digital Data Technologies, Inc.	126,000	(122,000)	4,000
Eagon & Associations, Inc.	37,291	(36,368)	923
Mannik & Smith Group, Inc.	238,000	(108,046)	129,954
Poggemeyer Design Group	39,372	(21,872)	17,500
Sanborn Map Company	<u>3,311</u>	<u>-</u>	<u>3,311</u>
Total	<u>\$ 1,138,882</u>	<u>\$ (584,446)</u>	<u>\$ 554,436</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.

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

DEFIANCE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* 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/pension obligation payable* on both the accrual and modified accrual bases of accounting.

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

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, 2015
(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

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 1.0% 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 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% 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
2015 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	12.0 %
2015 Actual Contribution Rates			
Employer:			
Pension	12.0 %	14.1 %	14.1 %
Post-employment Health Care Benefits	2.0 %	4.0 %	4.0 %
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	11.5 %	12.1 %

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

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The County's contractually required contribution for both the Traditional Pension Plan and the Combined Plan was \$1,104,840 for 2015. Of this amount, \$144,503 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - County 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 Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

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 that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For January 1, 2015 through June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. For July 1, 2015 through December 31, 2015, plan members were required to contribute 13 percent of their annual covered salary. The County was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2015 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was \$87,366 for 2015. Of this amount, \$1,001 is reported as pension and postemployment benefits payable.

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 and Combined Plan, respectively, were measured as of December 31, 2014, 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 total pension liability was measured as of June 30, 2015, 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:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 8,865,265	\$ 1,747,503	\$ 10,612,768
Proportionate share of the net pension asset	15,874	-	15,874
Proportion of the net pension liability	0.09914%	0.0063230%	
Proportion of the net pension asset	0.055613%	-	
Pension expense	971,664	215,309	1,186,973

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	\$0	\$92,485	\$92,485
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	473,993	-	473,993
Difference between employer contributions and proportionate share contributions	-	-	-
County contributions subsequent to the measurement date	1,104,839	43,488	1,148,327
Total deferred outflows of resources	\$ 1,578,832	\$ 135,973	\$ 1,714,805
Deferred inflows of resources			
Differences between expected and actual experience	\$ 160,591	\$ -	\$ 160,591
Net difference between projected and actual earnings on pension plan investments	-	372,058	372,058
Differences between employer contributions and proportionate share contributions	10,615	226,026	236,641
Total Deferred Inflows of Resources	\$171,206	\$ 598,084	\$ 769,290

\$1,148,327 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	STRS	Total
Year Ending December 31:			
2016	\$ 41,161	\$ (145,863)	\$ (104,702)
2017	41,161	(145,863)	(104,702)
2018	105,084	(145,865)	(40,781)
2019	117,923	(68,008)	49,915
2020	(576)	-	(576)
2021 - 2024	(1,964)	-	(1,964)
Total	\$ 302,789	\$ (505,599)	\$ (202,810)

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - OPERS

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

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

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or ad hoc COLA	3 percent, simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

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

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

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

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

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 2014 and the long-term expected real rates of return:

Asset Class	Target		Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)	
	Allocation			
Fixed income	23.00	%	2.31	%
Domestic equities	19.90		5.84	
Real estate	10.00		4.25	
Private equity	10.00		9.25	
International equities	19.10		7.40	
Other investments	18.00		4.59	
Total	100.00	%	5.28	%

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's proportionate share of the net pension liability (asset)			
Traditional plan	\$ 21,998,175	\$ 8,865,265	\$ 3,500,633
Combined plan	2,781	(15,874)	(40,597)

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease █ (6.75%)	Current Discount Rate █ (7.75%)	1% Increase █ (8.75%)
County's proportionate share of the net pension liability	\$ 2,427,414	\$ 1,747,503	\$ 1,172,537

NOTE 14 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2015 local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2015 was 2.00% for members in the state and local category and 4.00% for members in the public safety and law enforcement categories.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (Continued)

NOTE 14 - POSTEMPLOYMENT BENEFIT PLANS - (Continued)

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$248,366, \$240,086, and \$111,169, respectively; 91.69% has been contributed for 2015 and 100% has been contributed for 2014 and 2013. The remaining 2015 post-employment health care benefits liability has been reported as pension and postemployment benefits payable on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS did not allocate any percentage of employer contributions to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2015, 2014 and 2013 were \$0, \$7,333 and \$7,391, respectively. The full amount has been contributed for 2015, 2014 and 2013.

