



OHIO AUDITOR OF STATE
KEITH FABER



**DARKE COUNTY
DECEMBER 31, 2017**

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**DARKE COUNTY
DECEMBER 31, 2017**

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

Darke County
504 South Broadway Street
Greenville, Ohio 45331

To the Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Darke County, Ohio (the County), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with 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 the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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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, business-type activities, each major fund, and the aggregate remaining fund information of Darke County, Ohio, as of December 31, 2017, and the respective changes in modified cash financial position and where applicable cash flows and the respective budgetary comparisons 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 the 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 and Other Information

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

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

The schedule is management's responsibility, and derives from and 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 in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2019, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

February 28, 2019

Darke County, Ohio
Statement of Net Position - Modified Cash Basis
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$25,211,831	\$657,403	\$25,869,234
Cash and Cash Equivalents in Segregated Accounts	215,953	0	215,953
Cash and Cash Equivalents with Fiscal Agent	3,149	0	3,149
Investments in Segregated Accounts	90,670	0	90,670
Investments with Fiscal Agent	352,023	0	352,023
<i>Total Assets</i>	<u>\$25,873,626</u>	<u>\$657,403</u>	<u>\$26,531,029</u>
Net Position			
Restricted for:			
Capital Outlay	886,885	0	886,885
Other Purposes	15,850,736	0	15,850,736
Unrestricted	<u>9,136,005</u>	<u>657,403</u>	<u>9,793,408</u>
<i>Total Net Position</i>	<u>\$25,873,626</u>	<u>\$657,403</u>	<u>\$26,531,029</u>

See accompanying notes to the basic financial statements

Darke County, Ohio
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2017

	Disbursements	Program Receipts		
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities:				
General Government:				
Legislative and Executive	\$6,141,222	\$3,001,539	\$277,608	\$0
Judicial	3,785,598	1,304,179	619,514	0
Public Safety	6,435,243	513,971	238,744	0
Public Works	7,171,691	274,592	6,469,162	0
Health	538,645	246,756	1,743	0
Human Services	11,034,261	1,050,317	5,733,154	0
Economic Development	953,823	382,382	536,281	0
Intergovernmental	224,550	0	0	0
Capital Outlay	1,553,416	112,209	0	658,716
Debt Service:				
Principal Retirement	391,360	0	0	0
Interest and Fiscal Charges	187,670	0	0	0
<i>Total Governmental Activities</i>	<u>38,417,479</u>	<u>6,885,945</u>	<u>13,876,206</u>	<u>658,716</u>
Business-type activities:				
Sewer	250,554	325,599	0	0
Solid Waste	338,958	307,052	140,000	0
<i>Total business-type activities</i>	<u>589,512</u>	<u>632,651</u>	<u>140,000</u>	<u>0</u>
<i>Total primary government</i>	<u>\$39,006,991</u>	<u>\$7,518,596</u>	<u>\$14,016,206</u>	<u>\$658,716</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

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
(\$2,862,075)	\$0	(\$2,862,075)
(1,861,905)	0	(1,861,905)
(5,682,528)	0	(5,682,528)
(427,937)	0	(427,937)
(290,146)	0	(290,146)
(4,250,790)	0	(4,250,790)
(35,160)	0	(35,160)
(224,550)	0	(224,550)
(782,491)	0	(782,491)
	0	
(391,360)	0	(391,360)
(187,670)	0	(187,670)
<u>(16,996,612)</u>	<u>0</u>	<u>(16,996,612)</u>
0	75,045	75,045
0	108,094	108,094
0	183,139	183,139
<u>(16,996,612)</u>	<u>183,139</u>	<u>(16,813,473)</u>
3,355,942	0	3,355,942
2,663,929	0	2,663,929
9,005,690	0	9,005,690
2,258,270	0	2,258,270
21,098	0	21,098
251,120	0	251,120
114,520	13,798	128,318
<u>17,670,569</u>	<u>13,798</u>	<u>17,684,367</u>
673,957	196,937	870,894
<u>25,199,669</u>	<u>460,466</u>	<u>25,660,135</u>
<u>\$25,873,626</u>	<u>\$657,403</u>	<u>\$26,531,029</u>

Darke County, Ohio
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2017

	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	\$6,777,656	\$5,027,695	\$3,934,954	\$340,653	\$9,130,873	\$25,211,831
Cash and Cash Equivalents in Segregated Accounts	186,378	0	0	0	29,575	215,953
Cash and Cash Equivalents with Fiscal Agents	0	0	3,149	0	0	3,149
Investments in Segregated Accounts	80,670	0	0	0	10,000	90,670
Investments with Fiscal Agent	0	0	352,023	0	0	352,023
<i>Total Assets</i>	<u>\$7,044,704</u>	<u>\$5,027,695</u>	<u>\$4,290,126</u>	<u>\$340,653</u>	<u>\$9,170,448</u>	<u>\$25,873,626</u>
Fund Balances						
Restricted	\$0	\$5,027,695	\$4,290,126	\$340,653	\$7,079,147	\$16,737,621
Committed	0	0	0	0	726,289	726,289
Assigned	5,622,610	0	0	0	1,365,012	6,987,622
Unassigned	1,422,094	0	0	0	0	1,422,094
<i>Total Fund Balances</i>	<u>\$7,044,704</u>	<u>\$5,027,695</u>	<u>\$4,290,126</u>	<u>\$340,653</u>	<u>\$9,170,448</u>	<u>\$25,873,626</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, 2017

