

DARKE COUNTY, OHIO

FINANCIAL CONDITION

*FOR THE YEAR ENDED
DECEMBER 31, 2016*

CAROL GINN, AUDITOR



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Darke County prepared by Julian & Grube, Inc., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 18, 2017

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DARKE COUNTY

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Darke County
504 South Broadway Street
Greenville, Ohio 45331

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Darke County, Ohio, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Darke County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Darke County, Ohio, as of December 31, 2016, and the respective changes in modified cash financial position and where applicable, cash flows, and the respective budgetary comparison for the General, Auto License and Gas Tax, BODD, and Job and Family Services funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires Darke County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the modified cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

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

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

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2017, on our consideration of Darke County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Darke County's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 16, 2017

Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

This discussion and analysis of the Darke County (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2016, within the limitations of the County's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the County's financial performance.

FINANCIAL HIGHLIGHTS

Key highlights for 2016 are as follows:

Total net position of governmental activities was \$25,199,668. The net position of governmental activities increased \$2,298,859, or about 10 percent.

General governmental receipts accounted for \$17,573,531 or 44% of all receipts. Program specific receipts in the form of charges for services and grants and contributions accounted for \$22,530,274 or 56% of all receipts of governmental activities of \$40,103,805.

The County had \$37,804,946 in cash disbursements related to governmental activities; only \$22,530,274 of these disbursements were offset by program specific charges for services, grants or contributions.

Among major funds, the General Fund had \$17,663,969 in receipts and other financing sources and \$16,673,140 in disbursements and other financing uses. The General Fund's fund balance increased \$990,829, or approximately 16% to a balance of \$7,023,743.

Net position for the enterprise fund increased \$45,082, or about 11 percent.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the County's modified cash basis of accounting. It consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the County.

These statements are as follows:

1. The Government-Wide Financial Statements – These statements provide both long-term and short-term information about the County's overall financial status.
2. The Fund Financial Statements – These statements focus on individual parts of the County, reporting the County's operation in more detail than the government-wide statements.

The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The County has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the County's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the County as a Whole

The government-wide statements report information about the County as a whole, within the limitations of modified cash basis accounting. The statement of net position presents the cash balances of the County at year-end. The statement of activities compares cash disbursements with program receipts for the County's programs. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of the program.

These statements report the County's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the County's financial health. Over time, increases or decreases in the County's cash position is one indicator of whether the County's financial health is improving or deteriorating. When evaluating the County's financial condition, you should also consider other nonfinancial factors such as the County's tax base, the condition of the County's capital assets, and the reliance on non-local financial resources for operations.

In the Government-wide Statement of Net Position and Statement of Activities, the County is divided into two kinds of activities.

Governmental Activities – Most of the County's programs and services are reported here including public safety, health, human services, economic development and assistance, public works, general government, capital outlay and debt service.

Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the disbursements of the goods or services provided. The County's sewer services and solid waste treatment are reported as business-type activities.

Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Fund Financial Statements

Fund financial statements provide more detailed information about the County's most significant funds – not the County as a whole. The County establishes separate funds to better manage its activities and to help demonstrate that restricted resources are being used for the intended purpose. The fund financial statements provide a detailed view of the County's operations and the basic services it provides. Fund information helps determine whether there are more or less financial resources that can be spent to finance the County's activities. The County's significant funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

Governmental Funds - Most of the County's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end that are available for spending in future periods. The County's major governmental funds are the General Fund, the Job and Family Services Fund, the Auto License and Gas Tax Fund and the Board of Developmental Disabilities Fund.

Enterprise Funds - When the County charges users for the services it provides, with the intent of recapturing operating costs, these services are generally reported in enterprise funds. The enterprise funds are reported as business-type activities on the entity-wide statement of net position and statement of activities. The County does not have any major enterprise funds.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government in purely a custodial nature. These activities are not included on the entity-wide statements because the assets cannot be utilized by the County to finance its operations.

Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Table 1 provides a summary of the County's net position for 2016 compared to 2015 on a modified cash basis:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Cash and Investments	\$25,199,668	\$22,866,027	\$460,466	\$415,384	\$25,660,134	\$23,281,411
Total Assets	25,199,668	22,866,027	460,466	415,384	25,660,134	23,281,411
Net Position						
Restricted for:						
Other Purposes	15,712,396	15,087,508	0	0	15,712,396	15,087,508
Capital Outlay	827,747	766,355	0	0	827,747	766,355
Unrestricted	8,659,525	7,012,164	460,466	415,384	9,119,991	7,427,548
Total Net Position	\$25,199,668	\$22,866,027	\$460,466	\$415,384	\$25,660,134	\$23,281,411

Total net position of governmental activities increased \$2,298,859. Unrestricted net position increased due mostly to the increase in fund balance of the general fund that resulted from an increase in sales tax and other receipts and continued strict monitoring of expenditures.

Net position of business-type activities increased \$45,082, or about 11 percent.

Table 2 reflects the changes in net position in 2016, as well as a comparison to the changes in net position during 2015.

Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Receipts						
Program Receipts:						
Charges for Services	\$8,137,184	\$7,100,347	\$627,310	\$539,051	\$8,764,494	\$7,639,398
Operating Grants, Contributions and Interest	14,137,217	13,638,921	49,298	21,071	14,186,515	13,659,992
Capital Grants and Cont.	255,873	100,000	0	0	255,873	100,000
Total Program Receipts	22,530,274	20,839,268	676,608	560,122	23,206,882	21,399,390
General Receipts:						
Property Taxes	5,874,853	5,857,366	0	0	5,874,853	5,857,366
Sales Taxes	8,821,272	8,578,007	0	0	8,821,272	8,578,007
Grants and Entitlements	1,882,440	1,925,243	0	0	1,882,440	1,925,243
Interest	185,650	192,593	0	0	185,650	192,593
Other	475,095	68,596	15,434	28,230	490,529	96,826
Proceeds of Loan	334,221	291,545	0	0	334,221	291,545
Total General Receipts	17,573,531	16,913,350	15,434	28,230	17,588,965	16,941,580
Total Receipts	40,103,805	37,752,618	692,042	588,352	40,795,847	38,340,970
Disbursements						
General Government						
Legislative and Executive	5,619,953	5,438,739	0	0	5,619,953	5,438,739
Judicial	3,555,597	3,411,388	0	0	3,555,597	3,411,388
Public Safety	6,338,172	5,901,510	0	0	6,338,172	5,901,510
Public Works	5,623,407	5,665,103	0	0	5,623,407	5,665,103
Health	540,531	472,582	0	0	540,531	472,582
Human Services	12,730,050	12,408,941	0	0	12,730,050	12,408,941
Economic Dev and Assistance	1,631,795	1,013,482	0	0	1,631,795	1,013,482
Intergovernmental	221,060	243,794	0	0	221,060	243,794
Capital Outlay	991,493	2,456,396	0	0	991,493	2,456,396
Debt Service:						
Principal Retirement	358,180	335,000	0	0	358,180	335,000
Interest and Fiscal Charges	194,708	200,408	0	0	194,708	200,408
Sewer	0	0	290,891	328,742	290,891	328,742
Solid Waste	0	0	356,069	335,904	356,069	335,904
Total Disbursements	37,804,946	37,547,343	646,960	664,646	38,451,906	38,211,989
Increase (Decrease) in Net Position	2,298,859	205,275	45,082	(76,294)	2,343,941	128,981
Beginning Net Position-Restated	22,900,809	22,660,752	415,384	491,678	23,316,193	23,152,430
Ending Net Position	\$25,199,668	\$22,866,027	\$460,466	\$415,384	\$25,660,134	\$23,281,411

Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Governmental Activities

Net position of the County's governmental activities increased \$2,298,859, about 10 percent.

The following table shows total receipts by source for 2016:

Receipts by Source	Amount	Percent of Total
Unrestricted grants and entitlements	\$1,882,440	4.69%
Program Receipts	22,530,274	56.18%
General Tax Receipts	14,696,125	36.65%
Proceeds of Loan	334,221	.83%
Other General	660,745	1.65%
Total Receipts	\$40,103,805	100.00%

Tax receipts accounted for \$14,696,125 of the \$40,103,805 in total receipts for governmental activities. Sales tax accounted for \$8,821,272, or approximately 60 percent of the total tax receipts, with property taxes making up the other 40 percent. Sales taxes increased for 2016 due to an improvement in the economy.

The program receipts are made up of \$8,137,184 in direct charges to users of governmental services and \$14,393,090 in grants and contributions restricted to specific programs. Charges for services increased due to an increase in various charges for services and other reimbursements across many funds.

