



Dave Yost • Auditor of State



**DEFIANCE COUNTY**  
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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Defiance County  
500 Court Street, Suite A  
Defiance, Ohio 43512-2171

To the Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Defiance County, Ohio (the County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Defiance County as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, Developmental Disabilities Fund, Job and Family Services Fund, Motor Vehicle License and Gas Tax Fund, Emergency 911 Fund, and Senior Center Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements as a whole. The schedule of federal awards expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedule of federal awards expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

September 19, 2011

## DEFIANCE COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 UNAUDITED

The management's discussion and analysis of Defiance County's (the County) financial performance provides an overall review of the County's financial activities for the year ended December 31, 2010. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the County's financial performance.

#### Financial Highlights

Key financial highlights for 2010 are as follows:

- The County restated net assets for both governmental and business-type activities and governmental fund balances at December 31, 2009 as described in Note 3.B to the basic financial statements. The total net assets of the County increased \$1,482,351. Net assets of governmental activities decreased \$1,484,664, which represents a 1.73% decrease from 2009. Net assets of business-type activities increased \$2,967,015 or 13.89% from 2009.
- General revenues accounted for \$13,409,486 or 45.49% of total governmental activities revenue. Program specific revenues accounted for \$16,065,792 or 54.51% of total governmental activities revenue.
- The County had \$28,532,250 in expenses related to governmental activities; \$16,065,792 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$13,409,486 were not adequate to provide for these programs and capital contributions to business-type activities.
- The general fund, the County's largest major governmental fund, had revenues and other financing sources of \$10,288,130 in 2010. The general fund had expenditures and other financing uses of \$9,092,753 in 2010. The fund balance of the general fund increased \$1,195,377 from 2009 to 2010.
- The developmental disabilities (DD) fund, a major governmental fund, had revenues of \$4,843,573 in 2010. The DD fund had expenditures of \$4,663,693 in 2010. The DD fund balance increased \$179,880 from 2009 to 2010.
- The job and family services fund, a major governmental fund, had revenues and other financing sources of \$1,979,331 in 2010. The job and family services fund had expenditures of \$1,793,589 in 2010. The job and family services fund balance decreased \$185,742 from 2009 to 2010.
- The motor vehicle license and gas tax fund, a major governmental fund, had revenues and other financing sources of \$4,195,158 in 2010. The motor vehicle license and gas tax fund, had expenditures of \$3,805,535 in 2010. The motor vehicle license and gas tax fund balance increased \$389,623 from 2009 to 2010.
- The emergency 911 fund, a major governmental fund, had revenues of \$822,020 in 2010. The emergency 911 fund, had expenditures of \$718,865 in 2010. The emergency 911 fund balance increased \$103,155 from 2009 to 2010.
- The senior center fund, a major governmental fund, had revenues and other financing sources of \$1,226,876 in 2010. The senior center fund, had expenditures and other financing uses of \$1,311,297 in 2010. The senior center fund balance decreased \$84,421 from 2009 to 2010.
- The county improvement fund, a major governmental fund, had other financing sources of \$52,663 in 2010. The county improvement fund had expenditures of \$48,895 in 2010. The county improvement fund balance increased \$3,768 from 2009 to 2010.

## DEFIANCE COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 UNAUDITED

- The historical jail construction fund, a major governmental fund, had revenues and other financing sources of \$2,461,804 in 2010. The historical jail construction fund had expenditures of \$2,303,051 in 2010. The historical jail construction fund balance increased \$158,753 from 2009 to 2010.
- Net assets for the business-type activities, which are made up of the landfill and sewer enterprise funds, increased in 2010 by \$2,967,015. This increase is due mainly due to capital contributions from governmental activities.
- In the general fund, the actual revenues and other financing sources were \$2,037,064 higher than originally budgeted and actual expenditures and other financing uses were \$2,840,800 less than the amount in the original budget. These positive variances are a result of the County's conservative budgeting process.

#### **Using these Basic Financial Statements (BFS)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the County as a whole operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's most significant funds with all other nonmajor funds presented in total in one column. In the case of the County, there are eight major governmental funds. The general fund is the largest major governmental fund.

#### **Reporting the County as a Whole**

##### ***Statement of Net Assets and the Statement of Activities***

The statement of net assets and the statement of activities answer the question, "How did we do financially during 2010?" These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the County's net assets and changes in those assets. The change in net assets is important because it tells the reader that, for the County as a whole, the financial position of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, and other factors.

In the statement of net assets and the statement of activities, the County is divided into two distinct kinds of activities:

**Governmental activities** - Most of the County's programs and services are reported here including human services, health, public safety, public works and general government. These services are funded primarily by taxes and intergovernmental revenues including federal and State grants and other shared revenues.

**Business-type activities** - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided.



## DEFIANCE COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 UNAUDITED

#### Reporting the County's Most Significant Funds

##### ***Fund Financial Statements***

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

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

##### ***Governmental Funds***

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

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

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

##### ***Proprietary Funds***

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

##### ***Fiduciary Funds***

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

**DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
UNAUDITED**

**Notes to the Financial Statements**

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

**Government-Wide Financial Analysis**

The statement of net assets provides the perspective of the County as a whole. The table below provides a summary of the County's net assets at December 31, 2010 and December 31, 2009. The net assets of the County were restated at December 31, 2009 as described in Note 3.B to the basic financial statements.

|   | <b>Net Assets</b>          |                             |                            |                             |                       |                       |
|---|----------------------------|-----------------------------|----------------------------|-----------------------------|-----------------------|-----------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | (Restated)                 | (Restated)                  | 2010<br>Total         | (Restated)            |
|   |                            |                             | Governmental<br>Activities | Business-type<br>Activities |                       | 2009<br>Total         |
|   | <u>2010</u>                | <u>2010</u>                 | <u>2009</u>                | <u>2009</u>                 | <u>Total</u>          | <u>2009<br/>Total</u> |
| <b>Assets</b>                                   |                            |                             |                            |                             |                       |                       |
| Current and other assets                        | \$ 40,632,346              | \$ 15,381,075               | \$ 41,313,489              | \$ 14,399,397               | \$ 56,013,421         | \$ 55,712,886         |
| Capital assets, net                             | <u>60,617,065</u>          | <u>13,142,122</u>           | <u>57,120,280</u>          | <u>11,033,135</u>           | <u>73,759,187</u>     | <u>68,153,415</u>     |
| Total assets                                    | <u>101,249,411</u>         | <u>28,523,197</u>           | <u>98,433,769</u>          | <u>25,432,532</u>           | <u>129,772,608</u>    | <u>123,866,301</u>    |
| <b>Liabilities</b>                              |                            |                             |                            |                             |                       |                       |
| Other liabilities                               | 7,137,416                  | 189,480                     | 6,965,530                  | 156,224                     | 7,326,896             | 7,121,754             |
| Long-term liabilities outstanding               | <u>9,863,572</u>           | <u>3,999,982</u>            | <u>5,735,152</u>           | <u>3,909,588</u>            | <u>13,863,554</u>     | <u>9,644,740</u>      |
| Total liabilities                               | <u>17,000,988</u>          | <u>4,189,462</u>            | <u>12,700,682</u>          | <u>4,065,812</u>            | <u>21,190,450</u>     | <u>16,766,494</u>     |
| <b>Net Assets</b>                               |                            |                             |                            |                             |                       |                       |
| Invested in capital assets, net of related debt | 56,331,968                 | 13,017,822                  | 55,401,903                 | 10,903,135                  | 69,349,790            | 66,305,038            |
| Restricted                                      | 22,497,766                 | 1,684,572                   | 23,561,755                 | 1,687,626                   | 24,182,338            | 25,249,381            |
| Unrestricted                                    | <u>5,418,689</u>           | <u>9,631,341</u>            | <u>6,769,429</u>           | <u>8,775,959</u>            | <u>15,050,030</u>     | <u>15,545,388</u>     |
| Total net assets                                | <u>\$ 84,248,423</u>       | <u>\$ 24,333,735</u>        | <u>\$ 85,733,087</u>       | <u>\$ 21,366,720</u>        | <u>\$ 108,582,158</u> | <u>\$ 107,099,807</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2010, the County's assets exceeded liabilities by \$108,582,158. This amounts to \$84,248,423 in governmental activities and \$24,333,735 in business-type activities. The County's finances continued to remain strong during 2010, despite the decline in the economy.

Capital assets reported on the government-wide statements represent the largest portion of the County's assets. At year-end, capital assets represented 56.84% of total governmental and business-type assets. Capital assets include land, easements, land improvements, buildings and improvements, equipment, vehicles, construction in progress and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2010, were \$69,349,790. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2010, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

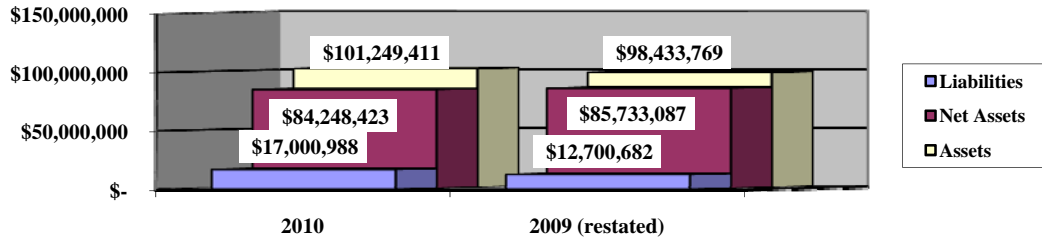
**DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
UNAUDITED**

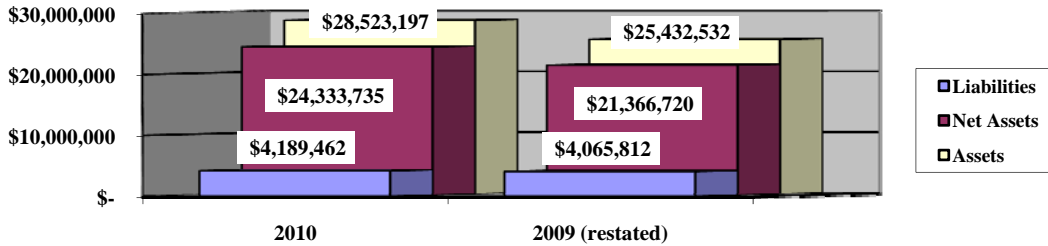
A portion of the County's net assets, \$24,182,338 or 22.27%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$15,050,030 or 13.86% may be used to meet the government's ongoing obligations to citizens and creditors.

The graphs below illustrate the District's assets, liabilities and net assets at December 31, 2010 and December 31, 2009 for the governmental activities and business-type activities. The net assets of the County were restated at December 31, 2009 as described in Note 3.B to the basic financial statements.

**Governmental Activities**



**Business-type Activities**



The table below shows the changes in net assets for 2010 and 2009. The net assets of the County were restated at December 31, 2009 as described in Note 3.B to the basic financial statements.

**DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
UNAUDITED**

|  |                                    |                                     | Change in Net Assets               |                                     |                       |                             |
|--|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|-----------------------|-----------------------------|
|  |                                    |                                     | (Restated)                         | (Restated)                          |                       |                             |
|  | Governmental<br>Activities<br>2010 | Business-type<br>Activities<br>2010 | Governmental<br>Activities<br>2009 | Business-type<br>Activities<br>2009 | Total<br>2010         | (Restated)<br>Total<br>2009 |
| <b>Revenues</b>                            |                                    |                                     |                                    |                                     |                       |                             |
| Program revenues:                          |                                    |                                     |                                    |                                     |                       |                             |
| Charges for services and sales             | \$ 4,137,518                       | \$ 3,252,267                        | \$ 3,232,065                       | \$ 3,127,470                        | \$ 7,389,785          | \$ 6,359,535                |
| Operating grants and contributions         | 10,696,845                         |                                     | 10,418,090                         |                                     | 10,696,845            | 10,418,090                  |
| Capital grants and contributions           | <u>1,231,429</u>                   |                                     | <u>2,077,136</u>                   | <u>214,538</u>                      | <u>1,231,429</u>      | <u>2,291,674</u>            |
| Total program revenues                     | <u>16,065,792</u>                  | <u>3,252,267</u>                    | <u>15,727,291</u>                  | <u>3,342,008</u>                    | <u>19,318,059</u>     | <u>19,069,299</u>           |
| General revenues:                          |                                    |                                     |                                    |                                     |                       |                             |
| Property taxes                             | 4,808,561                          |                                     | 5,261,631                          |                                     | 4,808,561             | 5,261,631                   |
| Sales tax                                  | 4,426,384                          |                                     | 4,311,802                          |                                     | 4,426,384             | 4,311,802                   |
| Unrestricted grants                        | 2,413,069                          |                                     | 2,304,073                          |                                     | 2,413,069             | 2,304,073                   |
| Investment earnings                        | 643,974                            | 47,674                              | 899,243                            | 204,894                             | 691,648               | 1,104,137                   |
| Revenue in lieu of taxes                   | 89,373                             |                                     | 80,000                             |                                     | 89,373                | 80,000                      |
| Other                                      | <u>1,028,125</u>                   | <u>10,031</u>                       | <u>1,760,701</u>                   | <u>6,713</u>                        | <u>1,038,156</u>      | <u>1,767,414</u>            |
| Total general revenues                     | <u>13,409,486</u>                  | <u>57,705</u>                       | <u>14,617,450</u>                  | <u>211,607</u>                      | <u>13,467,191</u>     | <u>14,829,057</u>           |
| Total revenues                             | <u>29,475,278</u>                  | <u>3,309,972</u>                    | <u>30,344,741</u>                  | <u>3,553,615</u>                    | <u>32,785,250</u>     | <u>33,898,356</u>           |
| (Restated) (Restated)                      |                                    |                                     |                                    |                                     |                       |                             |
|  | Governmental                       | Business-type                       | Governmental                       | Business-type                       | Total                 | (Restated)<br>Total         |
|  | Activities                         | Activities                          | Activities                         | Activities                          | 2010                  | 2009                        |
|  | <u>2010</u>                        | <u>2010</u>                         | <u>2009</u>                        | <u>2009</u>                         | <u>2010</u>           | <u>2009</u>                 |
| <b>Expenses</b>                            |                                    |                                     |                                    |                                     |                       |                             |
| Program Expenses:                          |                                    |                                     |                                    |                                     |                       |                             |
| General government                         |                                    |                                     |                                    |                                     |                       |                             |
| Legislative and executive                  | 5,975,966                          |                                     | 6,134,688                          |                                     | 5,975,966             | 6,134,688                   |
| Judicial                                   | 1,609,094                          |                                     | 1,678,148                          |                                     | 1,609,094             | 1,678,148                   |
| Public safety                              | 4,498,335                          |                                     | 4,804,562                          |                                     | 4,498,335             | 4,804,562                   |
| Public works                               | 5,613,669                          |                                     | 5,925,889                          |                                     | 5,613,669             | 5,925,889                   |
| Health                                     | 4,857,956                          |                                     | 4,532,062                          |                                     | 4,857,956             | 4,532,062                   |
| Human services                             | 5,394,850                          |                                     | 6,769,351                          |                                     | 5,394,850             | 6,769,351                   |
| Conservation and recreation                | 2,149                              |                                     | 3,233                              |                                     | 2,149                 | 3,233                       |
| Economic development                       | 388,007                            |                                     | 292,702                            |                                     | 388,007               | 292,702                     |
| Interest and fiscal charges                | 192,224                            |                                     | 209,929                            |                                     | 192,224               | 209,929                     |
| Landfill                                   |                                    | 2,191,121                           |                                    | 2,294,901                           | 2,191,121             | 2,294,901                   |
| Sewer                                      |                                    | <u>579,528</u>                      |                                    | <u>696,420</u>                      | <u>579,528</u>        | <u>142,666</u>              |
| Total expenses                             | <u>28,532,250</u>                  | <u>2,770,649</u>                    | <u>30,350,564</u>                  | <u>2,991,321</u>                    | <u>31,302,899</u>     | <u>33,341,885</u>           |
| Change in net assets<br>before transfers   | 943,028                            | 539,323                             | (5,823)                            | 562,294                             | 1,482,351             | 556,471                     |
| Transfers                                  | <u>(2,427,692)</u>                 | <u>2,427,692</u>                    | <u>(128,172)</u>                   | <u>128,172</u>                      |                       |                             |
| Change in net assets                       | (1,484,664)                        | 2,967,015                           | (133,995)                          | 690,466                             | 1,482,351             | 556,471                     |
| Net assets at beginning of year (restated) | <u>85,733,087</u>                  | <u>21,366,720</u>                   | <u>85,867,082</u>                  | <u>20,676,254</u>                   | <u>107,099,807</u>    | <u>106,543,336</u>          |
| Net assets at end of year                  | <u>\$ 84,248,423</u>               | <u>\$ 24,333,735</u>                | <u>\$ 85,733,087</u>               | <u>\$ 21,366,720</u>                | <u>\$ 108,582,158</u> | <u>\$ 107,099,807</u>       |

DEFIANCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
UNAUDITED

Governmental Activities

Governmental net assets decreased by \$1,484,664 in 2010 from 2009. The decrease in net assets is mainly a result of decreases in property tax revenue (due to declining property values and the phase out of tangible personal property tax) and other revenue during 2010.

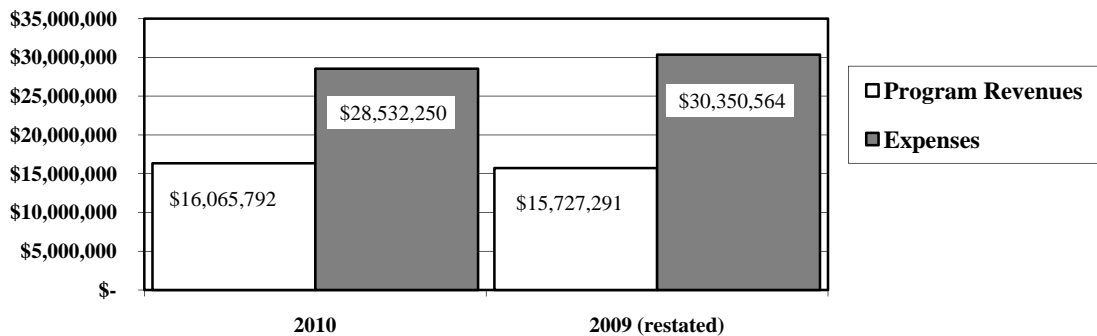
Human services expenses support the operations of family services (public assistance), veteran services, and the children services board, and accounts for \$5,394,850 of expenses, or 18.91% of total governmental expenses of the County. These expenses were funded by \$235,801 in direct charges to users and \$3,553,938 in operating grants and contributions in 2010. The decrease in human services expenses is due to significant decreases in job and family services fund and children services fund (a nonmajor governmental fund) cash outlays during 2010. General government expenses, which include legislative and executive and judicial programs, accounted for \$7,585,060 or 26.58% of total governmental expenses. General government expenses were covered by \$2,973,904 of direct charges to users and \$207,885 in operating grants and contributions in 2010.

The State and federal government contributed to the County revenues of \$10,696,845 in operating grants and contributions and \$1,231,429 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Operating grants and contributions of \$3,553,938 or 33.22% subsidized human services programs. Operating grants and contributions of \$3,959,740 or 37.02% subsidized public works projects.

General revenues totaled \$13,409,486, and amounted to 45.49% of the total revenues of \$29,475,278. These revenues primarily consist of property and sales tax revenue of \$9,234,945, or 68.87% of total general revenues in 2010. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with operating grants consisting of local government and local government revenue assistance making up \$2,413,069, or 18% of the total general revenues.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2010 and 2009. That is, it identifies the cost of these services supported by general revenues (such as tax revenue and unrestricted state grants and entitlements). As can be seen in the graph below, the County is reliant upon general revenues to finance operations as program revenues are not sufficient to cover total expenses. The net assets of the County were restated at December 31, 2009 as described in Note 3.B to the basic financial statements.

Governmental Activities – Program Revenues vs. Total Expenses



**DEFIANCE COUNTY**

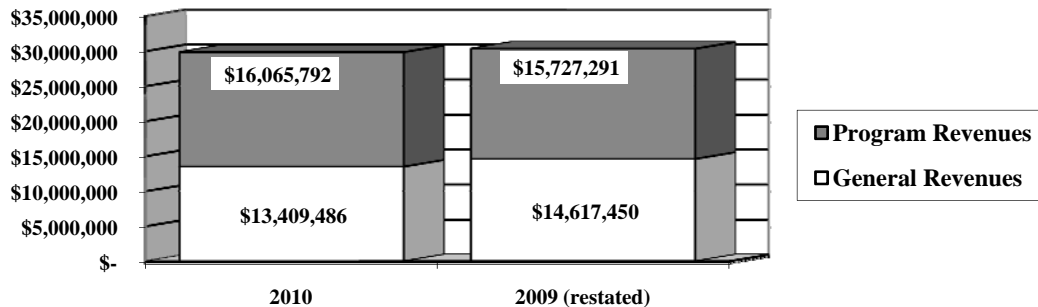
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
UNAUDITED**

|                             | <b>Governmental Activities</b>           |  |  |  |
|-----------------------------|--|--|--|--|
|                             |  |  | (Restated)                               | (Restated)                             |
|                             | Total Cost of<br>Services<br><u>2010</u> | Net Cost of<br>Services<br><u>2010</u> | Total Cost of<br>Services<br><u>2009</u> | Net Cost of<br>Services<br><u>2009</u> |
| Program Expenses:           |  |  |  |  |
| General government          |  |  |  |  |
| Legislative and executive   | \$ 5,975,966                             | \$ 3,461,825                           | \$ 6,134,688                             | \$ 4,107,459                           |
| Judicial                    | 1,609,094                                | 941,446                                | 1,678,148                                | 1,250,761                              |
| Public safety               | 4,498,335                                | 4,197,127                              | 4,804,562                                | 4,447,627                              |
| Public works                | 5,613,669                                | (18,057)                               | 5,925,889                                | (249,728)                              |
| Health                      | 4,857,956                                | 2,385,100                              | 4,532,062                                | 2,554,091                              |
| Human services              | 5,394,850                                | 1,605,111                              | 6,769,351                                | 2,090,299                              |
| Conservation and recreation | 2,149                                    | 2,149                                  | 3,233                                    | 3,233                                  |
| Economic development        | 388,007                                  | (300,467)                              | 292,702                                  | 209,602                                |
| Interest and fiscal charges | <u>192,224</u>                           | <u>192,224</u>                         | <u>209,929</u>                           | <u>209,929</u>                         |
| <b>Total</b>                | <b><u>\$ 28,532,250</u></b>              | <b><u>\$ 12,466,458</u></b>            | <b><u>\$ 30,350,564</u></b>              | <b><u>\$ 14,623,273</u></b>            |

The dependence upon general revenues for governmental activities is apparent, with 43.69% of expenses supported through taxes and other general revenues during 2010.

The graph below illustrates the County's reliance upon general revenues for 2010 and 2009. The net assets of the County were restated at December 31, 2009 as described in Note 3.B to the basic financial statements.

**Governmental Activities – General and Program Revenues**



**Business-type Activities**

The landfill and sewer funds are the County's enterprise funds. These operations had program revenues of \$3,252,267, general revenues of \$57,705, expenses of \$2,770,649 and transfers in of \$2,427,692 for 2010. The net assets of the enterprise funds increased \$2,967,015 or 13.89% during 2010. The net assets of the County were restated at December 31, 2009 as described in Note 3.B to the basic financial statements.

**Financial Analysis of the Government's Funds**

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
UNAUDITED**

**Governmental Funds**

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at year-end.

The County's governmental funds reported a combined fund balance of \$26,167,986, which is \$257,607 below last year's total of \$26,425,593. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2010 and December 31, 2009 for all major and nonmajor governmental funds. The fund balances of the County were restated at December 31, 2009 as described in Note 3.B to the basic financial statements.

|                                   | Fund Balance             | (Restated)<br>Fund Balance | Increase/<br>(Decrease) |
|-----------------------------------|--------------------------|----------------------------|-------------------------|
|                                   | <u>December 31, 2010</u> | <u>December 31, 2009</u>   | <u>(Decrease)</u>       |
| Major Funds:                      |                          |                            |                         |
| General                           | \$ 10,372,202            | \$ 9,176,825               | \$ 1,195,377            |
| Developmental Disabilities        | 3,404,834                | 3,224,954                  | 179,880                 |
| Job and Family Services           | 572,471                  | 386,729                    | 185,742                 |
| Motor Vehicle License and Gas Tax | 1,716,537                | 1,326,914                  | 389,623                 |
| Emergency 911                     | 836,153                  | 732,998                    | 103,155                 |
| Senior Center                     | 401,751                  | 486,172                    | (84,421)                |
| County Improvement                | 3,913,912                | 3,910,144                  | 3,768                   |
| Historical Jail Construction      | 158,753                  |                            | 158,753                 |
| Other Nonmajor Governmental Funds | <u>4,791,373</u>         | <u>7,180,857</u>           | <u>(2,389,484)</u>      |
| Total                             | <u>\$ 26,167,986</u>     | <u>\$ 26,425,593</u>       | <u>\$ (257,607)</u>     |

**General Fund**

The County's general fund balance increased \$1,195,377. Although fund balance increased, the County had lower revenues in 2010 versus 2009. The primary reason for the increase in fund balance was that the County substantially decreased 2010 expenditures in the areas of general government and public safety. The amount of transfers out from the general fund was also significantly decreased compared to 2009. The table that follows assists in illustrating the revenues of the general fund. The fund balances of the County were restated at December 31, 2009 as described in Note 3.B to the basic financial statements.