	General	Auto License and Gas Tax	BODD	Job and Family Services	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Taxes	\$3,355,942	\$8,406	\$2,655,523	\$0	\$0	\$6,019,871
Permissive Sales Tax	9,005,690	0	0	0	0	9,005,690
Intergovernmental	2,122,915	6,129,023	1,197,846	3,512,121	3,186,327	16,148,232
Charges for Services	1,835,826	130,342	57,300	579,270	2,614,467	5,217,205
Licenses and Permits	97,345	0	0	0	252,881	350,226
Fines and Forfeitures	397,115	0	0	0	170,602	567,717
Special Assessments	0	0	0	0	285,917	285,917
Interest	251,120	76,216	5,592	0	3,631	336,559
Contributions and Donations	10,756	0	50	0	2,743	13,549
Other	535,884	71,680	19,370	50,173	437,353	1,114,460
<i>Total Receipts</i>	<u>17,612,593</u>	<u>6,415,667</u>	<u>3,935,681</u>	<u>4,141,564</u>	<u>6,953,921</u>	<u>39,059,426</u>
Disbursements						
Current:						
General Government:						
Legislative and Executive	4,830,038	0	0	0	1,311,184	6,141,222
Judicial	2,322,411	0	0	0	1,463,187	3,785,598
Public Safety	6,209,631	0	0	0	225,612	6,435,243
Public Works	36,577	6,837,241	0	0	297,873	7,171,691
Health	306,418	0	0	0	232,227	538,645
Human Services	500,305	0	3,521,563	4,247,810	2,764,583	11,034,261
Economic Development	0	0	0	0	953,823	953,823
Intergovernmental	224,550	0	0	0	0	224,550
Capital Outlay	0	0	0	0	1,553,416	1,553,416
Debt Service:						
Principal Retirement	0	0	0	0	391,360	391,360
Interest and Fiscal Charges	0	0	0	0	187,670	187,670
<i>Total Disbursements</i>	<u>14,429,930</u>	<u>6,837,241</u>	<u>3,521,563</u>	<u>4,247,810</u>	<u>9,380,935</u>	<u>38,417,479</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,182,663</u>	<u>(421,574)</u>	<u>414,118</u>	<u>(106,246)</u>	<u>(2,427,014)</u>	<u>641,947</u>
Other Financing Sources (Uses)						
Proceeds of Loans	0	0	0	0	21,098	21,098
Proceeds from Sale of Capital Assets	2,625	6,869	0	0	1,418	10,912
Advances - In	863,574	0	252,180	58,830	1,673,266	2,847,850
Advances - Out	(1,224,759)	0	(351,518)	0	(1,271,573)	(2,847,850)
Transfers - In	128,844	1,889	0	91,638	3,868,438	4,090,809
Transfers - Out	(2,931,986)	0	(89,058)	0	(1,069,765)	(4,090,809)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,161,702)</u>	<u>8,758</u>	<u>(188,396)</u>	<u>150,468</u>	<u>3,222,882</u>	<u>32,010</u>
<i>Net Change in Fund Balances</i>	<u>20,961</u>	<u>(412,816)</u>	<u>225,722</u>	<u>44,222</u>	<u>795,868</u>	<u>673,957</u>
<i>Fund Balances Beginning of Year</i>	<u>7,023,743</u>	<u>5,440,511</u>	<u>4,064,404</u>	<u>296,431</u>	<u>8,374,580</u>	<u>25,199,669</u>
<i>Fund Balances End of Year</i>	<u>\$7,044,704</u>	<u>\$5,027,695</u>	<u>\$4,290,126</u>	<u>\$340,653</u>	<u>\$9,170,448</u>	<u>\$25,873,626</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, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Taxes	\$3,179,900	\$3,180,288	\$3,355,942	\$175,654
Permissive Sales Tax	7,800,000	7,800,000	9,005,690	1,205,690
Intergovernmental	1,406,646	1,406,646	1,728,163	321,517
Charges for Services	1,347,348	1,347,448	1,440,531	93,083
Licenses and Permits	88,200	98,100	97,345	(755)
Fines and Forfeitures	397,974	397,974	397,115	(859)
Interest	130,472	130,472	248,621	118,149
Other	187,741	362,905	312,076	(50,829)
<i>Total Receipts</i>	14,538,281	14,723,833	16,585,483	1,861,650
Disbursements				
Current:				
General Government:				
Legislative and Executive	8,561,377	6,462,495	4,678,408	1,784,087
Judicial	2,633,464	2,650,698	2,323,337	327,361
Public Safety	6,064,868	6,257,869	5,974,955	282,914
Public Works	42,668	42,668	36,577	6,091
Health	331,929	342,444	309,762	32,682
Human Services	639,244	639,279	453,760	185,519
Intergovernmental	227,400	225,303	224,550	753
<i>Total Disbursements</i>	18,500,950	16,620,756	14,001,349	2,619,407
<i>Excess of Receipts Over (Under) Disbursements</i>	(3,962,669)	(1,896,923)	2,584,134	4,481,057
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	1,000,000	1,000,000	2,625	(997,375)
Advances In	1,850,128	1,842,760	863,574	(979,186)
Advances Out	(1,587,492)	(3,513,829)	(1,224,759)	2,289,070
Transfers In	413,934	413,934	528,844	114,910
Transfers Out	(3,398,633)	(3,530,674)	(2,931,986)	598,688
<i>Total Other Financing Sources (Uses)</i>	(1,722,063)	(3,787,809)	(2,761,702)	1,026,107
<i>Net Change in Fund Balance</i>	(5,684,732)	(5,684,732)	(177,568)	5,507,164
<i>Fund Balance Beginning of Year</i>	5,570,388	5,570,388	5,570,388	0
Prior Year Encumbrances Appropriated	114,344	114,344	114,344	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$5,507,164	\$5,507,164