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.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 15 - OTHER BENEFITS - (Continued)

B. Health Care Benefits

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

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

NOTE 16 - LONG-TERM OBLIGATIONS

The original issue date, interest rate, original issue amount, and balance at December 31, 2015 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, 2015</u>
<u>General obligation bonds:</u>				
Various purpose improvement	2005	5.25%	\$ 375,000	\$ 200,000
Refunding bonds, series 2010	2010	2 - 4%	1,680,000	1,050,000
Various purpose, series 2010	2010	1.25 - 6.1%	2,385,000	1,795,000
Black ditch	2013	1.5%	40,000	-
<u>Special assessment bonds:</u>				
Platter creek	2004	2.25 - 5%	425,000	240,000
Refunding bonds, series 2010	2010	2 - 4%	645,000	360,000
<u>Bond anticipation notes:</u>				
Flory Road Tile - 2014	2014	2.05%	25,967	25,967
<u>Revenue bonds:</u>				
Green acres	2005	4.1%	60,000	53,100
Auglaize sewer	2012	2.75%	1,977,000	1,892,700
<u>OPWC loans:</u>				
Evansport water	1999	0%	468,050	81,909
<u>OWDA loans:</u>				
Express sewer	2002	1.5%	1,356,038	521,326
<u>Capmark Commercial Mortgage:</u>				
Sewer	1980	5%	146,300	38,000

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, 2015
(Continued)

NOTE 16 - LONG-TERM OBLIGATIONS - (Continued)

During 2015, the following activity occurred in the County's long-term obligations. The long-term obligations have been restated as described in Note 3.

	Restated Balance	Additions	Reductions	Balance	Due Within
Governmental activities:	<u>January 1, 2015</u>	<u> </u>	<u> </u>	<u>December 31, 2015</u>	<u>One Year</u>
<u>General obligation bonds:</u>					
Various purpose improvement	\$ 2,105,000	\$ -	\$ (110,000)	\$ 1,995,000	\$ 115,000
Refunding bonds, series 2010	1,160,000	-	(110,000)	1,050,000	110,000
Black ditch	20,000	-	(20,000)	-	-
Total general obligation bonds	<u>3,285,000</u>	<u>-</u>	<u>(240,000)</u>	<u>3,045,000</u>	<u>225,000</u>
<u>Special assessment bonds:</u>					
Refunding bonds, series 2010	410,000	-	(50,000)	360,000	50,000
Platter creek	260,000	-	(20,000)	240,000	20,000
Total special assessment bonds	<u>670,000</u>	<u>-</u>	<u>(70,000)</u>	<u>600,000</u>	<u>70,000</u>
<u>Other long-term obligations:</u>					
Bond anticipation notes payable	25,967	25,967	(25,967)	25,967	25,967
OPWC loans payable	105,311	-	(23,402)	81,909	23,403
OWDA loans payable	591,448	-	(70,122)	521,326	71,178
Capital lease obligations	17,285	-	(13,370)	3,915	1,968
Net pension liability	10,027,756	190,694	(28,161)	10,190,289	-
Compensated absences	947,635	515,602	(453,215)	1,010,022	481,973
Total other long-term obligations	<u>11,715,402</u>	<u>732,263</u>	<u>(614,237)</u>	<u>11,833,428</u>	<u>604,489</u>
Total governmental activities long-term obligations	<u>\$ 15,670,402</u>	<u>\$ 732,263</u>	<u>\$ (924,237)</u>	15,478,428	<u>\$ 899,489</u>
		Add: unamortized premium		<u>20,667</u>	
Total on statement of net position				<u>\$ 15,499,095</u>	

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 16 - LONG-TERM OBLIGATIONS - (Continued)

	Restated Balance			Balance	Due Within
Business-type activities:	<u>January 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2015</u>	<u>One Year</u>
<u>Revenue bonds:</u>					
Sewer revenue bonds	\$ 1,976,000	\$ -	\$ (30,200)	\$ 1,945,800	\$ 30,900
<u>Other long-term obligations:</u>					
Capmark commercial mortgage	44,000	-	(6,000)	38,000	7,000
Closure and postclosure liability	4,228,674	113,908	-	4,342,582	-
Net pension obligation	412,937	9,542	-	422,479	-
Compensated absences	139,766	61,370	(46,928)	154,208	41,411
Total other long-term obligations	<u>4,825,377</u>	<u>184,820</u>	<u>(52,928)</u>	<u>4,957,269</u>	<u>48,411</u>
Total business-type activities long-term obligations	<u>\$ 6,801,377</u>	<u>\$ 184,820</u>	<u>\$ (83,128)</u>	<u>\$ 6,903,069</u>	<u>\$ 79,311</u>

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

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DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 16 - LONG-TERM OBLIGATIONS - (Continued)

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

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

B. Various Purpose General Obligation Bonds, Series 2010

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

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

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

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

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 16 - LONG-TERM OBLIGATIONS - (Continued)

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

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

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

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

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

In each case, this is in addition to accrued interest on such bonds to be redeemed at the redemption date. If fewer than all such bonds are to be redeemed, the particular bonds shall be selected on a prorata basis.