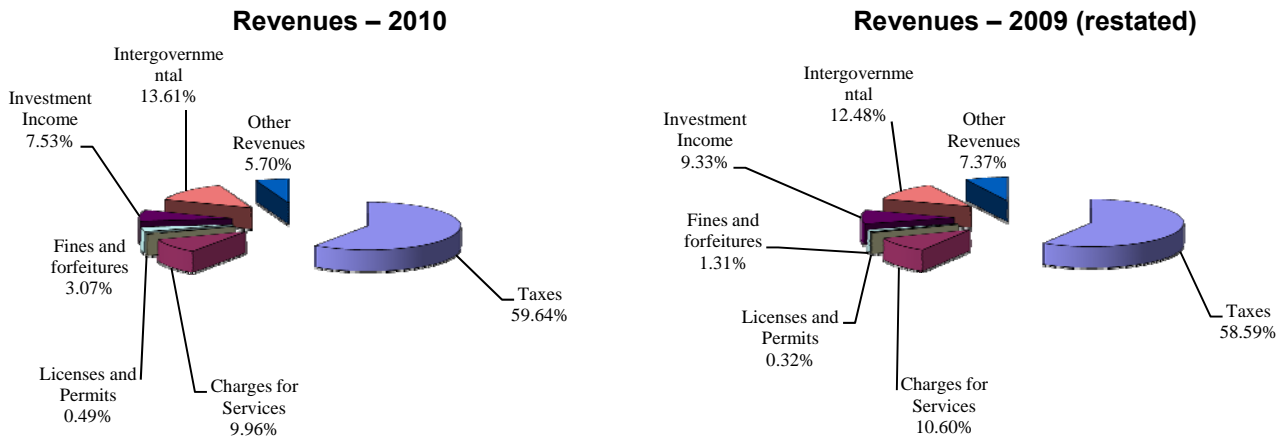
|                       | 2010                 | (Restated)<br>2009   | Increase/<br>(Decrease) | Percentage<br>Change |   |
|-----------------------|----------------------|----------------------|-------------------------|----------------------|---|
|                       | <u>Amount</u>        | <u>Amount</u>        | <u>(Decrease)</u>       | <u>Change</u>        |   |
| <b>Revenues</b>       |                      |                      |                         |                      |   |
| Taxes                 | \$ 6,084,062         | \$ 6,168,232         | \$ (84,170)             | (1.36)               | % |
| Charges for services  | 1,015,761            | 1,115,616            | (99,855)                | (8.95)               | % |
| Licenses and permits  | 50,218               | 33,325               | 16,893                  | 50.69                | % |
| Fines and forfeitures | 313,207              | 138,357              | 174,850                 | 126.38               | % |
| Intergovernmental     | 1,388,317            | 1,313,573            | 74,744                  | 5.69                 | % |
| Investment income     | 767,986              | 982,080              | (214,094)               | (21.80)              | % |
| Rent income and other | <u>581,817</u>       | <u>775,438</u>       | <u>(193,621)</u>        | <u>(24.97)</u>       | % |
| Total                 | <u>\$ 10,201,368</u> | <u>\$ 10,526,621</u> | <u>\$ (325,253)</u>     | <u>(3.09)</u>        | % |

**DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
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Tax revenue represents 59.64% of all general fund revenue. Tax revenue decreased slightly by \$84,170 or 1.36% from the prior year due to a decrease in property taxes received by the County during 2010. The decrease in investment income of \$214,094 or 21.80% is primarily due to a decrease in interest rates. Fines and forfeitures increased \$174,850 or 126.38% due to substantial Clerk of Court fees during 2010. Other revenue of the County decreased \$193,621 or 24.97% primarily due to the County's effort to move miscellaneous receipts to more specific revenue classifications.

The graphs below illustrate the revenue of the general fund for 2010 and 2009. The fund balances of the County were restated at December 31, 2009 as described in Note 3.B to the basic financial statements.



The table that follows assists in illustrating the expenditures of the general fund. The fund balances of the County were restated at December 31, 2009 as described in Note 3.B to the basic financial statements.

|                           | 2010<br>Amount      | (Restated)<br>2009<br>Amount | Increase/<br>(Decrease) | Percentage<br>Change |
|---------------------------|---------------------|------------------------------|-------------------------|----------------------|
| <b>Expenditures</b>       |                     |                              |                         |                      |
| General government        |                     |                              |                         |                      |
| Legislative and executive | \$ 4,288,737        | \$ 4,332,735                 | \$ (43,998)             | (1.02) %             |
| Judicial                  | 1,219,060           | 1,240,279                    | (21,219)                | (1.71) %             |
| Public safety             | 2,085,271           | 2,204,813                    | (119,542)               | (5.42) %             |
| Public works              | 46,150              | 54,005                       | (7,855)                 | (14.54) %            |
| Health                    | 71,325              | 73,702                       | (2,377)                 | (3.23) %             |
| Human services            | 297,935             | 294,141                      | 3,794                   | 1.29 %               |
| Economic development      | 72,765              | 72,765                       |                         | %                    |
| Other                     | 513,726             | 596,835                      | (83,109)                | (13.92) %            |
| Capital outlay            | 70,545              | 68,334                       | 2,211                   | 3.24 %               |
| Debt service              | 22,014              | 4,157                        | 17,857                  | 429.56 %             |
| <b>Total</b>              | <b>\$ 8,687,528</b> | <b>\$ 8,941,766</b>          | <b>\$ (254,238)</b>     | <b>(2.84) %</b>      |

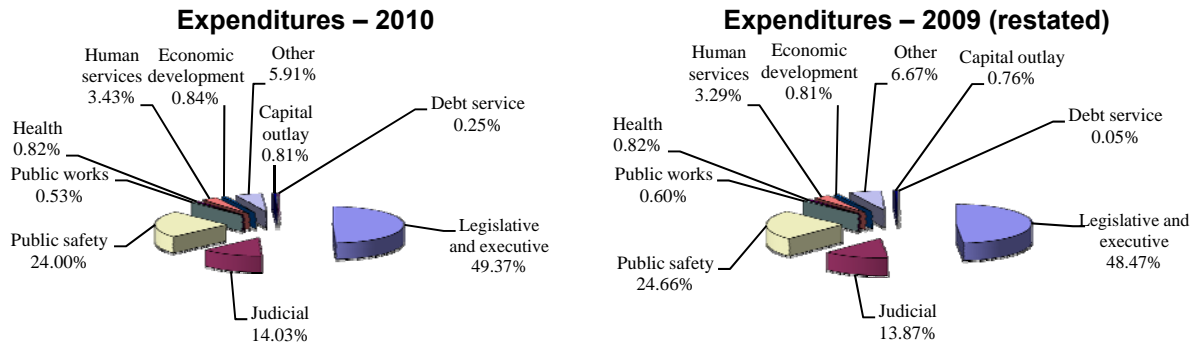
Overall expenditures of the general fund in 2010 decreased \$254,238 or 2.84% from 2009. The minor decreases in several expenditure classifications are a result of closely monitored cash outflows by each department within the County during 2010, which is essential during difficult economic times.

The graphs below illustrate the expenditures of the general fund for 2010 and 2009. The fund balances of the County were restated at December 31, 2009 as described in Note 3.B to the basic financial statements.



**DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
UNAUDITED**



***Developmental Disabilities (DD) Fund***

The developmental disabilities (DD) fund, a major governmental fund, had revenues of \$4,843,573 in 2010. The DD fund had expenditures of \$4,663,693 in 2010. The DD fund balance increased \$179,880 from 2009 to 2010.

***Job and Family Services Fund***

The job and family services fund, a major governmental fund, had revenues and other financing sources of \$1,979,331 in 2010. The job and family services fund had expenditures of \$1,793,589 in 2010. The job and family services fund balance increased \$185,742 from 2009 to 2010.

***Motor Vehicle License and Gas Tax Fund***

The motor vehicle license and gas tax fund, a major governmental fund, had revenues and other financing sources of \$4,195,158 in 2010. The motor vehicle license and gas tax fund, had expenditures of \$3,805,535 in 2010. The motor vehicle license and gas tax fund balance increased \$389,623 from 2009 to 2010.

***Emergency 911 Fund***

The emergency 911 fund, a major governmental fund, had revenues of \$822,020 in 2010. The emergency 911 fund, had expenditures of \$718,865 in 2010. The emergency 911 fund balance increased \$103,155 from 2009 to 2010.

***Senior Center Fund***

The senior center fund, a major governmental fund, had revenues and other financing sources of \$1,226,876 in 2010. The senior center fund, had expenditures and other financing uses of \$1,311,297 in 2010. The senior center fund balance decreased \$84,421 from 2009 to 2010.

***County Improvement Fund***

The county improvement fund, a major governmental fund, had other financing sources of \$52,663 in 2010. The county improvement fund had expenditures of \$48,895 in 2010. The county improvement fund balance increased \$3,768 from 2009 to 2010.

## DEFIANCE COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 UNAUDITED

#### ***Historical Jail Construction Fund***

The historical jail construction fund, a major governmental fund, had revenues and other financing sources of \$2,461,804 in 2010. The historical jail construction fund had expenditures of \$2,303,051 in 2010. The historical jail construction fund balance increased \$158,753 from 2009 to 2010.

#### ***Budgeting Highlights - General Fund***

The County's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the County's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the County's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity, then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund, DD fund, job and family services fund, motor vehicle license and gas tax fund, emergency 911 fund and senior center fund. In the general fund, the original budgeted revenues and other financing sources were \$8,711,375 and were increased to \$10,916,246 in the final budget. Actual revenues and other financing sources of \$10,748,439 were less than the final budgeted revenues and other financing sources by \$167,807 or 1.54%. This decrease is primarily due to less than anticipated receipts in interest revenue and other revenue. In the general fund, the original budgeted appropriations and other financing uses were \$14,431,381. These were increased to \$16,636,252 in the final budget. Actual expenditures and other financing uses of \$11,590,581 were less than final budgeted amounts by \$5,045,671 or 30.33%. Actual expenditures and other financing uses being lower than final budgeted expenditures and other financing uses is a result of the County's conservative budgeting practices.

#### ***Proprietary Funds***

The County's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail.

#### **Capital Assets and Debt Administration**

##### ***Capital Assets***

At the end of 2010, the County had \$73,759,187 (net of accumulated depreciation) invested in land, easements, land improvements, buildings and improvements, equipment, vehicles, construction in progress and infrastructure. Of this total, \$60,617,065 was reported in governmental activities and \$13,142,122 was reported in business-type activities. The following table shows December 31, 2010 balances compared to December 31, 2009.

**DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
UNAUDITED**

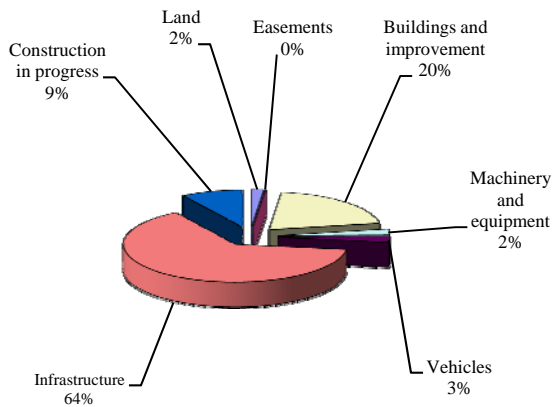
**Capital Assets at December 31  
(Net of Depreciation)**

|                           | Governmental Activities |                      | Business-type Activities |                      | Total                |                      |
|---------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|                           | 2010                    | 2009                 | 2010                     | 2009                 | 2010                 | 2009                 |
| Land                      | \$ 1,084,684            | \$ 1,084,684         | \$ 997,099               | \$ 997,099           | \$ 2,081,783         | \$ 2,081,783         |
| Easements                 | 5,250                   |                      |                          |                      | 5,250                |                      |
| Land improvements         |                         |                      | 3,682,307                | 3,759,554            | 3,682,307            | 3,759,554            |
| Building and improvements | 12,369,666              | 12,853,786           | 389,580                  | 396,482              | 12,759,246           | 13,250,268           |
| Machinery and equipment   | 1,513,936               | 1,612,847            | 384,060                  | 491,771              | 1,897,996            | 2,104,618            |
| Vehicles                  | 1,515,461               | 1,600,399            | 48,736                   | 52,503               | 1,564,197            | 1,652,902            |
| Infrastructure            | 38,720,580              | 39,462,967           |                          |                      | 38,720,580           | 39,462,967           |
| Sewer lines               |                         |                      | 4,291,187                | 4,409,987            | 4,291,187            | 4,409,987            |
| Construction in progress  | 5,407,488               | 505,597              | 3,349,153                | 925,739              | 8,756,641            | 1,431,336            |
| <b>Total</b>              | <b>\$ 60,617,065</b>    | <b>\$ 57,120,280</b> | <b>\$ 13,142,122</b>     | <b>\$ 11,033,135</b> | <b>\$ 73,759,187</b> | <b>\$ 68,153,415</b> |

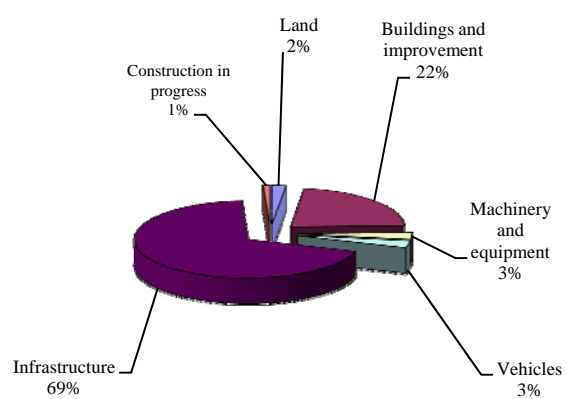
See Note 9 to the basic financial statements for detail on governmental activities and business-type activities capital assets.

The following graphs show the breakdown of governmental capital assets by category at December 31, 2010 and December 31, 2009:

**Capital Assets - Governmental Activities 2010**



**Capital Assets - Governmental Activities 2009**



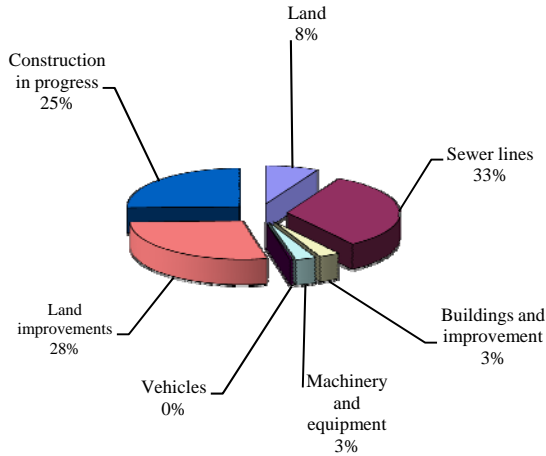
The County's largest capital asset category is infrastructure, which includes roads and bridges. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 64% of the County's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category at December 31, 2010 and December 31, 2009:

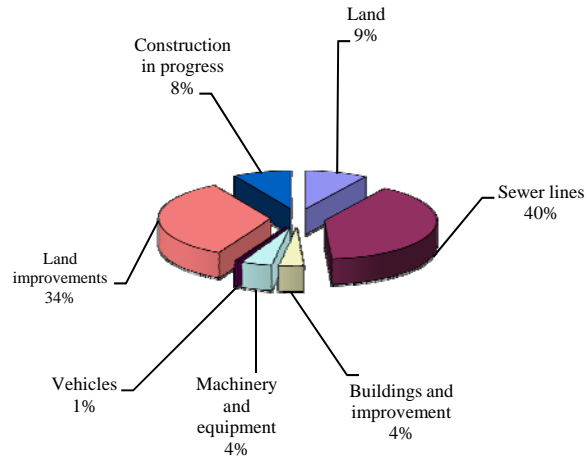
**DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
UNAUDITED**

**Capital Assets - Business-type Activities 2010**



**Capital Assets - Business-type Activities 2009**



The County's largest business-type capital asset category is sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the County's sewer lines (cost less accumulated depreciation) represents approximately 33% of the County's total business-type capital assets.

***Debt Administration***

At December 31, 2010 the County had \$4,160,000 in general obligation bonds, \$935,000 in special assessment bonds, \$57,300 in sewer revenue bonds, OPWC loans of \$210,622, OWDA loans of \$2,635,379, Capmark commercial mortgage of \$67,000, bond anticipation notes of \$580,250, capital lease obligations of \$234,261 and closure and postclosure liability outstanding of \$3,773,577. Of this total, \$1,051,057 is due within one year and \$11,602,332 is due within greater than one year.

The following table summarizes the bonds and loans outstanding at December 31, 2010 and December 31, 2009:

**DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
UNAUDITED**

**Outstanding Debt, at Year End**

|                             | Governmental<br>Activities<br><u>2010</u> | Business-type<br>Activities<br><u>2010</u> | Governmental<br>Activities<br><u>2009</u> | Business-type<br>Activities<br><u>2009</u> |
|-----------------------------|---|--|---|--|
| Long-Term Obligations       |   |  |   |  |
| General obligation bonds    | \$ 4,160,000                              |  | \$ 1,930,000                              |  |
| Special assessment bonds    | 935,000                                   |  | 985,300                                   |  |
| Sewer revenue bonds         |   | \$ 57,300                                  |   | \$ 58,000                                  |
| Bond anticipation notes     | 580,250                                   |  | 225,460                                   |  |
| OPWC loans                  | 210,622                                   |  | 234,025                                   |  |
| OWDA loans                  | 2,635,379                                 |  | 926,762                                   |  |
| Capmark commercial mortgage |   | 67,000                                     |   | 72,000                                     |
| Capital lease obligations   | 234,261                                   |  | 238,377                                   |  |
| Closure and postclosure     |   | <u>3,773,577</u>                           |   | <u>3,672,850</u>                           |
| Total                       | <u>\$ 8,755,512</u>                       | <u>\$ 3,897,877</u>                        | <u>\$ 4,539,924</u>                       | <u>\$ 3,802,850</u>                        |

See Note 17 to the basic financial statements for detail on governmental activities and business-type activities long-term obligations.

**Economic Factors and Next Year's Budgets and Rates**

The County's estimated population for 2010 (the latest information available from the U.S. Census Bureau) was approximately 39,037.

As of December 31, 2010, as reported by the Ohio Job and Family Services Office of Workforce Development and Bureau of Labor Market Information the County's unemployment rate was 11.7%, compared to the 10.1% unadjusted state rate and the 9.6% unadjusted national rate.

**Contacting the County's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Honorable Marlene J. Goodwin, Defiance County Auditor, 221 Clinton Street, Defiance, Ohio 43512.

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**DEFIANCE COUNTY**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2010

|   | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>   |
|---|------------------------------------|-------------------------------------|----------------|
| <b>Assets:</b>  |                                    |                                     |                |
| Equity in pooled cash and cash equivalents . . . . .      | \$ 25,913,449                      | \$ 9,520,165                        | \$ 35,433,614  |
| Cash and cash equivalents in segregated accounts . . .    | 146,105                            | 325                                 | 146,430        |
| Cash and cash equivalents with fiscal agent . . . . .     |                                    | 2,161                               | 2,161          |
| Investments . . . . .                                     |                                    | 5,257,841                           | 5,257,841      |
| Receivables (net of allowance for uncollectibles):        |                                    |                                     |                |
| Sales taxes . . . . .                                     | 739,505                            |                                     | 739,505        |
| Real estate and other taxes . . . . .                     | 5,006,380                          |                                     | 5,006,380      |
| Accounts . . . . .  | 59,668                             | 504,809                             | 564,477        |
| Intergovernmental . . . . .                               | 4,703,515                          |                                     | 4,703,515      |
| Special assessments . . . . .                             | 1,975,828                          |                                     | 1,975,828      |
| Accrued interest . . . . .                                | 143,987                            | 48,999                              | 192,986        |
| Loans . . . . .   | 475,824                            |                                     | 475,824        |
| Internal balances . . . . .                               | 25,594                             | (25,594)                            |                |
| Prepayments . . . . .                                     | 885,844                            | 65,355                              | 951,199        |
| Materials and supplies inventory . . . . .                | 415,834                            | 7,014                               | 422,848        |
| Unamortized bond issue costs . . . . .                    | 140,813                            |                                     | 140,813        |
| Capital assets:   |                                    |                                     |                |
| Non-depreciable capital assets . . . . .                  | 6,497,422                          | 4,346,252                           | 10,843,674     |
| Depreciable capital assets, net. . . . .                  | 54,119,643                         | 8,795,870                           | 62,915,513     |
| Total capital assets. . . . .                             | 60,617,065                         | 13,142,122                          | 73,759,187     |
| Total assets . . . . .                                    | 101,249,411                        | 28,523,197                          | 129,772,608    |
| <b>Liabilities:</b>                                       |                                    |                                     |                |
| Accounts payable . . . . .                                | 336,694                            | 118,308                             | 455,002        |
| Contracts payable . . . . .                               | 734,095                            |                                     | 734,095        |
| Retainage payable . . . . .                               | 127,860                            |                                     | 127,860        |
| Accrued wages and benefits . . . . .                      | 351,601                            | 14,759                              | 366,360        |
| Due to other governments . . . . .                        | 350,267                            | 55,629                              | 405,896        |
| Accrued interest payable . . . . .                        | 25,598                             | 784                                 | 26,382         |
| Notes payable . . . . .                                   | 130,250                            |                                     | 130,250        |
| Claims payable . . . . .                                  | 210,551                            |                                     | 210,551        |
| Unearned revenue . . . . .                                | 4,870,500                          |                                     | 4,870,500      |
| Long-term liabilities:                                    |                                    |                                     |                |
| Due within one year . . . . .                             | 1,608,615                          | 37,599                              | 1,646,214      |
| Due in more than one year. . . . .                        | 8,254,957                          | 3,962,383                           | 12,217,340     |
| Total liabilities . . . . .                               | 17,000,988                         | 4,189,462                           | 21,190,450     |
| <b>Net Assets:</b>  |                                    |                                     |                |
| Invested in capital assets, net of related debt . . . . . | 56,331,968                         | 13,017,822                          | 69,349,790     |
| Restricted for:   |                                    |                                     |                |
| Debt service . . . . .                                    | 2,600,948                          |                                     | 2,600,948      |
| Capital projects . . . . .                                | 4,152,227                          |                                     | 4,152,227      |
| Other purposes. . . . .                                   | 3,203,284                          |                                     | 3,203,284      |
| Human services programs . . . . .                         | 2,214,443                          |                                     | 2,214,443      |
| Public works projects. . . . .                            | 3,473,083                          |                                     | 3,473,083      |
| Public safety programs. . . . .                           | 3,405,777                          |                                     | 3,405,777      |
| Health services . . . . .                                 | 3,448,004                          |                                     | 3,448,004      |
| Landfill closure and postclosure . . . . .                |                                    | 1,684,572                           | 1,684,572      |
| Unrestricted. . . . .                                     | 5,418,689                          | 9,631,341                           | 15,050,030     |
| Total net assets . . . . .                                | \$ 84,248,423                      | \$ 24,333,735                       | \$ 108,582,158 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE COUNTY**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010

|  | <u>Expenses</u>      | <u>Program Revenues</u>               |   |   |
|--|----------------------|---------------------------------------|---|---|
|  |                      | <u>Charges for Services and Sales</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| <b>Governmental Activities:</b>          |                      |                                       |   |   |
| General government:                      |                      |                                       |   |   |
| Legislative and executive . . . . .      | \$ 5,975,966         | \$ 2,502,038                          | \$ 12,103                                 |   |
| Judicial . . . . .                       | 1,609,094            | 471,866                               | 195,782                                   |   |
| Public safety. . . . .                   | 4,498,335            | 131,021                               | 170,187                                   |   |
| Public works. . . . .                    | 5,613,669            | 440,557                               | 3,959,740                                 | \$ 1,231,429                            |
| Health. . . . .                          | 4,857,956            | 351,210                               | 2,121,646                                 |   |
| Human services. . . . .                  | 5,394,850            | 235,801                               | 3,553,938                                 |   |
| Conservation and recreation. . . . .     | 2,149                |                                       |   |   |
| Economic development. . . . .            | 388,007              | 5,025                                 | 683,449                                   |   |
| Interest and fiscal charges. . . . .     | 192,224              |                                       |   |   |
| Total governmental activities . . . . .  | <u>28,532,250</u>    | <u>4,137,518</u>                      | <u>10,696,845</u>                         | <u>1,231,429</u>                        |
| <b>Business-type Activities:</b>         |                      |                                       |   |   |
| Landfill. . . . .                        | 2,191,121            | 2,727,638                             |   |   |
| Sewer . . . . .                          | 579,528              | 524,629                               |   |   |
| Total business-type activities . . . . . | <u>2,770,649</u>     | <u>3,252,267</u>                      |   |   |
| Total . . . . .                          | <u>\$ 31,302,899</u> | <u>\$ 7,389,785</u>                   | <u>\$ 10,696,845</u>                      | <u>\$ 1,231,429</u>                     |

**General Revenues:**

Property taxes levied for:

|   |  |
|---|--|
| General fund . . . . .  |  |
| Public safety - Emergency 911 . . . . .                               |  |
| Human services - County Board of MR/DD . . . . .                      |  |
| Human services - Senior Center . . . . .                              |  |
| Sales taxes . . . . .   |  |
| Grants and entitlements not restricted to specific programs . . . . . |  |
| Investment income . . . . .   |  |
| Miscellaneous . . . . .   |  |
| Payments in lieu of taxes . . . . .                                   |  |

Total general revenues . . . . .

Transfers . . . . .

Total general revenues and transfers . . . . .

Change in net assets . . . . .