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, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Taxes	\$0	\$8,406	\$8,406	\$0
Intergovernmental	4,671,000	4,788,011	4,788,011	\$0
Charges for Services	116,500	116,851	116,851	0
Interest	74,000	76,216	76,216	0
Other	40,000	71,680	71,680	0
<i>Total Receipts</i>	4,901,500	5,061,164	5,061,164	0
Disbursements				
Current:				
Public Works	7,623,228	6,340,640	4,639,038	1,701,602
<i>Excess of Receipts Over (Under) Disbursements</i>	(2,721,728)	(1,279,476)	422,126	1,701,602
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	40,000	6,869	6,869	0
Transfers Out	(12,680)	(895,268)	(837,400)	57,868
Advances In	75,120	75,120	75,120	0
Advances Out	(75,120)	(75,120)	(75,120)	0
<i>Total Other Financing Sources (Uses)</i>	27,320	(888,399)	(830,531)	57,868
<i>Net Change in Fund Balance</i>	(2,694,408)	(2,167,875)	(408,405)	1,759,470
<i>Fund Balance at Beginning of Year</i>	5,290,629	5,290,629	5,290,629	0
<i>Fund Balance at End of Year</i>	\$2,596,221	\$3,122,754	\$4,882,224	\$1,759,470

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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Taxes	\$2,624,500	\$2,624,500	\$2,655,523	\$31,023
Intergovernmental	1,228,500	1,247,444	1,198,001	(49,443)
Charges for Services	57,300	57,300	57,300	0
Contributions and Donations	0	0	50	50
Other	1,000	1,000	19,370	18,370
<i>Total Receipts</i>	<u>3,911,300</u>	<u>3,930,244</u>	<u>3,930,244</u>	<u>0</u>
Disbursements				
Current:				
Human Services	4,582,147	4,553,090	3,828,217	724,873
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(670,847)</u>	<u>(622,846)</u>	<u>102,027</u>	<u>724,873</u>
Other Financing Sources (Uses):				
Transfers - Out	(60,000)	(89,058)	(89,058)	0
Advances - Out	(90,000)	(90,000)	0	90,000
Total Other Financing Sources (Uses)	<u>(150,000)</u>	<u>(179,058)</u>	<u>(89,058)</u>	<u>90,000</u>
<i>Net Change in Fund Balance</i>	(820,847)	(801,904)	12,969	814,873
<i>Fund Balance at Beginning of Year</i>	3,082,659	3,082,659	3,082,659	0
Prior Year Encumbrances Appropriated	41,197	41,197	41,197	0
<i>Fund Balance at End of Year</i>	<u>\$2,303,009</u>	<u>\$2,321,952</u>	<u>\$3,136,825</u>	<u>\$814,873</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
 Job and Family Services Fund
 For the Year Ended December 31, 2017*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$3,451,963	\$3,128,087	\$3,241,644	\$113,557
Charges for Services	708,000	708,000	579,270	(128,730)
Other	35,000	35,000	50,173	15,173
<i>Total Receipts</i>	<u>4,194,963</u>	<u>3,871,087</u>	<u>3,871,087</u>	<u>0</u>
Disbursements				
Current:				
Human Services	4,531,108	4,207,232	4,065,363	141,869
<i>Excess of Receipts Under Disbursements</i>	<u>(336,145)</u>	<u>(336,145)</u>	<u>(194,276)</u>	<u>141,869</u>
Other Financing Sources:				
Transfers - In	91,638	91,638	91,638	0
<i>Net Change in Fund Balance</i>	(244,507)	(244,507)	(102,638)	141,869
<i>Fund Balance at Beginning of Year</i>	244,225	244,225	244,225	0
Prior Year Encumbrances Appropriated	282	282	282	0
<i>Fund Balance at End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$141,869</u>	<u>\$141,869</u>