C. Various Purpose General Obligation Refunding Bonds, Series 2010

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

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 16 - LONG-TERM OBLIGATIONS - (Continued)

The reacquisition price exceeded the net carrying amount of the old debt by \$46,010. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt as a deferred outflow of resources.

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

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

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

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

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

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

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

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

D. Black Ditch General Obligation Bonds

On October 3, 2013, the County issued \$40,000 in general obligation bonds to finance projects related to the County's ditches. The bonds bear interest at the annual rate of 1.5%. Principal and interest payments made on the bonds are paid from the DETDITCH fund and the rotary ditches fund (both nonmajor governmental funds). These bonds were retired during 2015.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 16 - LONG-TERM OBLIGATIONS - (Continued)

E. Special Assessment Bonds

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

F. 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

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

G. Revenue Bonds

In 2005, the County issued sewer revenue bonds in the amount of \$60,000 for the Green Acres sewer system. On November 26, 2012, the County issued sewer revenue bonds in the amount of \$1,977,000 for the Auglaize sewer project. The County has pledged future sewer revenues to repay these revenue bonds, which are payable solely from sewer fund revenues and are payable through 2052. The total principal and interest remaining to be paid on the bonds is \$3,134,518.

H. OPWC Loans Payable

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

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 16 - LONG-TERM OBLIGATIONS - (Continued)

I. 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, 2015, the County has outstanding borrowings of \$521,326. The OWDA loan agreement requires semi-annual payments based on the actual amount owed.

J. 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.

K. Bond Anticipation Notes Payable

In 2014, the County issued bond anticipation notes in the amount of \$86,115 to finance the replacement of an existing drainage tile at Flory Road. The County reports bond anticipation notes payable as long-term obligations if the County consummates refinancing on a long-term basis prior to the issuance of the current year's financial statements. The bond anticipation notes will mature March 3, 2016. Bond anticipation notes are backed by the full faith and credit of the County.

L. 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.

M. Net Pension Obligation

See Note 13 for detail.

N. Capital Lease Obligations

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

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 16 - LONG-TERM OBLIGATIONS - (Continued)

O. Legal Debt Margin

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed 1% of the total assessed valuation of the County. The Ohio Revised Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not exceed a sum equal to 3% of the first \$100,000,000, plus 1.5% of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus 2.5% of such valuation in excess of \$300,000,000.

The effect of the debt limitations described above is an overall legal debt margin of \$18,342,575 at December 31, 2015.

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

Year Ended	Governmental Activities					
	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 225,000	\$ 153,825	\$ 378,825	\$ 70,000	\$ 24,825	\$ 94,825
2017	235,000	144,352	379,352	75,000	22,325	97,325
2018	240,000	134,517	374,517	80,000	19,450	99,450
2019	245,000	123,814	368,814	80,000	16,275	96,275
2020	250,000	112,892	362,892	85,000	13,100	98,100
2021 - 2025	1,190,000	382,907	1,572,907	210,000	19,800	229,800
2026 - 2029	660,000	103,700	763,700	-	-	-
Total	<u>\$ 3,045,000</u>	<u>\$ 1,156,007</u>	<u>\$ 4,201,007</u>	<u>\$ 600,000</u>	<u>\$ 115,775</u>	<u>\$ 715,775</u>

Year Ended	Governmental Activities			
	OPWC Loans	OWDA Loans		
	Principal	Principal	Interest	Total
2016	\$ 23,403	\$ 71,178	\$ 7,554	\$ 78,732
2017	23,402	72,250	6,482	78,732
2018	23,403	73,338	5,394	78,732
2019	11,701	74,442	4,290	78,732
2020	-	75,562	3,170	78,732
2021 - 2022	-	154,556	2,919	157,475
Total	<u>\$ 81,909</u>	<u>\$ 521,326</u>	<u>\$ 29,809</u>	<u>\$ 551,135</u>

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 16 - 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
2016	\$ 30,900	\$ 54,382	\$ 85,282	\$ 7,000	\$ 1,900	\$ 8,900
2017	32,000	53,377	85,377	7,000	1,550	8,550
2018	32,800	52,484	85,284	8,000	1,200	9,200
2019	33,700	51,568	85,268	8,000	800	8,800
2020	34,600	50,761	85,361	8,000	400	8,400
2021 - 2025	188,400	238,193	426,593	-	-	-
2026 - 2030	216,100	210,327	426,427	-	-	-
2031 - 2035	248,300	178,317	426,617	-	-	-
2036 - 2040	284,900	141,585	426,485	-	-	-
2041 - 2045	327,300	99,298	426,598	-	-	-
2046 - 2050	359,000	51,880	410,880	-	-	-
2051 - 2052	157,800	6,546	164,346	-	-	-
Total	\$ 1,945,800	\$ 1,188,718	\$ 3,134,518	\$ 38,000	\$ 5,850	\$ 43,850

Conduit Debt:

In 2001, the County issued \$2,325,000 in Adjustable Rate Demand Economic Development Revenue Refunding Bonds. The proceeds were used for the refunding of economic development revenue bonds issued in 1982 to acquire and construct a supermarket. The County is not obligated in any way to pay the debt charges on the bonds from any of its funds, and therefore, the debt has been excluded entirely from the County's debt presentation. As of December 31, 2015, this debt was written off.