**Net assets at beginning of year (restated).** . . . . .

**Net assets at end of year . . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**Net (Expense) Revenue  
and Changes in Net Assets**

| <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>          |
|------------------------------------|-------------------------------------|-----------------------|
| \$ (3,461,825)                     |                                     | \$ (3,461,825)        |
| (941,446)                          |                                     | (941,446)             |
| (4,197,127)                        |                                     | (4,197,127)           |
| 18,057                             |                                     | 18,057                |
| (2,385,100)                        |                                     | (2,385,100)           |
| (1,605,111)                        |                                     | (1,605,111)           |
| (2,149)                            |                                     | (2,149)               |
| 300,467                            |                                     | 300,467               |
| (192,224)                          |                                     | (192,224)             |
| <u>(12,466,458)</u>                |                                     | <u>(12,466,458)</u>   |
|                                    | \$ 536,517                          | 536,517               |
|                                    | (54,899)                            | (54,899)              |
|                                    | <u>481,618</u>                      | <u>481,618</u>        |
| <u>(12,466,458) F</u>              | <u>481,618</u>                      | <u>(11,984,840)</u>   |
| 1,693,845                          |                                     | 1,693,845             |
| 610,800                            |                                     | 610,800               |
| 1,874,785                          |                                     | 1,874,785             |
| 629,131                            |                                     | 629,131               |
| 4,426,384                          |                                     | 4,426,384             |
| 2,413,069                          |                                     | 2,413,069             |
| 643,974                            | 47,674                              | 691,648               |
| 1,028,125                          | 10,031                              | 1,038,156             |
| 89,373                             |                                     | 89,373                |
| <u>13,409,486</u>                  | <u>57,705</u>                       | <u>13,467,191</u>     |
| <u>(2,427,692)</u>                 | <u>2,427,692</u>                    |                       |
| <u>10,981,794</u>                  | <u>2,485,397</u>                    | <u>13,467,191</u>     |
| (1,484,664)                        | 2,967,015                           | 1,482,351             |
| <u>85,733,087</u>                  | <u>21,366,720</u>                   | <u>107,099,807</u>    |
| <u>\$ 84,248,423</u>               | <u>\$ 24,333,735</u>                | <u>\$ 108,582,158</u> |

**DEFIANCE COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010

|  | <u>General</u>       | <u>Developmental<br/>Disabilities</u> | <u>Job and Family<br/>Services</u> | <u>Motor Vehicle<br/>License and<br/>Gas Tax</u> |
|--|----------------------|---------------------------------------|------------------------------------|--|
| <b>Assets:</b>   |                      |                                       |                                    |  |
| Equity in pooled cash and cash equivalents . . . . .       | \$ 5,304,618         | \$ 3,225,595                          | \$ 122,711                         | \$ 1,179,340                                     |
| Cash and cash equivalents in segregated accounts . . . . . | 18,220               |                                       |                                    |  |
| Receivables (net of allowance for uncollectibles):         |                      |                                       |                                    |  |
| Sales taxes . . . . .                                      | 739,505              |                                       |                                    |  |
| Real estate and other taxes . . . . .                      | 1,649,557            | 2,032,501                             |                                    |  |
| Accounts . . . . .   | 16,220               |                                       |                                    |  |
| Intergovernmental . . . . .                                | 542,975              | 135,640                               | 398,603                            | 2,046,419  |
| Special assessments . . . . .                              |                      |                                       |                                    |  |
| Accrued interest . . . . .                                 | 143,987              |                                       |                                    |  |
| Loans . . . . .  |                      |                                       |                                    |  |
| Interfund loans . . . . .                                  | 4,738,867            |                                       |                                    |  |
| Due from other funds . . . . .                             | 23,367               |                                       | 319,442                            | 12,058   |
| Prepayments . . . . .                                      | 147,454              | 306,943                               | 4,483                              | 2,752  |
| Materials and supplies inventory . . . . .                 | 65,528               | 12,647                                | 6,036                              | 290,049  |
| Total assets . . . . .                                     | <u>\$ 13,390,298</u> | <u>\$ 5,713,326</u>                   | <u>\$ 851,275</u>                  | <u>\$ 3,530,618</u>                              |
| <b>Liabilities:</b>  |                      |                                       |                                    |  |
| Accounts payable . . . . .                                 | \$ 143,728           | \$ 12,275                             | \$ 15,351                          | \$ 22,191  |
| Contracts payable . . . . .                                |                      |                                       |                                    |  |
| Retainage payable . . . . .                                |                      |                                       |                                    |  |
| Accrued wages and benefits . . . . .                       | 122,841              | 73,596                                | 39,234                             | 40,907   |
| Compensated absences payable . . . . .                     |                      |                                       |                                    |  |
| Due to other funds . . . . .                               | 13,454               |                                       | 4,566                              | 5,952  |
| Due to other governments . . . . .                         | 163,791              | 56,247                                | 32,106                             | 34,974   |
| Interfund loans payable . . . . .                          |                      |                                       |                                    |  |
| Accrued interest payable . . . . .                         |                      |                                       |                                    |  |
| Notes payable . . . . .                                    |                      |                                       |                                    |  |
| Deferred revenue . . . . .                                 | 967,782              | 192,374                               | 187,547                            | 1,710,057  |
| Unearned revenue . . . . .                                 | 1,606,500            | 1,974,000                             |                                    |  |
| Total liabilities . . . . .                                | <u>3,018,096</u>     | <u>2,308,492</u>                      | <u>278,804</u>                     | <u>1,814,081</u>                                 |
| <b>Fund Balances:</b>                                      |                      |                                       |                                    |  |
| Reserved for encumbrances . . . . .                        | 79,871               | 26,179                                | 37,736                             | 49,039   |
| Reserved for unclaimed monies . . . . .                    | 102,951              |                                       |                                    |  |
| Reserved for prepayments . . . . .                         | 147,454              | 306,943                               | 4,483                              | 2,752  |
| Reserved for materials and supplies inventory . . . . .    | 65,528               | 12,647                                | 6,036                              | 290,049  |
| Reserved for interfund loans . . . . .                     | 4,738,867            |                                       |                                    |  |
| Reserved for loans receivable . . . . .                    |                      |                                       |                                    |  |
| Reserved for debt service . . . . .                        |                      |                                       |                                    |  |
| Unreserved:  |                      |                                       |                                    |  |
| Designated for retirement . . . . .                        |                      |                                       |                                    |  |
| Undesignated (deficit), reported in:                       |                      |                                       |                                    |  |
| General fund . . . . .                                     | 5,237,531            |                                       |                                    |  |
| Special revenue funds . . . . .                            |                      | 3,059,065                             | 524,216                            | 1,374,697  |
| Debt service funds . . . . .                               |                      |                                       |                                    |  |
| Capital projects funds . . . . .                           |                      |                                       |                                    |  |
| Total fund balances . . . . .                              | <u>10,372,202</u>    | <u>3,404,834</u>                      | <u>572,471</u>                     | <u>1,716,537</u>                                 |
| Total liabilities and fund balances . . . . .              | <u>\$ 13,390,298</u> | <u>\$ 5,713,326</u>                   | <u>\$ 851,275</u>                  | <u>\$ 3,530,618</u>                              |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

| <u>Emergency<br/>911</u> | <u>Senior<br/>Center</u> | <u>County<br/>Improvement</u> | <u>Historical<br/>Jail<br/>Construction</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--------------------------|--------------------------|-------------------------------|---|---|---|
| \$ 869,365               | \$ 440,766               | \$ 3,913,912                  | \$ 320,515                                  | \$ 9,450,099                            | \$ 24,826,921                           |
|                          |                          |                               | 127,860                                     | 25                                      | 146,105                                 |
|                          |                          |                               |   |   | 739,505                                 |
| 630,601                  | 693,721                  |                               |   |   | 5,006,380                               |
|                          |                          |                               |   | 43,448                                  | 59,668                                  |
| 46,482                   | 67,517                   |                               |   | 1,465,879                               | 4,703,515                               |
|                          |                          |                               |   | 1,975,828                               | 1,975,828                               |
|                          |                          |                               |   |   | 143,987                                 |
|                          |                          |                               |   | 475,824                                 | 475,824                                 |
|                          |                          |                               |   |   | 4,738,867                               |
|                          |                          |                               |   | 2,428                                   | 357,295                                 |
| 3,240                    | 781                      |                               |   | 420,191                                 | 885,844                                 |
| 1,193                    | 7,007                    |                               |   | 33,374                                  | 415,834                                 |
| <u>\$ 1,550,881</u>      | <u>\$ 1,209,792</u>      | <u>\$ 3,913,912</u>           | <u>\$ 448,375</u>                           | <u>\$ 13,867,096</u>                    | <u>\$ 44,475,573</u>                    |
| \$ 3,861                 | \$ 20,249                |                               |   | \$ 119,039                              | \$ 336,694                              |
|                          |                          |                               | \$ 161,762                                  | 572,333                                 | 734,095                                 |
|                          |                          |                               | 127,860                                     |   | 127,860                                 |
| 17,327                   | 16,528                   |                               |   | 41,168                                  | 351,601                                 |
|                          | 1,265                    |                               |   |   | 1,265                                   |
|                          | 547                      |                               |   | 329,824                                 | 354,343                                 |
| 16,928                   | 13,708                   |                               |   | 32,513                                  | 350,267                                 |
|                          |                          |                               |   | 4,538,867                               | 4,538,867                               |
|                          |                          |                               |   | 678                                     | 678                                     |
|                          |                          |                               |   | 130,250                                 | 130,250                                 |
| 61,612                   | 80,744                   |                               |   | 3,311,051                               | 6,511,167                               |
| 615,000                  | 675,000                  |                               |   |   | 4,870,500                               |
| <u>714,728</u>           | <u>808,041</u>           |                               | <u>289,622</u>                              | <u>9,075,723</u>                        | <u>18,307,587</u>                       |
| 12,138                   | 13,553                   | \$ 87,709                     | 129,145                                     | 288,172                                 | 723,542                                 |
|                          |                          |                               |   |   | 102,951                                 |
| 3,240                    | 781                      |                               |   | 420,191                                 | 885,844                                 |
| 1,193                    | 7,007                    |                               |   | 33,374                                  | 415,834                                 |
|                          |                          |                               |   |   | 4,738,867                               |
|                          |                          |                               |   | 416,760                                 | 416,760                                 |
|                          |                          |                               |   | 1,074,514                               | 1,074,514                               |
|                          |                          |                               |   |   |   |
|                          |                          |                               |   | 3,467                                   | 3,467                                   |
|                          |                          |                               |   |   | 5,237,531                               |
| 819,582                  | 380,410                  |                               |   | 4,295,810                               | 10,453,780                              |
|                          |                          |                               |   | (392,111)                               | (392,111)                               |
|                          |                          | 3,826,203                     | 29,608                                      | (1,348,804)                             | 2,507,007                               |
| <u>836,153</u>           | <u>401,751</u>           | <u>3,913,912</u>              | <u>158,753</u>                              | <u>4,791,373</u>                        | <u>26,167,986</u>                       |
| <u>\$ 1,550,881</u>      | <u>\$ 1,209,792</u>      | <u>\$ 3,913,912</u>           | <u>\$ 448,375</u>                           | <u>\$ 13,867,096</u>                    | <u>\$ 44,475,573</u>                    |

**DEFIANCE COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2010

|  |    |             |             |
|--|----|-------------|-------------|
| <b>Total governmental fund balances</b>  |    | \$          | 26,167,986  |
| <br><i>Amounts reported for governmental activities on the statement of net assets are different because:</i>  |    |             |             |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.  |    |             | 60,617,065  |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.   |    |             |             |
| Sales taxes receivable   | \$ | 390,243     |             |
| Real estate and other taxes receivable   |    | 131,776     |             |
| Intergovernmental receivable   |    | 3,937,138   |             |
| Special assessments receivable   |    | 1,975,828   |             |
| Accrued interest receivable  |    | 76,182      |             |
| Total  |    | 6,511,167   | 6,511,167   |
| An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets. |    |             | 675,977     |
| An interfund receivable is recorded in governmental activities to reflect underpayments to the internal service fund by the business-type activities.  |    |             | 22,642      |
| Unamortized premiums on bond issuances are not recognized in the funds.  |    |             | (33,217)    |
| Unamortized bond issuance costs are not recognized in the funds.   |    |             | 140,813     |
| Unamortized deferred amounts on refundings are not recognized in the funds.  |    |             | 49,817      |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.  |    |             | (24,920)    |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.   |    |             |             |
| General obligation bonds payable   |    | (4,160,000) |             |
| Special assessment bonds payable   |    | (935,000)   |             |
| Notes payable  |    | (580,250)   |             |
| OPWC loan payable  |    | (210,622)   |             |
| OWDA loans payable   |    | (2,635,379) |             |
| Compensated absences payable   |    | (1,123,395) |             |
| Capital leases payable   |    | (234,261)   |             |
| Total  |    | (9,878,907) | (9,878,907) |
| <b>Net assets of governmental activities</b>   |    | \$          | 84,248,423  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**DEFIANCE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010

|  | <u>General</u>       | <u>Developmental<br/>Disabilities</u> | <u>Job and Family<br/>Services</u> | <u>Motor Vehicle<br/>License and<br/>Gas Tax</u> |
|--|----------------------|---------------------------------------|------------------------------------|--|
| <b>Revenues:</b>   |                      |                                       |                                    |  |
| Property taxes . . . . .   | \$ 1,689,378         | \$ 1,868,716                          |                                    |  |
| Sales taxes . . . . .  | 4,394,684            |                                       |                                    |  |
| Special assessments . . . . .  |                      |                                       |                                    |  |
| Charges for services . . . . .   | 1,015,761            | 226,650                               |                                    | \$ 133   |
| Licenses and permits . . . . .   | 50,218               |                                       |                                    |  |
| Fines and forfeitures . . . . .  | 313,207              |                                       |                                    | 16,578   |
| Intergovernmental . . . . .  | 1,388,317            | 2,685,571                             | \$ 1,812,756                       | 4,093,801  |
| Investment income . . . . .  | 767,986              | 277                                   |                                    | 4,453  |
| Rental income . . . . .  | 271,382              |                                       |                                    |  |
| Contributions and donations . . . . .                                  |                      | 22,366                                |                                    |  |
| Payments in lieu of taxes . . . . .                                    |                      |                                       |                                    |  |
| Other . . . . .  | 310,435              | 39,993                                | 58,172                             | 70,194   |
| Total revenues . . . . .   | <u>10,201,368</u>    | <u>4,843,573</u>                      | <u>1,870,928</u>                   | <u>4,185,159</u>                                 |
| <b>Expenditures:</b>   |                      |                                       |                                    |  |
| Current:   |                      |                                       |                                    |  |
| General government:  |                      |                                       |                                    |  |
| Legislative and executive . . . . .                                    | 4,288,737            |                                       |                                    |  |
| Judicial . . . . .   | 1,219,060            |                                       |                                    |  |
| Public safety . . . . .  | 2,085,271            |                                       |                                    |  |
| Public works . . . . .   | 46,150               |                                       |                                    | 3,805,535  |
| Health . . . . .   | 71,325               | 4,625,725                             |                                    |  |
| Human services . . . . .   | 297,935              |                                       | 1,793,589                          |  |
| Economic development . . . . .   | 72,765               |                                       |                                    |  |
| Other . . . . .  | 513,726              |                                       |                                    |  |
| Capital outlay . . . . .   | 70,545               |                                       |                                    |  |
| Debt service:  |                      |                                       |                                    |  |
| Principal retirement . . . . .   | 16,232               | 33,233                                |                                    |  |
| Interest and fiscal charges . . . . .                                  | 5,782                | 4,735                                 |                                    |  |
| Bond issuance costs . . . . .  |                      |                                       |                                    |  |
| Total expenditures . . . . .   | <u>8,687,528</u>     | <u>4,663,693</u>                      | <u>1,793,589</u>                   | <u>3,805,535</u>                                 |
| Excess (deficiency) of revenues<br>over (under) expenditures . . . . . | <u>1,513,840</u>     | <u>179,880</u>                        | <u>77,339</u>                      | <u>379,624</u>                                   |
| <b>Other financing sources (uses):</b>                                 |                      |                                       |                                    |  |
| Sale of capital assets . . . . .                                       | 16,217               |                                       |                                    |  |
| Loan proceeds . . . . .  |                      |                                       |                                    |  |
| Issuance of notes . . . . .  |                      |                                       |                                    |  |
| Issuance of bonds . . . . .  |                      |                                       |                                    |  |
| Proceeds of refunding bonds . . . . .                                  |                      |                                       |                                    |  |
| Premium on refunding bonds . . . . .                                   |                      |                                       |                                    |  |
| Payment to refunded bond escrow agent . . . . .                        |                      |                                       |                                    |  |
| Capital lease transaction . . . . .                                    | 70,545               |                                       |                                    |  |
| Transfers in . . . . .   |                      |                                       | 108,403                            | 9,999  |
| Transfers out . . . . .  | (405,225)            |                                       |                                    |  |
| Total other financing sources (uses) . . . . .                         | <u>(318,463)</u>     |                                       | <u>108,403</u>                     | <u>9,999</u>                                     |
| Net change in fund balances . . . . .                                  | 1,195,377            | 179,880                               | 185,742                            | 389,623  |
| <b>Fund balances at beginning of year (restated) . . . . .</b>         | <u>9,176,825</u>     | <u>3,224,954</u>                      | <u>386,729</u>                     | <u>1,326,914</u>                                 |
| <b>Fund balances at end of year . . . . .</b>                          | <u>\$ 10,372,202</u> | <u>\$ 3,404,834</u>                   | <u>\$ 572,471</u>                  | <u>\$ 1,716,537</u>                              |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

| <u>Emergency<br/>911</u> | <u>Senior<br/>Center</u> | <u>County<br/>Improvement</u> | <u>Historical<br/>Jail<br/>Construction</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--------------------------|--------------------------|-------------------------------|---|---|---|
| \$ 611,883               | \$ 627,188               |                               |   |   | \$ 4,797,165                            |
|                          |                          |                               |   |   | 4,394,684                               |
|                          | 92,060                   |                               |   | \$ 607,467                              | 607,467                                 |
|                          |                          |                               |   | 1,007,893                               | 2,342,497                               |
|                          |                          |                               |   | 168,151                                 | 218,369                                 |
|                          |                          |                               |   | 208,792                                 | 538,577                                 |
| 210,137                  | 489,005                  |                               |   | 3,612,746                               | 14,292,333                              |
|                          |                          |                               | \$ 5,974                                    | 100,616                                 | 879,306                                 |
|                          | 6,273                    |                               |   | 152,215                                 | 423,597                                 |
|                          |                          |                               |   | 231,827                                 | 260,466                                 |
|                          | 5,002                    |                               |   | 89,373                                  | 89,373                                  |
|                          |                          |                               | 70,830                                      | 396,168                                 | 950,794                                 |
| <u>822,020</u>           | <u>1,219,528</u>         |                               | <u>76,804</u>                               | <u>6,575,248</u>                        | <u>29,794,628</u>                       |
|                          |                          |                               |   | 732,233                                 | 5,020,970                               |
|                          |                          |                               |   | 364,595                                 | 1,583,655                               |
| 718,865                  |                          |                               |   | 1,575,918                               | 4,380,054                               |
|                          |                          |                               |   | 328,748                                 | 4,180,433                               |
|                          |                          |                               |   | 112,156                                 | 4,809,206                               |
|                          | 1,103,212                |                               |   | 1,900,919                               | 5,095,655                               |
|                          |                          |                               |   | 315,538                                 | 388,303                                 |
|                          |                          |                               |   | 1,998                                   | 515,724                                 |
|                          | 7,348                    | \$ 48,895                     | 2,226,961                                   | 5,616,083                               | 7,969,832                               |
|                          | 596                      |                               |   | 640,885                                 | 690,946                                 |
|                          | 141                      |                               |   | 163,760                                 | 174,418                                 |
|                          |                          |                               | 76,090                                      | 72,013                                  | 148,103                                 |
| <u>718,865</u>           | <u>1,111,297</u>         | <u>48,895</u>                 | <u>2,303,051</u>                            | <u>11,824,846</u>                       | <u>34,957,299</u>                       |
|                          |                          |                               |   |   |   |
| 103,155                  | 108,231                  | (48,895)                      | (2,226,247)                                 | (5,249,598)                             | (5,162,671)                             |
|                          |                          |                               |   |   | 16,217                                  |
|                          |                          |                               |   | 1,773,691                               | 1,773,691                               |
|                          |                          |                               |   | 580,250                                 | 580,250                                 |
|                          |                          |                               | 2,385,000                                   |   | 2,385,000                               |
|                          |                          |                               |   | 2,325,000                               | 2,325,000                               |
|                          |                          |                               |   | 35,309                                  | 35,309                                  |
|                          |                          |                               |   | (2,288,296)                             | (2,288,296)                             |
|                          | 7,348                    |                               |   |   | 77,893                                  |
|                          |                          | 52,663                        |   | 649,008                                 | 820,073                                 |
|                          | (200,000)                |                               |   | (214,848)                               | (820,073)                               |
|                          | (192,652)                | 52,663                        | 2,385,000                                   | 2,860,114                               | 4,905,064                               |
|                          |                          |                               |   |   |   |
| 103,155                  | (84,421)                 | 3,768                         | 158,753                                     | (2,389,484)                             | (257,607)                               |
|                          |                          |                               |   |   |   |
| 732,998                  | 486,172                  | 3,910,144                     |   | 7,180,857                               | 26,425,593                              |
| <u>\$ 836,153</u>        | <u>\$ 401,751</u>        | <u>\$ 3,913,912</u>           | <u>\$ 158,753</u>                           | <u>\$ 4,791,373</u>                     | <u>\$ 26,167,986</u>                    |

**DEFIANCE COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010

|  |                    |                           |
|--|--------------------|---------------------------|
| <b>Net change in fund balances - total governmental funds</b>  | \$                 | (257,607)                 |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i>  |                    |                           |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.  |                    |                           |
| Capital outlay   | \$ 6,017,358       |                           |
| Depreciation expense   | <u>(2,432,825)</u> |                           |
| Total  |                    | 3,584,533                 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.  |                    |                           |
|  |                    | (87,748)                  |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   |                    |                           |
| Property taxes   | 11,396             |                           |
| Sales taxes  | 31,700             |                           |
| Special assessments  | 7,011              |                           |
| Intergovernmental  | (111,340)          |                           |
| Investment income  | (143,306)          |                           |
| Other  | <u>(114,811)</u>   |                           |
| Total  |                    | (319,350)                 |
| The issuances of refunding bonds, general obligation bonds, notes, loans and capital lease transactions are other financing sources in the funds, but they increase long-term liabilities on the statement of net assets:  |                    |                           |
| Refunding bonds  | (2,325,000)        |                           |
| Bonds  | (2,385,000)        |                           |
| Notes  | (580,250)          |                           |
| Loans  | (1,773,691)        |                           |
| Capital leases   | <u>(77,893)</u>    |                           |
| Total  |                    | (7,141,834)               |
| Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net assets.  |                    |                           |
|  |                    | 2,288,296                 |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following items resulted in additional interest being reported on the statement of activities:                          |                    |                           |
| Increase in accrued interest payable   | (9,429)            |                           |
| Amortization of bond premium   | 2,092              |                           |
| Amortization of deferred charges on refundings   | (3,179)            |                           |
| Amortization of bond issue costs   | <u>(7,290)</u>     |                           |
| Total  |                    | (17,806)                  |
| Premiums on debt issuances are recognized as an other financing source in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.  |                    |                           |
|  |                    | (35,309)                  |
| Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.  |                    |                           |
|  |                    | 148,103                   |
| Principal payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets:   |                    |                           |
| General obligation bonds payable   | 230,000            |                           |
| Special assessment bonds payable   | 65,000             |                           |
| Loans payable  | 88,477             |                           |
| Capital leases payable   | 82,009             |                           |
| Notes payable  | <u>225,460</u>     |                           |
| Total  |                    | 690,946                   |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.   |                    |                           |
|  |                    | 32,342                    |
| The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund (less the \$8,610 internal activity) is allocated among the governmental activities. |                    |                           |
|  |                    | <u>(369,230)</u>          |
| <b>Change in net assets of governmental activities</b>   | <b>\$</b>          | <b><u>(1,484,664)</u></b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**DEFIANCE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2010