See accompanying notes to the basic financial statements

Darke County, Ohio
Statement of Fund Net Position - Modified Cash Basis
Enterprise Funds
December 31, 2017

	Enterprise Funds
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$657,403
Net Position	
Unrestricted	\$657,403

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
For the Year Ended December 31, 2017

	Total
Operating Receipts	
Charges for Services	\$632,651
Other	13,798
<i>Total Operating Receipts</i>	646,449
Operating Disbursements	
Personal Services	110,908
Contractual Services	309,393
Materials and Supplies	20,154
Other	135,782
<i>Total Operating Disbursements</i>	576,237
<i>Operating Income</i>	70,212
Non-Operating Receipts (Disbursements)	
State Grants	140,000
Capital Outlay	(13,275)
<i>Total Non-Operating Receipts (Disbursements)</i>	126,725
<i>Change in Net Position</i>	196,937
<i>Net Position Beginning of Year</i>	460,466
<i>Net Position End of Year</i>	\$657,403

See accompanying notes to the basic financial statements

Darke County, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2017

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities	
Cash Received from Customers and Support	\$632,651
Cash Received from Other Operating Receipts	13,798
Cash Payments for Employee Services and Benefits	(110,908)
Cash Payments to Suppliers	(329,547)
Cash Payments for Other Operating Disbursements	(135,782)
<i>Net Cash Provided by Operating Activities</i>	70,212
Cash Flows from Noncapital Financing Activities	
State Grants	140,000
Acquisition of Capital Assets	(13,275)
<i>Net Cash Provided by Noncapital Financing Activities</i>	126,725
<i>Net Increase in Cash and Cash Equivalents</i>	196,937
<i>Cash and Cash Equivalents Beginning of Year</i>	460,466
<i>Cash and Cash Equivalents End of Year</i>	\$657,403

See accompanying notes to the basic financial statements

Darke County, Ohio
Statement of Fiduciary Net Position
Modified Cash Basis
Agency Funds
December 31, 2017

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,536,976
Cash and Cash Equivalents in Segregated Accounts	196,556
Investments in Segregated Accounts	<u>75,000</u>
<i>Total Assets</i>	<u><u>\$1,808,532</u></u>
Liabilities	
Undistributed Monies	<u>\$1,808,532</u>
<i>Total Liabilities</i>	<u><u>\$1,808,532</u></u>

See accompanying notes to the basic financial statements

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Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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, 2017

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)

The County's management believes these financial statements present all activities for which the County is financially responsible.

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.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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	\$20,961	(\$412,816)	\$225,722	\$44,222
Unrecorded Cash on Hand	(175,884)	(13,491)	155	(81,457)
Non-Budgeted Activity	38,681	0	(286,419)	0
Encumbrances	(115,145)	(98)	(33,936)	(680)
Difference in Perspective	53,819	18,000	107,447	(64,723)
Budget Basis	(\$177,568)	(\$408,405)	\$12,969	(\$102,638)

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.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statement of net position presents the cash balance of the governmental and business-type activities of the County at year end. 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.

Fund Financial Statements: During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements 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.

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.

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 2017, the County invested in non-negotiable certificates of deposit. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

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 2017 totaled \$251,120 including \$180,344 assigned from other County funds.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2017, 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. Interfund Receivables / Payables

The County reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements

H. 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.

I. 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.

J. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Employer Contributions to Cost-Sharing Pension Plans

The County recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Fund Balance

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

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.

M. 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, 2017, out of the County's \$16,737,621 in restricted net position, none was restricted by enabling legislation.

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

N. Interfund Activity

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

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

O. 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.

P. 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 – 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;
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 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;
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;

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

9. Up to forty 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. Up to fifteen percent of the County's average portfolio in notes issued by U.S. corporations or by depository institutions doing business under authority granted by the U.S. provided the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. A current unpaid or delinquent tax line of credit, provided certain conditions are met related to a County land reutilization corporation organized under ORC Chapter 1724; and,
12. Up to two percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds.

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, 2017, the County had \$ 1,655,417 in undeposited cash on hand with the Treasurer and in various departments.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

Deposits

At December 31, 2017, the book balance of the County’s deposits was \$26,328,972 and the bank balance was \$28,929,042.

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, 2017, \$10,581,518 of the government’s bank balance of \$28,929,042 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.”

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	\$27,821,868	\$517,693
Cash on Hand	(1,655,417)	0
Cash and Investments with Fiscal Agents	(3,149)	(352,023)
Non-Negotiable Certificates of Deposit	165,670	(165,670)
Cash and Investments per Note	\$26,328,972	\$0

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after October 1, 2016, on the assessed value listed as of January 1, 2016, 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 2017. 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 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2016, were levied after April 1, 2016, and are collected in 2017 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, 2017, was \$6.30 per \$1,000 of assessed value. The assessed value upon which 2017 property tax receipts were based are as follows:

Category	Assessed Value	Percent
Real Property	\$1,204,598,290	94.71
Public Utility Property	67,307,817	5.29
Total Assessed Value	\$1,271,906,107	100.00%

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 2017 amounted to \$9,005,690 in the General Fund.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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 an active enterprise zone agreement with one local business. The agreement exempts 75% of the new real property investment of the business from taxation for a period of ten years. For the year ended December 31, 2017, the County abated property taxes totaling \$45,371 under this agreement.