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, 2015, \$495,717 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, 2015, \$1,003,210 of these bonds was outstanding.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 16 - LONG-TERM OBLIGATIONS - (Continued)

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, 2015, \$11,050,000 of these bonds was outstanding.

NOTE 17 - 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 \$4,342,582 reported as landfill closure and postclosure costs payable at December 31, 2015, represents the cumulative amount reported to date based on the use of 27 % of the estimated capacity of the landfill. The County will recognize the remaining estimated costs of closure and postclosure of \$5,170,289 as the remaining estimated capacity is filled. This amount is based on what it would cost to perform all closure and postclosure care in 2015. 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 2015, the liabilities total \$2,149,163 for closure and \$2,193,419 for postclosure costs. The County expects the landfill to have a remaining life of 55 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 2015, 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 18 - CAPITALIZED LEASE - LESSEE DISCLOSURE

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

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 18 - CAPITALIZED LEASE - LESSEE DISCLOSURE - (Continued)

Capital assets consisting of equipment have been capitalized in the statement of net position. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in 2015 consisted of \$12,365 paid by the general fund and \$1,005 paid by the senior center fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of December 31, 2015:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 2,210
2017	<u>2,026</u>
Total minimum lease payments	4,236
Less: amount representing interest	<u>(321)</u>
Total	<u>\$ 3,915</u>

NOTE 19 - 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 2015, Defiance County contributed \$341,878 for the Center's operations, which represents 22% of total contributions. Information can be obtained from Nancy J. Yackee, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

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

The Four County Board of Alcohol, Drug Addiction, and Mental Health Services (ADAMHS) is a jointly governed organization among Defiance, Fulton, Henry, and Williams Counties to provide alcohol, drug addiction, and mental health services to individuals in the four counties. The Governing Board of ADAMHS consists of eighteen members; four members appointed by the Ohio Director of Alcohol and Drug Addiction Services, four members appointed by the Ohio Director of Mental Health Services, Defiance and Fulton County Commissioners appointing three members each, and Henry and Williams County Commissioners appointing two members each. The Governing Board exercises total control over the operation of the ADAMHS including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the ADAMHS. In 2015, Defiance County contributed \$1,309,233 for the ADAMHS' operations, which represents 20% 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, 2015
(Continued)

NOTE 19 - 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 and the City of Toledo. CCNO was established to provide jail space for convicted criminals in the five counties and the City of Toledo and to provide a correctional center for the inmates. CCNO was created in 1986 and occupancy started in 1991. The Commission Team consists of eighteen members; one judge, one chief law enforcement officer, and one county commissioner or administrative official from each entity. The Commission Team exercises total control over the operation of CCNO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for CCNO. In 2015, Defiance County contributed \$1,005,862 for CCNO's operations, which represents 6.4% 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 2015, Defiance County contributed \$301,910 for the District's operations, which represents 46.63% of total contributions. Information can be obtained from Deborah Nester, Williams County Auditor, One Courthouse Square, Bryan, Ohio 43506.

E. Multi-Area Narcotics Task Force

The Multi-Area Narcotics Task Force (Task Force) is a jointly governed organization among Defiance, William, Fulton, and Putnam Counties and the Cities of Defiance and Bryan. The Task Force is jointly controlled by the chief law enforcement officer of each respective entity. The main source of revenue for the Task Force is from federal grants and local matching funds from the entities. The County has no ongoing financial interest or responsibility for the Task Force. In 2015, Defiance County contributed \$25,000 to the Task Force's operations, which represents 12.5% of total contributions. Information can be obtained from the Defiance County Sheriff's office, 113 Beide Street, Defiance, Ohio 43512.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (Continued)

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

F. Quadco Rehabilitation Center

The Quadco Rehabilitation Center (Quadco) is a jointly governed organization among Defiance, Fulton, Henry, and Williams Counties. Quadco Rehabilitation Center is a nonprofit corporation that provides services and facilities for training physically and mentally disabled persons. Quadco is responsible for contracting with various agencies to obtain funding to operate the organization. Quadco is governed by an eight-member Board composed of two appointees made by each of the four County Boards of Developmental Disabilities (County Boards of DD). This Board, in conjunction with the County Boards of DD, assesses the needs of adult mentally handicapped and developmentally disabled residents of each county and sets priorities based on available funds. The County provides resources to the Board based on units of service provided to the County. Quadco exercises total control over the operation of Quadco including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for Quadco. In 2015, Defiance County contributed \$266,036 for Quadco's operations, which represents 3.79% of total contributions.