|  | <u>Budgeted Amounts</u> |                    |                     | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-------------------------|--------------------|---------------------|---|
|  | <u>Original</u>         | <u>Final</u>       | <u>Actual</u>       |   |
| <b>Revenues:</b>   |                         |                    |                     |   |
| Property taxes . . . . .   | \$ 1,556,000            | \$ 1,699,915       | \$ 1,699,915        |   |
| Sales taxes . . . . .  | 3,900,000               | 4,394,042          | 4,394,043           | \$ 1  |
| Charges for services . . . . .   | 751,975                 | 1,006,192          | 1,015,570           | 9,378   |
| Licenses and permits . . . . .   | 27,300                  | 41,401             | 41,526              | 125   |
| Fines and forfeitures . . . . .  | 225,700                 | 310,062            | 320,973             | 10,911  |
| Intergovernmental . . . . .  | 1,195,000               | 1,382,284          | 1,385,402           | 3,118   |
| Investment income . . . . .  | 750,000                 | 980,379            | 875,989             | (104,390)   |
| Rental income . . . . .  | 180,000                 | 266,913            | 269,782             | 2,869   |
| Other . . . . .  | 120,400                 | 562,633            | 472,814             | (89,819)  |
| <b>Total revenues . . . . .</b>  | <b>8,706,375</b>        | <b>10,643,821</b>  | <b>10,476,014</b>   | <b>(167,807)</b>  |
| <b>Expenditures:</b>   |                         |                    |                     |   |
| Current:   |                         |                    |                     |   |
| General government:  |                         |                    |                     |   |
| Legislative and executive . . . . .                                    | 4,479,463               | 4,538,167          | 4,383,088           | 155,079   |
| Judicial . . . . .   | 1,789,328               | 1,789,328          | 1,226,244           | 563,084   |
| Public safety . . . . .  | 2,329,886               | 2,353,687          | 2,126,504           | 227,183   |
| Public works . . . . .   | 665,000                 | 640,000            | 45,150              | 594,850   |
| Health . . . . .   | 72,745                  | 72,745             | 72,216              | 529   |
| Human services . . . . .   | 829,057                 | 520,654            | 295,431             | 225,223   |
| Economic development . . . . .   | 73,000                  | 73,000             | 72,765              | 235   |
| Other . . . . .  | 1,687,184               | 1,635,311          | 479,913             | 1,155,398   |
| <b>Total expenditures . . . . .</b>                                    | <b>11,925,663</b>       | <b>11,622,892</b>  | <b>8,701,311</b>    | <b>2,921,581</b>  |
| Excess (deficiency) of revenues<br>over (under) expenditures . . . . . | (3,219,288)             | (979,071)          | 1,774,703           | 2,753,774   |
| <b>Other financing sources (uses):</b>                                 |                         |                    |                     |   |
| Advances in . . . . .  |                         | 256,208            | 256,208             |   |
| Advances out . . . . .   |                         | (2,484,045)        | (2,484,045)         |   |
| Transfers out . . . . .  |                         | (405,226)          | (405,225)           | 1   |
| Sale of capital assets . . . . .                                       | 5,000                   | 16,217             | 16,217              |   |
| Contingencies . . . . .  | (2,505,718)             | (2,124,089)        |                     | 2,124,089   |
| <b>Total other financing sources (uses) . . . . .</b>                  | <b>(2,500,718)</b>      | <b>(4,740,935)</b> | <b>(2,616,845)</b>  | <b>2,124,090</b>  |
| Net change in fund balances . . . . .                                  | (5,720,006)             | (5,720,006)        | (842,142)           | 4,877,864   |
| <b>Fund balance at beginning of year . . . . .</b>                     | <b>5,595,819</b>        | <b>5,595,819</b>   | <b>5,595,819</b>    |   |
| <b>Prior year encumbrances appropriated . . . . .</b>                  | <b>124,194</b>          | <b>124,194</b>     | <b>124,194</b>      |   |
| <b>Fund balance at end of year . . . . .</b>                           | <b>\$ 7</b>             | <b>\$ 7</b>        | <b>\$ 4,877,871</b> | <b>\$ 4,877,864</b>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 DEVELOPMENTAL DISABILITIES FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2010

|   | <u>Budgeted Amounts</u>    |                            |                            | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|----------------------------|----------------------------|----------------------------|---|
|   | <u>Original</u>            | <u>Final</u>               | <u>Actual</u>              |   |
| <b>Revenues:</b>                                      |                            |                            |                            |   |
| Property taxes . . . . .                              | \$ 1,699,000               | \$ 1,699,000               | \$ 1,881,287               | \$ 182,287  |
| Charges for services. . . . .                         | 402,800                    | 402,800                    | 226,651                    | (176,149)   |
| Intergovernmental. . . . .                            | 2,300,395                  | 2,185,298                  | 2,685,571                  | 500,273   |
| Investment income. . . . .                            | 300                        | 300                        | 277                        | (23)  |
| Contributions and donations. . . . .                  | 2,000                      | 2,000                      | 22,366                     | 20,366  |
| Other . . . . .                                       | 27,000                     | 27,000                     | 39,993                     | 12,993  |
| <b>Total revenues . . . . .</b>                       | <u>4,431,495</u>           | <u>4,316,398</u>           | <u>4,856,145</u>           | <u>539,747</u>  |
| <b>Expenditures:</b>                                  |                            |                            |                            |   |
| Current:  |                            |                            |                            |   |
| Health. . . . .                                       | 5,754,654                  | 5,641,105                  | 4,721,763                  | 919,342   |
| <b>Net change in fund balances . . . . .</b>          | <b>(1,323,159)</b>         | <b>(1,324,707)</b>         | <b>134,382</b>             | <b>1,459,089</b>  |
| <b>Fund balance at beginning of year. . . . .</b>     | <b>2,792,597</b>           | <b>2,792,597</b>           | <b>2,792,597</b>           |   |
| <b>Prior year encumbrances appropriated . . . . .</b> | <b>41,657</b>              | <b>41,657</b>              | <b>41,657</b>              |   |
| <b>Fund balance at end of year . . . . .</b>          | <u><b>\$ 1,511,095</b></u> | <u><b>\$ 1,509,547</b></u> | <u><b>\$ 2,968,636</b></u> | <u><b>\$ 1,459,089</b></u>  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 JOB AND FAMILY SERVICES FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2010

|   | Budgeted Amounts         |                          | Actual                  | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|--------------------------|--------------------------|-------------------------|---|
|   | Original                 | Final                    |                         |   |
| <b>Revenues:</b>                                      |                          |                          |                         |   |
| Intergovernmental . . . . .                           | \$ 4,360,262             | \$ 1,694,505             | \$ 1,704,151            | \$ 9,646  |
| Other . . . . .                                       | 411,707                  | 385,394                  | 322,593                 | (62,801)  |
| Total revenues . . . . .                              | <u>4,771,969</u>         | <u>2,079,899</u>         | <u>2,026,744</u>        | <u>(53,155)</u>   |
| <b>Expenditures:</b>                                  |                          |                          |                         |   |
| Current:  |                          |                          |                         |   |
| Human services . . . . .                              | <u>5,065,278</u>         | <u>2,366,490</u>         | <u>2,235,416</u>        | <u>131,074</u>  |
| Excess of expenditures over revenues . . . . .        | <u>(293,309)</u>         | <u>(286,591)</u>         | <u>(208,672)</u>        | <u>77,919</u>   |
| <b>Other financing sources:</b>                       |                          |                          |                         |   |
| Transfers in . . . . .                                | <u>115,121</u>           | <u>108,403</u>           | <u>108,403</u>          |   |
| Net change in fund balances . . . . .                 | (178,188)                | (178,188)                | (100,269)               | 77,919  |
| <b>Fund balance at beginning of year . . . . .</b>    | 151,433                  | 151,433                  | 151,433                 |   |
| <b>Prior year encumbrances appropriated . . . . .</b> | <u>\$ 26,755</u>         | <u>\$ 26,755</u>         | <u>26,755</u>           |   |
| <b>Fund balance at end of year . . . . .</b>          | <u><u>          </u></u> | <u><u>          </u></u> | <u><u>\$ 77,919</u></u> | <u><u>\$ 77,919</u></u>                                 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 MOTOR VEHICLE AND GAS TAX FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2010

|  | Budgeted Amounts |                  | Actual              | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|---------------------|---|
|  | Original         | Final            |                     |   |
| <b>Revenues:</b>   |                  |                  |                     |   |
| Charges for services. . . . .  | \$ 1,000         | \$ 361           | \$ 390              | \$ 29   |
| Fines and forfeitures . . . . .  | 10,000           | 15,421           | 15,821              | 400   |
| Intergovernmental. . . . .   | 4,080,000        | 4,089,830        | 4,089,830           |   |
| Investment income. . . . .   | 12,000           | 4,453            | 4,453               |   |
| Other . . . . .  | 13,000           | 91,735           | 81,837              | (9,898)   |
| <b>Total revenues . . . . .</b>  | <b>4,116,000</b> | <b>4,201,800</b> | <b>4,192,331</b>    | <b>(9,469)</b>  |
| <b>Expenditures:</b>   |                  |                  |                     |   |
| Current:   |                  |                  |                     |   |
| Public works. . . . .  | 4,804,085        | 4,889,885        | 3,772,116           | 1,117,769   |
| Excess (deficiency) of revenues<br>over (under) expenditures . . . . . | (688,085)        | (688,085)        | 420,215             | 1,108,300   |
| <b>Other financing sources:</b>  |                  |                  |                     |   |
| Transfers in . . . . .   | 9,999            | 9,999            | 9,999               |   |
| <b>Net change in fund balances . . . . .</b>                           | <b>(678,086)</b> | <b>(678,086)</b> | <b>430,214</b>      | <b>1,108,300</b>  |
| <b>Fund balance at beginning of year. . . . .</b>                      | <b>614,237</b>   | <b>614,237</b>   | <b>614,237</b>      |   |
| <b>Prior year encumbrances appropriated . . . . .</b>                  | <b>\$ 63,849</b> | <b>\$ 63,849</b> | <b>63,849</b>       |   |
| <b>Fund balance at end of year . . . . .</b>                           |                  |                  | <b>\$ 1,108,300</b> | <b>\$ 1,108,300</b>                                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 EMERGENCY 911 FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2010

|   | <b>Budgeted Amounts</b> |              |               | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------|--------------|---------------|---|
|   | <b>Original</b>         | <b>Final</b> | <b>Actual</b> |   |
| <b>Revenues:</b>                                      |                         |              |               |   |
| Property taxes . . . . .                              | \$ 650,000              | \$ 616,049   | \$ 616,049    |   |
| Intergovernmental . . . . .                           | 106,000                 | 210,138      | 210,138       |   |
| Total revenues . . . . .                              | 756,000                 | 826,187      | 826,187       |   |
| <b>Expenditures:</b>                                  |                         |              |               |   |
| Current:  |                         |              |               |   |
| Public safety. . . . .                                | 1,442,422               | 1,512,609    | 732,423       | \$ 780,186  |
| Net change in fund balances . . . . .                 | (686,422)               | (686,422)    | 93,764        | 780,186   |
| <b>Fund balance at beginning of year. . . . .</b>     | 676,420                 | 676,420      | 676,420       |   |
| <b>Prior year encumbrances appropriated . . . . .</b> | \$ 10,002               | \$ 10,002    | 10,002        |   |
| <b>Fund balance at end of year . . . . .</b>          | 686,422                 | 686,422      | 780,186       | \$ 780,186  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 SENIOR CENTER FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2010

|  | <u>Budgeted Amounts</u> |                    |                          | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-------------------------|--------------------|--------------------------|---|
|  | <u>Original</u>         | <u>Final</u>       | <u>Actual</u>            |   |
| <b>Revenues:</b>   |                         |                    |                          |   |
| Property taxes . . . . .   | \$ 604,498              | \$ 631,237         | \$ 631,237               |   |
| Charges for services . . . . .   | 107,522                 | 90,056             | 92,060                   | \$ 2,004  |
| Intergovernmental . . . . .  | 518,141                 | 514,930            | 514,930                  |   |
| Contributions and donations . . . . .                                  | 10,000                  | 6,349              | 6,426                    | 77  |
| Other . . . . .  | 7,000                   | 4,903              | 5,002                    | 99  |
| <b>Total revenues . . . . .</b>  | <u>1,247,161</u>        | <u>1,247,475</u>   | <u>1,249,655</u>         | <u>2,180</u>  |
| <b>Expenditures:</b>   |                         |                    |                          |   |
| Current:   |                         |                    |                          |   |
| Human services . . . . .   | 1,670,593               | 1,670,906          | 1,138,392                | 532,514   |
| Excess (deficiency) of revenues<br>over (under) expenditures . . . . . | <u>(423,432)</u>        | <u>(423,431)</u>   | <u>111,263</u>           | <u>534,694</u>  |
| <b>Other financing uses:</b>   |                         |                    |                          |   |
| Transfers out . . . . .  |                         |                    | (200,000)                | (200,000)   |
| <b>Net change in fund balances . . . . .</b>                           | <u>(423,432)</u>        | <u>(423,431)</u>   | <u>(88,737)</u>          | <u>334,694</u>  |
| <b>Fund balance at beginning of year . . . . .</b>                     | 387,810                 | 387,810            | 387,810                  |   |
| <b>Prior year encumbrances appropriated . . . . .</b>                  | <u>\$ 35,622</u>        | <u>35,622</u>      | <u>35,622</u>            |   |
| <b>Fund balance at end of year . . . . .</b>                           | <u><u>\$ 1</u></u>      | <u><u>\$ 1</u></u> | <u><u>\$ 334,695</u></u> | <u><u>\$ 334,694</u></u>  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE COUNTY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2010**

|  | <u>Business-type Activities - Enterprise Funds</u> |                     |                      | <b>Governmental</b>                               |
|--|--|---------------------|----------------------|---|
|  | <u>Landfill</u>                                    | <u>Sewer</u>        | <u>Total</u>         | <b>Activities -<br/>Internal<br/>Service Fund</b> |
| <b>Assets:</b>   |  |                     |                      |   |
| Current assets:  |  |                     |                      |   |
| Equity in pooled cash and cash equivalents . . . . .   | \$ 8,704,500                                       | \$ 664,356          | \$ 9,368,856         | \$ 1,086,528                                      |
| Cash with fiscal agent . . . . .   |  | 2,161               | 2,161                |   |
| Cash and cash equivalents in segregated accounts . . . . .   | 225  | 100                 | 325                  |   |
| Receivables (net of allowance for uncollectibles):   |  |                     |                      |   |
| Accounts . . . . .   | 389,136  | 115,673             | 504,809              |   |
| Prepayments . . . . .  | 63,459   | 1,896               | 65,355               |   |
| Materials and supplies inventory . . . . .   | 6,565  | 449                 | 7,014                |   |
| Total current assets . . . . .   | <u>9,163,885</u>                                   | <u>784,635</u>      | <u>9,948,520</u>     | <u>1,086,528</u>                                  |
| Noncurrent assets:   |  |                     |                      |   |
| Restricted assets:   |  |                     |                      |   |
| Equity in pooled cash and cash equivalents . . . . .   | 151,309  |                     | 151,309              |   |
| Investments . . . . .  | 5,257,841  |                     | 5,257,841            |   |
| Accrued interest receivable . . . . .  | 48,999   |                     | 48,999               |   |
| Total restricted assets . . . . .  | <u>5,458,149</u>                                   |                     | <u>5,458,149</u>     |   |
| Capital assets:  |  |                     |                      |   |
| Non-depreciable capital assets . . . . .   | 991,731  | 3,354,521           | 4,346,252            |   |
| Depreciable capital assets, net . . . . .  | 4,099,594  | 4,696,276           | 8,795,870            |   |
| Total capital assets, net . . . . .  | <u>5,091,325</u>                                   | <u>8,050,797</u>    | <u>13,142,122</u>    |   |
| Total noncurrent assets . . . . .  | <u>10,549,474</u>                                  | <u>8,050,797</u>    | <u>18,600,271</u>    |   |
| Total assets . . . . .   | <u>19,713,359</u>                                  | <u>8,835,432</u>    | <u>28,548,791</u>    | <u>1,086,528</u>                                  |
| <b>Liabilities:</b>  |  |                     |                      |   |
| Current liabilities:   |  |                     |                      |   |
| Accounts payable . . . . .   | 79,333   | 38,975              | 118,308              |   |
| Accrued wages and benefits . . . . .   | 11,111   | 3,648               | 14,759               |   |
| Compensated absences payable . . . . .   | 26,043   | 5,756               | 31,799               |   |
| Interfund loans payable . . . . .  |  |                     |                      | 200,000   |
| Due to other funds . . . . .   | 2,094  | 858                 | 2,952                |   |
| Due to other governments . . . . .   | 52,719   | 2,910               | 55,629               |   |
| Accrued interest payable . . . . .   |  | 784                 | 784                  |   |
| Claims payable . . . . .   |  |                     |                      | 210,551   |
| Revenue bonds . . . . .  |  | 800                 | 800                  |   |
| Capmark commercial mortgage payable . . . . .  |  | 5,000               | 5,000                |   |
| Total current liabilities . . . . .  | <u>171,300</u>                                     | <u>58,731</u>       | <u>230,031</u>       | <u>410,551</u>                                    |
| Long-term liabilities:   |  |                     |                      |   |
| Liabilities payable from restricted assets:  |  |                     |                      |   |
| Closure and postclosure payable . . . . .  | 3,773,577  |                     | 3,773,577            |   |
| Revenue bonds . . . . .  |  | 56,500              | 56,500               |   |
| Capmark commercial mortgage payable . . . . .  |  | 62,000              | 62,000               |   |
| Compensated absences . . . . .   | 42,767   | 27,539              | 70,306               |   |
| Total long-term liabilities . . . . .  | <u>3,816,344</u>                                   | <u>146,039</u>      | <u>3,962,383</u>     |   |
| Total liabilities . . . . .  | <u>3,987,644</u>                                   | <u>204,770</u>      | <u>4,192,414</u>     | <u>410,551</u>                                    |
| <b>Net assets:</b>   |  |                     |                      |   |
| Invested in capital assets, net of related debt . . . . .  | 5,091,325  | 7,926,497           | 13,017,822           |   |
| Restricted for closure and postclosure . . . . .   | 1,684,572  |                     | 1,684,572            |   |
| Unrestricted . . . . .   | 8,949,818  | 704,165             | 9,653,983            | 675,977   |
| Total net assets . . . . .   | <u>\$ 15,725,715</u>                               | <u>\$ 8,630,662</u> | <u>\$ 24,356,377</u> | <u>\$ 675,977</u>                                 |
| Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds |  |                     | (22,642)             |   |
| Net assets of business-type activities   |  |                     | <u>\$ 24,333,735</u> |   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE COUNTY**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010

|  | <u>Business-type Activities - Enterprise Funds</u> |                     |                     | <b>Governmental<br/>Activities -<br/>Internal<br/>Service Fund</b> |
|--|--|---------------------|---------------------|--|
|  | <u>Landfill</u>                                    | <u>Sewer</u>        | <u>Total</u>        |  |
| <b>Operating revenues:</b>   |  |                     |                     |  |
| Charges for services . . . . .   | \$ 2,727,638                                       | \$ 524,629          | \$ 3,252,267        | \$ 2,056,314   |
| Other . . . . .  | 10,031   |                     | 10,031              |  |
| Total operating revenues. . . . .  | <u>2,737,669</u>                                   | <u>524,629</u>      | <u>3,262,298</u>    | <u>2,056,314</u>   |
| <b>Operating expenses:</b>   |  |                     |                     |  |
| Personal services . . . . .  | 418,032  | 131,312             | 549,344             |  |
| Contract services. . . . .   | 787,009  | 276,488             | 1,063,497           |  |
| Materials and supplies. . . . .  | 242,959  | 30,230              | 273,189             |  |
| Other . . . . .  | 393,835  | 9,042               | 402,877             |  |
| Claims . . . . .   |  |                     |                     | 2,416,934  |
| Closure and postclosure . . . . .  | 100,727  |                     | 100,727             |  |
| Depreciation. . . . .  | 254,504  | 129,138             | 383,642             |  |
| Total operating expenses. . . . .  | <u>2,197,066</u>                                   | <u>576,210</u>      | <u>2,773,276</u>    | <u>2,416,934</u>   |
| Operating income (loss) . . . . .  | <u>540,603</u>                                     | <u>(51,581)</u>     | <u>489,022</u>      | <u>(360,620)</u>   |
| <b>Nonoperating revenues (expenses):</b>   |  |                     |                     |  |
| Interest revenue . . . . .   | 47,674   |                     | 47,674              |  |
| Interest expense and fiscal charges . . . . .  |  | (5,983)             | (5,983)             |  |
| Total nonoperating revenues (expenses). . . . .  | <u>47,674</u>                                      | <u>(5,983)</u>      | <u>41,691</u>       |  |
| Net income (loss) before capital contributions . . . . .   | 588,277  | (57,564)            | 530,713             | (360,620)  |
| Capital contributions. . . . .   | <u>4,278</u>                                       | <u>2,423,414</u>    | <u>2,427,692</u>    |  |
| Change in net assets . . . . .   | 592,555  | 2,365,850           | 2,958,405           | (360,620)  |
| <b>Net assets at beginning of year (restated). . . . .</b>   | <u>15,133,160</u>                                  | <u>6,264,812</u>    |                     | <u>1,036,597</u>   |
| <b>Net assets at end of year . . . . .</b>   | <u>\$ 15,725,715</u>                               | <u>\$ 8,630,662</u> |                     | <u>\$ 675,977</u>  |
| Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds |  |                     | <u>8,610</u>        |  |
| Change in net assets of business-type activities   |  |                     | <u>\$ 2,967,015</u> |  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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**DEFIANCE COUNTY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|   | <b>Business-type Activities - Enterprise Funds</b> |                   |                     | <b>Governmental<br/>Activities -<br/>Internal<br/>Service Fund</b> |
|---|--|-------------------|---------------------|--|
|   | <b>Landfill</b>                                    | <b>Sewer</b>      | <b>Total</b>        |  |
| <b>Cash flows from operating activities:</b>                        |  |                   |                     |  |
| Cash received from sales/service charges . . . . .                  | \$ 2,526,969                                       | \$ 506,291        | \$ 3,033,260        | \$ 2,056,314   |
| Cash received from other operating revenue . . . . .                | 10,031   |                   | 10,031              |  |
| Cash payments for personal services . . . . .                       | (420,627)  | (132,664)         | (553,291)           |  |
| Cash payments for contract services . . . . .                       | (750,205)  | (275,876)         | (1,026,081)         |  |
| Cash payments for materials and supplies . . . . .                  | (247,318)  | (30,560)          | (277,878)           |  |
| Cash payments for claims . . . . .                                  |  |                   |                     | (2,401,178)  |
| Cash payments for other expenses . . . . .                          | (393,835)  | (9,042)           | (402,877)           |  |
| Net cash provided by (used in) operating activities . . . . .       | <u>725,015</u>                                     | <u>58,149</u>     | <u>783,164</u>      | <u>(344,864)</u>   |
| <b>Cash flows from noncapital financing activities:</b>             |  |                   |                     |  |
| Cash received from interfund loans . . . . .                        |  |                   |                     | 200,000  |
| Net cash provided by noncapital financing activities . . . . .      |  |                   |                     | <u>200,000</u>   |
| <b>Cash flows from capital and related financing activities:</b>    |  |                   |                     |  |
| Acquisition of capital assets . . . . .                             | (64,937)   |                   | (64,937)            |  |
| Principal payments on bonds . . . . .                               |  | (700)             | (700)               |  |
| Interest payments on bonds . . . . .                                |  | (2,392)           | (2,392)             |  |
| Principal payments on Capmark commercial mortgage . . . . .         |  | (5,000)           | (5,000)             |  |
| Interest payments on Capmark commercial mortgage . . . . .          |  | (3,600)           | (3,600)             |  |
| Net cash used in capital and related financing activities . . . . . | <u>(64,937)</u>                                    | <u>(11,692)</u>   | <u>(76,629)</u>     |  |
| <b>Cash flows from investing activities:</b>                        |  |                   |                     |  |
| Cash received from interest . . . . .                               | 114,819  |                   | 114,819             |  |
| Net cash provided by maturities of investments . . . . .            | 3,985,389  |                   | 3,985,389           |  |
| Net cash payments for purchases of investments . . . . .            | (4,115,388)  |                   | (4,115,388)         |  |
| Net cash used in investing activities . . . . .                     | <u>(15,180)</u>                                    |                   | <u>(15,180)</u>     |  |
| Net increase (decrease) in cash and cash equivalents . . . . .      | 644,898  | 46,457            | 691,355             | (144,864)  |
| <b>Cash and cash equivalents at beginning of year . . . . .</b>     | <u>8,211,136</u>                                   | <u>620,160</u>    | <u>8,831,296</u>    | <u>1,231,392</u>   |
| <b>Cash and cash equivalents at end of year . . . . .</b>           | <u>\$ 8,856,034</u>                                | <u>\$ 666,617</u> | <u>\$ 9,522,651</u> | <u>\$ 1,086,528</u>  |

- - continued

**DEFIANCE COUNTY**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2010

|  | Business-type Activities - Enterprise Funds |                  |                   | Governmental<br>Activities -<br>Internal<br>Service Fund |
|--|---|------------------|-------------------|--|
|  | Landfill                                    | Sewer            | Total             |  |
| <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b> |   |                  |                   |  |
| Operating income (loss) . . . . .  | \$ 540,603                                  | \$ (51,581)      | \$ 489,022        | \$ (360,620)   |
| Adjustments:   |   |                  |                   |  |
| Depreciation . . . . .   | 254,504                                     | 129,138          | 383,642           |  |
| Changes in assets and liabilities:   |   |                  |                   |  |
| (Increase) in accounts receivable . . . . .  | (200,669)                                   | (18,338)         | (219,007)         |  |
| (Increase) decrease in prepayments . . . . .   | (211)                                       | 2,187            | 1,976             |  |
| (Increase) in inventories . . . . .  | (4,359)                                     | (330)            | (4,689)           |  |
| Increase (decrease) in accounts payable. . . . .   | 27,587                                      | (1,682)          | 25,905            |  |
| Increase in accrued wages and benefits . . . . .   | 1,283                                       | 365              | 1,648             |  |
| Increase in landfill closure and postclosure care liability. . . . .                                     | 100,727                                     |                  | 100,727           |  |
| Increase in due to other funds. . . . .  | 1,882                                       | 107              | 1,989             |  |
| Increase in claims payable. . . . .  |   |                  |                   | 15,756   |
| Increase (decrease) in due to other governments. . . . .   | 6,725                                       | (141)            | 6,584             |  |
| (Decrease) in compensated absences payable. . . . .  | (3,057)                                     | (1,576)          | (4,633)           |  |
| Net cash provided by (used in) operating activities . . . . .  | <u>\$ 725,015</u>                           | <u>\$ 58,149</u> | <u>\$ 783,164</u> | <u>\$ (344,864)</u>                                      |

**Non-Cash Activity:**

In 2010, there was an increase in the fair value of investments in the Landfill fund, in the amount of \$35,734.  
 In 2010, the Sewer fund received capital contributions in the amount of \$2,423,414 from governmental funds.  
 In 2010, capital assets in the amount of \$13,690 with accumulated depreciation of \$9,412 were transferred from governmental activities to the Landfill fund.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 DECEMBER 31, 2010

|  | <b>Agency</b>     |
|--|-------------------|
| <b>Assets:</b>                                       |                   |
| Equity in pooled cash and cash equivalents . . . . . | \$ 7,972,108      |
| Cash in segregated accounts. . . . .                 | 967,254           |
| Receivables:   |                   |
| Real estate and other taxes . . . . .                | 26,586,353        |
| Due from other governments . . . . .                 | 1,907,338         |
| Special assessments . . . . .                        | 317,218           |
| <br>Total assets . . . . .                           | <br>\$ 37,750,271 |
| <br><b>Liabilities:</b>                              |                   |
| Due to other governments . . . . .                   | \$ 30,294,147     |
| Undistributed monies . . . . .                       | 7,456,124         |
| <br>Total liabilities. . . . .                       | <br>\$ 37,750,271 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## DEFIANCE COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

#### NOTE 1 - DESCRIPTION OF THE COUNTY AND REPORTING ENTITY

##### A. The County

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

##### B. Reporting Entity

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

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

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's Governing Board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; (3) the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the County is obligated for the debt of the organization. Component units may also include organizations for which the County approves the budget, the issuance of debt, or the levying of taxes. The County does not have any component units.