Human services disbursements accounted for the largest share of disbursements at approximately 34 percent of total cash disbursements for 2016. Public safety disbursements were about 17 percent of disbursements and public works disbursements were about 15 percent of disbursements. General government legislative and executive disbursements accounted for another 15 percent of disbursements and general government judicial disbursements were about 9 percent of disbursements.

Business-Type Activities

Net position of business-type activities increased by \$45,082 during 2016. Charges for services were the largest source of receipts, accounting for 91 percent of total business-type activities receipts. Another 7 percent of the receipts were from solid waste grants, and approximately 2 percent was interest and miscellaneous receipts.

Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Statement of Activities

If you look at the Statement of Activities on pages 12 and 13, you will see that the first column lists the major programs of the County. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the County that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3. That is, it identifies the cost of these services supported by taxes, unrestricted State entitlements and investment earnings. A comparison to the same information for 2015 is shown.

Table 3

	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Current:				
General Government:				
Legislative and Executive	\$5,619,953	\$2,681,366	\$5,438,739	\$2,667,632
Judicial	3,555,597	1,427,086	3,411,388	1,409,904
Public Safety	6,338,172	5,602,502	5,901,510	5,235,934
Public Works	5,623,407	(333,649)	5,665,103	(122,223)
Health	540,531	290,636	472,582	212,852
Human Services	12,730,050	4,283,192	12,408,941	4,165,816
Economic Development and Assistance	1,631,795	(97,513)	1,013,482	98,573
Intergovernmental	221,060	221,060	243,794	243,794
Capital Outlay	991,493	647,104	2,456,396	2,260,385
Debt Service:				
Principal Retirement	358,180	358,180	335,000	335,000
Interest and Fiscal Charges	194,708	194,708	200,408	200,408
Total Disbursements	<u>\$37,804,946</u>	<u>\$15,274,672</u>	<u>\$37,547,343</u>	<u>\$16,708,075</u>

Charges for services and operating grants of about 56 percent of total cash receipts were received and used to fund the disbursements of the County. The remaining 44 percent of cash receipts were from taxes, unrestricted State entitlements, investment earnings, and miscellaneous receipts. The County relies on these receipts to furnish the services it provides to residents.

Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Information about the County's major governmental funds begins on page 14. All governmental funds had total receipts and other financing sources of \$44,533,789 and total disbursements and other financing uses of \$42,234,930. The General Fund is the chief operating fund of the County. At the end of 2016, the unassigned fund balance of the general fund was \$1,339,010. The General Fund balance increased \$990,829 or 16 percent due to increased sales tax receipts and the continued strict monitoring of disbursements during 2016.

The Auto License and Gas Tax Fund balance increased \$48,066, which is less than one percent. The Board of Developmental Disabilities Fund balance increased \$381,567, or about 10 percent. This increase was due to a large bequest made to the Board of Developmental Disabilities during 2016. The Job and Family Services Fund balance increased \$17,386, or 6 percent due to timing of receipts and disbursements of the fund. The non-major governmental funds had an increase in fund balance of \$861,011, or about 12 percent.

Information about the County's enterprise funds begins on page 20. The enterprise funds reported an operating income of \$38,834 for 2016, and an increase in net position of \$45,082.

Budgeting Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of receipts, disbursements and encumbrances. The County's budget is adopted on a line item basis. The Board of County Commissioners adopts the budget at the department level within each fund of the County. The purchase orders left open and carried over from the prior fiscal year become part of the appropriations for the current year. For 2016, the General Fund had original appropriations of \$20,451,046 and final appropriations of \$20,505,847.

On the budgetary basis, actual disbursements reported include outstanding purchase orders at year-end. Actual disbursements, including other financing uses, plus year-end encumbrances were \$16,382,130 for 2016.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County does not report capital assets on its modified cash basis financial statements. The County does track capital assets for insurance and internal purposes.

Debt

At December 31, 2016, Darke County had \$6,107,586 in governmental debt outstanding.

Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Table 4
Outstanding Debt at Year End

	Governmental Activities	
	2016	2015
OWDA Loan	\$607,586	\$291,545
General Obligation Bonds	5,500,000	5,840,000
Totals	<u>\$6,107,586</u>	<u>\$6,131,545</u>

See Note 13 of the notes to the basic financial statements for more detailed information.

CURRENT FINANCIAL ISSUES AND CONCERNS

The economic condition of the County is steadily improving, even though the County's budget for the General Fund in 2017 is very conservative. Total revenues are projected to be almost 4.55% more than what was actually received in 2016. This percentage is misleading in several ways. The first of these is due to State and Federal Grant Reimbursements of \$1,850,128. The second is the possible sale of County owned property in the amount of \$1,000,000. We also have several advances and transfers back to the County of \$413,934 from previous years. Therefore, once these three components are removed from the total revenue, the County is actually looking at projected revenue being 14.62% less than what was received in 2016. This is contributed to the fact that the Sales Tax on Medicaid Managed Care will end in June 2017. It is estimated that Darke County will see a decrease in sales tax of between \$250,000 to \$300,000 in 2017, and up to \$600,000 in 2018.

Whirlpool Corporation's \$40 million expansion was completed in May 2016. The expansion started in 2014, and has doubled the size of the production area to 476,000 square feet. The corporation also launched a new product line, the KitchenAid Pro Line Blender, in its Greenville facility in 2016.

King's Command Foods, LLC, in Versailles has announced their intention of expanding their current facility in 2016. The current facility is approximately 35,000 square feet and with the expansion the facility will be approximately 42,600 square feet. According to the State of Ohio, the expansion will generate an approximate increase of \$4.7 million in new payroll annually, over their current \$1.5 million in payroll.

The Andersons Marathon Ethanol LLC has announced their plans to invest approximately \$1.2 million into updating their Greenville facility in 2016. The updating will consist of adding a processing tank for its distilling process intended to keep the process modern and up to date.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to reflect the County's accountability for the money it receives. If you have questions about this report or need additional information, contact Carol Ginn, Auditor of Darke County.

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Darke County, Ohio
Statement of Net Position - Modified Cash Basis
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$24,778,358	\$460,466	\$25,238,824
Cash and Cash Equivalents in Segregated Accounts	262,427	0	262,427
Cash and Cash Equivalents with Fiscal Agent	63,272	0	63,272
Investments in Segregated Accounts	90,130	0	90,130
Investments with Fiscal Agent	5,481	0	5,481
<i>Total Assets</i>	<u>\$25,199,668</u>	<u>\$460,466</u>	<u>\$25,660,134</u>
Net Position			
Restricted for:			
Capital Outlay	827,747	0	827,747
Other Purposes	15,712,396	0	15,712,396
Unrestricted	<u>8,659,525</u>	<u>460,466</u>	<u>9,119,991</u>
<i>Total Net Position</i>	<u>\$25,199,668</u>	<u>\$460,466</u>	<u>\$25,660,134</u>

See accompanying notes to the basic financial statements

Darke County, Ohio
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2016

	Disbursements	Program Receipts		
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities:				
General Government:				
Legislative and Executive	\$5,619,953	\$2,936,480	\$2,107	\$0
Judicial	3,555,597	1,446,433	682,078	0
Public Safety	6,338,172	469,173	266,497	0
Public Works	5,623,407	551,909	5,405,147	0
Health	540,531	247,334	2,561	0
Human Services	12,730,050	1,670,508	6,776,350	0
Economic Development	1,631,795	726,831	1,002,477	0
Intergovernmental	221,060	0	0	0
Capital Outlay	991,493	88,516	0	255,873
Debt Service:				
Principal Retirement	358,180	0	0	0
Interest and Fiscal Charges	194,708	0	0	0
<i>Total Governmental Activities</i>	<u>37,804,946</u>	<u>8,137,184</u>	<u>14,137,217</u>	<u>255,873</u>
Business-type activities:				
Sewer	290,891	331,422	0	0
Solid Waste	356,069	295,888	49,298	0
<i>Total business-type activities</i>	<u>646,960</u>	<u>627,310</u>	<u>49,298</u>	<u>0</u>
<i>Total primary government</i>	<u>\$38,451,906</u>	<u>\$8,764,494</u>	<u>\$14,186,515</u>	<u>\$255,873</u>

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

Change in Net Position

Net Position Beginning of Year - Restated (Note 3)