G. Maumee Valley Planning Organization

Maumee Valley Planning Organization (MVPO) is a jointly governed organization among Defiance, Fulton, Henry, Paulding, and Williams Counties. MVPO is an organization established to improve the social and economic conditions of the region through development and conservation. MVPO is governed by a fifteen member Executive Council composed of the three county commissioners, the mayor of the largest municipality, three mayors selected by the committee of mayors that represent the incorporated cities and villages, the township trustee association president, the regional planning commission chairman, and two members at large to represent business, industry, labor, agricultural, low income, minority groups, education, and consumer protection activities. The County provides resources to the Executive Council based on a membership fee and services provided to the County. MVPO exercises total control over the operation of MVPO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for MVPO. In 2015, Defiance County contributed \$147,968 for MVPO's operations, which represents 19.3% of total contributions. Information can be obtained from Nancy J. Yackee, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

H. Community Improvement Corporation of Defiance County

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

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

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 2015, Defiance County contributed \$70,000 for CIC's operations, which represents 26.6% of total contributions. Information can be obtained from the Jerry Hayes, Executive Director, 1300 East Second Street, Suite 201, Defiance, Ohio 43512.

I. Northwest Ohio Waiver Administration Council (NOWAC)

The Northwest Ohio Waiver Administration Council (NOWAC) is a jointly governed organization created under the provisions of Chapter 167 of the Ohio Revised Code. NOWAC is organized as a voluntary organization of local County Boards of Developmental Disabilities in Defiance County, Williams County, Allen County, Henry County, Fulton County, Van Wert County and Paulding County. Each of the participating counties has equal representation and no financial responsibility. NOWAC's purpose is to foster a cooperative effort in regional planning, programming, and the implementation of regional plans and programs. Its primary function is to oversee and obtain contracted services for its clientele in member counties. These services include various types of assistance provided by outside individuals or health care organizations for living maintenance of disabled clients so they can remain in their homes. Defiance County contributed \$879,113 towards NOWAC's operations in 2015. 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 2015, Defiance County contributed \$579,028 for DPCJFS' operations, which represents 9.56% of total contributions. Information can be obtained from Jill Little, Defiance County Auditor, 500 Second Street, Suite 301, Defiance, Ohio 43512.

K. Regional Port Authority of Northwest Ohio

The Regional Port Authority of Northwest Ohio (the "Authority") was created in June 2008 and is a jointly governed organization between Defiance, Henry, Paulding and Fulton Counties. The Authority was established pursuant to Ohio Revised Code Section 4582.21. The purpose of the Authority is to enhance, foster, aid, provide or promote transportation, economic development, housing, recreation, education, governmental operations, culture, research and the creation and preservation of jobs and employment opportunities. The Authority is governed by a Board consisting of twelve appointed members. Each member county's Board of County Commissioners shall appoint three members. Upon the expiration of the initial terms, each subsequent member of the Board shall serve a four year term commencing on January 1 of each year.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

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

During 2015, Defiance County contributed \$12,600 to the Authority's operations, which represents 17.7% of total contributions. Financial information of the Authority can be obtained by contacting Jerry J. Arkebauer, Executive Director, 1300 E. 2nd Street, Suite 200, Defiance, Ohio 43512.

In January 2015, the Commissioners from Defiance, Fulton, Henry, and Paulding counties agreed to dissolve the Authority. The Authority was dissolved in July 2015.

NOTE 20 - INSURANCE POOLS

A. County Commissioners Association Service Corporation

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

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

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

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

DEFIANCE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

NOTE 21 - 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 2015, the County contributed \$12,600 to the Airport Authority.

NOTE 22 - 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, 2015 to December 31, 2015, the County received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the County believes such disallowances, if any, would be immaterial.

NOTE 23 - 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:

DEFIANCE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

NOTE 23 - OTHER COMMITMENTS – (Continued)

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 136,223
Developmental disabilities fund	42,494
Motor vehicle license and gas tax fund	25,064
Emergency 911 fund	593
Senior center fund	6,698
County improvement fund	82
Nonmajor governmental funds	<u>152,766</u>
Total	<u>\$ 363,920</u>

NOTE 24 - FUND BALANCE

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

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 24 - FUND BALANCE – (Continued)