The County participates in nine jointly governed organizations, the Northwest Ohio Juvenile Detention, Training, and Rehabilitation Center; Four County Board of Alcohol, Drug Addiction and Mental Health Services; Corrections Commission of Northwest Ohio; Four County Solid Waste District; Multi-Area Narcotics Task Force; Quadco Rehabilitation Center; Maumee Valley Planning Organization; the Community Improvement Corporation of Defiance County; and Northwest Ohio Waiver Administration Council (See Note 20).

The County participates in two insurance pools, the County Commissioners Association Service Corporation and the Northern Buckeye Education Council Employee Insurance Benefits Program (See Note 21).

The County is associated with one related organization, the Defiance County Regional Airport Authority (See Note 22).

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Defiance County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds provided it does not conflict with or contradict GASB pronouncements. The County has elected not to apply FASB guidance issued after November 30, 1989, to its business-type activities and enterprise funds. Following are the more significant of the County's accounting policies.

**A. Basis of Presentation**

The County's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

*Government-Wide Financial Statements*

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

***Fund Financial Statements*** - During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the proprietary fund financial statements. Fiduciary funds are reported by type.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)

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

**B. Fund Accounting**

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

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

General fund - The general fund accounts 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.

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

Job and family services fund - This fund accounts for various federal, State and local revenues as well as transfers from the general fund used to provide general relief and to pay providers of medical assistance and social services.

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

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

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

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

Historical jail construction fund - This fund accounts for monies used for capital improvements related to the County historical jail.

Other governmental funds of the County are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) accumulation of resources for and the repayment of, general long-term debt principal, interest and related

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)

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

costs and (c) grants and other resources, the use of which is restricted to a particular purpose.

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

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

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

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

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

**Fiduciary Funds** - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. The County did not have any trust funds in 2010. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's agency funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent and for taxes, State-levied shared revenues and fines and forfeitures collected and distributed to other political subdivisions.

**C. Measurement Focus**

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

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



DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)

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

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

**D. Basis of Accounting**

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

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

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

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

***Unearned Revenue and Deferred Revenue*** - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)

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

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance 2011 operations and other revenues received in advance of the year for which they are intended to finance, have been recorded as unearned revenue.

Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2010 are recorded as deferred revenue on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

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

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

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. Budgetary information for the juvenile probation accounts and an account held for a child in custodial care are not reported in the general fund or the job and family services special revenue fund because they are not included in the entity for which the "appropriated budget" is adopted. The major documents prepared are the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, program, department and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the County Commissioners.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the County Commissioners during the year.

**F. Cash and Investments**

To improve cash management, cash received by the County is pooled and invested. Individual fund integrity is maintained through County records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

Cash and cash equivalents that are held separately within departments of the County and not included in the County Treasury are recorded as "cash and cash equivalents in segregated accounts". Cash and cash equivalents that are held by a trustee for the payment of bonds and coupons are recorded as "cash and cash equivalents with fiscal agent".

During 2010, the County invested in nonnegotiable certificates of deposit, federal agency securities, U.S. Treasury notes, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, except for nonnegotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on December 31, 2010.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the general fund during 2010 was \$767,986 which includes \$678,257 assigned from other County funds.

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

**H. Inventory**

Inventory is presented at cost on a first-in, first-out basis and is expensed/expensed when used. Inventory consists of expendable supplies held for consumption.

**I. Loans Receivable**

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

**J. Restricted Assets**

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

**K. Capital Assets**

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

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

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

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

| <u>Description</u>      | <u>Governmental<br/>Activities<br/>Estimated Lives</u> | <u>Business-type<br/>Activities<br/>Estimated Lives</u> |
|-------------------------|--|---|
| Buildings               | 20 - 150 years   | 50 years  |
| Land Improvements       | N/A  | 50 years  |
| Roads and Bridges       | 15 - 100 years   | N/A   |
| Machinery and equipment | 5 - 20 years   | 5 - 20 years  |
| Vehicles                | 8 - 15 years   | 8 - 15 years  |
| Sewer Lines             | N/A  | 50 years  |

**L. Interfund Receivables/Payables**

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

**M. Compensated Absences**

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the County has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the County's union contracts or departmental personnel policies. The County records a liability for accumulated unused sick leave for any employee with ten years of service with the County.

**N. Accrued Liabilities and Long-Term Obligations**

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

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

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

On the government-wide financial statements, bond premiums, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premiums. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**O. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**P. Fund Balance Reserves and Designations**

The County reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances, prepayments, materials and supplies inventory, interfund loans, loans receivable, unclaimed monies and debt service.

A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by the County. The designation for retirement represents monies set aside by the County for the future payment of termination benefits.

**Q. Operating Revenues and Expenses**

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

**R. Capital Contributions**

Capital contributions on the proprietary fund financial statements arise from contributions from governmental activities, from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction. During 2010, the landfill enterprise fund and sewer enterprise fund received capital contributions of \$4,278 and \$2,423,414, respectively, from governmental funds.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

**S. Interfund Transactions**

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither one of these types of events occurred during 2010.

**U. Estimates**

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**V. Unamortized Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss**

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as an addition to or reduction of the face amount of the new debt. On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For 2010, the County has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. In accordance with the implementation GASB Statement No. 51, the County has reported intangible assets on a separate line in Note 9 and has reflected intangible assets as indicated in the financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the County.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the County.

**B. Prior Period Restatement**

A prior period restatement is required to report due to/from other funds, which resulted from various reimbursements due between departments at December 31, 2009.

The prior period restatement had the following effect on fund balances as previously reported:



**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

|  | Fund Balance at<br>December 31, 2009 | Adjustment for<br>due from/to<br>other funds | Restated<br>Fund Balance at<br>January 1, 2010 |
|--|--------------------------------------|--|--|
| General Fund                           | \$ 9,005,100                         | \$ 171,725                                   | \$ 9,176,825                                   |
| Development Disabilities Fund          | 3,224,954                            |  | 3,224,954                                      |
| Job and Family Services Fund           | 241,184                              | 145,545                                      | 386,729  |
| Motor Vehicle License and Gas Tax Fund | 1,326,466                            | 448  | 1,326,914                                      |
| Emergency 911 Fund                     | 732,998                              |  | 732,998  |
| Senior Center Fund                     | 486,287                              | (115)  | 486,172  |
| County Improvement Fund                | 3,910,144                            |  | 3,910,144                                      |
| Other Governmental Fund                | 7,497,588                            | (316,731)                                    | 7,180,857                                      |
| <b>Total Governmental Funds</b>        | <b>\$ 26,424,721</b>                 | <b>\$ 872</b>                                | <b>\$ 26,425,593</b>                           |

The prior period restatement had the following effect on net assets as previously reported:

|  | Governmental<br>Activities | Business-type<br>Activities | Landfill Fund        | Sewer Fund          |
|--|----------------------------|-----------------------------|----------------------|---------------------|
| Net assets, December 31, 2009          | \$ 85,732,215              | \$ 21,367,592               | \$ 15,133,281        | \$ 6,265,563        |
| Adjustment for due from/to other funds | <u>872</u>                 | <u>(872)</u>                | <u>(121)</u>         | <u>(751)</u>        |
| Restated net assets, December 31, 2009 | <u>\$ 85,733,087</u>       | <u>\$ 21,366,720</u>        | <u>\$ 15,133,160</u> | <u>\$ 6,264,812</u> |

**C. Deficit Fund Balances**

| <u>Nonmajor governmental funds</u>        | <u>Deficit</u> |
|---|----------------|
| Economic development special revenue fund | \$ 864         |
| Terrorism planning special revenue fund   | 2,035          |
| Brownfield grant special revenue fund     | 3,856          |
| In care video system special revenue fund | 78             |
| Auglaize sewer debt service fund          | 239,489        |
| Historical jail debt service fund         | 152,622        |
| Auglaize sewer capital projects fund      | 821,257        |
| Airport capital projects fund             | 384,651        |
| Highland ditch capital projects fund      | 6,606          |
| Elliot road W and S capital projects fund | 103,923        |
| Lick creek capital projects fund          | 17,524         |
| Lost creek capital projects fund          | 32,778         |
| Black ditch capital projects fund         | 91,544         |

These funds complied with Ohio State law, which does not permit a cash basis deficit at year end. The deficit fund balances resulted from reporting notes payable and advances from other funds and other accrued liabilities as a fund liability. These deficits will be alleviated when sufficient revenues are received to retire the notes and repay the advances.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statements of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) - for the general fund, developmental disabilities fund, job and family services fund, motor vehicle and gas tax fund, emergency 911 fund and senior center fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

1. Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis);
4. Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
5. Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

Adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis are as follows:

|  | Change in Fund Balance |                               |                               |                                 |                  |                  |
|--|------------------------|-------------------------------|-------------------------------|---------------------------------|------------------|------------------|
|  | General                | Developmental<br>Disabilities | Job and<br>Family<br>Services | Motor<br>Vehicle and<br>Gas Tax | Emergency<br>911 | Senior<br>Center |
| Budget basis                               | \$ (842,142)           | \$ 134,382                    | \$ (100,269)                  | \$ 430,214                      | \$ 93,764        | \$ (88,737)      |
| Net adjustment for<br>revenue accruals     | (274,646)              | (12,572)                      | (155,816)                     | (7,172)                         | (4,167)          | (30,127)         |
| Net adjustment for<br>expenditure accruals | (127,678)              | 20,484                        | 397,035                       | (104,459)                       | (903)            | (4,017)          |
| Net adjustment for<br>other sources/(uses) | 2,298,382              |                               |                               |                                 |                  | 7,348            |
| Adjustment for<br>encumbrances             | 141,461                | 37,586                        | 44,792                        | 71,040                          | 14,461           | 31,112           |
| GAAP basis                                 | \$ 1,195,377           | \$ 179,880                    | \$ 185,742                    | \$ 389,623                      | \$ 103,155       | \$ (84,421)      |

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items 1 and 2, above, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

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

**A. Cash on Hand**

At year end, the County had \$131,455 in undeposited cash on hand which is included on the financial statements of the County as part of "equity in pooled cash and cash equivalents".

**B. Cash with Fiscal Agent**

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

**C. Cash in Segregated Accounts**

At year end, the County had \$985,824 in cash and cash equivalents deposited separate from the County's internal investment pool and \$127,860 held in retainage due to Charles Construction. These amounts are included in the amount of deposits with financial institutions below.

**D. Deposits with Financial Institutions**

At December 31, 2010, the carrying amount of all County deposits, including cash in segregated accounts, was \$48,287,290. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2010, \$21,569,333 of the County's bank balance of \$48,671,074 was exposed to custodial risk as discussed below, while \$27,101,741 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

**E. Investments**

As of December 31, 2010, the County had the following investments and maturities:

| <u>Investment type</u> | <u>Fair Value</u>   | <u>Investment Maturities</u> |                        |                               |
|------------------------|---------------------|------------------------------|------------------------|-------------------------------|
|                        |                     | <u>6 months or less</u>      | <u>13 to 18 months</u> | <u>Greater than 24 months</u> |
| Federal Home Loan Bank | \$ 1,069,740        |                              | \$ 1,069,740           |                               |
| U.S. Treasury Note     | 132,453             |                              |                        | \$ 132,453                    |
| STAR Ohio              | <u>156,309</u>      | <u>\$ 156,309</u>            |                        |                               |
| Total                  | <u>\$ 1,358,502</u> | <u>\$ 156,309</u>            | <u>\$ 1,069,740</u>    | <u>\$ 132,453</u>             |

The weighted average maturity of investments is 1.71 years.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the County's investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

*Credit Risk:* The County's investments in federal agency securities and the U.S. Treasury note were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. The County has no investment policy dealing with investment credit risk beyond the requirements in State statute.

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

*Concentration of Credit Risk:* The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2010:

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

| <u>Investment type</u> | <u>Fair Value</u>   | <u>% of Total</u> |
|------------------------|---------------------|-------------------|
| Federal Home Loan Bank | \$ 1,069,740        | 78.74             |
| U.S. Treasury Note     | 132,453             | 9.75              |
| STAR Ohio              | <u>156,309</u>      | <u>11.51</u>      |
| Total                  | <u>\$ 1,358,502</u> | <u>100.00</u>     |

**F. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2010.

|   |                      |
|---|----------------------|
| <u>Cash and investments per note</u>                        |                      |
| Carrying amount of deposits                                 | \$ 48,287,290        |
| Investments   | 1,358,502            |
| Cash with fiscal agent                                      | 2,161                |
| Cash on hand  | <u>131,455</u>       |
| Total   | <u>\$ 49,779,408</u> |
| <br><u>Cash and investments per statement of net assets</u> |                      |
| Governmental activities                                     | \$ 26,059,554        |
| Business-type activities                                    | 14,780,492           |
| Agency funds  | <u>8,939,362</u>     |
| Total   | <u>\$ 49,779,408</u> |

**NOTE 6 – RECEIVABLES**

Receivables at December 31, 2010, consisted of accounts (billings for user charged services); sales taxes; accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; property taxes; loans: accounts; and special assessments. All receivables are considered collectible in full and within one year, except for loans and special assessments. Special assessments, in the amount of \$1,975,828, will not be received within one year.

Loans receivable represent low interest loans for housing and development projects granted to eligible County property owners and businesses under the Federal Community Block Grant program. During 2010, new loans for housing and development projects were issued to the County in the amount of \$278,346. The loans outstanding at December 31, 2010 have an annual interest rate of 0 to 8.5 % and are to be repaid over periods ranging from five to ten years. During 2010, principal in the amount of \$24,057 was repaid. Loans outstanding at December 31, 2010, were \$475,824, net of allowance for doubtful accounts in the amount of \$92,018. Loans receivable, in the amount of \$416,760 will not be received within one year.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)

NOTE 6 – RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

|                                      |                     |
|--------------------------------------|---------------------|
| General fund                         |                     |
| Local government                     | \$ 389,450          |
| Homestead and rollback               | 128,293             |
| Other intergovernmental receivables  | <u>25,232</u>       |
| Total general fund                   | <u>542,975</u>      |
| Developmental disabilities fund      |                     |
| Homestead and rollback               | <u>135,640</u>      |
| Job and family services fund         |                     |
| Grants                               | <u>398,603</u>      |
| Motor vehicle and gas tax fund       |                     |
| Motor vehicle license tax            | 860,015             |
| Gasoline tax                         | 1,183,373           |
| Other intergovernmental receivables  | <u>3,031</u>        |
| Total motor vehicle and gas tax fund | <u>2,046,419</u>    |
| Emergency 911 fund                   |                     |
| Homestead and rollback               | <u>46,482</u>       |
| Senior Center fund                   |                     |
| Homestead and rollback               | 46,480              |
| Grants                               | <u>21,037</u>       |
| Total senior center fund             | <u>67,517</u>       |
| Total major funds                    | <u>\$ 3,237,636</u> |

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 6 – RECEIVABLES (Continued)**

|   |                     |
|---|---------------------|
| <u>Nonmajor funds</u>   |                     |
| Children services fund  | \$ 220,767          |
| Community development block grant fund                        | 628,500             |
| FEMA certification fund                                       | 1,957               |
| Sarah's house fund  | 3,854               |
| WIA fund  | 499,315             |
| Terrorism planning fund                                       | 5,025               |
| Law library resource fund                                     | 2,392               |
| Brownfield grant fund   | 5,154               |
| Auglaize sewer fund   | 16,230              |
| Regional jail fund  | 81,991              |
| Public defender fund  | <u>694</u>          |
| Total nonmajor funds  | <u>1,465,879</u>    |
| <br>  |                     |
| Total governmental activities                                 | <u>\$ 4,703,515</u> |
| <br>  |                     |
| <u>Agency funds</u>   |                     |
| Library local government fund                                 | \$ 565,824          |
| Local government and local government revenue assistance fund | 526,902             |
| Permissive motor vehicle license fund                         | 109,521             |
| Motor vehicle license tax fund                                | 177,756             |
| Gasoline tax fund   | <u>527,335</u>      |
| Total agency funds  | <u>\$ 1,907,338</u> |

**NOTE 7 - PERMISSIVE SALES AND USE TAX**

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

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

**NOTE 8 - PROPERTY TAXES**

Property taxes include amounts levied against all real property and public utility property located in the County. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years.



**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 8 - PROPERTY TAXES (Continued)**

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the County due to the phasing out of the tax. In calendar years 2009-2010, the County was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, tangible personal property taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all County operations for the year ended December 31, 2010 was \$8.91 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 8 - PROPERTY TAXES (Continued)**

|                               |  |                       |
|-------------------------------|--|-----------------------|
| <u>Real Property</u>          |  |                       |
| Residential/Agricultural      |  | \$ 548,716,410        |
| Commercial/Industrial/Mineral |  | 117,052,280           |
| <u>Public Utility</u>         |  |                       |
| Real                          |  | 443,200               |
| Personal                      |  | 47,451,390            |
| Total Assessed Value          |  | <u>\$ 713,663,280</u> |

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity of governmental activities for the year ended December 31, 2010, was as follows:

| <b>Governmental activities:</b>               | <u>Balance<br/>12/31/09</u> | <u>Additions</u>    | <u>Disposals</u>   | <u>Balance<br/>12/31/10</u> |
|---|-----------------------------|---------------------|--------------------|-----------------------------|
| <i>Capital assets, not being depreciated:</i> |                             |                     |                    |                             |
| Land  | \$ 1,084,684                |                     |                    | \$ 1,084,684                |
| Easements                                     |                             | \$ 5,250            |                    | 5,250                       |
| Construction in progress                      | <u>505,597</u>              | <u>4,937,079</u>    | <u>\$ (35,188)</u> | <u>5,407,488</u>            |
| Total capital assets, not being depreciated   | <u>1,590,281</u>            | <u>4,942,329</u>    | <u>(35,188)</u>    | <u>6,497,422</u>            |
| <i>Capital assets, being depreciated:</i>     |                             |                     |                    |                             |
| Buildings & improvements                      | 16,331,260                  | 46,380              | (15,416)           | 16,362,224                  |
| Roads and bridges                             | 58,679,990                  | 617,276             | (14,774)           | 59,282,492                  |
| Machinery and equipment                       | 5,549,473                   | 184,969             | (225,164)          | 5,509,278                   |
| Vehicles                                      | <u>3,792,743</u>            | <u>226,404</u>      | <u>(176,488)</u>   | <u>3,842,659</u>            |
| Total capital assets, being depreciated       | <u>84,353,466</u>           | <u>1,075,029</u>    | <u>(431,842)</u>   | <u>84,996,653</u>           |
| <i>Less: accumulated depreciation:</i>        |                             |                     |                    |                             |
| Buildings & improvements                      | (3,477,474)                 | (528,898)           | 13,814             | (3,992,558)                 |
| Roads and bridges                             | (19,217,023)                | (1,353,753)         | 8,864              | (20,561,912)                |
| Machinery and equipment                       | (3,936,626)                 | (280,368)           | 221,652            | (3,995,342)                 |
| Vehicles                                      | <u>(2,192,344)</u>          | <u>(269,806)</u>    | <u>134,952</u>     | <u>(2,327,198)</u>          |
| Total accumulated depreciation                | <u>(28,823,467)</u>         | <u>(2,432,825)</u>  | <u>379,282</u>     | <u>(30,877,010)</u>         |
| Total capital assets being depreciated, net   | <u>55,529,999</u>           | <u>(1,357,796)</u>  | <u>(52,560)</u>    | <u>54,119,643</u>           |
| Governmental activities capital assets, net   | <u>\$ 57,120,280</u>        | <u>\$ 3,584,533</u> | <u>\$ (87,748)</u> | <u>\$ 60,617,065</u>        |

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 9 - CAPITAL ASSETS - (Continued)**

Capital asset activity of business-type activities for the year ended December 31, 2010, was as follows:

| <b><u>Business-type activities:</u></b>       | <u>12/31/09</u>      | <u>Additions</u>    | <u>Disposals</u> | <u>12/31/10</u>      |
|---|----------------------|---------------------|------------------|----------------------|
| <i>Capital assets, not being depreciated:</i> |                      |                     |                  |                      |
| Land  | \$ 997,099           |                     |                  | \$ 997,099           |
| Construction in progress                      | <u>925,739</u>       | <u>\$ 2,423,414</u> |                  | <u>3,349,153</u>     |
| Total capital assets, not being depreciated   | <u>1,922,838</u>     | <u>2,423,414</u>    |                  | <u>4,346,252</u>     |
| <i>Capital assets, being depreciated:</i>     |                      |                     |                  |                      |
| Land Improvements                             | 3,862,363            |                     |                  | 3,862,363            |
| Buildings                                     | 609,804              |                     |                  | 609,804              |
| Sewer lines                                   | 5,939,984            |                     |                  | 5,939,984            |
| Machinery and equipment                       | 2,682,234            | 64,937              | \$ (16,650)      | 2,730,521            |
| Vehicles                                      | <u>169,881</u>       | <u>13,690</u>       |                  | <u>183,571</u>       |
| Total capital assets, being depreciated       | <u>13,264,266</u>    | <u>78,627</u>       | <u>(16,650)</u>  | <u>13,326,243</u>    |
| <i>Less: accumulated depreciation:</i>        |                      |                     |                  |                      |
| Land Improvements                             | (102,809)            | (77,247)            |                  | (180,056)            |
| Buildings                                     | (213,322)            | (6,902)             |                  | (220,224)            |
| Sewer lines                                   | (1,529,997)          | (118,800)           |                  | (1,648,797)          |
| Machinery and equipment                       | (2,190,463)          | (172,648)           | 16,650           | (2,346,461)          |
| Vehicles                                      | <u>(117,378)</u>     | <u>(17,457)</u>     |                  | <u>(134,835)</u>     |
| Total accumulated depreciation                | <u>(4,153,969)</u>   | <u>(393,054)</u>    | <u>16,650</u>    | <u>(4,530,373)</u>   |
| Total capital assets, being depreciated net   | <u>9,110,297</u>     | <u>(314,427)</u>    |                  | <u>8,795,870</u>     |
| Business-type activities capital assets, net  | <u>\$ 11,033,135</u> | <u>\$ 2,108,987</u> | <u>\$</u>        | <u>\$ 13,142,122</u> |

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

| <b>Governmental activities:</b>                      |                     |
|--|---------------------|
| Legislative and executive                            | \$ 284,382          |
| Conservation and recreation                          | 2,149               |
| Health   | 77,685              |
| Human services                                       | 284,212             |
| Judicial   | 5,027               |
| Public safety  | 137,308             |
| Public works   | <u>1,642,062</u>    |
| Total depreciation expense - governmental activities | <u>\$ 2,432,825</u> |

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 9 - CAPITAL ASSETS - (Continued)**

|   |                   |
|---|-------------------|
| <b>Business-type activities:</b>                      |                   |
| Landfill  | \$ 254,504        |
| Sewer   | 129,138           |
| Total depreciation expense - business-type activities | <u>\$ 383,642</u> |

Depreciation expense for business-type activities differs from additions to accumulated depreciation during 2010 due to the transfer of assets with a cost of \$13,690, accumulated depreciation of \$9,412 and a net book value of \$4,278 from governmental activities to business-type activities.

**NOTE 10 - INTERFUND TRANSACTIONS**

A. Interfund transfers for the year ended December 31, 2010, consisted of the following, as reported on the fund financial statements:

|   |                   |
|---|-------------------|
| <u>Transfers from general fund to:</u>                | <u>Amount</u>     |
| Nonmajor governmental funds                           | \$ 261,823        |
| Job and family services fund                          | 108,403           |
| Motor vehicle license and gas tax fund                | 9,999             |
| County improvement fund                               | 25,000            |
| <u>Transfers from senior center fund to:</u>          |                   |
| Nonmajor governmental fund                            | 200,000           |
| <u>Transfers from nonmajor governmental funds to:</u> |                   |
| County improvement fund                               | 27,663            |
| Nonmajor governmental funds                           | <u>187,185</u>    |
| Total   | <u>\$ 820,073</u> |

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

The transfer of \$200,000 from the senior center fund to the senior center building fund (a nonmajor governmental fund) was intended to help finance capital improvements related to the senior center building. The transfer of \$27,663 from the State Route 24/Elliot Road fund (a nonmajor governmental fund) to the county improvement fund was necessary to close out the fund. The DETDITCH fund (a nonmajor governmental fund) transferred \$61,995 to the black ditch fund, \$5,360 to the highland ditch fund and \$24,407 to the capital projects lost creek ditch fund (all nonmajor governmental funds) in order to record principal and interest payments related to notes payable in the appropriate funds. Various nonmajor governmental

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 10 - INTERFUND TRANSACTIONS - (Continued)**

funds transferred a total of \$95,423 to other nonmajor governmental funds in order to close out funds during 2010.