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
(\$2,681,366)	\$0	(\$2,681,366)
(1,427,086)	0	(1,427,086)
(5,602,502)	0	(5,602,502)
333,649	0	333,649
(290,636)	0	(290,636)
(4,283,192)	0	(4,283,192)
97,513	0	97,513
(221,060)	0	(221,060)
(647,104)	0	(647,104)
	0	
(358,180)	0	(358,180)
(194,708)	0	(194,708)
<u>(15,274,672)</u>	<u>0</u>	<u>(15,274,672)</u>
0	40,531	40,531
0	(10,883)	(10,883)
0	29,648	29,648
<u>(15,274,672)</u>	<u>29,648</u>	<u>(15,245,024)</u>
3,284,745	0	3,284,745
2,590,108	0	2,590,108
8,821,272	0	8,821,272
1,882,440	0	1,882,440
334,221	0	334,221
185,650	0	185,650
475,095	15,434	490,529
<u>17,573,531</u>	<u>15,434</u>	<u>17,588,965</u>
2,298,859	45,082	2,343,941
<u>22,900,809</u>	<u>415,384</u>	<u>23,316,193</u>
<u>\$25,199,668</u>	<u>\$460,466</u>	<u>\$25,660,134</u>

Darke County, Ohio
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2016

	General	Auto License and Gas Tax	BODD	Job and Family Services	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$6,718,014	\$5,440,511	\$3,995,651	\$296,431	\$8,327,751	\$24,778,358
Cash and Cash Equivalents in Segregated Accounts	225,599	0	0	0	36,828	262,427
Cash and Cash Equivalents with Fiscal Agents	0	0	63,272	0	0	63,272
Investments in Segregated Accounts	80,130	0	0	0	10,000	90,130
Investments with Fiscal Agent	0	0	5,481	0	0	5,481
<i>Total Assets</i>	<u>\$7,023,743</u>	<u>\$5,440,511</u>	<u>\$4,064,404</u>	<u>\$296,431</u>	<u>\$8,374,579</u>	<u>\$25,199,668</u>
Fund Balances						
Nonspendable	\$0	\$0	\$396,430	\$0	\$0	\$396,430
Restricted	0	5,440,511	3,667,974	296,431	6,738,797	16,143,713
Committed	0	0	0	0	1,246,536	1,246,536
Assigned	5,684,733	0	0	0	389,246	6,073,979
Unassigned	1,339,010	0	0	0	0	1,339,010
<i>Total Fund Balances</i>	<u>\$7,023,743</u>	<u>\$5,440,511</u>	<u>\$4,064,404</u>	<u>\$296,431</u>	<u>\$8,374,579</u>	<u>\$25,199,668</u>

See accompanying notes to the basic financial statements

Darke County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General	Auto License and Gas Tax	BODD	Job and Family Services	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Taxes	\$3,284,745	\$0	\$2,590,108	\$0	\$0	\$5,874,853
Permissive Sales Tax	8,821,272	0	0	0	0	8,821,272
Intergovernmental	1,814,707	5,023,033	2,177,086	3,313,967	3,118,320	15,447,113
Charges for Services	1,865,181	113,333	50,136	658,519	2,785,207	5,472,376
Licenses and Permits	93,754	0	0	0	284,225	377,979
Fines and Forfeitures	383,759	0	0	0	196,973	580,732
Special Assessments	0	0	0	0	312,129	312,129
Interest	185,650	70,125	1,013	338	1,735	258,861
Contributions and Donations	0	0	377,967	0	2,561	380,528
Other	301,734	84,667	199,739	161,525	881,509	1,629,174
<i>Total Receipts</i>	<u>16,750,802</u>	<u>5,291,158</u>	<u>5,396,049</u>	<u>4,134,349</u>	<u>7,582,659</u>	<u>39,155,017</u>
Disbursements						
Current:						
General Government:						
Legislative and Executive	4,718,798	0	0	0	901,155	5,619,953
Judicial	2,210,207	0	0	0	1,345,390	3,555,597
Public Safety	5,735,485	0	0	0	602,687	6,338,172
Public Works	35,989	5,587,418	0	0	0	5,623,407
Health	299,260	0	0	0	241,271	540,531
Human Services	432,112	0	4,955,947	4,208,377	3,133,614	12,730,050
Economic Development	0	0	0	0	1,631,795	1,631,795
Intergovernmental	221,060	0	0	0	0	221,060
Capital Outlay	0	0	0	0	991,493	991,493
Debt Service:						
Principal Retirement	0	0	0	0	358,180	358,180
Interest and Fiscal Charges	0	0	0	0	194,708	194,708
<i>Total Disbursements</i>	<u>13,652,911</u>	<u>5,587,418</u>	<u>4,955,947</u>	<u>4,208,377</u>	<u>9,400,293</u>	<u>37,804,946</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,097,891</u>	<u>(296,260)</u>	<u>440,102</u>	<u>(74,028)</u>	<u>(1,817,634)</u>	<u>1,350,071</u>
Other Financing Sources (Uses)						
Proceeds of Loans	0	0	0	0	334,221	334,221
Proceeds from Sale of Capital Assets	402,666	210,126	0	0	1,775	614,567
Advances - In	503,161	0	76,815	0	597,365	1,177,341
Advances - Out	(520,549)	0	(76,815)	0	(579,977)	(1,177,341)
Transfers - In	7,340	134,200	0	91,414	3,019,689	3,252,643
Transfers - Out	(2,499,680)	0	(58,535)	0	(694,428)	(3,252,643)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,107,062)</u>	<u>344,326</u>	<u>(58,535)</u>	<u>91,414</u>	<u>2,678,645</u>	<u>948,788</u>
<i>Net Change in Fund Balances</i>	<u>990,829</u>	<u>48,066</u>	<u>381,567</u>	<u>17,386</u>	<u>861,011</u>	<u>2,298,859</u>
<i>Fund Balances Beginning of Year-Restated (Note 3)</i>	<u>6,032,914</u>	<u>5,392,445</u>	<u>3,682,837</u>	<u>279,045</u>	<u>7,513,568</u>	<u>22,900,809</u>
<i>Fund Balances End of Year</i>	<u>\$7,023,743</u>	<u>\$5,440,511</u>	<u>\$4,064,404</u>	<u>\$296,431</u>	<u>\$8,374,579</u>	<u>\$25,199,668</u>

See accompanying notes to the basic financial statements

Darke County, Ohio
*Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Taxes	\$3,190,500	\$3,297,479	\$3,284,745	(\$12,734)
Permissive Sales Tax	7,800,000	8,821,272	8,821,272	0
Intergovernmental	1,511,761	1,647,988	1,814,707	166,719
Charges for Services	1,368,119	1,368,319	1,413,498	45,179
Licenses and Permits	88,100	100,900	93,754	(7,146)
Fines and Forfeitures	367,572	367,572	383,759	16,187
Interest	110,467	194,027	194,006	(21)
Other	187,635	219,127	108,279	(110,848)
<i>Total Receipts</i>	14,624,154	16,016,684	16,114,020	97,336
Disbursements				
Current:				
General Government:				
Legislative and Executive	7,691,540	7,038,926	4,475,673	2,563,253
Judicial	2,509,224	2,534,300	2,214,951	319,349
Public Safety	5,876,211	5,926,866	5,682,186	244,680
Public Works	42,000	42,000	35,989	6,011
Health	469,685	479,748	299,260	180,488
Human Services	626,796	626,817	432,782	194,035
Intergovernmental	197,785	198,285	221,060	(22,775)
<i>Total Disbursements</i>	17,413,241	16,846,942	13,361,901	3,485,041
<i>Excess of Receipts Over (Under) Disbursements</i>	(2,789,087)	(830,258)	2,752,119	3,582,377
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	500,000	500,000	402,666	(97,334)
Advances In	394,220	503,161	503,161	0
Advances Out	(137,131)	(637,131)	(520,549)	116,582
Transfers In	7,340	7,340	7,340	0
Transfers Out	(2,900,674)	(3,021,774)	(2,499,680)	522,094
<i>Total Other Financing Sources (Uses)</i>	(2,136,245)	(2,648,404)	(2,107,062)	541,342
<i>Net Change in Fund Balance</i>	(4,925,332)	(3,478,662)	645,057	4,123,719
<i>Fund Balance Beginning of Year</i>	4,852,682	4,852,682	4,852,682	0
Prior Year Encumbrances Appropriated	72,650	72,650	72,650	0
<i>Fund Balance End of Year</i>	\$0	\$1,446,670	\$5,570,389	\$4,123,719