Tax Abatements of Other Governments

For the year ended December 31, 2017, County property tax revenues were reduced by \$453 under tax abatement agreements entered into by the Village of Union City and by \$14,231 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, 2017, the following receivables and payables existed between funds of the County:

Fund	Receivable	Payable
Governmental Funds:		
General Fund	\$669,438	\$0
BODD Fund	99,338	0
Job and Family Services Fund	0	58,830
Other Governmental Funds	0	709,946
Total Governmental Funds	\$768,776	\$768,776

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, 2017

NOTE 9 – INTERFUND TRANSFERS

Transfers in and out during the year ended December 31, 2017, were as follows:

Fund	Transfer In	Transfer Out
Governmental Funds:		
General Fund	\$128,844	\$2,931,986
Auto License and Gas Tax Fund	1,889	0
BODD Fund	0	89,058
Job and Family Services Fund	91,638	0
Other Governmental Funds	3,868,438	1,069,765
Total Governmental Funds	\$4,090,809	\$4,090,809

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 2017 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

During 2017, 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 2017. General Fund Transfers In were a result of excess resources in the 2016 Community Corrections Grant Fund and the County Home Fund (Other Governmental Funds) and were 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.

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework.

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, 2017

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, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2017 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2017 Actual Contribution Rates			
Employer:			
Pension	13.0 %	17.1 %	17.1 %
Post-employment Health Care Benefits	<u>1.0</u>	<u>1.0</u>	<u>1.0</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 \$1,971,767 for year 2017.

Net Pension Liability

The net pension liability for OPERS was measured as of December 31, 2016, 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 County's proportionate share:

	<u>OPERS</u>
Proportionate Share of the Net Pension Liability	\$20,623,633
Proportion of the Net Pension Liability	0.090821%

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 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 2.15 percent, simple
Investment Rate of Return	7.50 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

During 2016 OPERS managed 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 Health Care portfolio was closed as of June 30, 2016, and the net position transferred to the 115 Health Care Trust on July 1, 2016. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Director retiree medical accounts funded through the VEBA trust. However, the VEBA trust was closed as of June 30, 2016, and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 8.3 percent for 2016.

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 2016 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	<u>100.00 %</u>	<u>5.66 %</u>

Discount Rate The discount rate used to measure the total pension liability was 7.50 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.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

	1% Decrease (6.50%)	Current Discount Rate 7.50%	1% Increase (8.50%)
County's proportionate share of the net pension liability	\$31,507,621	\$20,623,633	\$11,554,248

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. This trust is also used to fund healthcare for Member-Directed Plan participants in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for 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 health care 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 visiting <https://www.opers.org/financial/reports.shtml#CAFR>, 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 may be set aside for the funding of post retirement health care benefits.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

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 2017, the employer contribution allocated to the health care plan for members in the traditional plan and members in the combined plans was 1.0 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 2017 was 4 percent. The County's contribution allocated to fund postemployment health care benefits for the year ended December 31, 2017, 2016, and 2015, were \$151,674, \$294,256, and \$295,948, respectively.

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, 2017 are indicated below:

	Balance at 12/31/16	Increases	Decreases	Balance at 12/31/17	Due Within One Year
2015 Sewer OWDA Loan	\$607,586	\$21,098	\$36,360	\$592,324	\$36,360
General Obligation Bonds Payable:					
2010 Various Purpose Bonds	\$2,250,000	\$0	\$100,000	\$2,150,000	\$105,000
2012 Various Purpose Improvement Bonds	2,720,000	0	210,000	2,510,000	215,000
2012 Various Purpose Bonds	530,000	0	45,000	485,000	45,000
Total General Obligation Bonds	<u>5,500,000</u>	<u>0</u>	<u>355,000</u>	<u>5,145,000</u>	<u>365,000</u>
Total Long-Term Obligations	<u>\$6,107,586</u>	<u>\$21,098</u>	<u>\$391,360</u>	<u>\$5,737,324</u>	<u>\$401,360</u>

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 13 – LONG-TERM DEBT (continued)

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.

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 matured on December 1, 2016, \$235,000 will mature 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, 2017.

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, 2017, the County has only drawn \$646,864 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, 2017, are an overall debt margin of \$25,152,653 and an unvoted debt margin of \$7,574,061.