- B.** Due from/to other funds consisted of the following at December 31, 2010, as reported on the fund financial statements:

| <u>Receivable fund</u>         | <u>Payable fund</u>            | <u>Amount</u>     |
|--------------------------------|--------------------------------|-------------------|
| General fund                   | Job and family services fund   | \$ 4,203          |
| General fund                   | Motor vehicle and gas tax fund | 5,887             |
| General fund                   | Senior center fund             | 547               |
| General fund                   | Landfill fund                  | 2,042             |
| General fund                   | Sewer fund                     | 858               |
| General fund                   | Nonmajor governmental funds    | 9,830             |
| Job and family services fund   | Nonmajor governmental funds    | 319,442           |
| Motor vehicle and gas tax fund | General fund                   | 11,455            |
| Motor vehicle and gas tax fund | Landfill fund                  | 52                |
| Motor vehicle and gas tax fund | Nonmajor governmental funds    | 551               |
| Nonmajor governmental funds    | General fund                   | 1,999             |
| Nonmajor governmental funds    | Job and family services fund   | 363               |
| Nonmajor governmental funds    | Motor vehicle and gas tax fund | 65                |
| Nonmajor governmental funds    | Nonmajor governmental funds    | <u>1</u>          |
| Total                          |                                | <u>\$ 357,295</u> |

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

- C.** Interfund loans payable/receivable consisted of the following at December 31, 2010:

| <u>Receivable fund</u> | <u>Payable fund</u>         | <u>Amount</u>      |
|------------------------|-----------------------------|--------------------|
| General fund           | Internal service fund       | \$ 200,000         |
| General fund           | Nonmajor governmental funds | <u>4,538,867</u>   |
| Total                  |                             | <u>\$4,738,867</u> |

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

The entire balance of interfund receivable is reported as reserve fund balance as it is not expected to be received within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 11 - RISK MANAGEMENT**

**A. General Liability**

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

County has contracted with the County Risk Sharing Authority (CORSA) for the following coverage.

|                               |              |
|-------------------------------|--------------|
| Property                      | \$73,133,787 |
| Equipment Breakdown           | 100,000,000  |
| General Liability             | 1,000,000    |
| Commercial Crime              | 1,000,000    |
| Excess Liability              | 7,000,000    |
| Automobile Liability          | 1,000,000    |
| Law Enforcement Liability     | 1,000,000    |
| Errors and Omission Liability | 1,000,000    |

Settled claims have not exceeded this commercial coverage in any of the last three years.

**B. Health Benefits**

The County has established a limited risk management program for employee health care benefits. A third party administrator processes the claims which the County pays. The internal service fund allocates the cost of claims payments by charging a monthly premium to each individual enrolled in the health insurance program. These premiums, along with the premium the County pays for each employee enrolled in the program, are paid into the internal service fund. Claims are paid from the internal service fund.

Under the health insurance program, the internal service fund provides coverage for up to a maximum lifetime benefit of \$2,500,000 per individual. An excess coverage policy covers annual individual claims in excess of \$75,000. Settled claims have not exceeded this commercial coverage in any of the last three years, and there has not been any significant reduction in coverage from the prior year.

Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at December 31, 2010 is estimated by a third party administrator at \$210,551. The changes in the claims liability for 2010 and 2009 were:

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 11 – RISK MANAGEMENT (Continued)**

|      | Balance at<br>Beginning<br>of Year | Current Year<br>Claims and<br>Changes in<br>Estimates | Claims<br>Payments | Balance<br>at End<br>of Year |
|------|------------------------------------|---|--------------------|------------------------------|
| 2010 | \$ 194,795                         | \$ 2,416,934  | \$ (2,401,178)     | \$ 210,551                   |
| 2009 | 229,765                            | 2,572,725   | (2,607,695)        | 194,795                      |

**C. Workers' Compensation**

For 2010, the County participated in the County Commissioners Association Service Corporation (Plan), a workers' compensation insurance purchasing pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, annually the Plan's executive committee calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants.

Participation in the Plan is limited to counties that can meet the Plans' selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program. The County may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal and any participant leaving the Plan allows representatives of the Plan to access loss experience for three years following the last year of participation.

**NOTE 12 - SIGNIFICANT CONTRACTUAL COMMITMENTS**

The County has outstanding contracts for professional services and construction. The following amounts remain on these contracts as of December 31, 2010:

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 12 - SIGNIFICANT CONTRACTUAL COMMITMENTS – (Continued)**

| <u>Vendor</u>                       | <u>Contract<br/>Amount</u> | <u>Amount Paid<br/>as of<br/>12/31/10</u> | <u>Outstanding<br/>Balance</u> |
|-------------------------------------|----------------------------|---|--------------------------------|
| Mannik and Smith Group, Inc.        | \$ 474,600                 | \$ (360,593)                              | \$ 114,007                     |
| Appraisal Research Corporation      | 479,800                    | (431,820)                                 | 47,980                         |
| L-A Electric                        | 227,533                    | (222,583)                                 | 4,950                          |
| Schooley Caldwell Associates        | 264,225                    | (197,516)                                 | 66,709                         |
| GAST Plumbing & Heating, Inc.       | 164,168                    | (162,848)                                 | 1,320                          |
| Rupp/Rosebrock, Inc.                | 1,259,559                  | (1,236,106)                               | 23,453                         |
| LR Babcock Plumbing & Heating       | 192,271                    | (158,752)                                 | 33,519                         |
| JMC Mechanical, Inc.                | 181,800                    | (176,167)                                 | 5,633                          |
| Charles Construction Services, Inc. | 1,535,437                  | (1,441,341)                               | 94,096                         |
| Highland Electric                   | 292,131                    | (164,096)                                 | 128,035                        |
| Dave York Sports, Inc.              | 78,000                     | (63,760)                                  | 14,240                         |
| Fechko Excavating, Inc              | 2,804,763                  | (1,073,799)                               | 1,730,964                      |
| Poggemeyer Design Group             | <u>478,704</u>             | <u>(281,110)</u>                          | <u>197,594</u>                 |
| Total                               | <u>\$ 8,432,991</u>        | <u>\$ (5,970,491)</u>                     | <u>\$ 2,462,500</u>            |

**NOTE 13 - PENSION PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - The County participates 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.



**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 13 - PENSION PLANS - (Continued)**

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and contribution rates were consistent across all

three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2010 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.5% and 11.1%, respectively. The County's contribution rate for 2010 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.87% of covered payroll.

The County's contribution rate for pension benefits for members in the Traditional Plan for 2010 was 8.50% from January 1 through February 28, 2010 and 9.00% from March 1 through December 31, 2010. The County's contribution rate for pension benefits for members in the Combined Plan for 2010 was 9.27% from January 1 through February 28, 2010 and 9.77% from March 1 through December 31, 2010. For those plan members in law enforcement and public safety pension contributions were 12.37% from January 1 through February 28, 2010 and 12.87% from March 1 through December 31, 2010. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$1,030,736, \$978,577 and \$876,505, respectively; 93.62% has been contributed for 2010 and 100% has been contributed for 2009 and 2008. Contributions to the member-directed plan for 2010 were \$27,124 made by the County and \$19,374 made by the plan members.

**B. State Teachers Retirement System**

Plan Description - Certified teachers, employed by the school for Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 13 - PENSION PLANS - (Continued)**

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code. A DB or Combined Plan member with five or more years credited service who becomes

disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For 2010, plan members were required to contribute 10.00% of their annual covered salaries. The County was required to contribute 14.00%; 13.00% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2010, 2009, and 2008 were \$110,983, \$103,992 and \$108,853, respectively; 100% has been contributed for 2010, 2009 and 2008.

**NOTE 14 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement**

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

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

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

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

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 14 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14.00% of covered payroll (17.87% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2010 was 5.50%

from January 1 through February 28, 2010 and 5.00% from March 1 through December 31, 2010. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2010 was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010.

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$566,337, \$689,707 and \$844,077, respectively; 93.62% has been contributed for 2010 and 100% has been contributed for 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**B. State Teachers Retirement System**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1.00% of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the fiscal years ended December 31, 2010, 2009, and 2008 were \$8,537, \$7,999 and \$8,373, respectively; 100% has been contributed for 2010, 2009 and 2008.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 15 - OTHER BENEFITS**

**A. Compensated Absences**

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

County employees earn and accumulate vacation at varying rates depending on length of service. Current policy credits vacation leave on the employee's anniversary date. Accumulated vacation cannot exceed three times the annual accumulation rate for an employee. Employees are paid for 100 percent of earned unused vacation leave upon termination.

Sick leave is earned at various rates as defined by County policy and union contracts. There is no limit on the amount of sick leave that may be accumulated. Sick leave benefits are paid upon retirement based on various rates and maximums depending on the contract.

**B. Health Care Benefits**

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

The employees paid from the developmental disabilities special revenue fund are provided health care, vision, and dental benefits through the Northern Buckeye Education Council Employee Insurance Benefits Program.

**NOTE 16 - SHORT-TERM OBLIGATIONS**

**A.** The County's short-term note activity for the year ended December 31, 2010, was as follows:

|                                 | <u>Issue<br/>Date</u> | <u>Interest<br/>Rate</u> | <u>Balance<br/>12/31/09</u> | <u>Additions</u>  | <u>Deductions</u>   | <u>Balance<br/>12/31/10</u> |
|---------------------------------|-----------------------|--------------------------|-----------------------------|-------------------|---------------------|-----------------------------|
| <b>Governmental activities:</b> |                       |                          |                             |                   |                     |                             |
| Black ditch - 2009              | 10/9/2009             | 2.13%                    | \$ 150,000                  |                   | \$ (150,000)        |                             |
| Black ditch - 2010              | 10/9/2010             | 1.66%                    |                             | \$ 91,200         |                     | \$ 91,200                   |
| Highland ditch - 2010           | 6/26/2010             | 1.66%                    |                             | 6,550             |                     | 6,550                       |
| Lost creek ditch - 2010         | 6/26/2010             | 1.66%                    |                             | 32,500            |                     | 32,500                      |
| Total                           |                       |                          | <u>\$ 150,000</u>           | <u>\$ 130,250</u> | <u>\$ (150,000)</u> | <u>\$ 130,250</u>           |

The black ditch, highland ditch and lost creek ditch notes were issued for ditch improvements. The County's general obligation notes are backed by the full faith and credit of the County and have a maturity of one year.

**B.** The County's short-term OWDA loan activity for the year ended December 31, 2010 was as follows:

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 16 - SHORT-TERM OBLIGATIONS (Continued)**

|                                 | <u>Date</u> | <u>Rate</u> | <u>12/31/09</u> | <u>Additions</u> | <u>Deductions</u> | <u>12/31/10</u> |
|---------------------------------|-------------|-------------|-----------------|------------------|-------------------|-----------------|
| <b>Governmental activities:</b> |             |             |                 |                  |                   |                 |
| EPA sewer loan                  | 9/2/2010    | 0.00%       |                 | \$ 28,239        | \$ (28,239)       |                 |

This loan was issued on September 2, 2010 and the entire principal was forgiven through American Reinvestment Recovery Act (ARRA) monies on September 30, 2010.

**NOTE 17 - LONG-TERM OBLIGATIONS**

The original issue date, interest rate, original issue amount and balance at December 31, 2010 for the County's long-term obligations are as follows:

|                                  | <u>Original<br/>Date</u> | <u>Interest<br/>Rate</u> | <u>Original<br/>Amount</u> | <u>Balance<br/>12/31/2010</u> |
|----------------------------------|--------------------------|--------------------------|----------------------------|-------------------------------|
| <u>General obligation bonds:</u> |                          |                          |                            |                               |
| Various purpose improvement      | 2005                     | 5.25%                    | 375,000                    | \$ 310,000                    |
| Refunding bonds, series 2010     | 2010                     | 2 - 4%                   | 1,680,000                  | 1,570,000                     |
| Various purpose, series 2010     | 2010                     | 6.1%                     | 2,385,000                  | 2,280,000                     |
| <u>Special assessment bonds:</u> |                          |                          |                            |                               |
| Platter creek                    | 2004                     | 2.25 - 5%                | 425,000                    | 340,000                       |
| Refunding bonds, series 2010     | 2010                     | 2 - 4%                   | 645,000                    | 595,000                       |
| <u>Bond anticipation notes:</u>  |                          |                          |                            |                               |
| Carryall tile - 2010             | 2010                     | 1.66%                    | 15,450                     | 15,450                        |
| Peterson ditch - 2010            | 2010                     | 1.66%                    | 16,550                     | 16,550                        |
| Dowe ditch - 2010                | 2010                     | 1.66%                    | 3,000                      | 3,000                         |
| Beetree ditch - 2010             | 2010                     | 1.66%                    | 27,350                     | 27,350                        |
| Kinner ditch - 2010              | 2010                     | 1.66%                    | 17,900                     | 17,900                        |
| Senior center - 2010             | 2010                     | 1.6%                     | 500,000                    | 500,000                       |
| <u>Revenue bonds:</u>            |                          |                          |                            |                               |
| Sewer                            | 2005                     | 4.1%                     | 60,000                     | 57,300                        |
| <u>OPWC loans:</u>               |                          |                          |                            |                               |
| Evansport water                  | 1999                     | 0%                       | 468,050                    | 210,622                       |
| <u>OWDA loans:</u>               |                          |                          |                            |                               |
| Express sewer                    | 2002                     | 1.5%                     | 1,356,038                  | 861,688                       |
| Auglaize sewer                   | 2010                     | 1.37%                    | 1,773,691                  | 1,773,691                     |
| <u>Mortgage:</u>                 |                          |                          |                            |                               |
| Sewer                            | 1980                     | 5%                       | 146,300                    | 67,000                        |

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

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)**

The County's long-term obligations activity for the year ended December 31, 2010, was as follows:

| <b>Governmental activities:</b>                     | <u>Balance</u>      |                     |                       | <u>Balance</u>                              | <u>Due Within</u>   |
|---|---------------------|---------------------|-----------------------|---|---------------------|
|   | <u>12/31/09</u>     | <u>Additions</u>    | <u>Reductions</u>     | <u>12/31/10</u>                             | <u>One Year</u>     |
| <b>General obligation bonds:</b>                    |                     |                     |                       |   |                     |
| Various purpose improvement                         | \$ 1,930,000        | \$ 2,385,000        | \$ (1,725,000)        | \$ 2,590,000                                | \$ 115,000          |
| Refunding bonds, series 2010                        |                     | 1,680,000           | (110,000)             | 1,570,000                                   | 100,000             |
| Total general obligation bonds                      | <u>1,930,000</u>    | <u>4,065,000</u>    | <u>(1,835,000)</u>    | <u>4,160,000</u>                            | <u>215,000</u>      |
| <b>Special assessment bonds:</b>                    |                     |                     |                       |   |                     |
| Brunersburg sewer                                   | 630,300             |                     | (630,300)             |   |                     |
| Refunding bonds, series 2010                        |                     | 645,000             | (50,000)              | 595,000                                     | 45,000              |
| Platter creek                                       | <u>355,000</u>      |                     | <u>(15,000)</u>       | <u>340,000</u>                              | <u>20,000</u>       |
| Total special assessment bonds                      | <u>985,300</u>      | <u>645,000</u>      | <u>(695,300)</u>      | <u>935,000</u>                              | <u>65,000</u>       |
| <b>Other long-term obligations:</b>                 |                     |                     |                       |   |                     |
| Bond anticipation notes payable                     | 225,460             | 580,250             | (225,460)             | 580,250                                     | 580,250             |
| OPWC loans payable                                  | 234,025             |                     | (23,403)              | 210,622                                     | 23,402              |
| OWDA loans payable                                  | 926,762             | 1,773,691           | (65,074)              | 2,635,379                                   | 66,053              |
| Capital lease obligations                           | 238,377             | 77,893              | (82,009)              | 234,261                                     | 95,552              |
| Compensated absences                                | <u>1,195,228</u>    | <u>475,434</u>      | <u>(546,002)</u>      | <u>1,124,660</u>                            | <u>563,358</u>      |
| Total other long-term obligations                   | <u>2,819,852</u>    | <u>2,907,268</u>    | <u>(941,948)</u>      | <u>4,785,172</u>                            | <u>1,328,615</u>    |
| Total governmental activities long-term obligations | <u>\$ 5,735,152</u> | <u>\$ 7,617,268</u> | <u>\$ (3,472,248)</u> | 9,880,172                                   | <u>\$ 1,608,615</u> |
|   |                     |                     |                       | Add: Unamortized Premium 33,217             |                     |
|   |                     |                     |                       | Less: Deferred Amount on Refunding (49,817) |                     |
|   |                     |                     |                       | <u>\$ 9,863,572</u>                         |                     |

| <b>Business-type activities:</b>                     | <u>Balance</u>      |                   |                    | <u>Balance</u>      | <u>Due Within</u> |
|--|---------------------|-------------------|--------------------|---------------------|-------------------|
|  | <u>12/31/09</u>     | <u>Additions</u>  | <u>Reductions</u>  | <u>12/31/10</u>     | <u>One Year</u>   |
| <b>Revenue bonds:</b>                                |                     |                   |                    |                     |                   |
| Sewer revenue bonds                                  | \$ 58,000           |                   | \$ (700)           | \$ 57,300           | \$ 800            |
| <b>Other long-term obligations:</b>                  |                     |                   |                    |                     |                   |
| Capmark commercial mortgage                          | 72,000              |                   | (5,000)            | 67,000              | 5,000             |
| Closure and postclosure liability                    | 3,672,850           | \$ 100,727        |                    | 3,773,577           |                   |
| Compensated absences                                 | <u>106,738</u>      | <u>25,660</u>     | <u>(30,293)</u>    | <u>102,105</u>      | <u>31,799</u>     |
| Total other long-term obligations                    | <u>3,851,588</u>    | <u>126,387</u>    | <u>(35,293)</u>    | <u>3,942,682</u>    | <u>36,799</u>     |
| Total business-type activities long-term obligations | <u>\$ 3,909,588</u> | <u>\$ 126,387</u> | <u>\$ (35,993)</u> | <u>\$ 3,999,982</u> | <u>\$ 37,599</u>  |

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)**

**A. Various Purpose General Obligation Bonds, Series 1999**

These general obligation bonds were issued to provide funds for the renovation of County buildings, improvement of the sanitary sewer system, and construction of the Evansport water lines. The general obligation bonds reported as governmental activities obligations are payable from rental charges, sewer charges, and special assessments to the extent these resources are available. During 2010, the Various Purpose General Obligation Bonds, Series 1999 were refunded by the issuance of the Various Purpose General Obligation Refunding Bonds, Series 2010 (See Note 17.D).

**B. Various Purpose General Obligation Bonds, Series 2005**

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

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

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

| <u>Year</u> | <u>Amount</u> | <u>Year</u> | <u>Amount</u> |
|-------------|---------------|-------------|---------------|
| 2011        | \$ 10,000     | 2017        | \$ 15,000     |
| 2012        | 10,000        | 2018        | 15,000        |
| 2013        | 15,000        | 2019        | 15,000        |
| 2014        | 15,000        | 2020        | 20,000        |
| 2015        | 15,000        |             |               |
| 2016        | 15,000        |             |               |

The term bonds maturing on December 1, 2025, are subject to mandatory sinking fund redemption, pursuant to the terms of the mandatory sinking fund redemption requirements of the County. The mandatory redemption is to occur on December 1 in each of the years 2010 through 2025 (with the balance of \$185,000 to be paid at stated maturity on December 1, 2025), at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)**

| <u>Year</u> | <u>Amount</u> | <u>Year</u> | <u>Amount</u> |
|-------------|---------------|-------------|---------------|
| 2011        | \$ 5,000      | 2019        | \$ 10,000     |
| 2012        | 10,000        | 2020        | 10,000        |
| 2013        | 10,000        | 2021        | 10,000        |
| 2014        | 10,000        | 2022        | 15,000        |
| 2015        | 10,000        | 2023        | 15,000        |
| 2016        | 10,000        | 2024        | 15,000        |
| 2017        | 10,000        | 2025        | 15,000        |
| 2018        | 10,000        |             |               |

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

**C. Various Purpose General Obligation Bonds, Series 2010**

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

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

| <u>Year Ended</u><br><u>(December 1)</u> | <u>Principal Amount to</u><br><u>be Redeemed</u> |
|--|--|
| 2015                                     | \$ 5,000   |
| 2016                                     | 5,000  |
| 2017                                     | 10,000   |
| 2018                                     | 10,000   |

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

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



**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)**

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

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

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

The bonds are subject to optional redemption by the County prior to maturity, in whole at any time or in part on any interest payment date, in the event that the payments from the federal government cease or are in an amount less than 45% of the corresponding interest payable on the Bonds at a redemption price equal to the greater of:

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

Plus, in each case accrued interest on such bonds to be redeemed at the redemption date. If fewer than all such bonds are to be redeemed, the particular bonds shall be selected on a pro-rata basis.

**D. Various Purpose General Obligation Refunding Bonds, Series 2010**

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

The reacquisition price exceeded the net carrying amount of the old debt by \$46,010. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. This advance refunding was undertaken to reduce the combined total debt service payments over the next 14 years by \$241,584 and resulted in an economic gain of \$185,280.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

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

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

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

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

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

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

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

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

E. Special Assessment Bonds

The special assessment bonds are backed by the full faith and credit of the County. In the event that an assessed property owner fails to make payments or insufficient amounts are assessed to fund the debt, the County will be required to pay the related debt. During 2010, the Brunersburg Sewer Special Assessment Bonds were refunded by the issuance of the Brunersburg Sewer Special Assessment Refunding Bonds, Series 2010 (See Note 17.F). The remaining special assessment bonds are paid from the DETDITCH debt service fund (a nonmajor governmental fund).

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

F. Brunersburg Sewer Special Assessment Refunding Bonds, Series 2010

On February 25, 2010, the County issued special assessment bonds (Brunersburg Sewer Special Assessment Refunding Bonds, Series 2010) to advance refund the callable portion of the Brunersburg Sewer Special Assessment Bonds, Series 2002. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$6,986. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. This advance refunding was undertaken to reduce the combined total debt service payments over the next 12 years by \$51,371 and resulted in an economic gain of \$46,437.

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

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

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

G. Revenue Bonds

In 2005, the County issued sewer revenue bonds in the amount of \$60,000 for the Green Acres sewer system. The bonds, being repaid from the sewer enterprise fund with charges for sewer service, are backed by the full faith and credit of the County should these revenues be insufficient to service the bond debt requirements.

H. OPWC Loans Payable

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

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)**

**I. OWDA Loans Payable**

The County has entered into debt financing arrangements through the Ohio Water Development Authority (OWDA) to fund construction of wastewater facilities and the Auglaize sewer. The amounts due to the OWDA are payable from the express sewer and the Auglaize sewer debt service funds (both nonmajor governmental funds). The loan agreements function similar to a line-of-credit agreement. At December 31, 2010, the County has outstanding borrowings of \$2,635,379. The loan agreements require semi-annual payments based on the actual amount owed.

**J. Capmark Financial Group Incorporated (formerly GMAC) Commercial Mortgage Payable**

In 1980, the County obtained a loan through the GMAC Commercial Mortgage Corporation, in the amount of \$146,300, for the Evansport sewer system. In 2006, Capmark Financial Group, Incorporated acquired GMAC Commercial Mortgage Corporation. The loan, being repaid from the sewer enterprise fund with charges for sewer service, is backed by the full faith and credit of the County should these revenues be insufficient to service the mortgage debt requirements.

**K. Bond Anticipation Notes Payable**

In 2010, the County entered into bond anticipation notes for \$80,250 to finance ditch improvements and \$500,000 to finance improvements to the senior center. The bond anticipation notes are backed by the full faith and credit of the County. In accordance with FASB Statement No. 6, "Classification of Short-Term Obligations Expected to Be Refinanced", the County's bond anticipation notes are reported as long-term obligations as the County has consummated refinancing on a long-term basis prior to the issuance of the financial statements.

**L. Compensated Absences Payable**

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the general fund, dog and kennel fund (a nonmajor governmental fund), developmental disabilities fund, job and family services fund, real estate assessment fund (a nonmajor governmental fund), motor vehicle and gas tax fund, DARE fund (a nonmajor governmental fund), child support enforcement agency fund (a nonmajor governmental fund), ditch maintenance fund (a nonmajor governmental fund), emergency 911 fund, joint solid waste fund (a nonmajor governmental fund), senior center fund, certificate of administration fund (a nonmajor governmental fund), Sarah's house fund (a nonmajor governmental fund), felony delinquent care custody fund (a nonmajor governmental fund), landfill enterprise fund and sewer enterprise fund.

**M. Capital Lease Obligations:**

Capital leases will be paid from the general fund, developmental disabilities fund, child support enforcement agency fund (a nonmajor governmental fund), ditch maintenance fund (a nonmajor governmental fund) and senior center fund. See Note 19 for further detail.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)**

**N. Legal Debt Margin**

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

The effect of the debt limitations described above is an overall debt margin of \$11,928,985 at December 31, 2010.