See accompanying notes to the basic financial statements

Darke County, Ohio
*Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Auto License and Gas Tax Fund
For the Year Ended December 31, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$4,354,000	\$4,669,152	\$4,763,859	\$94,707
Charges for Services	176,400	176,400	126,775	(49,625)
Interest	75,500	75,500	70,125	(5,375)
Other	42,000	42,000	84,667	42,667
<i>Total Receipts</i>	4,647,900	4,963,052	5,045,426	82,374
Disbursements				
Current:				
Public Works	7,168,435	7,168,435	5,184,376	1,984,059
<i>Excess of Receipts Under Disbursements</i>	(2,520,535)	(2,205,383)	(138,950)	2,066,433
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	292,500	292,500	210,126	(82,374)
Transfers Out	(10,000)	(10,000)	(9,668)	332
Advances In	59,512	59,512	59,512	0
Advances Out	(59,512)	(59,512)	(59,512)	0
<i>Total Other Financing Sources (Uses)</i>	282,500	282,500	200,458	(82,042)
<i>Net Change in Fund Balance</i>	(2,238,035)	(1,922,883)	61,508	1,984,391
<i>Fund Balance at Beginning of Year</i>	5,229,037	5,229,037	5,229,037	0
Prior Year Encumbrances Appropriated	85	85	85	0
<i>Fund Balance at End of Year</i>	\$2,991,087	\$3,306,239	\$5,290,630	\$1,984,391

See accompanying notes to the basic financial statement:

Darke County, Ohio
Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
BODD Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Taxes	\$2,624,500	\$2,624,500	\$2,590,108	(\$34,392)
Intergovernmental	1,118,050	1,257,747	1,270,456	12,709
Charges for Services	50,132	50,132	50,136	4
Other	20,000	178,060	199,739	21,679
<i>Total Receipts</i>	3,812,682	4,110,439	4,110,439	0
Disbursements				
Current:				
Human Services	4,602,225	4,607,225	4,087,479	519,746
<i>Excess of Receipts Over (Under) Disbursements</i>	(789,543)	(496,786)	22,960	519,746
Other Financing Sources (Uses):				
Advances - In	0	76,815	76,815	0
Transfers - Out	(10,000)	(10,000)	(58,535)	(48,535)
Advances - Out	0	(76,815)	(76,815)	0
Total Other Financing Sources (Uses)	(10,000)	(10,000)	(58,535)	(48,535)
<i>Net Change in Fund Balance</i>	(799,543)	(506,786)	(35,575)	471,211
<i>Fund Balance at Beginning of Year</i>	3,084,990	3,084,990	3,084,990	0
Prior Year Encumbrances Appropriated	33,245	33,245	33,245	0
<i>Fund Balance at End of Year</i>	\$2,318,692	\$2,611,449	\$3,082,660	\$471,211

See accompanying notes to the basic financial statements

Darke County, Ohio
*Statement of Cash Receipts, Disbursements and Changes
 In Fund Balance - Budget (Non-GAAP Basis) and Actual
 Job and Family Services Fund
 For the Year Ended December 31, 2016*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$3,185,378	\$3,112,525	\$3,023,025	(\$89,500)
Charges for Services	662,300	662,300	658,519	(3,781)
Other	68,244	68,244	161,525	93,281
<i>Total Receipts</i>	<u>3,915,922</u>	<u>3,843,069</u>	<u>3,843,069</u>	<u>0</u>
Disbursements				
Current:				
Human Services	4,242,875	4,170,022	3,925,796	244,226
<i>Excess of Receipts Under Disbursements</i>	<u>(326,953)</u>	<u>(326,953)</u>	<u>(82,727)</u>	<u>244,226</u>
Other Financing Sources:				
Transfers - In	91,414	91,414	91,414	0
<i>Net Change in Fund Balance</i>	(235,539)	(235,539)	8,687	244,226
<i>Fund Balance at Beginning of Year</i>	<u>235,539</u>	<u>235,539</u>	<u>235,539</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$244,226</u>	<u>\$244,226</u>

See accompanying notes to the basic financial statements

Darke County, Ohio
Statement of Fund Net Position - Modified Cash Basis
Enterprise Funds
As of December 31, 2016

	Enterprise Funds
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$460,466
Net Position	
Unrestricted	\$460,466

See accompanying notes to the basic financial statements

Darke County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Net Position
Modified Cash Basis
Enterprise Funds
December 31, 2016

	Total
Operating Receipts	
Charges for Services	\$627,310
Other	15,434
<i>Total Operating Receipts</i>	642,744
Operating Disbursements	
Personal Services	119,317
Contractual Services	375,244
Materials and Supplies	34,880
Other	74,469
<i>Total Operating Disbursements</i>	603,910
<i>Operating Income</i>	38,834
Non-Operating Receipts (Disbursements)	
State Grants	49,298
Capital Outlay	(43,050)
<i>Total Non-Operating Receipts (Disbursements)</i>	6,248
<i>Change in Net Position</i>	45,082
<i>Net Position Beginning of Year</i>	415,384
<i>Net Position End of Year</i>	\$460,466

See accompanying notes to the basic financial statements

Darke County, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2016

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities	
Cash Received from Customers and Support	\$627,310
Cash Received from Other Operating Receipts	15,434
Cash Payments for Employee Services and Benefits	(119,317)
Cash Payments to Suppliers	(410,124)
Cash Payments for Other Operating Disbursements	(74,469)
<i>Net Cash Provided by Operating Activities</i>	38,834
Cash Flows from Noncapital Financing Activities	
Federal and State Subsidies	49,298
Acquisition of Capital Assets	(43,050)
<i>Net Cash Provided by Noncapital Financing Activities</i>	6,248
<i>Net Increase in Cash and Cash Equivalents</i>	45,082
<i>Cash and Cash Equivalents Beginning of Year</i>	415,384
<i>Cash and Cash Equivalents End of Year</i>	\$460,466

See accompanying notes to the basic financial statements

Darke County, Ohio
Statement of Fiduciary Net Position
Modified Cash Basis
Agency Funds
December 31, 2016

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,562,645
Cash and Cash Equivalents in Segregated Accounts	221,872
Investments in Segregated Accounts	<u>75,000</u>
<i>Total Assets</i>	<u><u>\$1,859,517</u></u>
Liabilities	
Undistributed Monies	<u>\$1,859,517</u>
<i>Total Liabilities</i>	<u><u>\$1,859,517</u></u>

See accompanying notes to the basic financial statements

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 1 - DESCRIPTION OF THE COUNTY AND REPORTING ENTITY

Darke County, Ohio (The County) was created in 1809 when it detached from Miami County but was not organized until 1817. The County is governed by a board of three commissioners elected by the voters of the County. Other officials elected by the voters of the County who manage various segments of the County's operations are the County Auditor, County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecutor, Sheriff, a Common Pleas Court Judge, a Municipal Court Judge and a joint Probate/Juvenile Court Judge.

Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrators of public services for the County, including the departments of the elected officials noted above.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Darke County, this includes the Children's Services Board, the Board of Developmental Disabilities, the Child Support Enforcement Agency, the Community Corrections Planning Board, County Home, the Darke County Veterans Services, the Emergency Management Agency, and all departments and activities that are directly operated by the elected County Officials. The County owns and operates a sewer service and solid waste collection and disposal system, which is reported as an enterprise fund.

Component units are legally separate organizations for which the County is financially accountable and for which a financial benefit or burden relationship exists. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County. The County is financially accountable for an organization if an organization is fiscally dependent on the County and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on the County regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Component units may also include organizations that do not otherwise meet the criteria for inclusion if it is determined that their exclusion would be misleading. Darke County does not have any component units.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 1 - DESCRIPTION OF THE COUNTY AND REPORTING ENTITY (continued)

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of separate agencies, boards, and commissions listed below, the County serves as the fiscal agent but is not financially accountable. Accordingly, the activity of the following districts and agencies are presented as agency funds within the County's financial statements:

- Darke County General Health District
- Darke County Soil Conservation District
- Darke County Park District
- Darke County Family and Children First Council

The County is associated with certain organizations which are defined as Insurance Purchasing Pools and Jointly Governed Organizations. The organizations are discussed in Notes 15 and 16 to the basic financial statements. These organizations are:

Insurance Purchasing Pools:

- County Risk Sharing Authority, Incorporated (CORSA)
- County Commissioners' Association of Ohio Worker's Compensation Group Rating Program (CCAOSC)

Jointly Governed Organizations:

- Tri-County Board of Recovery and Mental Health Services (Tri-County Mental Health Board)
- West Central Ohio Network (West Con)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although Ohio Administrative Code Section 117-2-03 (B) requires the County's financial report to follow accounting principles generally accepted in the United States of America, the County chooses to prepare its financial statements and notes in accordance with the modified cash basis of accounting.

This basis of accounting is similar to the cash receipts and disbursements basis. The County recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

The County also reports long-term investments as assets, valued at cost.

Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the year, and non-budgeted activity of some of the departments off-book cash accounts. Differences between receipts reported in the fund and entity wide statements versus budgetary receipts are due to unrecorded cash at the beginning and end of the year and activity of West-Con on behalf of the Darke County Board of Developmental Disabilities (BODD). Perspective differences arise from the activity of some funds being included with the General Fund on the modified cash basis because those funds do not meet the requirements to be presented as a separate fund and from the activity of some funds being combined with the Auto License and Gas Tax Fund, the BODD fund and the Job and Family Services Fund because they are so closely tied to the activity of those funds. These funds are not presented on the budget basis because the budget basis only presents the legally adopted budget for the given fund.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adjustments necessary to convert the changes in fund balance on a budgetary basis to the changes in fund balances on the modified cash basis for the General Fund, the Auto License and Gas Tax Fund, the BODD Fund, and the Job and Family Services Fund are as follows:

Net Change in Fund Balance

	General	Auto License and Gas Tax	BODD	Job and Family Services
Modified Cash Basis	\$990,829	\$48,066	\$381,567	\$17,386
Unrecorded Cash on Hand	(41,894)	13,442	33,118	(1,102)
Non-Budgeted Activity	(27,280)	0	(30,177)	0
Encumbrances	(114,344)	0	(41,197)	(282)
Difference in Perspective	(162,254)	0	(378,886)	(7,315)
Budget Basis	<u>\$645,057</u>	<u>\$61,508</u>	<u>(\$35,575)</u>	<u>\$8,687</u>

A. Basis of Presentation - Fund Accounting

The County uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The County classifies each fund as either governmental, proprietary or fiduciary.

Governmental Fund Types - The County classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the County's major governmental funds:

General Fund - The General Fund is the chief operating fund of the County and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Auto License and Gas Tax Fund - This fund is used to account for the receipts derived from motor vehicle license tax fees and fuel taxes. Disbursements are restricted to road and bridge construction, maintenance and repairs.

BODD Fund - This fund is used to account for funds obtained from various tax levies, grants and other sources to provide services to the developmentally disabled.

Job and Family Services Fund - This fund is used to account for various federal and state grants as well as transfers from the general fund used to provide public assistance to general relief recipients and to pay their providers of medical assistance, and for certain public social services.

The other governmental funds of the County account for grants and other resources whose use is restricted to a particular purpose and debt principal and interest payments.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Funds: Certain County funds operate similar to business enterprises, where user charges (i.e. charges for services) provide significant resources for the activity. The County classifies these as enterprise funds.

The County does not have any major enterprise funds. The County's enterprise funds account for sewer service and solid waste collection and disposal.

Fiduciary Funds: Fiduciary funds account for cash and investments where the County is acting as trustee or fiscal agent for other entities or individuals.

The County's only fiduciary funds are agency funds. Agency funds are custodial in nature, where the County deposits and pays cash as directed by another entity or individual. The County's agency funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent, and for taxes, State-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

B. Basis of Presentation

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

Government-wide Financial Statement of Net Position and Statement of Activities: These statements display information about the County as a whole, except for fiduciary funds. The statements report governmental activities separately from business-type activities.

The government-wide statement of activities compares disbursements with program receipts for each segment of the County's business-type activities and for each program of the County's governmental activities. These disbursements are specifically associated with a service, program or department and are therefore clearly identifiable to a particular program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the modified cash basis or draws from the County's general receipts.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions directly relating to the funds' principal services, such as charges for services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

Fund Financial Statements: Fund financial statements report detailed information about the County. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Cash, Cash Equivalents and Investments

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Cash and cash equivalents that are held separately within departments of the County and not held with the County Treasurer are presented as "Cash and Cash Equivalents in Segregated Accounts" on the financial statements. Investments with an initial maturity of more than three months that are held separately within departments of the County and not held with the County Treasurer are presented as "Investments in Segregated Accounts" on the financial statements. Cash and cash equivalents that are held at WestCon on behalf of the Darke County Board of Developmental Disabilities are presented as "Cash and Cash Equivalents with Fiscal Agent" on the financial statements, and investments that are held at WestCon on behalf of the Board of Developmental Disabilities are presented as "Investments with Fiscal Agent."

The County values investments and cash equivalents at cost. During 2016, the County invested in non-negotiable certificates of deposit.

Following Ohio statutes, the Board of Commissioners has specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during 2016 totaled \$185,650 including \$131,168 assigned from other County funds.

For presentation on the financial statements and in the notes to the basic financial statements, investments with an original maturity of three months or less when purchased and investments purchased from the pool are deemed cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

D. Inventory

On the modified cash basis of accounting, inventories of supplies are reported as disbursements when purchased.

E. Prepaid Items

On the modified cash basis of accounting, payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as disbursements when made.

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

G. Compensated Absences

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the County's modified cash basis of accounting.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Long-term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the modified cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

I. Pensions

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

J. Fund Balance

Fund balance is reported as nonspendable when it is not in spendable form.

Fund balance is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The County first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted fund balance is available.

Fund balance is reported as committed when the Board of County Commissioners has placed constraints on the use of resources by resolution.

Fund balance is reported as assigned when the Auditor has encumbered or otherwise set aside resources not already committed to be used for a specific purpose.

Unassigned fund balance represents resources not restricted, committed or assigned to a specific purpose.

The County applies committed resources first and then assigned resources when a disbursement is incurred for purposes which committed, assigned and unassigned fund balance is available.

K. Net Position

Net position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. At December 31, 2016, \$10,395,978 of the County's \$15,712,396 restricted net position for other purposes was restricted by enabling legislation and \$5,316,418 was restricted by grantors.

The County first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted resources are available.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Permanent nonexchange flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

M. Budgetary Data

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Commissioners may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board of Commissioners uses the object level within each fund and department as its legal level of control.

The certificate of estimated resources may be amended during the year if the County Auditor projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

N. Operating Receipts and Disbursements

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES, RECLASSIFICATION OF FUND, AND COMPLIANCE

A. CHANGE IN ACCOUNTING PRINCIPLES

For the year ended December 31, 2016, the County has implemented GASB Statement No. 77, “Tax Abatement Disclosures.” This statement requires disclosure of tax abatement information about a reporting government’s own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government’s tax revenues. This statement only affects note disclosure; therefore, the implementation of GASB Statement No. 77 had no impact on fund balance on a modified cash basis as previously reported at December 31, 2015.

B. RECLASSIFICATION OF FUND

Due to changes in the funding structure of the Local Emergency Planning Committee (LEPC) during 2016, the County has reclassified the LEPC fund from an agency fund to a special revenue fund. As a result of this change, fund balance of the nonmajor governmental funds as previously reported at December 31, 2015, was restated \$34,781 from \$7,478,787 to \$7,513,568; and governmental activities net position was restated \$34,781 from \$22,866,028 to \$22,900,809.

C. COMPLIANCE

Ohio Administrative Code, Section 117-2-03(B), requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the County prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position / fund balances, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

NOTE 4 – DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Monies held by the County which are not considered active are classified as inactive.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the County Auditor by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Beginning June 15, 2004, inactive monies may be deposited or invested in the following securities provided a written investment policy has been filed with the Ohio Auditor of State:

1. United States Treasury Notes, Bills, Bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States;

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

2. Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;
9. Up to twenty-five percent of the County's average portfolio in either of the following:
 - a. commercial paper notes in entities incorporated under the laws of Ohio or any other state that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and mature within 270 days after purchase;
 - b. banker's acceptances eligible for purchase by the Federal Reserve System and which mature within 180 days after purchase;
10. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper;

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information discloses the risks associated with the County's deposits and investments as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

At December 31, 2016, the County had \$588,473 in undeposited cash on hand with the Treasurer and in various departments.

Deposits

At December 31, 2016, the book balance of the County's deposits was \$26,862,425 and the bank balance was \$29,450,039.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the County places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation. The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

The government does not have a deposit policy for custodial credit risk. As of December 31, 2016, \$11,427,277 of the government's bank balance of \$29,450,039 was exposed to custodial credit risk in that it was uninsured and collateralized with securities held by the pledging financial institution's trust department but not in the County's name. Although the State statutory requirement for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 and No. 40 is as follows:

	Primary Government	
	Cash and Cash Equivalents/Deposits	Investments
Cash and Investments per Financial Statements	\$27,349,040	\$170,611
Cash on Hand	(588,473)	0
Cash and Investments with Fiscal Agents	(63,272)	(5,481)
Non-Negotiable Certificates of Deposit	165,130	(165,130)
Cash and Investments per Note	\$26,862,425	\$0

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the County. Real property tax receipts received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after October 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property must be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 2011. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2015, were levied after April 1, 2015, and are collected in 2016 with real property taxes. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility real property is assessed at thirty-five percent of true value. Public utility property taxes are payable on the same dates as real property as described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically distributes to the taxing districts their portion of the taxes collected in June and December for taxes payable in the first and second halves of the year, respectively.