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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
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	52,408	50,000	17,288
2022	120,000	75,782	235,000	47,002	55,000	15,488
2023-2027	690,000	291,310	1,300,000	135,554	240,000	32,549
2028-2032	790,000	135,458	80,000	8,000	0	0
2033-2037	75,000	15,030	0	0	0	0
2038	20,000	926	0	0	0	0
Totals	<u>\$2,150,000</u>	<u>\$865,162</u>	<u>\$2,510,000</u>	<u>\$427,628</u>	<u>\$485,000</u>	<u>\$127,449</u>

2015 County Home and Jail Sewer System OWDA loan		
Year	Principal	Interest
2018	\$36,360	\$0
2019	36,360	0
2020	36,360	0
2021	36,360	0
2022	36,360	0
2023-2027	181,802	0
2028-2032	181,802	0
2033-2037	46,920	0
Totals	<u>\$592,324</u>	<u>\$0</u>

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Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 14 – FUND BALANCE

Fund balance of the governmental funds is classified as 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, 2017 were as follows:

Fund Balance	General	Auto License and Gas Tax	BODD
Restricted for:			
Roads and Bridges		\$5,027,695	
Ditch Maintenance and Construction			
Job and Family Services			
Developmental Disabilities			\$4,290,126
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>5,027,695</u>	<u>4,290,126</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	115,445		
Subsequent Year Appropriations	5,507,165		
Capital Improvements			
BODD Capital Improvements			
Total Assigned	<u>5,622,610</u>	<u>0</u>	<u>0</u>
Unassigned	<u>1,422,094</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>\$7,044,704</u>	<u>\$5,027,695</u>	<u>\$4,290,126</u>

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 14 – FUND BALANCE (continued)

Fund Balance	Job and Family Services	Other Governmental Funds	Total
Restricted for:			
Roads and Bridges		\$236,049	\$5,263,744
Ditch Maintenance and Construction		686,980	686,980
Job and Family Services	\$340,653		340,653
Developmental Disabilities			4,290,126
Delinquent Real Estate Collection		166,189	166,189
Real Estate Assessment		1,932,680	1,932,680
Federal Aviation Grant		215	215
Children’s Services		158,856	158,856
Child Support		98,418	98,418
Help Me Grow Grant		10,575	10,575
Court Operations		962,030	962,030
Felony Delinquent Care and Custody		84,160	84,160
Court Special Projects		1,402,783	1,402,783
Sheriff		730,747	730,747
EMA Operations		56,357	56,357
Dog and Kennel		191,595	191,595
TB Control		3,158	3,158
Community Development		358,355	358,355
Total Restricted	<u>340,653</u>	<u>7,079,147</u>	<u>16,737,621</u>
Committed to:			
Juvenile Center Operations		96,647	96,647
County Home Operations		12,079	12,079
Economic Development		267,404	267,404
Government Complex Maintenance		350,159	350,159
Total Committed	<u>0</u>	<u>726,289</u>	<u>726,289</u>
Assigned for:			
Unpaid Obligations			115,445
Subsequent Year Appropriations			5,507,165
Capital Improvements		1,258,536	1,258,536
BODD Capital Improvements		106,476	106,476
Total Assigned	<u>0</u>	<u>1,365,012</u>	<u>6,987,622</u>
Unassigned	<u>0</u>	<u>0</u>	<u>1,422,094</u>
Total Fund Balance	<u>\$340,653</u>	<u>\$9,170,448</u>	<u>\$25,873,626</u>

Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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 2017, the County contributed \$192,692. 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 2017, 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 2017, the County contributed \$594,852 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, 2017

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 2017, the County contributed \$1,285,000 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.

**DARKE COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM / CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS THROUGH ENTITY IDENTIFYING NUMBER	TOTAL FEDERAL EXPENDITURES
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Job and Family Services:</i> Social Services Block Grant	93.667	G-1617-11-5502/G-1819-11-5729	\$483,031
<i>Passed Through Ohio Department of Developmental Disabilities:</i> Social Services Block Grant	93.667	1701OHSOSR	30,424
Total Social Services Block Grant			<u>513,455</u>
Medicaid Cluster			
<i>Passed Through Ohio Department of Developmental Disabilities:</i> Medical Assistance Program	93.778	1705OH5ADM/1805OHADM	164,599
<i>Passed Through Ohio Department of Job and Family Services:</i> Medical Assistance Program	93.778	G-1617-11-5502/G-1819-11-5729	666,289
Total Medicaid Cluster			<u>830,888</u>
<i>Passed Through Ohio Department of Job and Family Services:</i> Promoting Safe and Stable Families	93.556	G-1617-11-5502/G-1819-11-5729	17,073
<i>Passed Through Ohio Department of Job and Family Services:</i> TANF Cluster			
Temporary Assistance for Needy Families	93.558	G-1617-11-5502/G-1819-11-5729	705,301
Total TANF Cluster			<u>705,301</u>
<i>Passed Through Ohio Department of Job and Family Services:</i> Child Support Enforcement	93.563	G-1617-11-5502/G-1819-11-5729	371,779
<i>Passed Through Ohio Department of Job and Family Services:</i> CCDF Cluster			
Child Care and Development Block Grant	93.575	G-1617-11-5502/G-1819-11-5729	1,260
Total CCDF Cluster			<u>1,260</u>
<i>Passed Through Ohio Department of Job and Family Services:</i> Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1617-11-5502/G-1819-11-5729	56,391
<i>Passed Through Ohio Department of Job and Family Services:</i> Foster Care Title IV-E	93.658	G-1617-11-5502/G-1819-11-5729	429,092
<i>Passed Through Ohio Department of Job and Family Services:</i> Adoption Assistance	93.659	G-1617-11-5502/G-1819-11-5729	141,958
<i>Passed Through Ohio Department of Job and Family Services:</i> Chafee Foster Care Independence Program	93.674	G-1617-11-5502/G-1819-11-5729	8,541
Total United States Department of Health and Human Services			<u>3,075,738</u>
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Development Services Agency:</i> Community Development Block Grants State's Program and Non-Entitlement Grants in Hawaii	14.228	B-C-14-1AR-1 B-C-16-1AR-1 B-F-15-1AR-1 B-F-16-1AR-1	57,450 140,852 82,575 22,722
Total Community Development Block Grants State's Program and Non-Entitlement Grants in Hawaii			<u>303,599</u>
<i>Passed Through Ohio Development Services Agency:</i> Home Investment Partnerships Program	14.239	B-C-14-1AR-2 B-C-16-1AR-2	44,876 145,004
Total Home Investment Partnerships Program			<u>189,880</u>
Total United States Department of Housing and Urban Development			<u>493,479</u>