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

| Governmental Activities |                            |                            |                            |                          |                          |                            |
|-------------------------|----------------------------|----------------------------|----------------------------|--------------------------|--------------------------|----------------------------|
| Year Ended              | General Obligation Bonds   |                            |                            | Special Assessment Bonds |                          |                            |
|                         | Principal                  | Interest                   | Total                      | Principal                | Interest                 | Total                      |
| 2011                    | \$ 215,000                 | \$ 184,475                 | \$ 399,475                 | \$ 65,000                | \$ 34,360                | \$ 99,360                  |
| 2012                    | 225,000                    | 179,621                    | 404,621                    | 65,000                   | 32,640                   | 97,640                     |
| 2013                    | 230,000                    | 174,145                    | 404,145                    | 65,000                   | 30,880                   | 95,880                     |
| 2014                    | 225,000                    | 168,415                    | 393,415                    | 70,000                   | 29,100                   | 99,100                     |
| 2015                    | 220,000                    | 162,420                    | 382,420                    | 70,000                   | 27,075                   | 97,075                     |
| 2016 - 2020             | 1,195,000                  | 669,400                    | 1,864,400                  | 390,000                  | 95,975                   | 485,975                    |
| 2021 - 2025             | 1,190,000                  | 382,907                    | 1,572,907                  | 210,000                  | 19,800                   | 229,800                    |
| 2026 - 2029             | 660,000                    | 103,700                    | 763,700                    |                          |                          |                            |
| <b>Total</b>            | <b><u>\$ 4,160,000</u></b> | <b><u>\$ 2,025,083</u></b> | <b><u>\$ 6,185,083</u></b> | <b><u>\$ 935,000</u></b> | <b><u>\$ 269,830</u></b> | <b><u>\$ 1,204,830</u></b> |

| Governmental Activities |                                 |                        |                          |                          |                          |                         |                          |
|-------------------------|---------------------------------|------------------------|--------------------------|--------------------------|--------------------------|-------------------------|--------------------------|
| Year Ended              | Bond Anticipation Notes Payable |                        |                          | OPWC Loans               | OWDA Loans               |                         |                          |
|                         | Principal                       | Interest               | Total                    | Principal                | Principal                | Interest                | Total                    |
| 2011                    | \$ 580,250                      | \$ 9,332               | \$ 589,582               | \$ 23,402                | \$ 66,053                | \$ 12,679               | \$ 78,732                |
| 2012                    |                                 |                        |                          | 23,403                   | 67,048                   | 11,684                  | 78,732                   |
| 2013                    |                                 |                        |                          | 23,402                   | 68,058                   | 10,674                  | 78,732                   |
| 2014                    |                                 |                        |                          | 23,403                   | 69,082                   | 9,650                   | 78,732                   |
| 2015                    |                                 |                        |                          | 23,402                   | 70,122                   | 8,610                   | 78,732                   |
| 2016 - 2020             |                                 |                        |                          | 93,610                   | 366,770                  | 26,890                  | 393,660                  |
| 2021 - 2022             |                                 |                        |                          |                          | 154,555                  | 2,919                   | 157,474                  |
| <b>Total</b>            | <b><u>\$ 580,250</u></b>        | <b><u>\$ 9,332</u></b> | <b><u>\$ 589,582</u></b> | <b><u>\$ 210,622</u></b> | <b><u>\$ 861,688</u></b> | <b><u>\$ 83,106</u></b> | <b><u>\$ 944,794</u></b> |

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)**

The Auglaize sewer OWDA loan is currently “open” meaning that final disbursements have not been made from the OWDA; therefore, future debt service requirements have not been finalized and are not presented in the schedule above. The balance of the Auglaize sewer OWDA loan at December 31, 2010 was \$1,773,691.

The County’s future annual debt service requirements, including mandatory sinking fund requirements, payable from the enterprise funds are as follows:

| <u>Year Ended</u> | Business-Type Activities |                  |                   |                             |                  |                  |
|-------------------|--------------------------|------------------|-------------------|-----------------------------|------------------|------------------|
|                   | Revenue Bonds            |                  |                   | Capmark Commercial Mortgage |                  |                  |
|                   | Principal                | Interest         | Total             | Principal                   | Interest         | Total            |
| 2011              | \$ 800                   | \$ 2,364         | \$ 3,164          | \$ 5,000                    | \$ 3,350         | \$ 8,350         |
| 2012              | 800                      | 2,331            | 3,131             | 6,000                       | 3,100            | 9,100            |
| 2013              | 800                      | 2,298            | 3,098             | 6,000                       | 2,800            | 8,800            |
| 2014              | 900                      | 2,265            | 3,165             | 6,000                       | 2,500            | 8,500            |
| 2015              | 900                      | 2,228            | 3,128             | 6,000                       | 2,200            | 8,200            |
| 2016 - 2020       | 5,000                    | 10,556           | 15,556            | 38,000                      | 5,850            | 43,850           |
| 2021 - 2025       | 6,200                    | 9,438            | 15,638            |                             |                  |                  |
| 2026 - 2030       | 7,500                    | 8,048            | 15,548            |                             |                  |                  |
| 2031 - 2035       | 9,300                    | 6,361            | 15,661            |                             |                  |                  |
| 2036 - 2040       | 11,300                   | 4,288            | 15,588            |                             |                  |                  |
| 2041 - 2045       | 13,800                   | 1,854            | 15,654            |                             |                  |                  |
| Total             | <u>\$ 57,300</u>         | <u>\$ 52,031</u> | <u>\$ 109,331</u> | <u>\$ 67,000</u>            | <u>\$ 19,800</u> | <u>\$ 86,800</u> |

Conduit Debt:

In 2001, the County issued \$2,325,000 in Adjustable Rate Demand Economic Development Revenue Refunding Bonds. The proceeds were used for the refunding of economic development revenue bonds issued in 1982 to acquire and construct a supermarket. The County is not obligated in any way to pay the debt charges on the bonds from any of its funds, and therefore, the debt has been excluded entirely from the County’s debt presentation. As of December 31, 2010, \$2,325,000 of these bonds was outstanding.

In 2005, the County issued \$700,000 in Ohio Economic Development Revenue Bonds for the purpose of making a loan to assist the Defiance Area YMCA in financing a portion of the cost of acquiring, constructing, improving, installing, and equipping gymnasiums and related facilities. The County is not obligated in any way to pay the debt charges on the bonds from any of its funds, and therefore, the debt has been excluded entirely from the County’s debt presentation. As of December 31, 2010, \$603,543 of these bonds was outstanding.

In 2007, the County issued \$1,407,600 in Health Care Facilities Revenue Bonds. The proceeds were used to provide Hospital Facilities at the lowest possible cost to service the residents of the Public Hospital Agencies, which hospital facilities will be available for the service of the general public. The County is not obligated in any way to pay the debt charges on the bonds from any of its funds, and therefore, the debt has been excluded entirely from the County’s debt presentation. As of December 31, 2010, \$1,272,936 of these bonds were outstanding.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)**

In 2009, the County issued \$11,500,000 in Multifamily Housing Mortgage Revenue Bonds. The proceeds were loaned to Defiance County Health Partners, LLC to finance the acquisition, construction, and equipping of an assisted living multifamily residential housing rental housing facility. The County is not obligated in any way to pay the debt charges on the bonds from any of its funds, and therefore, the debt has been excluded entirely from the County's debt presentation. As of December 31, 2010, \$11,500,000 of these bonds were outstanding.

**NOTE 18 - CLOSURE AND POSTCLOSURE CARE COSTS**

State and federal laws and regulations require the County to place a final cover on the landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the County reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The \$3,773,577 reported as landfill closure and postclosure costs payable at December 31, 2010, represents the cumulative amount reported to date based on the use of 44% of the estimated capacity of the landfill. The County will recognize the remaining estimated costs of closure and post closure of \$4,729,423 as the remaining estimated capacity is filled. This amount is based on what it would cost to perform all closure and postclosure care in 2010. For financial assurance purposes, Ohio EPA requires closure and postclosure costs to be reported based on the worst case scenario of when closure will occur. For 2010, the liabilities total \$1,842,464 for closure and \$1,931,113 for postclosure costs. The County expects the landfill to have a remaining life of 87 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to either make annual contributions to an EPA controlled trust fund or demonstrate financial assurance through the "Local Government Financial Test". For 2010, the County met the Local Government Financial Test requirements.

The County expects to set aside monies for closure and post closure care obligations at a rate in line with the daily waste consumption of the landfill. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations), these costs may need to be covered by charges to future landfill users or from future tax revenue.

**NOTE 19 - CAPITALIZED LEASE - LESSEE DISCLOSURE**

In 2010 and in a prior year, the County entered into capitalized leases for two buses, a copier, telephone systems and an excavator. These lease agreements meet the criteria of capital leases as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

Capital assets consisting of equipment and vehicles have been capitalized in the statement of net assets. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in 2010 totaled \$16,232 paid by the general fund, \$33,233 paid by the developmental disabilities fund, \$1,293 paid by the child support enforcement agency fund (a nonmajor governmental fund), \$30,655 paid by the ditch maintenance fund (a nonmajor governmental fund) and \$596 paid by the senior center fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of December 31, 2010:

| <u>Year Ending December 31,</u>   | <u>Amount</u>     |
|-----------------------------------|-------------------|
| 2011                              | \$ 108,890        |
| 2012                              | 74,195            |
| 2013                              | 35,670            |
| 2014                              | 30,400            |
| 2015                              | <u>11,805</u>     |
| Total minimum lease payments      | 260,960           |
| Less amount representing interest | <u>(26,699)</u>   |
| Total                             | <u>\$ 234,261</u> |

**NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS**

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

The Northwest Ohio Juvenile Detention, Training, and Rehabilitation Center (Center) is a jointly governed organization among Defiance, Fulton, Henry, and Williams Counties. The Center's Board of Trustees consists of thirteen members; three from each County and one at-large member. The Board of Trustees exercises total control over the operation of the Center including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the Center. In 2010, Defiance County contributed \$294,568 for the Center's operations which represents 20.5% of total contributions. Information can be obtained from Nancy J. Yackee, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.



**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)**

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

The Four County Board of Alcohol, Drug Addiction, and Mental Health Services (ADAMHS) is a jointly governed organization among Defiance, Fulton, Henry, and Williams Counties to provide alcohol, drug addiction, and mental health services to individuals in the four counties. The Governing Board of ADAMHS consists of eighteen members; four members appointed by the Ohio Director of Alcohol and Drug Addiction Services, four members appointed by the Ohio Director of Mental Health Services, Defiance and Fulton County Commissioners appointing three members each, and Henry and Williams County Commissioners appointing two members each. The Governing Board exercises total control over the operation of the

ADAMHS including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the ADAMHS. In 2010, Defiance County contributed \$1,482,025 in property taxes for the ADAMHS' operation which represents 13% of total contributions. Information can be obtained from Marlene J. Goodwin, Defiance County Auditor, 221 Clinton Street, Defiance, Ohio 43512.

**C. Corrections Commission of Northwest Ohio**

Corrections Commission of Northwest Ohio (CCNO) is a jointly governed organization among Defiance, Fulton, Henry, Lucas, and Williams Counties and the City of Toledo. CCNO was established to provide jail space for convicted criminals in the five counties and the City of Toledo and to provide a correctional center for the inmates. CCNO was created in 1986 and occupancy started in 1991. The commission team consists of eighteen members; one judge, one chief law enforcement officer, and one county commissioner or administrative official from each entity. The commission team exercises total control over the operation of CCNO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for CCNO. In 2010, Defiance County contributed \$1,386,021 for CCNO's operations which represents 8.8% of total contributions. Information can be obtained from Tonya Justus, Fiscal Manager, Corrections Commission of Northwest Ohio, 03151 County Road 2425, Route 1, Box 100-A, Stryker, Ohio 43557.

**D. Four County Solid Waste District**

The Four County Solid Waste District (District) is a jointly governed organization among Defiance, Fulton, Paulding, and Williams Counties to make disposal of waste in the four-county area more comprehensive in terms of recycling, incinerating, and landfilling. The District was created in 1989. The Board of Directors consists of twelve members; the three commissioners from each county. The Board of Directors exercises total control over the operation of the District including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the District. In 2010, Defiance County contributed \$80,484 for the District's operations which represents 21.21% of total contributions. Information can be obtained from Deborah Nester, Williams County Auditor, One Courthouse Square, Bryan, Ohio 43506.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)**

**E. Multi-Area Narcotics Task Force**

The Multi-Area Narcotics Task Force (Task Force) is a jointly governed organization among Defiance, William, Fulton, and Putnam Counties and the Cities of Defiance and Bryan. The Task Force is jointly controlled by the chief law enforcement officer of each respective entity. The main source of revenue for the Task Force is from federal grants and local matching funds from the entities. The County has no ongoing financial interest or responsibility for the Task Force. In 2010, Defiance County did not make any contributions to the Task Force's operations. Information can be obtained from the Defiance County Sheriff's office, 113 Beide Street, Defiance, Ohio 43512.

**F. Quadco Rehabilitation Center**

The Quadco Rehabilitation Center (Quadco) is a jointly governed organization among Defiance, Fulton, Henry, and Williams Counties. Quadco Rehabilitation Center is a nonprofit corporation which provides services and facilities for training physically and mentally disabled persons. Quadco is responsible for contracting with various agencies to obtain funding to operate the organization. Quadco is governed by an eight-member board composed of two appointees made by each of the four County Boards of Developmental Disabilities (County Boards of DD). This Board, in conjunction with the County Boards of DD, assesses the needs of adult mentally handicapped and developmentally disabled residents of each County and sets priorities based on available funds. The County provides resources to the Board based on units of service provided to the County. Quadco exercises total control over the operation of Quadco including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for Quadco. In 2010, the Northwest Ohio Waiver Administration made contributions to Quadco on the County's behalf.

**G. Maumee Valley Planning Organization**

Maumee Valley Planning Organization (MVPO) is a jointly governed organization among Defiance, Fulton, Henry, Paulding, and Williams Counties. MVPO is an organization established to improve the social and economic conditions of the region through development and conservation. MVPO is governed by a fifteen member executive council composed of the three county commissioners, the mayor of the largest municipality, three mayors selected by the committee of mayors that represent the incorporated cities and villages, the township trustee association president, the regional planning commission chairman, and two members at large to represent business, industry, labor, agricultural, low income, minority groups, education, and consumer protection activities. The County provides resources to the executive council based on a membership fee and services provided to the County. MVPO exercises total control over the operation of MVPO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for MVPO. In 2010, Defiance County contributed \$136,431 for MVPO's operations which represents 18% of total contributions. Information can be obtained from Nancy J. Yackee, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)**

**H. Community Improvement Corporation of Defiance County**

Community Improvement Corporation of Defiance County (CIC) is a jointly governed organization among Defiance County, the City of Defiance, and the respective villages and townships of Defiance County. The purpose of the CIC is to promote and encourage the establishment and growth of industrial, commercial, distribution, and research facilities within member subdivisions. CIC is governed by a Board of Trustees consisting of fifteen self-appointed members. Not less than two-fifths of the members are to be composed of elected officials. Five of these trustees include: a member of the Board of County Commissioners of Defiance County, the Auditor of Defiance County, the Mayor or his/her designated elected official of the City of Defiance, the Mayor or his/her designated elected official of the Village of Hicksville, and the President of the Defiance County Trustees. The remaining members represent private residents of Defiance County or employees of Defiance County businesses or firms. The County provides resources to the Board of Trustees based on a membership fee. CIC exercises total control over the operation of CIC including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the CIC. In 2010, Defiance County contributed \$50,000 for CIC's operations which represents 20.6% of total contributions. Information can be obtained from the Jerry Hayes, Executive Director, 1300 East Second Street, Suite 201, Defiance, Ohio 43512.

**I. Northwest Ohio Waiver Administration Council (NOWAC)**

The Northwest Ohio Waiver Administration Council (NOWAC) is a jointly governed organization created under the provisions of Chapter 167 of the Ohio Revised Code. NOWAC is organized as a voluntary organization of local County Boards of Developmental Disabilities in Defiance County, Williams County, Allen County, Henry County, Fulton County, Van Wert County and Paulding County. Each of the participating counties has equal representation and no financial responsibility. NOWAC's purpose is to foster a cooperative effort in regional planning, programming, and the implementation of regional plans and programs. Its primary function is to oversee and obtain contracted services for its clientele in member counties. These services include various types of assistance provided by outside individuals or health care organizations for living maintenance of disabled clients so they can remain in their homes. Defiance County contributed \$1,091,971 towards NOWAC's operation in 2010. Complete financial statements can be obtained from the Northwest Ohio Waiver Administration Council, 1804 Elmwood Drive, Defiance, Ohio 43512-2511.

**NOTE 21 - INSURANCE POOLS**

**A. County Commissioners Association Service Corporation**

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

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 21 - INSURANCE POOLS (Continued)**

functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in December of each year. No participant can have more than one member on the group executive committee in any year and each elected member shall be a County Commissioner.

**B. Northern Buckeye Education Council Employee Insurance Benefits Program**

The Northern Buckeye Education Council Employee Insurance Benefits Program (the "Program") is a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, and Williams Counties. The Northern Buckeye Education Council and its participating members govern the Program. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**NOTE 22 - RELATED ORGANIZATION**

The Defiance County Regional Airport Authority (the "Airport Authority") was created by resolution of the County Commissioners under the authority of Chapter 308 of the Ohio Revised Code. The Airport Authority is governed by a five member board of trustees appointed by the County Commissioners. The board of trustees has the authority to exercise all of the powers and privileges provided under the law. These powers include the ability to sue or be sued in its corporate name; the power to establish and collect rates, rentals, and other charges; the authority to acquire, construct, operate, manage, and maintain airport facilities; the authority to buy and sell real and personal property; and the authority to issue debt for acquiring or constructing any facility or permanent improvement. The Airport Authority serves as custodian of its own funds and maintains all records and accounts independent of Defiance County.

Although the County has no obligation to provide financial resources to the Airport Authority, the County Commissioners have in prior years allocated certain funds to the Airport Authority. In 2010, the County contributed \$25,700 to the Airport Authority.

**NOTE 23 - CONTINGENT LIABILITIES**

**A. Litigation**

The County is a party to several legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The County management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the County.

**B. Federal and State Grants**

For the period January 1, 2010, to December 31, 2010, the County received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the County believes such disallowances, if any, would be immaterial.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 24 - SIGNIFICANT SUBSEQUENT EVENTS**

On March 17, 2011, the County renewed the bond anticipation notes for the Senior Center in the amount of \$400,000 at an interest rate of 1.55% with a maturity date of March 15, 2012.

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DEFIANCE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2010

| FEDERAL GRANTOR<br><i>Pass Through Grantor</i><br>Program Title                    | Pass Through<br>Entity<br>Number | Federal<br>CFDA<br>Number | Disbursements    |
|--|----------------------------------|---------------------------|------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>  |                                  |                           |                  |
| <i>Passed Through Ohio Department of Education</i>                                 |                                  |                           |                  |
| National School Lunch Program  |                                  |                           |                  |
| Noncash Assistance   |                                  | 10.555                    | \$ 928           |
| Cash Assistance  | 065946-LLP4-2010                 | 10.555                    | 5,850            |
| Cash Assistance  | 065946-LLP4-2011                 | 10.555                    | 10,242           |
| Total National School Lunch Program  |                                  |                           | <u>17,020</u>    |
| <i>Direct Assistance</i>   |                                  |                           |                  |
| ARRA Water and Waste Disposal System for Rural Communities                         |                                  | 10.781                    | 1,785,837        |
| ARRA Water and Waste Disposal System for Rural Communities - Loan                  |                                  | 10.781                    | 322,469          |
| Total Water and Waste Disposal System for Rural Communities                        |                                  |                           | <u>2,108,306</u> |
| Total U.S. Department of Agriculture   |                                  |                           | <u>2,125,326</u> |
| <b>U.S. DEPARTMENT OF EDUCATION</b>  |                                  |                           |                  |
| <i>Passed Through Ohio Department of Education</i>                                 |                                  |                           |                  |
| Special Education Cluster:   |                                  |                           |                  |
| Special Education - Grants to States   | 065946-6BSF-2009                 | 84.027                    | 49,083           |
| Special Education - Preschool Grant  | 065946-PGS1-2009                 | 84.173                    | 21,567           |
| ARRA - Special Education - IDEA Preschool  |                                  | 84.392                    | 394              |
| ARRA - Special Education - IDEA Part-B   |                                  | 84.391                    | 11,885           |
| Total Special Education Cluster  |                                  |                           | <u>82,929</u>    |
| <i>Passed Through Ohio Rehabilitation Services Commission:</i>                     |                                  |                           |                  |
| Vocational Rehabilitation Grant  |                                  | 84.126                    | <u>12,422</u>    |
| <i>Passed Through Ohio Department of Health</i>                                    |                                  |                           |                  |
| Help Me Grow   | 02010021HG0209                   | 84.181                    | 24,977           |
| ARRA - Help Me Grow  | 02010021HA0110                   | 84.393A                   | 20,038           |
| ARRA - Help Me Grow  | 02010021HA0211                   | 84.393A                   | 11,144           |
| Total ARRA-Help Me Grow  |                                  |                           | <u>31,182</u>    |
| Total Help Me Grow   |                                  |                           | <u>56,159</u>    |
| Total U.S. Department of Education   |                                  |                           | <u>151,510</u>   |
| <b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>  |                                  |                           |                  |
| <i>Passed Through Ohio Department of Public Safety Emergency Management Agency</i> |                                  |                           |                  |
| Homeland Security Cluster:   |                                  |                           |                  |
| State Homeland Security Program  | 2008-GE-T7-0025                  | 97.067                    | 36,969           |
| Citizens Corp Program Grant  | 2008-GE-T7-0025                  | 97.067                    | 1,699            |
| Total Homeland Security Cluster  |                                  |                           | <u>38,668</u>    |
| Emergency Management Performance Grant   | 2009-EP-E9-0061                  | 97.042                    | 17,477           |
| Emergency Management Performance Grant   | 2010-EP-00-0003                  | 97.042                    | 25,629           |
| Total Emergency Management Performance Grant                                       |                                  |                           | <u>43,106</u>    |
| Total U.S. Department of Homeland Security   |                                  |                           | <u>81,774</u>    |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                                |                                  |                           |                  |
| <i>Passed Through The Area Office of Aging</i>                                     |                                  |                           |                  |
| Aging Cluster:   |                                  |                           |                  |
| Grants for Supportive Services and Senior Centers                                  |                                  | 93.044                    | 28,854           |
| Nutrition Services Incentive Program   |                                  | 93.053                    | 52,095           |
| Special Programs for the Aging -Title III Part C- Nutrition Services               |                                  | 93.045                    | 106,962          |
| Total Aging Cluster  |                                  |                           | <u>187,911</u>   |

(Continued)

DEFIANCE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)

| FEDERAL GRANTOR<br><i>Pass Through Grantor</i><br>Program Title  | Pass Through<br>Entity<br>Number | Federal<br>CFDA<br>Number | Disbursements    |
|--|----------------------------------|---------------------------|------------------|
| Special Programs for the Aging - Title III Part D - Disease Prevention and Health Promotion  |                                  | 93.043                    | <u>5,580</u>     |
| Alzheimer Disease Demonstration Grants to States FY 10   |                                  | 93.051                    | 10,567           |
| Alzheimer Disease Demonstration Grants to States FY 11   |                                  | 93.051                    | <u>11,640</u>    |
| Total Alzheimers Disease Demonstration Grant   |                                  |                           | <u>22,207</u>    |
| Total Area Office of Aging   |                                  |                           | <u>215,698</u>   |
| Centers for Disease Control<br><i>Passed Through Ohio Department of Health</i><br>Pandemic Influenza Initiative B Project Grant                  |                                  | 93.069                    | <u>5,941</u>     |
| <i>Passed Through Ohio Department of Developmental Disabilities</i><br>ARRA Medical Assistance Program (Medicaid: Title XIX )                    |                                  | 93.778                    | 89,547           |
| ARRA Medical Assistance Program (TCM)  |                                  | 93.778                    | <u>19,621</u>    |
| Total Passed Through Ohio Department of Developmental Disabilities   |                                  |                           | <u>109,168</u>   |
| <i>Passed Through Ohio Department of Job and Family Services</i><br>State Administrative Matching Grants for the Supplemental Assistance Program | G-1011-11-5028                   | 10.561                    | 181,668          |
| ARRA State Administrative Matching Grants for the Supplemental Assistance Program  | G-1011-11-5028                   | 10.561                    | <u>10,073</u>    |
| Total State Administrative Matching Grants for the Supplemental Assistance Program   |                                  |                           | <u>191,741</u>   |
| Promoting Safe and Stable Families   | G-1011-11-5028                   | 93.556                    | <u>11,190</u>    |
| Temporary Assistance for Needy Families  | G-1011-11-5028                   | 93.558                    | <u>638,994</u>   |
| Child Support Enforcement  | G-1011-11-5029                   | 93.563                    | 7,675            |
| ARRA Child Support Enforcement   | G-1011-11-5029                   | 93.563                    | <u>391,340</u>   |
| Total Child Support Enforcement  |                                  |                           | <u>399,015</u>   |
| Child Care Cluster:<br>Child Care and Development Block Grant  | G-1011-11-5028                   | 93.575                    | 3,092            |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund   | G-1011-11-5028                   | 93.596                    | <u>57,406</u>    |
| Total Child Care Cluster   |                                  |                           | <u>60,498</u>    |
| Child Welfare Services State Grants  | G-1011-11-5028                   | 93.645                    | <u>24,195</u>    |
| Social Services Block Grant  | G-1011-11-5028                   | 93.667                    | 282,859          |
| Child Abuse and Neglect State Grant  | G-1011-11-5028                   | 93.669                    | <u>1,907</u>     |
| Total Social Services Block Grant  |                                  |                           | <u>284,766</u>   |
| Chafee Foster Care Independence Program  | G-1011-11-5028                   | 93.674                    | <u>834</u>       |
| Medical Assistance Program   | G-1011-11-5028                   | 93.778                    | <u>172,278</u>   |
| Total Medical Assistance Program   |                                  |                           | <u>281,446</u>   |
| Foster Care Title IV-E   |                                  | 93.658                    | 150,217          |
| Foster Care Title IV-E Administration  | G-1011-11-5028                   | 93.658                    | 35,492           |
| ARRA Foster Care Title IV-E  |                                  | 93.658                    | <u>14,667</u>    |
| Total Foster Care Title IV-E   |                                  |                           | <u>200,376</u>   |
| Adoption Assistance Administration   | G-1011-11-5028                   | 93.659                    | <u>67,836</u>    |
| Total Passed Through Ohio Job and Family Services  |                                  |                           | <u>2,051,723</u> |
| Total U.S. Department of Health and Human Services   |                                  |                           | <u>2,382,530</u> |

(Continued)