The full tax rate for all County operations for the year ended December 31, 2016, was \$6.30 per \$1,000 of assessed value. The assessed value upon which 2016 property tax receipts were based are as follows:

Category	Assessed Value	Percent
Real Property	\$1,192,350,300	95.56
Public Utility Property	55,315,292	4.44
Total Assessed Value	\$1,247,665,592	100.00%

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 6 - PERMISSIVE SALES AND USE TAX

The County Commissioners, by resolution, imposed a 1.5 percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The Ohio Department of Taxation then has five days in which to draw the warrant payable to the County. Sales and use tax receipts in 2016 amounted to \$8,821,272 in the General Fund.

NOTE 7 – TAX ABATEMENTS

Enterprise Zone Program

Ohio Revised Code sections 5709.61-5709.69 allow for the designation of enterprise zones at the request of local legislative bodies and upon the approval of the director of development. After an area is certified as an enterprise zone, the legislative authority may enter into agreements with businesses to provide tax incentives in exchange for new investment in the designated area. An enterprise zone agreement allows for the exemption for a specified number of years (not to exceed 15) of a specified portion (not to exceed 75%) of the increase in the assessed valuation of real property as a result of the business' investment. As part of the agreement, businesses must make specific commitments to investment and job creation or retention. If for any three-year period of the agreement the business fails to meet at least 75% of the job creation or retention committed to, the business must repay any taxes abated during that three-year period. If the business fails to comply with other terms of the agreement, the agreement will be terminated and the business may have to repay all taxes that have been abated.

The County, in conjunction with the City of Greenville, has active enterprise zone agreements with two local businesses. The agreements exempt 75% of the new real property investment of the businesses from taxation for a period of ten years. For the year ended December 31, 2016, the County abated property taxes totaling \$47,294 under this program.

Tax Abatements of Other Governments

For the year ended December 31, 2016, County property tax revenues were reduced by \$453 under tax abatement agreements entered into by the Village of Union City and by \$14,222 under tax abatement agreements entered into by the Village of Versailles.

NOTE 8 – INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables are not presented on the face of the financial statements. At December 31, 2016, the following receivables and payables existed between funds of the County:

Fund	Receivable	Payable
Governmental Funds:		
General Fund	\$308,252	\$0
Other Governmental Funds	164,000	472,252
Total Governmental Funds	\$472,252	\$472,252

The interfund receivables and payables are the repayment of advances.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 9 – INTERFUND TRANSFERS

Transfers in and out during the year ended December 31, 2016, were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund	\$7,340	\$2,499,680
Job and Family Services Fund	91,414	0
BODD	0	58,535
Auto License and Gas Tax Fund	134,200	0
Other Governmental Funds	3,019,689	694,428
Total Governmental Funds	<u>\$3,252,643</u>	<u>\$3,252,643</u>

Transfers are used to move receipts from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations, grant match requirements, or debt services; to return money to the fund from which it was originally provided once a project is complete; and to transfer capital assets. All transfers made in 2016 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

During 2016, BODD Fund Transfers Out were used to provide resources to the MRDD Capital Improvement Fund (Other Governmental Funds). For the Other Governmental Funds, Transfers Out were used to provide the County’s required local share of resources for grants and other related programs throughout 2016. General Fund Transfers In were a result of excess resources in the 2015 Community Corrections Grant Fund (Other Governmental Funds) and was transferred to close-out the remaining balance.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

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

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

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2016 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2016 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

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

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

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

The County's contractually required contribution was \$1,765,535 for year 2016.

Net Pension Liability

The net pension liability for OPERS was measured as of December 31, 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 was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>OPERS</u>
Proportionate Share of the Net Pension Liability	\$16,740,998
Proportion of the Net Pension Liability	0.096650%

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 10 - 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, 2015, 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	Pre 1/7/2013 retirees: 3 percent, simple Post 1/7/2013 retirees: 3 percent, simple through 2018 then 2.80 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 .4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

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

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

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
County's proportionate share of the net pension liability	\$26,672,501	\$16,740,998	\$8,364,091

Changes Between Measurement Date and Report Date – In October 2016, the OPERS Board of Trustees adopted certain assumption changes which impacted their annual actuarial valuation prepared as of December 31, 2016. The most significant changes are a reduction in the expected investment return to 7.50% from 8.00%, the expected long-term average wage inflation was reduced to 3.25% from 3.75%, the expected long-term average price inflation was reduced to 2.50% from 3.00%, and a change to various demographic assumptions. Although the exact amount of these changes is not known, the impact to the County's net pension liability is expected to be significant.

NOTE 11 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple employer defined benefit post-employment healthcare trust which funds multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement 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. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed plan.

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

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

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

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

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2016, the employer contribution allocated to the health care plan for members in the traditional plan and members in the combined plans was 2.0 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2016 was 4 percent.

The County's contribution allocated to fund postemployment health care benefits for the year ended December 31, 2016, 2015, and 2014, were \$294,256, \$295,948, and \$290,712, respectively.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 12 – OTHER EMPLOYEE BENEFITS

Deferred Compensation Plans

County employees and elected officials may elect to participate in the Ohio Public Employees Deferred Compensation Plan or the Ohio County Commissioners Association Deferred Compensation Plan. Both plans were created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

Compensated Absences

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. Overtime hours can be accrued as compensatory time at one and one half times the amount of hours worked. All accumulated, unused vacation and compensatory time is paid upon separation if the employee has at least one year of service with the County.

NOTE 13 – LONG-TERM DEBT

Governmental Activities

Details of the changes in the governmental activities long-term debt for the year ended December 31, 2016 are indicated below:

	Balance at 12/31/15	Increases	Decreases	Balance at 12/31/16	Due Within One Year
2015 Sewer OWDA Loan	\$291,545	\$334,221	\$18,180	\$607,586	\$18,180
General Obligation Bonds Payable:					
2010 Various Purpose Bonds	\$2,345,000	\$0	\$95,000	\$2,250,000	\$100,000
2012 Various Purpose Improvement Bonds	2,920,000	0	200,000	2,720,000	210,000
2012 Various Purpose Bonds	575,000	0	45,000	530,000	45,000
Total General Obligation Bonds	<u>5,840,000</u>	<u>0</u>	<u>340,000</u>	<u>5,500,000</u>	<u>355,000</u>
Total Long-Term Obligations	<u>\$6,131,545</u>	<u>\$334,221</u>	<u>\$358,180</u>	<u>\$6,107,586</u>	<u>\$373,180</u>

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

On January 10, 2012, the County issued \$3,580,000 various purpose improvement bonds for the purpose of advance refunding \$3,015,000 of the 2002 WAGC improvement bonds, and for building improvements. Of these bonds, \$3,500,000 are serial bonds with maturity dates of December 1, 2012 to December 1, 2027, and \$80,000 are term bonds maturing on December 1, 2031.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 13 – LONG-TERM DEBT (continued)

The term bonds maturing on December 1, 2031, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount redeemed, plus accrued interest to the date of redemption. On December 1, 2028, December 1, 2029, and December 1, 2030, the principal amount to be redeemed is \$20,000. The remaining principal amount of these term bonds, \$20,000, will be paid at stated maturity on December 1, 2031.

The proceeds from the refunding bonds were used to provide resources to purchase U.S. Government Securities and State and Local Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the general obligation bonds. As a result, the refunded bonds are considered to be defeased.

The reacquisition price was higher than the net carrying amount of the old debt by \$143,691. This advance refunding resulted in a reduction in total debt service payments of \$344,388 and resulted in an economic gain of \$249,330.

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

All of the County's principal and interest payments were made from the bond retirement fund (non-major governmental fund) in the year ended December 31, 2016.

In October 2015, the County signed a loan agreement with the Ohio Water Development Authority (OWDA) for a \$727,207 loan for the purpose of eliminating the existing waste water treatment plants at the County Jail and County Home and pumping the waste to the City of Greenville for treatment. The loan is a zero percent interest, twenty-year loan, with the first payment due January 1, 2017. As of December 31, 2016, the County has only drawn \$625,766 of the loan amount.