Fund Balance	General	Developmental Disabilities	Motor Vehicle License and Gas Tax	Emergency 911
Nonspendable:				
Long-term loans	\$ -	\$ -	\$ -	\$ -
Long-term interfund loans	4,938,505	-	-	-
Prepayments	681,042	71,629	32,156	23,382
Materials and supplies inventory	59,470	13,553	606,545	536
Unclaimed monies	93,919	-	-	-
Total nonspendable	<u>5,772,936</u>	<u>85,182</u>	<u>638,701</u>	<u>23,918</u>
Restricted:				
Human services programs	-	-	-	-
Public works projects	-	-	1,526,158	-
Public safety programs	-	-	-	852,768
Health services	-	3,272,628	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Total restricted	<u>-</u>	<u>3,272,628</u>	<u>1,526,158</u>	<u>852,768</u>
Committed:				
General government	-	-	-	-
Public safety programs	-	-	-	-
Economic development	-	-	-	-
Capital projects	-	-	-	-
County commissioners	192	-	-	-
Retirement payoffs	3,006	-	-	-
Other purposes	-	-	-	-
Total committed	<u>3,198</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned:				
General government	118,554	-	-	-
Human services programs	12	-	-	-
Public safety programs	17,657	-	-	-
Capital projects	-	-	-	-
Subsequent year appropriation	5,599,372	-	-	-
Total assigned	<u>5,735,595</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned (deficit)	<u>391,226</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>\$ 11,902,955</u>	<u>\$ 3,357,810</u>	<u>\$ 2,164,859</u>	<u>\$ 876,686</u>

- Continued

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 24 - FUND BALANCE - (Continued)

Fund Balance	Senior Center	Historical Jail Debt Service	County Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Long-term loans	\$ -	\$ -	\$ -	\$ 787,915	\$ 787,915
Long-term interfund loans	-	-	-	-	4,938,505
Prepayments	15,461	-	-	41,254	864,924
Materials and supplies inventory	1,868	-	-	17,690	699,662
Unclaimed monies	-	-	-	-	93,919
Total nonspendable	17,329	-	-	846,859	7,384,925
Restricted:					
Human services programs	446,853	-	-	218,847	665,700
Public works projects	-	-	-	123,789	1,649,947
Public safety programs	-	-	-	251,890	1,104,658
Health services	-	-	-	108,015	3,380,643
Debt service	-	-	-	1,030,128	1,030,128
Capital projects	-	-	-	20,383	20,383
Other purposes	-	-	-	2,355,628	2,355,628
Total restricted	446,853	-	-	4,108,680	10,207,087
Committed:					
General government	-	-	-	2,233	2,233
Public safety programs	-	-	-	1,711	1,711
Economic development	-	-	-	213,073	213,073
Capital projects	-	-	-	222,820	222,820
County commissioners	-	-	-	-	192
Retirement payoffs	-	-	-	-	3,006
Other purposes	-	-	-	304,752	304,752
Total committed	-	-	-	744,589	747,787
Assigned:					
General government	-	-	-	-	118,554
Human services programs	-	-	-	-	12
Public safety programs	-	-	-	-	17,657
Capital projects	-	-	3,304,045	-	3,304,045
Subsequent year appropriation	-	-	-	-	5,599,372
Total assigned	-	-	3,304,045	-	9,039,640
Unassigned (deficit)	-	(858,360)	-	(514,320)	(981,454)
Total fund balances (deficit)	\$ 464,182	\$ (858,360)	\$ 3,304,045	\$ 5,185,808	\$ 26,397,985

NOTE 25 - SUBSEQUENT EVENTS

On February 29, 2016, the County issued Flory Road Tile bond anticipation notes in the amount of \$27,017. The bond anticipation notes bear interest at an annual rate of 2.20% and are scheduled to mature on March 2, 2017.

DEFIANCE COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS

	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>		
County's proportion of the net pension liability	0.099140%	0.099140%
County's proportionate share of the net pension liability	\$ 8,865,265	\$ 8,665,029
County's covered-employee payroll	\$ 8,854,367	\$ 11,244,962
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	100.12%	77.06%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	86.36%
<i>Combined Plan:</i>		
County's proportion of the net pension asset	0.055613%	0.055613%
County's proportionate share of the net pension asset	\$ 15,874	\$ 4,326
County's covered-employee payroll	\$ 193,642	\$ 190,023
County's proportionate share of the net pension asset as a percentage of its covered-employee payroll	8.20%	2.28%
Plan fiduciary net position as a percentage of the total pension asset	114.83%	104.56%

Note: Information prior to 2013 was unavailable.

Amounts presented as of the City/County's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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DEFIANCE COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS

	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability	0.00632304%	0.00730021%
County's proportionate share of the net pension liability	\$ 1,747,503	\$ 1,775,664
County's covered-employee payroll	\$ 733,300	\$ 739,123
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.31%	240.24%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%

Note: Information prior to 2014 was unavailable.