DEFIANCE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)

| FEDERAL GRANTOR<br><i>Pass Through Grantor</i><br>Program Title                     | Pass Through<br>Entity<br>Number | Federal<br>CFDA<br>Number | Disbursements    |
|---|----------------------------------|---------------------------|------------------|
| <b>U.S. DEPARTMENT OF LABOR</b>   |                                  |                           |                  |
| <i>Passed Through Montgomery County WIA Area 7</i>                                  |                                  |                           |                  |
| <i>Workforce Investment Act Cluster:</i>  |                                  |                           |                  |
| Workforce Investment Act - Adult  | 2009-7120-1 / 2010-7120-1        | 17.258                    | 22,060           |
| Workforce Investment Act - Adult Administration                                     | 2009-7120-1 / 2010-7120-1        | 17.258                    | 16,442           |
| Total Workforce Investment Act - Adult  |                                  |                           | <u>38,502</u>    |
| Workforce Investment Act - Youth  | 2009-7120-1 / 2010-7120-1        | 17.259                    | 180,932          |
| Workforce Investment Act - Dislocated Worker - 2009                                 | 2009-7120-1                      | 17.260                    | 4,558            |
| Workforce Investment Act - Dislocated Worker Administration - 2009                  | 2009-7120-1                      | 17.260                    | 75,644           |
| ARRA Workforce Investment Act - Dislocated Worker                                   | 2009-7120-1 / 2010-7120-1        | 17.260                    | 17,167           |
| Total Workforce Investment Act - Dislocated Worker (CFDA #17.260)                   |                                  |                           | <u>97,369</u>    |
| Workforce Investment Act - Dislocated Worker - 2010                                 | 2010-7120-1                      | 17.278                    | 983              |
| Workforce Investment Act - Dislocated Worker Administration - 2010                  | 2010-7120-1                      | 17.278                    | 70,099           |
| Total Workforce Investment Act - Dislocated Worker (CFDA #17.278)                   |                                  |                           | <u>71,082</u>    |
| Total Workforce Investment Act - Dislocated Worker                                  |                                  |                           | <u>168,451</u>   |
| Total Workforce Investment Act Cluster  |                                  |                           | <u>387,885</u>   |
| Total U.S. Department of Labor  |                                  |                           | <u>387,885</u>   |
| <b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>                             |                                  |                           |                  |
| <i>Passed Through Ohio Department of Development:</i>                               |                                  |                           |                  |
| Community Development Block Grant (Formula Grant)                                   | B-F-08-1AS-1                     | 14.228                    | 15,000           |
| Community Development Block Grant (Formula Grant)                                   | B-F-09-1AS-1                     | 14.228                    | 33,700           |
| Community Development Block Grant (Formula Grant)                                   | B-F-10-1AS-1                     | 14.228                    | 12,500           |
| Community Development Block Grant (Chip)  | B-C-08-1AS-1                     | 14.228                    | 64,800           |
| Community Development Block Grant Revolving Loans                                   |                                  | 14.228                    | 102,647          |
| Total Community Development Block Grant   |                                  |                           | <u>228,647</u>   |
| Home Investment Partnerships Program (Chip)   | B-C-08-1AS-2                     | 14.239                    | 325,220          |
| Total U.S. Department of Housing and Urban Development                              |                                  |                           | <u>553,867</u>   |
| <b>U.S. DEPARTMENT OF TRANSPORTATION</b>  |                                  |                           |                  |
| <i>Passed Through Ohio Department of Transportation</i>                             |                                  |                           |                  |
| Highway Planning and Construction   | 03NO21                           | 20.205                    | 64,045           |
| Highway Planning and Construction   | 10NO15                           | 20.205                    | 150,000          |
| Total Highway Planning and Construction   |                                  |                           | <u>214,045</u>   |
| Federal Aviation Administration<br>Direct Assistance<br>Airport Improvement Program |                                  | 20.106                    | 1,026,838        |
| Total U.S. Department of Transportation   |                                  |                           | <u>1,240,883</u> |
| <b>U.S. DEPARTMENT OF JUSTICE</b>   |                                  |                           |                  |
| <i>Passed Through the Office of Criminal Justice Services</i>                       |                                  |                           |                  |
| Crime Victims Assistance  | 2010 VAGENE061T                  | 16.575                    | 35,673           |
| Crime Victims Assistance  | 2011 VAGENE061T                  | 16.575                    | 8,590            |
| Total Crime Victims Assistance  |                                  |                           | <u>44,263</u>    |
| Edward Bryne Memorial Justice Assistance Grant Formula Program                      | 2009-JG-A01-6407                 | 16.738                    | 80,000           |
| ARRA Edward Bryne Memorial Justice Assistance Grant Formula Program                 | 2009-RA-A01-2065                 | 16.803                    | 45,630           |
| Total Edward Bryne Memorial Justice Assistance Cluster                              |                                  |                           | <u>125,630</u>   |
| Total U.S. Department of Justice  |                                  |                           | <u>169,893</u>   |

(Continued)

DEFIANCE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)

| FEDERAL GRANTOR<br><i>Pass Through Grantor</i><br>Program Title  | Pass Through<br>Entity<br>Number | Federal<br>CFDA<br>Number | Disbursements              |
|--|----------------------------------|---------------------------|----------------------------|
| <b>U.S. ELECTION ASSISTANCE COMMISSION</b><br><i>Passed Through the Ohio Secretary of State</i><br>HAVA TITLE II   |                                  | 90.401                    | <u>524</u>                 |
| <b>US. DEPARTMENT OF DEFENSE - U.S. ARMY CORPS OF ENGINEERS</b><br>Direct Assistance<br>U.S. Army Corps of Engineers: Section 594 Environmental Infrastructure |                                  | 12.xxx                    | <u>23,682</u>              |
| <b>Total</b>   |                                  |                           | <u><b>\$ 7,117,874</b></u> |

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

**DEFIANCE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports Defiance County's (the County's) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B – SUBRECIPIENTS**

The County passes certain federal awards received from Ohio Department of Job and Family Services to other governments or not-for-profit agencies (subrecipients). As Note A describes, the County reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the County has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

**NOTE C – CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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

**NOTE E – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS**

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

These loans are collateralized by mortgages on the property and by uniform commercial codes on equipment. Expenditures on mortgage loans made by the County were recognized on the Schedule of Federal Awards Expenditures when the disbursements for home repairs were made on the project and not when the mortgage loans were issued.

Activity in the CDBG revolving loan fund during 2010 is as follows:

|  |                  |
|--|------------------|
| Beginning loans receivable balance as of January 1, 2010 | \$235,462        |
| Revolving loans made                                     | 100,000          |
| Mortgage loans made                                      | 178,346          |
| Loans principal repaid                                   | (24,057)         |
| Loans written off  | (13,927)         |
| Ending loans receivable balance as of December 31, 2010  | <u>\$475,824</u> |

**NOTE E – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS – (Continued)**

|   |           |
|---|-----------|
| Cash balance on hand in the revolving loan fund as of December 31, 2010 | \$194,660 |
| Administrative costs expended during 2010                               | \$2,647   |

**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 – TRANSFERS BETWEEN FEDERAL PROGRAMS**

During fiscal year 2010, the County made allowable transfers of \$110,883 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County Spent approximately \$638,994 on the TANF program. The amount reported for the TANF program on the Schedule excludes the amount transferred to the SSBG program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2010 and the amount transferred to the Social Services Block Grant program.

|   |                  |
|---|------------------|
| Temporary Assistance for Needy Families       | \$749,877        |
| Transfer to Social Services Block Grant       | <u>(110,883)</u> |
| Total Temporary Assistance for Needy Families | <u>\$638,994</u> |

**NOTE H – 2009 CHILD CARE CLUSTER AND TANF ADJUSTMENTS**

The Ohio Department of Job and Family Services (ODJFS) sub-awarded to Defiance County, Federal funding from the U.S. Department of Health and Human Services. Although these programs were administered at the County level, in July 2010 ODJFS adjusted some of the County's child care expenditures to align them with available funding sources. ODJFS' adjustments were retroactive to the beginning of the grant period (October 1, 2009). Therefore, these July 2010 adjustments affect 2009 calendar-year program expenditures previously reported as follows:

| Child Care Cluster   | CFDA # | 2009 Federal Expenditures Reported | July 2010 Adjustment | Adjusted 2009 Federal Expenditures Reported |
|--|--------|------------------------------------|----------------------|---|
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | \$308,663                          | \$(149,488)          | \$159,175                                   |
| Temporary Assistance for Needy Families (TANF)                                 | 93.558 | \$1,123,169                        | \$74,240             | \$1,197,409                                 |



# Dave Yost • Auditor of State

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

Defiance County  
500 Court Street, Suite A  
Defiance, Ohio 43512-2171

To the Board of Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Defiance County, Ohio (the County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness another deficiency we consider to be a significant deficiency.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-004 described in the accompanying schedule of findings and questioned costs to be a material weakness.

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. We consider finding 2010-005 described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

### **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, providing an opinion 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 instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2010-001 through 2010-003.

We also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 19, 2011.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the audit review committee, the Board of Commissioners, federal awarding agencies and pass-through entities, and others within the County. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

September 19, 2011



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Defiance County  
500 Court Street, Suite A  
Defiance, Ohio 43512-2171

To the Board of Commissioners:

### Compliance

We have audited the compliance of Defiance County, Ohio (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Government's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Defiance County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists this instance as Finding 2010-006.

### Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*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 compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-006 to be a material weakness.

The County's response to the finding we identified is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

We also noted a matter involving federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated September 19, 2011.

We intend this report solely for the information and use of the audit review committee, management, Board of Commissioners, others within the County, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

September 19, 2011



**DEFIANCE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2010**

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |   |   |
|---------------------|---|---|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unqualified   |
| <b>(d)(1)(ii)</b>   | <b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>                  | Yes   |
| <b>(d)(1)(ii)</b>   | <b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b> | Yes   |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                        | Yes   |
| <b>(d)(1)(iv)</b>   | <b>Were there any material internal control weaknesses reported for major federal programs?</b>                       | Yes   |
| <b>(d)(1)(iv)</b>   | <b>Were there any significant deficiencies in internal control reported for major federal programs?</b>               | No  |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unqualified   |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under § .510(a)?</b>   | Yes   |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | Temporary Assistance for Needy Families - CFDA 93.558<br>Workforce Investment Act Cluster – CFDA 17.258, 17.259, 17.260, and 17.278<br>Child Support Enforcement – CFDA 93.563<br>Airport Improvement Program – CFDA 20.106<br>Social Service Block Grant – CFDA 93.667<br>Water and Waste Disposal Systems for Rural Communities – CFDA 10.781 |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 300,000<br>Type B: all others  |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee?</b>  | No  |

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

**FINDING NUMBER 2010-001**

**Finding for Recovery**

From January 28, 2009 through June 9, 2011 there were instances in which Clerk of Courts (the Clerk's Office) receipts were received but not accounted for.

1. Five Clerk's Office deposits did not match the amount collected per the daily cashbook total. The total of these shortages was \$961. In three of these instances the deposit slip was changed by Ann Johns after the deposit was prepared by another employee.
2. There were 102 instances of receipts being entered in the computer system and then reversed by Ann Johns. These were amounts collected but not deposited. This amounted to a loss of \$9,633.19 in the Clerk's Office. In 34 of these instances, the fee, fine, or restitution was improperly dismissed in the computer system by Ann Johns to reduce the amount owed by the individual by the amount which was collected and not deposited.
3. There were 64 instances of monies being charged to deposits applied in the computer system and then reversed by Ann Johns. The effect of these entries resulted in monies being collected, but not deposited. This resulted in a loss of \$4,898.35 to the Clerk's Office. In 3 of these instances, the fee, fine, or restitution was improperly dismissed in the computer system by Ann Johns to reduce the amount owed by the individual by the amount which was collected and not deposited.
4. One money order and one check were received for a total of \$358.53. Only \$67.72 of this amount was posted to the system. The difference was diverted by Ann Johns and resulted in a loss of \$290.81 to the Clerk's Office.
5. Six passport fees were collected by Ann Johns and not deposited which resulted in a loss of \$150.
6. There were 7 instances where cash collections were received for fines, fees, or restitution by Ann Johns. She then improperly dismissed the charges on these cases and diverted the collections. The amount collected but never receipted amounted to a loss of \$1,288.87.

The table below shows the total loss to the Clerk's Office:

|                                |  |                    |
|--------------------------------|--|--------------------|
| Deposits Shorted               |  | \$ 961.00          |
| Receipts Reversed              |  | 9,633.19           |
| Deposits Applied Reversed      |  | 4,898.35           |
| Change from Checks             |  | 290.81             |
| Passport Fees Not Deposited    |  | 150.00             |
| Cash Theft with Fees Dismissed |  | <u>1,288.87</u>    |
| Total                          |  | <u>\$17,222.22</u> |

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public money collected but not accounted is hereby issued against Ann Johns, former Deputy Clerk, in the amount of \$17,222 in favor of the Defiance County Clerk of Courts Agency Fund.

**FINDING NUMBER 2010-001**  
**(Continued)**

In addition, Ohio Revised Code § 9.39 states all “public officials are liable for all public money received or collected by them or by their subordinates under color of office.” The term “public official” is defined in Ohio Revised Code Section 117.01(E) as “any officer, employee, or duly authorized representative or agent of a public office.” Additionally, Ohio Revised Code 117.01(C) defines “public money” as “any money received, collected by, or due a public official under color of office, as well as any money collected by any individual on behalf of a public office or as a purported representative or agent of the public office.” Finally, the term “color of office,” defined in Ohio Revised Code Section 117.01(A), “means actually, purportedly, or allegedly done under any law, ordinance, resolution, order or other pretension to official right, power, or authority.”

Amy Galbraith is Defiance County Clerk of Courts. Ann Johns is an employee in the Defiance County Clerk of Courts’ office and was under the supervision of Amy Galbraith. Ann Johns was responsible for collecting all fines, fees, and restitution paid. A total of \$17,222.22 was collected but unaccounted for.

Additionally, under Ohio law, Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent recovery or restitution is not obtained from the person who unlawfully obtained such funds or property. 1980 Op. Atty Gen. No. 80-074.

Therefore, Amy Galbraith as Defiance County Clerk of Courts is responsible for all fees, fines and restitution collected by the Clerk of Courts’ office and her bonding company, Cincinnati Insurance Company, are jointly and severally liable in the amount of \$17,222, and in favor of the Defiance County Clerk of Courts Agency Fund to the extent recovery is not obtained from Ann Johns.

**Officials’ Response:**

After reviewing the initial findings with the State Auditor, the Clerk of Courts’ office worked with CourtView to establish additional fraud detective controls and received training related to those controls.

**FINDING NUMBER 2010-002**

**Finding for Recovery**

**State ex re. McClure v. Hagerman**, 155 Ohio St. 320 (1951), provides expenditures made by a governmental unit should serve a public purpose. Typically, a determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates it must be memorialized by a duly enacted ordinance and may have a prospective effect only.

**Auditor of State Bulletin 2003-005, Expenditure of Public Funds/Proper “Public Purpose”** states governmental entities may not make expenditures of public monies unless they are for a valid public purpose. There are two criteria which demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced. Additionally, the Bulletin indicates the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states it will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

**FINDING NUMBER 2010-002**  
**(Continued)**

On March 16, 2010 Ann Johns, the former Deputy Clerk, prepared, signed, and issued a Defiance County Clerk of Courts check to the Work Industry in the amount of \$299, even though no money was owed to the Work Industry. This resulted in an over payment to the Work Industry.

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Ann Johns, former Deputy Clerk, in the amount of \$299 in favor of the Defiance County Clerk of Courts Agency Fund.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Revised Code § 9.29; *State, ex. rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent recovery or restitution is not obtained from the person who unlawfully obtained such funds or property. 1980 Op. Atty Gen. No. 80-074.

Amy Galbraith, is the Defiance County Clerk of Court. Therefore, Amy Galbraith and her bonding company, Cincinnati Insurance Company, are jointly and severally liable in the amount of \$299, and in favor of the Defiance County Clerk of Courts Agency Fund to the extent recovery is not obtained from Ann Johns.

**Officials' Response:**

After reviewing the initial findings with the State Auditor, the Clerk of Courts' office worked with CourtView to establish additional fraud detective controls and received training related to those controls.

**FINDING NUMBER 2010-003**

**Finding for Recovery**

***State ex re. McClure v. Hagerman***, 155 Ohio St. 320 (1951), provides expenditures made by a governmental unit should serve a public purpose. Typically, a determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates it must be memorialized by a duly enacted ordinance and may have a prospective effect only.

**Auditor of State Bulletin 2003-005, Expenditure of Public Funds/Proper "Public Purpose"** states governmental entities may not make expenditures of public monies unless they are for a valid public purpose. There are two criteria which demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced. Additionally, the Bulletin indicates the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states it will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

**FINDING NUMBER 2010-003**  
**(Continued)**

On January 6, 2010 Ann Johns, the former Deputy Clerk, prepared, signed, and issued a Defiance County Clerk of Courts check to refund \$492.25 to the payee, Dawn Morrow, when the money should have been remitted to the State Bank and Trust Company. The account balance of Dawn Morrow was recorded as being paid in full, however \$492.25 in restitution was never sent to the State Bank and Trust Company.

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Dawn Morrow and Ann Johns, former Deputy Clerk, jointly and severally, in the amount of \$492 in favor of the Defiance County Clerk of Courts Agency Fund.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Revised Code § 9.29; *State, ex. rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent recovery or restitution is not obtained from the person who unlawfully obtained such funds or property. 1980 Op. Atty Gen. No. 80-074.

Amy Galbraith is the Defiance County Clerk of Court. Therefore, Amy Galbraith and her bonding company, Cincinnati Insurance Company, are jointly and severally liable in the amount of \$492, and in favor of the Defiance County Clerk of Courts Agency Fund to the extent recovery is not obtained from Dawn Morrow and Ann Johns.

**Officials' Response:**

After reviewing the initial findings with the State Auditor, the Clerk of Courts' office worked with CourtView to establish additional fraud detective controls and received training related to those controls.

**FINDING NUMBER 2010-004**

**Monitoring Financial Statements**

**Material Weakness**

Accurate financial reporting is the responsibility of the County Auditor and is essential to ensure the information provided to the readers of the financial statements is fairly stated.

The 2010 financial statements contained errors, such as the following:

- Deferred Revenue was overstated by \$434,535, due from other governments was overstated by \$383, 182, and intergovernmental revenue was understated by \$51,353 in the Job and Family Service Fund. Intergovernmental revenue and due from other governments were overstated by \$383,182 in Governmental Activities.
- Due to other funds and due from other funds were understated by \$196,641 in the Other Governmental Funds and Job and Family Services Fund.
- Intergovernmental revenue was understated and other revenue was overstated by \$112,142 in the Job and Family Services Fund and the Governmental Activities.

**FINDING NUMBER 2010-004  
(Continued)**

- Charges for services and accounts receivables were overstated by \$39,494 in the Sewer Fund and the Business Type Activities.

The financial statements and accounting records have been adjusted to reflect these corrections.

To ensure the County's financial statements and notes to the statements are complete and accurate, the County Auditor should adopt policies and procedures, including a final review of the statements, management discussion and analysis, and notes to the financial statements to identify and correct errors and omissions.

**Officials' Response:**

The County Auditor's office continues to implement various policies, procedures, and reviews in an attempt to reduce the number of audit adjustments.

**FINDING NUMBER 2010-005**

**Segregation of Duties- Clerk of Courts Legal**

**Significant Deficiency**

A Deputy Clerk in the Clerk of Courts Legal Department was responsible for collecting receipts, posting transactions to the cashbook, filing out deposit slips, making the deposit, and performing the monthly bank reconciliation. Having one employee performing these duties contributed to an employee diverting revenues for personal use without detection and resulted in a loss to the Clerk of Courts' office of over \$17,000.

To increase controls and accountability over the Clerk of Courts Legal Department, we recommend the Clerk of Courts:

- Segregate duties between the Deputy Clerks preparing the deposits, making the deposits, and performing monthly bank reconciliations;
- Approve all receipt reversals, dismissal of fees, fines, and restitution, and correcting entries by employees of the Courts. The Clerk should make an indication, such as her initials, to document her review of these transactions.
- Compare the daily deposit to the daily cashbook total;
- Review the daily cashbook for any unusual transactions such as unauthorized reversals, receipts for checks with change given to the payer, or unusual court fees;
- Review monthly bank reconciliations for accuracy;
- Review all checks issued by the Courts and monthly distributions to determine if there are any unusual or improper payments.

**Officials' Response:**

After reviewing the initial findings with the State Auditor, the Clerk of Courts' office worked with CourtView to establish additional fraud detective controls and received training related to those controls.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

|                                    |   |
|------------------------------------|---|
| <b>Finding Number</b>              | 2010-006  |
| <b>CFDA Title and Number</b>       | Workforce Investment Act Cluster – CFDA 17.258, 17.259, 17.260, and 17.278                      |
| <b>Federal Award Number / Year</b> | 2009-7120-1 and 2010-7120-1/ 2010   |
| <b>Federal Agency</b>              | U.S. Department of Labor  |
| <b>Pass-Through Agency</b>         | Ohio Department of Job and Family Services; Montgomery County Area 7 Workforce Investment Board |

**Noncompliance Citation/Federal Questioned Cost/Material Weakness**

**20 C.F.R. § 667.300(a)** specifies all States and other direct grant recipients must report financial, participant, and performance data in accordance with instructions issued by the Department of Labor.

**20 C.F.R. § 667.300(b)** indicates a State or other direct grant recipient may impose different reporting requirements on subrecipients.

For local accountability in the quarterly reconciliation of federal and state funds, **Ohio Administrative Code § 5101:9-7-04.1(A)** requires the Workforce Investment Act (WIA) area to report the receipt of revenues and disbursements of funds and provide documentation to justify the allocation of costs and various funds by the submission of reports, one of which is the monthly JFS 01992 “Workforce Investment Act (WIA) Fund Certification Sheet Monthly Financial Statement” (rev. 4/2006).

**Ohio Administrative Code § 5101:9-7-29(D)** states the purpose of the JFS 01992 “Workforce Investment Act (WIA) Fund Certification Sheet Monthly Financial Statement” (rev. 4/2006) is to report WIA revenues and disbursements and the WIA area expenditures and obligations.

**Ohio Administrative Code § 5101:9-7-04(E)** specifies as obligations are incurred, they become accrued expenses and shall be reported as accruals. At the time the accrual is liquidated, the WIA area may draw down funds and shall report the disbursement of the accrual as expenditure for that quarter.

The Defiance County Department of Job and Family Services (DCDJFS) did not properly report expenses on the JFS 01992 “Workforce Investment Act (WIA) Fund Certification Sheet Monthly Financial Statement” for the months of January through July 2010. This was caused by the DCDJFS not maintaining adequate supporting documentation for the accruals reported on the monthly statements for these months. Also, indirect shared costs (based on Random Moment Sample (RMS) charges) due to the JFS PA Fund from the WIA Fund were not properly reconciled to the RMS charges booked for 2010. This resulted in there being RMS charges for 2010 still due to the PA Fund. This ultimately resulted in total WIA expenditures being improperly reported for 2010. Total questioned costs for unsubstantiated and improper reporting of expenditures are \$56,878 (calculated as follows) of the \$387,885 the County spent on or on behalf of programs in the WIA Cluster during 2010.

**FINDING NUMBER 2010-006**  
**(Continued)**

|  |                 |
|--|-----------------|
| Total Accumulative Month End Unsubstantiated Accrual Expenditures Reported to Area 7 from January to July 2010 | \$67,529        |
| Less: Indirect Shared Costs (RMS Charges) Under-Reported for Calendar Year 2010                                | (10,651)        |
| Total Questioned Costs   | <u>\$56,878</u> |

By not accurately reporting expenditures, there is a possibility these reported expenditures may be disqualified and subject to refund.

We recommend the DCDJFS properly calculate accrual expenses and maintain supporting documentation of accrual amounts reported on the JFS 01992 "Workforce Investment Act (WIA) Fund Certification Sheet Monthly Financial Statement" each month. These records should be available as evidence expenditures charged to the WIA grant cluster are complete and accurate program expenditures. We further recommend the DCDJFS Director review and approve the monthly reports.

**Officials' Response:**

See corrective action plan on the following page.



**DEFIANCE COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
DECEMBER 31, 2010**

| Finding Number | Planned Corrective Action  | Anticipated Completion Date | Responsible Contact Person   |
|----------------|--|-----------------------------|--|
| 2010-006       | <p>We now follow the procedure for the JFS form 1992 on how to report the accruals each month by backing out the entire months accruals and proceeding through the process of the completing the 1992. We also went back and verified that by backing out the monthly accruals, we agreed with the auditor on the amount of the overpayments.</p> <p>The second part of the issue was the RMS transfers. To correct this problem we have created a spreadsheet that will calculate each month's RMS amount which should be reported on the 1992. It will then be reconciled to the I.C. report which is a quarterly report. If adjustments are needed they will be made the following month.</p> <p>We are confident that these changes will be effective and successful in eliminating this problem. We are in communication with Area 7 fiscal office to determine how they want the overpayment handled. As of August 23, 2010 all corrective measures are in place. The monthly accruals started being appropriately reported as of August 2010.</p> | 10/31/11                    | Jack Graf, Director<br>– Defiance County<br>Job and Family<br>Services |

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DEFIANCE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
 OMB CIRCULAR A -133 § .315 (b)  
 DECEMBER 31, 2010

| Finding Number | Finding Summary  | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|--|------------------|--|
| 2009-001       | Significant deficiency regarding monitoring of financial statements.   | No               | Repeated in this report as finding 2010-004.   |
| 2009-002       | Noncompliance/questioned cost/material weakness for Workforce Investment Act (WIA) Cluster, for unsubstantiated and improper reporting of expenditures for 2009. | No               | Repeated in this report as finding 2010-006.   |

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# Dave Yost • Auditor of State

## DEFIANCE COUNTY FINANCIAL CONDITION

### DEFIANCE COUNTY

#### CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
SEPTEMBER 29, 2011