**DARKE COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM / CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS THROUGH ENTITY IDENTIFYING NUMBER	TOTAL FEDERAL EXPENDITURES
UNITED STATES DEPARTMENT OF LABOR			
<i>Passed Through Area 7 Workforce Development Board:</i>			
<i>WIA Cluster</i>			
WIA Adult Program	17.258	G-1617-11-5502/G-1819-11-5729	50,466
WIA Youth Activities	17.259	G-1617-11-5502/G-1819-11-5729	58,208
WIA Dislocated Worker Formula Grants	17.278	G-1617-11-5502/G-1819-11-5729	21,065
Total WIA Cluster			<u>129,739</u>
<i>Employment Service Cluster</i>			
Employment Service/Wagner-Peyser Funded Activities	17.207	G-1617-11-5502/G-1819-11-5729	1,415
Total Employment Service Cluster			<u>1,415</u>
Total United States Department of Labor			<u>131,154</u>
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation:</i>			
<i>Highway Planning and Construction Cluster</i>			
Highway Planning and Construction	20.205	PID 103470	43,920
		PID 104200	31,200
Total Highway Planning and Construction			<u>75,120</u>
Total Highway Planning and Construction Cluster			<u>75,120</u>
<i>Direct Program:</i>			
Airport Improvement Program	20.106	AIP-3-39-0082-013-2016	96,307
		AIP-3-39-0082-014-2017	154,387
Total Airport Improvement Program			<u>250,694</u>
Total United States Department of Transportation			<u>325,814</u>
UNITED STATES DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through Ohio Department of Public Safety:</i>			
Emergency Management Performance Grants	97.042	EMC-2017-EP-00003-S01	47,665
Total United States Department of Homeland Security			<u>47,665</u>
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Health:</i>			
<i>Special Education - Grants for Infants and Families</i>			
Special Education - Grants for Infants and Families	84.181	0191002HGO817	46,657
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
<i>Special Education - Grants for Infants and Families</i>			
Special Education - Grants for Infants and Families	84.181	H181A170024	38,888
Total Special Education - Grants for Infants and Families			<u>85,545</u>
Total United States Department of Education			<u>85,545</u>
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Job and Family Services:</i>			
<i>SNAP Cluster</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1617-11-5502/G-1819-11-5729	229,263
Total SNAP Cluster			<u>229,263</u>
Total United States Department of Agriculture			<u>229,263</u>
Total Expenditures of Federal Awards			<u>\$4,388,658</u>

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

DARKE COUNTY, OHIO

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM with REVOLVING LOAN CASH BALANCE

The current cash balance on the County's local program income account as of December 31, 2017, is \$113,861.

NOTE E - HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GRANT with REVOLVING LOAN CASH BALANCE

The current cash balance on the County's local program income account as of December 31, 2017, is \$199,975.

NOTE F - MATCHING REQUIREMENTS

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

NOTE G - MEDICAL ASSISTANCE PROGRAM COST REPORT SETTLEMENT

During the calendar year, the County Board of Developmental Disabilities received notice of a liability owed to the Ohio Department of Developmental Disabilities for the Medical Assistance Program (CFDA #93.778) for the 2012 and 2013 Cost Reports in the amount of \$6,324 and \$4,792, respectively. The Cost Report Settlement liability was for settlement of the difference between the statewide payment rate and the rate calculated based on actual expenditures for Medicaid services. This liability is not listed on the County's Schedule of Expenditures of Federal Awards since the underlying expenses occurred in the prior reporting periods and the liability was invoiced by the Ohio Department of Developmental Disabilities.

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OHIO AUDITOR OF STATE KEITH FABER



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 County 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 (the County) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 28, 2019, wherein we noted the 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 the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

County's Response to Finding

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the County's response to the auditing procedures applied in the audit of the financial statements 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 the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

February 28, 2019

OHIO AUDITOR OF STATE KEITH FABER



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 County Commissioners:

Report on Compliance for each Major Federal Program

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

Management's Responsibility

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

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

Basis for Qualified Opinion on Temporary Assistance for Needy Families (TANF) Cluster

As described in finding 2017-002 in the accompanying schedule of findings, we were unable to obtain sufficient appropriate audit evidence supporting the County's compliance with the requirements of CFDA 93.558 Temporary Assistance for Needy Families (TANF) Cluster major federal program regarding Eligibility, consequently we were unable to determine whether the County complied with that requirement applicable to that program.