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The effects of the debt limitations at December 31, 2016, are an overall debt margin of \$24,191,640 and an unvoted debt margin of \$6,976,656.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 13 – LONG-TERM DEBT (continued)

The following is a summary of the County's future annual principal and interest requirements for governmental long-term obligations:

Governmental Activities						
Year	2010 Various Purpose General Obligation Bonds		2012 Various Purpose General Obligation Improvement Bonds		2012 Various Purpose General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$100,000	\$93,634	\$210,000	\$70,088	\$45,000	\$23,948
2018	105,000	91,134	215,000	65,888	45,000	22,328
2019	115,000	88,508	220,000	61,588	45,000	20,708
2020	115,000	85,232	225,000	57,188	50,000	19,088
2021	120,000	81,782	235,000	17,288	50,000	17,288
2022-2026	660,000	320,160	1,260,000	170,762	295,000	48,037
2027-2031	780,000	170,596	355,000	19,794	0	0
2032-2036	220,000	22,894	0	0	0	0
2037-2038	35,000	4,624	0	0	0	0
Totals	\$2,250,000	\$958,564	\$2,720,000	\$462,596	\$530,000	\$151,397

2015 County Home and Jail Sewer System OWDA loan		
Year	Principal	Interest
2017	\$18,180	\$0
2018	36,360	0
2019	36,360	0
2020	36,360	0
2021	36,361	0
2022-2026	181,802	0
2027-2031	181,802	0
2032-2036	181,802	0
Totals	\$709,027	\$0

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Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 14 – FUND BALANCE

Fund balance of the governmental funds is classified as non-spendable, restricted, committed, assigned, and/or unassigned based on the constraints imposed on the use of the resources.

The constraints placed on fund balance for the major governmental funds and all other governmental funds at December 31, 2016 were as follows:

Fund Balance	General	Auto License and Gas Tax	BODD
Non-Spendable			
Gifts and Bequests	\$0	\$0	\$396,430
Restricted for:			
Roads and Bridges		5,440,511	
Ditch Maintenance and Construction			
Job and Family Services			
Developmental Disabilities			3,667,974
Delinquent Real Estate Collection			
Real Estate Assessment			
Federal Aviation Grant			
Children’s Services			
Child Support			
Help Me Grow Grant			
Court Operations			
Felony Delinquent Care and Custody			
Court Special Projects			
Sheriff			
EMA Operations			
Dog and Kennel			
TB Control			
Community Development			
Total Restricted	<u>0</u>	<u>5,440,511</u>	<u>3,667,974</u>
Committed to:			
Juvenile Center Operations			
County Home Operations			
Economic Development			
Government Complex Maintenance			
Total Committed	<u>0</u>	<u>0</u>	<u>0</u>
Assigned for:			
Unpaid Obligations	114,344		
Subsequent Year Appropriations	5,570,389		
Capital Improvements			
BODD Capital Improvements			
Total Assigned	<u>5,684,733</u>	<u>0</u>	<u>0</u>
Unassigned	<u>1,339,010</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>\$7,023,743</u>	<u>\$5,440,511</u>	<u>\$4,064,404</u>

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 14 – FUND BALANCE (continued)

Fund Balance	Job and Family Services	Other Governmental Funds	Total
Non-Spendable			
Gifts and Bequests	\$0	\$0	\$396,430
Restricted for:			
Roads and Bridges		\$200,765	5,641,276
Ditch Maintenance and Construction		711,742	711,742
Job and Family Services	\$296,431		296,431
Developmental Disabilities			3,667,974
Delinquent Real Estate Collection		182,578	182,578
Real Estate Assessment		1,923,464	1,923,464
Federal Aviation Grant		762	762
Children’s Services		43,484	43,484
Child Support		106,957	106,957
Help Me Grow Grant		14,077	14,077
Court Operations		878,646	878,646
Felony Delinquent Care and Custody		199,039	199,039
Court Special Projects		1,323,776	1,323,776
Sheriff		629,002	629,002
EMA Operations		85,529	85,529
Dog and Kennel		174,904	174,904
TB Control		2,572	2,572
Community Development		261,500	261,500
Total Restricted	<u>296,431</u>	<u>6,738,797</u>	<u>16,143,713</u>
Committed to:			
Juvenile Center Operations		180,441	180,441
County Home Operations		135,820	135,820
Economic Development		160,780	160,780
South Industrial Park		401,850	401,850
Government Complex Maintenance		367,645	367,645
Total Committed	<u>0</u>	<u>1,246,536</u>	<u>1,246,536</u>
Assigned for:			
Unpaid Obligations			114,344
Subsequent Year Appropriations			5,570,389
Capital Improvements		333,474	333,474
BODD Capital Improvements		55,772	55,772
Total Assigned	<u>0</u>	<u>389,246</u>	<u>6,073,979</u>
Unassigned	<u>0</u>	<u>0</u>	<u>1,339,010</u>
Total Fund Balance	<u>\$296,431</u>	<u>\$8,374,579</u>	<u>\$25,199,668</u>

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 15 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

Shared Risk Pools

A. County Risk Sharing Authority, Incorporated

The County is a member of the County Risk Sharing Authority, Inc. (CORSA), which is a risk sharing pool among forty one counties in Ohio. CORSA was formed in and as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self Insurance Program, a group primary and excess insurance/self –insurance and risk management program. Member counties agree to jointly participate in coverage and losses and pay all contributions necessary for the specified insurance coverage provided by CORSA.

Coverages provided by CORSA are as follows:

General, Auto and Law	\$1,000,000
Public Officials	1,000,000
Flood and Earthquake	100,000,000
Boiler and Machinery	100,000,000
Employees Dishonesty	1,000,000
Money and Securities within premises	1,000,000
Money and Securities outside of premises	1,000,000
Money Orders and Counterfeit Currency	1,000,000
Depositors Forgery	1,000,000

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any one time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees.

The continued existence of CORSA is dependant upon the County's continued participation; however the County does not have an equity interest in CORSA. In 2016, the County contributed \$188,202. Complete financial statements can be obtained from the County Risk Sharing Authority, Inc. at 209 E. State Street, Columbus, Ohio 43215.

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

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

For 2016, the County participated in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program provided by the County Commissioners' Association of Ohio Service Corporation (CCAOSC), a workers' compensation insurance purchasing pool. The intent of the CCAOSC is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants.

NOTE 15 - RISK MANAGEMENT (continued)

The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the CCAOSC. Each participant pays its workers' compensation premium to the State based on the rate for the CCAOSC rather than its individual rate. In order to allocate the savings derived by formation of the CCAOSC, and to maximize the number of participants in the CCAOSC, annually the CCAOSC's executive committee calculates the total savings which accrued to the CCAOSC through its formation. This savings is then compared to the overall savings percentage of the CCAOSC. The CCAOSC's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the CCAOSC is limited to counties that can meet the CCAOSC's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the CCAOSC. Each year, the County pays an enrollment fee to the CCAOSC to cover the costs of administering the CCAOSC.

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

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. Tri County Board of Recovery and Mental Health Services

The Tri County Board of Recovery and Mental Health Services (Tri County Mental Health Board) is a jointly governed organization among Shelby, Miami and Darke counties. The Tri County Mental Health Board provides leadership in planning for and supporting community-based alcohol, drug addiction and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting and advocating for the rights of persons as consumers of alcohol, drug addiction and mental health services. The ability to influence operations depends on the County's representation on the Board. The Board of Trustees consists of eighteen members: four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services and the remaining ten members are appointed by the County Commissioners of Shelby, Miami and Darke counties in the same proportion as the County's population bears to the total population of the three counties combined. During 2016, the County contributed \$597,149 by voted tax levy for the operations of the organization.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (continued)

B. West Central Ohio Network

The West Central Ohio Network (WestCon) is a jointly governed organization among Darke, Miami, Auglaize, Mercer, Logan, Shelby, Preble, Hardin and Union counties. WestCon was created to serve as an administrator and fiscal agent of Supported Living funds for the Boards of Developmental Disabilities (DODD Boards) of each of the participating counties. The degree of control exercised by any participating government is limited to its representation on the Board of Directors (the Board) of West Con. The Board consists of one delegate, who is the Superintendent, from each of the participating DODD Boards. Payments to WestCon are limited to the supported living funds of each participating county. During 2016, the County contributed \$1,033,212 to WestCon. Financial information can be obtained from Renee Place, Executive Director, 315 East Court Street, Sidney, Ohio 45365.

NOTE 17 – CONTINGENCIES

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the County Commissioners believe such disallowances, if any, will be immaterial.

Several claims and lawsuits are pending against the County. In the opinion of the County Prosecutor, any potential liability would not have a material effect on the County's financial condition.