Amounts presented as of the County's measurement date which is as of June 30 of the respective year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

DEFIANCE COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 1,087,943	\$ 1,062,524	\$ 1,461,845	\$ 1,102,306
Contributions in relation to the contractually required contribution	<u>(1,087,943)</u>	<u>(1,062,524)</u>	<u>(1,461,845)</u>	<u>(1,102,306)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 9,066,192	\$ 8,854,367	\$ 11,244,962	\$ 11,023,060
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	10.00%
 <i>Combined Plan:</i>				
Contractually required contribution	\$ 16,897	\$ 23,237	\$ 24,703	\$ 11,771
Contributions in relation to the contractually required contribution	<u>(16,897)</u>	<u>(23,237)</u>	<u>(24,703)</u>	<u>(11,771)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 140,808	\$ 193,642	\$ 190,023	\$ 148,063
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	7.95%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,145,914	\$ 1,019,306	\$ 978,577	\$ 876,505	\$ 999,219	\$ 1,029,095
<u>(1,145,914)</u>	<u>(1,019,306)</u>	<u>(978,577)</u>	<u>(876,505)</u>	<u>(999,219)</u>	<u>(1,029,095)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 11,459,140	\$ 11,431,469	\$ 12,044,025	\$ 12,521,500	\$ 11,966,695	\$ 11,185,815
10.00%	8.92%	8.13%	7.00%	8.35%	9.20%
\$ 10,707	\$ 11,430	\$ -	\$ -	\$ -	\$ -
<u>(10,707)</u>	<u>(11,430)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 134,679	\$ 117,997	\$ -	\$ -	\$ -	\$ -
7.95%	9.69%	8.13%	7.00%	8.35%	9.20%

DEFIANCE COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 87,366	\$ 102,662	\$ 96,086	\$ 111,580
Contributions in relation to the contractually required contribution	<u>(87,366)</u>	<u>(102,662)</u>	<u>(96,086)</u>	<u>(111,580)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 624,043	\$ 789,708	\$ 739,123	\$ 858,308
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 109,041	\$ 110,983	\$ 103,992	\$ 108,853	\$ 112,757	\$ 99,828
<u>(109,041)</u>	<u>(110,983)</u>	<u>(103,992)</u>	<u>(108,853)</u>	<u>(112,757)</u>	<u>(99,828)</u>
<u>\$ -</u>	<u>\$ -</u>				
\$ 838,777	\$ 853,715	\$ 799,938	\$ 837,331	\$ 867,362	\$ 767,908
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

DEFIANCE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

DEFIANCE COUNTY

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying 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			
Cash Assistance	10.555		\$ 7,547
Non-Cash Assistance (Food Distribution)	10.555		1,566
Total National School Lunch Program			<u>9,113</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
<i>Special Education Cluster:</i>			
Special Education - Grants to States	84.027		46,731
Special Education - Preschool Grant	84.173		<u>20,924</u>
Total Special Education Cluster			<u>67,655</u>
<i>Passed Through Ohio Department of Health</i>			
Special Education - Grants for Infants and Families (Help Me Grow)	84.181	02010021HG0615/02010021HG0716	<u>31,109</u>
Total U.S. Department of Education			<u>98,764</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through The Area Office of Aging</i>			
<i>Aging Cluster:</i>			
Title III Part B - Grants for Supportive Services and Senior Centers	93.044		44,735
Nutrition Services Incentive Program (NSIP)	93.053		60,609
Title III Part C - Nutrition Services	93.045		<u>71,971</u>
Total Aging Cluster			<u>177,315</u>
Lifespan Respite Care Program	93.072		<u>8,187</u>
Total Passed Through The Area Office of Aging			<u>185,502</u>
<i>Passed Through Ohio Department of Job and Family Services</i>			
Child Support Enforcement	93.563	G-1415-11-5349 / G-1617-11-5503	<u>632,867</u>
Total U.S. Department of Health and Human Services			<u>818,369</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through Ohio Department of Public Safety Emergency Management Agency</i>			
Emergency Management Performance Grant	97.042	EMW-2014-EP-00064	51,703
Emergency Management Performance Grant	97.042	EMW-2015-EP-00034-S01	<u>35,501</u>
Total U.S. Department of Homeland Security			<u>87,204</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Development Services Agency:</i>			
Community Development Block Grant (Formula Grant)	14.228	B-F-14-1AS-1	65,600
Community Development Block Grant (Chip)	14.228	B-C-14-1AS-1	136,957
Community Development Block Grant Revolving Loans	14.228	FY 15	<u>270,327</u>
Total Community Development Block Grant			<u>472,884</u>
Home Investment Partnerships Program	14.239	B-C-14-1AS-2	55,102
Home Investment Partnerships Program Housing Loans	14.239	FY 15	<u>32</u>
Total Home Investment Partnerships Program			<u>55,134</u>
Total U.S. Department of Housing and Urban Development			<u>528,018</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	20.205	DEF-188-3.90	<u>783,705</u>
<i>Passed Through Ohio Department of Public Safety Emergency Management Agency</i>			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0355-14-01-00	<u>920</u>
<i>Federal Aviation Administration Direct Assistance</i>			
Airport Improvement Program	20.106	3-39-0031-1214	<u>145,196</u>
Total U.S. Department of Transportation			<u>929,821</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through Ohio Department of Public Safety Office of Criminal Justice Services</i>			
Crime Victims Assistance	16.575	2015-VOCA-10201126	48,125
Crime Victims Assistance	16.575	2016-VOCA-19811853	<u>12,228</u>
Total Crime Victims Assistance			<u>60,353</u>
Edward Byrne Memorial Justice Assistance Grant Formula Program	16.738	2014-JG-A01-6407	<u>43,200</u>
Total U.S. Department of Justice			<u>103,553</u>
Total			<u><u>\$ 2,574,842</u></u>