Qualified Opinion on Temporary Assistance for Needy Families (TANF) Cluster

In our opinion, except for the possible effects of the noncompliance described in the *Basis for Qualified Opinion on Temporary Assistance for Needy Families (TANF) Cluster* paragraph, Darke County complied, in all material respects, with the requirements referred to above that could directly and materially affect its Temporary Assistance for Needy Families (TANF) Cluster program for the year ended December 31, 2017.

The County's response to our noncompliance finding is described in the accompanying schedule of findings and corrective action plan. We did not subject the County's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Unmodified Opinion on the Other Major Federal Programs

In our opinion, Darke County complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended December 31, 2017.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2017-002.

Darke County
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
Page 3

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

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

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

February 28, 2019

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DARKE COUNTY
SCHEDULE OF FINDINGS
2 C.F.R. § 200.515
DECEMBER 31, 2017

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified –Medicaid Cluster, SNAP Cluster. Qualified - Temporary Assistance for Needy Families (TANF) Cluster .
(d)(1)(vi)	Are there any reportable findings under 2 C.F.R. § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Medicaid Cluster Temporary Assistance for Needy Families (TANF) Cluster SNAP Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 C.F.R. § 200.520?	No

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

FINDING NUMBER 2017-001

Noncompliance

Ohio Rev. Code § 117.38 provides, in part, that 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 Admin. Code § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Admin. Code § 117-2-03(B) requires the County to file its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the County prepared its financial statements for the fiscal year ended December 31, 2017 on a modified cash basis that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the County can be fined and various other administrative remedies may be taken against the County for its failure to file the required financial report. Failure to report on a GAAP basis compromises the County's ability to evaluate and monitor the overall financial condition of the County. To help provide the users with more meaningful financial statements, the County should prepare its annual financial report in accordance with generally accepted accounting principles.

Officials' Response:

See the Corrective Action Plan on page 60.

3. FINDING FOR FEDERAL AWARDS

Material Weakness and Noncompliance

Finding Number	2017-002		
CFDA Title and Number	CFDA #93.558 Temporary Assistance for Needy Families (TANF) Cluster		
Federal Award Identification Number / Year	G-1617-11-5502/G-1819-11-5729 2016/2017/2018		
Federal Agency	United States Department of Health and Human Services		
Compliance Requirement	Eligibility		
Pass-Through Entity	Ohio Department of Job and Family Services		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	N/A

Section 1 – 6001 Eligibility and Application of the County's Prevention, Retention, and Contingency (PRC) Plan states the County is responsible for using objective criteria when determining eligibility and approving or denying the application within 10 business days after completion of the application process in a fair and equitable manner, which includes verification of information. Eligibility will be carefully evaluated on a case-by-case basis.

FINDING NUMBER 2017-002
(Continued)

In addition, **Ohio Rev. Code § 149.43(B)(2)** states, in part, that to facilitate broader access to public records, a public office or the person responsible for public records shall organize and maintain public records in a manner that they can be made available for inspection or copying.

During 2017, all PRC applications, with the exception of one, were denied as most individuals who applied for assistance failed to provide proper supporting documentation to prove their need assistance.

The Darke County Department of Job and Family Services could not provide a system report for the total PRC applicants received in 2017. As a result, the Auditor of State's Office was unable to test eligibility requirements for 2017.

Failure to maintain proper documentation showing the total number of applicants that apply for TANF assistance may lead to noncompliance with the PRC Plan. The Darke County Job and Family Services Department should take appropriate steps to ensure documentation is maintained to indicate how many individuals applied for TANF assistance during a given year.

Officials' Response:

See the Corrective Action Plan on page 60.

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Carol Ginn

Darke County Auditor

Courthouse 1st Floor
504 South Broadway Suite 13
Greenville, Ohio 45331-1984
Phone: (937) 547-7310

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001 (Finding initially occurred in 2008)	Ohio Admin. Code § 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.	Not Corrected	Repeated as Finding 2017-001. Darke County does not have a plan to file GAAP due to the cost involved and extra staff needed to complete. Darke County will continue to file the modified cash basis financial reports.



Carol Ginn

Darke County Auditor

Courthouse 1st Floor
504 South Broadway Suite 13
Greenville, Ohio 45331-1984
Phone: (937) 547-7310

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2017**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	Darke County doesn't plan on filing GAAP due to the cost involved and shortage of staff needed. Darke County will continue to file modified cash basis financial reports.	N/A	Carol Ginn, County Auditor
2017-002	Job and Family Services are now tracking applications for the PRF applications.	9/1/2018	Gracie Overholser, JFS Director

OHIO AUDITOR OF STATE KEITH FABER



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
APRIL 11, 2019**