SUPPLEMENTARY INFORMATION

**FINANCIAL CONDITION
DARKE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
(Passed Through the Ohio Department of Job and Family Services)			
State Admin Match Grants for the Supplemental Nutrition Assistance Program	G-1617-11-5502	10.561	\$ 175,601
Total U.S. Department of Agriculture			175,601
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
(Passed Through the Ohio Department of Development)			
CDBG State Administered Program Cluster:			
Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii			
	B-C-14-1AR-1	14.228	177,254
	B-F-14-1AR-1	14.228	336,628
Total Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii	B-F-15-1AR-1	14.228	348,425
			862,307
Home Investment Partnership Program	B-C-14-1AR-2	14.239	139,118
Total U.S. Department of Housing and Urban Development			1,001,425
<u>U.S. DEPARTMENT OF JUSTICE</u>			
(Passed Through Ohio Department of Public Safety):			
Bulletproof Vest Partnership Grant Program	N/A	16.607	19,866
Total U.S. Department of Justice			19,866
<u>U.S. DEPARTMENT OF LABOR</u>			
(Passed Through Workforce Innovation and Opportunity Act Area 7)			
Workforce Innovation and Opportunity Act Cluster (WIOA)			
Workforce Innovation and Opportunity Act - Adult Administrative	N/A	17.258	3,953
Workforce Innovation and Opportunity Act - Adult	N/A	17.258	104,170
Total WIOA Adult Program			108,123
Workforce Innovation and Opportunity Act - Youth Administrative	N/A	17.259	15,194
Workforce Innovation and Opportunity Act - Youth	N/A	17.259	93,251
Total WIOA Youth Program			108,445
Workforce Innovation and Opportunity Act - Disclosated Worker Formula Grants Administrative	N/A	17.278	4,649
Workforce Innovation and Opportunity Act - Disclosated Worker Formula Grants		17.278	61,020
Total WIOA Dislocated Worker Formula Grants			65,669
Total Workforce Innovation and Opportunity Act Cluster			282,237
Total U.S. Department of Labor			282,237
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
(Passed through the Ohio Department of Transportation)			
Guardrail Study	92824	20.205	199,662
No pass zone study	100416	20.205	37,512
2016 Roadsign Grant	101585	20.205	22,000
Total Highway Planning and Construction			259,174
Interagency Hazardous Materials Public Sector Training & Planning Grants FY2015-2016 HMEP Planning Grant 23rd Year	HM-HMP-0502-15-01-00	20.703	13,514
Total Interagency Hazardous Materials Public Sector Training & Planning Grants			13,514
Total U.S. Department of Transportation			272,688
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Early Intervention Services Cluster:			
(Passed through Ohio Department of Health)			
Special Education - Grants for Infants & Families	01910021HG0716	84.181	57,101
Special Education - Grants for Infants & Families	01910021HG0817	84.181	25,466
Total Special Education - Grants for Infants & Families			82,567
Total U.S. Department of Education			82,567

FINANCIAL CONDITION
DARKE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
(Passed Through Ohio Department of Job and Family Services)			
Promoting Safe and Stable Families	G-1617-11-5502	93.556	<u>51,839</u>
Temporary Assistance for Needy Families (TANF) State Programs	G-1617-11-5502	93.558	<u>1,438,668</u>
Child Support Enforcement - Title IV-D	G-1617-11-5502	93.563	<u>386,188</u>
Child Care and Development Block Grant	G-1617-11-5502	93.575	<u>66,196</u>
Stephanie Tubbs Jones Child Welfare Services Program	G-1617-11-5502	93.645	<u>12,515</u>
Foster Care - Title IV-E	G-1617-11-5502	93.658	<u>524,305</u>
Adoption Assistance	G-1617-11-5502	93.659	<u>144,598</u>
Social Services Block Grant	G-1617-11-5502	93.667	355,437
(Passed through Ohio Department of Developmental Disabilities)			
Social Services Block Grant	MR-1010	93.667	<u>34,409</u>
Total Social Services Block Grant			<u>389,846</u>
(Passed Through Ohio Department of Job and Family Services)			
Chafee Foster Care Independence Program	G-1617-11-5502	93.674	<u>8,018</u>
Medical Assistance Program	G-1617-11-5502	93.778	550,259
(Passed Through Ohio Department of Development Disabilities):			
Medical Assistance Program		93.778	<u>141,503</u>
Total Medical Assistance Program			<u>691,762</u>
Total U.S. Department of Health and Human Services			<u>3,713,935</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
(Passed through Ohio Department of Public Safety)			
Emergency Management Performance Grants	EMC-2016-EP-0003-S01	97.042	53,976
Total Emergency Management Performance Grants	EMW-2015-EP-00034-S01	97.042	<u>5,014</u> <u>58,990</u>
State Homeland Security Grant	EMW-2015-SS-00086-S01	97.067	<u>18,730</u>
Total U.S. Department of Homeland Security			<u>77,720</u>
Total Federal Programs			<u>\$ 5,626,039</u>

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

**DARKE COUNTY
FINANCIAL CONDITION
FISCAL YEAR ENDED DECEMBER 31, 2016**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Darke County (the County) under programs of the federal government for the year ended December 31, 2016. 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 - 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 – LOAN PROGRAMS WITH CONTINUING COMPLIANCE REQUIREMENTS

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County (passed through the Ohio Department of Development). The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Expenditures of Federal Awards (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

Activity in the CDBG revolving loan fund during 2016 is as follows:

<u>Revolving Loans</u>	<u>Loans Receivable</u>	<u>Cash Balances</u>
Beginning Balance	\$ 310,479	\$88,020
Loan Repayment Receipts	(50,963)	50,963
Loan Interest Receipts	-	6,168
Administration	-	(185)
Loan Forgiveness	(1,125)	-
Ending Balances	\$ 258,391	\$144,966

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

**DARKE COUNTY
FINANCIAL CONDITION
FISCAL YEAR ENDED DECEMBER 31, 2016**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE D – COMMUNITY HOUSING INVESTMENT PARTNERSHIP PROGRAM

The County has established a program to provide down payment and rehabilitation assistance to low-income individuals and/or families. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County (passed through the Ohio Department of Development). The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Expenditures of Federal Awards (the Schedule).

Activity in the Community Housing Investment Partnership Program Fund during 2016 is as follows:

	Loans Receivable	Cash Balances
Beginning Balance	\$ 1,830,381	\$114,493
Loan Interest Receipts	-	1,314
Advances In	-	(111,633)
Advances Out	-	111,633
Administration	-	(7,167)
Ending Balances	\$ 1,830,381	\$108,640

These loans are collateralized by mortgages on the property.

NOTE E – INDIRECT COST RATE

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



Julian & Grube, Inc.
Serving Ohio Local Governments

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

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

Darke County
504 South Broadway Street
Greenville, Ohio 45331

To the Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the modified cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Darke County, Ohio as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Darke County's basic financial statements and have issued our report thereon dated June 16, 2017, wherein we noted Darke County uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether Darke County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2016-001.

Darke County's Response to Finding

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

Purpose of this Report

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



Julian & Grube, Inc.
June 16, 2017



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

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

Darke County
504 South Broadway Street
Greenville, Ohio 45331

To the Board of Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Darke County's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Darke County's major federal programs for the year ended December 31, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies Darke County's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on Darke County's compliance for each of Darke County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about Darke County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Darke County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2016.

Board of Commissioners
Darke County

Report on Internal Control Over Compliance

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

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

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

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



Julian & Grube, Inc.
June 16, 2017

DARKE COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2016

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR § 200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii - CFDA #14.228; Temporary Assistance for Needy Families - CFDA #93.558
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

DARKE COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2016

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2016-001

Noncompliance

Ohio Revised Code Section 117.38 provides each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The County prepares its financial statements in accordance with the modified cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis - for State and Local Governments*. This presentation differs from GAAP.

There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. Failure to prepare proper GAAP financial statements may result in the County being fined or other administrative remedies.

The County should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS
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None

DARKE COUNTY

CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

DECEMBER 31, 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The County does not have plans to correct the finding. The County will continue filling a modified cash basis financial report due to the cost of preparing a GAAP basis report.	N/A	Carol Ginn, County Auditor

DARKE COUNTY

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016**

Finding Number	Year Initially Occurred	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2015-001	2008	<u>Noncompliance</u> - Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The County prepared its annual financial report in accordance with the modified cash basis of accounting.	No	Repeated as finding 2016-001; the County has not changed the accounting basis it used to prepare its annual financial report from the modified cash basis to GAAP.

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Dave Yost • Auditor of State

DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 3, 2017**