The accompanying notes are an integral part of this schedule.

DEFIANCE COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 2 CFR 200.510(b)(6) FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Defiance County (the County's) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - CHILD NUTRITION CLUSTER

The County commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Government assumes it expends federal monies first.

NOTE D – FOOD DONATION PROGRAM

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

NOTE E - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS WITHOUT CONTINUING COMPLIANCE REQUIREMENTS

The County has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Development Services Agency. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property or Uniform Commercial Filings (UCC) that collateralize the machinery and equipment.

NOTE F - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

Defiance County
500 Court Street, Suite A
Defiance, Ohio 43512-2158

To the Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Defiance County, Ohio, (the County) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 19, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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Dave Yost
Auditor of State

Columbus, Ohio

September 19, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY REQUIRED BY THE UNIFORM GUIDANCE

Defiance County
500 Court Street, Suite A
Defiance, Ohio 43512-2158

To the Board of Commissioners:

Report on Compliance for the Major Federal Program

We have audited Defiance County, Ohio's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Defiance County's major federal program for the year ended December 31, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for the 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 the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Defiance County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affects its major federal program for the year ended December 31, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of findings as item 2015-001. Our opinion on the major federal program is not modified with respect to this matter.

The County's response to our noncompliance finding is described in the accompanying corrective action plan. We did not audit the County's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with 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 the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2015-001.

The County's response to our internal control over compliance finding is described in the accompanying corrective action plan. We did not audit the County's response and, accordingly, we express no opinion on it.

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

Defiance County
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
Page 3

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

Dave Yost
Auditor of State

Columbus, Ohio

September 19, 2016

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Highway Planning and Construction – CFDA # 20.205
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

Schedule of Expenditures of Federal Awards

Finding Number	2015-001		
CFDA Title and Number	Community Development Block Grant CFDA# 14.228		
Federal Award Identification Number / Year	2015		
Federal Agency	U.S. Department of Housing and Urban Development		
Pass-Through Entity	Ohio Development Services Agency		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	N/A

Noncompliance and Material Weakness

2 CFR §200.510 requires an auditee to:

(b) Prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. At a minimum, the schedule must:

- (1)** List individual Federal programs by Federal agency.
- (2)** For federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3)** Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4)** Include the total amount provided to subrecipients from each federal program.
- (5)** For loan or loan guarantee programs described in §200.502 Basis for determining Federal awards expended, paragraph (b), Federal awards expended for loan or loan guarantee programs should be included in the schedule.
- (6)** Include notes that describe significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimus cost rate as covered in §200.414 Indirect (F&A) costs.

The County did prepare a Schedule of Expenditures of Federal Awards (the Schedule); however, total federal expenditures were understated by \$299,224 (13%). This was primarily attributed to \$270,327 in Community Development Block Grant (CDBG) Revolving Loans issued and respective administrative costs not being reported on the Schedule. In addition, while the County completed notes to the Schedule, they did not include a description of significant accounting policies used in preparing the Schedule.

These errors occurred since the County lacked a policy regarding the review of the federal schedule.

Inaccurate completion of the Schedule could lead to inaccurate reporting of federal expenditures by the County and could jeopardize future federal funding. Adjustments were made to the Schedule and the notes to the Schedule.

We recommend the County implement policies and procedures, including a final review of the Schedule and notes to the Schedule, to ensure all applicable federal programs are included on the Schedule and all pertinent federal information is presented in the notes.

Officials' Response:

See corrective action plan

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DEFIANCE COUNTY

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-001	We will ensure all correct amounts are included on the federal schedule, especially any new revolving loans issued and respective administrative costs. We will ensure documentation is provided to the compiler as well as the auditors.	12/31/16	Jill Little, County Auditor

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Dave Yost • Auditor of State

DEFIANCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 6, 2016