



Dave Yost • Auditor of State

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Financial Condition
Auglaize County
209 South Blackhoof Street
Wapakoneta, Ohio 45895

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Auglaize County, Ohio (the County), as of and for the year ended December 31, 2011, 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 did not audit the financial statements of the component units, Auglaize County Airport Authority and Auglaize Industries, Inc. which represent 100% of the assets/net assets and revenues of the discretely presented component units. Other auditors audited those financial statements. They have furnished their reports thereon to us and we base our opinion, insofar as it relates to the amounts included for the Auglaize County Airport Authority and Auglaize Industries, Inc., on the reports of the other auditors.

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, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Auglaize County, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Motor Vehicle and Gas Tax, Solid Waste Management, Job and Family Services, and the Auglaize County Department of Disability funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3, the County restated the January 1, 2011 Net Assets of the Governmental Activities and the Fund Balances of the General, Auglaize County Developmental Disabilities, Permanent Improvement, and Other Governmental Funds. Also as described in Note 3, during 2011 the County adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2012, 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 taken as a whole. The Schedule of Federal Awards Expenditures (the Schedule) 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 not a required part of the basic financial statements. The Schedule 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 14, 2012

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

As management of Auglaize County (the County), we offer readers of the County's financial statement this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2011.

FINANCIAL HIGHLIGHTS

The assets of the County exceed liabilities at December 31, 2011 by \$72,610,213. Of this amount \$25,798,829 may be used to meet ongoing obligations. As of December 31, 2011, the County's governmental funds reported net assets of \$68,300,434 a decrease of \$1,290,296, after restating the December 31, 2010 net assets (see Note 3) in comparison with the prior year. At the end of the current fiscal year the unassigned fund balance for the general fund was \$5,413,760 which is available for spending at the County's discretion. The County's outstanding debt, not considering any additions, decreased by \$414,654 in governmental activities and decreased \$5,000 in business type activities. In the general fund actual revenues were 7.72 percent higher than budgeted and expenditures were 11.4 percent less than the budgeted amount.

OVERVIEW OF THE FINANCIAL STATEMENTS

The County's basic financial statements are comprised of three parts: 1) government-wide financial statements, 2) fund financial statements including budgetary statements for major special revenue funds, and 3) notes to the financial statements.

Government-wide Financial Statements - These statements are intended to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all County assets and liabilities with the difference between the two reported as net assets.

The statement of activities distinguish functions of the County that are mainly supported by taxes and intergovernmental revenues (governmental) from functions that are intended to recover a significant portion of their costs through user fees and charges (business-type). Governmental activities include general government (legislative, executive and judicial), public safety, public works, health, human services, and other.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. 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.

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 current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be used in evaluating a government's near-term financial requirements.

Because the focus of 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, 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.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)
(Continued)**

The county maintains 441 governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Motor Vehicle and Gasoline Tax (MVGT) Fund, Solid Waste Management (SWM) Fund, Jobs and Family Services (JFS) Fund, Auglaize County Developmental Disabilities (ACDD) Fund, and the Permanent Improvement Fund, all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation. The County adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided for the general fund and each major special revenue fund to demonstrate compliance with the budget.

Proprietary Funds – The County maintains two types of 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 sewer operations and County Home (Auglaize Acres). Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its health insurance, 125 plan, and various rotary funds. Because this service benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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.

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. The notes can be found on pages 29-70.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$72,610,213 as of December 31, 2011.

**Table 1
Net Assets**

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and Other Assets	\$36,130,278	\$39,248,630	\$1,364,990	\$1,205,175	\$37,495,268	\$40,453,805
Capital Assets, Net	43,577,819	39,961,961	3,481,062	3,535,860	47,058,881	43,497,821
Total Assets	79,708,097	79,210,591	4,846,052	4,741,035	84,554,149	83,951,626
Liabilities						
Current and Other Liabilities	9,231,170	8,666,139	474,101	415,211	9,705,271	9,081,350
Long-Term Liabilities	2,176,493	2,152,998	62,172	104,485	2,238,665	2,257,483
Total Liabilities	11,407,663	10,819,137	536,273	519,696	11,943,936	11,338,833
Net Assets						
Invested in Capital Assets, Net of Related Debt	43,337,819	39,681,959	3,473,562	3,523,360	46,811,381	43,205,319
Restricted	17,902,609	21,846,930			17,902,609	21,846,930
Unrestricted	7,060,006	6,862,565	836,217	697,979	7,896,223	7,560,544
Total Net Assets	\$68,300,434	\$68,391,454	\$4,309,779	\$4,221,339	\$72,610,213	\$72,612,793

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)
(Continued)**

The largest portion of the County's net assets 64.5 percent reflects its investment in capital assets (land, construction in progress, buildings and improvements, equipment/furniture/fixtures, and infrastructure), less any related debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

As of December 31, 2011, 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.

At the end of 2011 you will notice that the total net assets for the governmental type activities has decreased. The governmental activities decreased mostly in part due to payment of the courthouse renovation, which will be reimbursed in 2012 by a Stimulus Grant.

Analysis of the County's Operation – The following table provides a summary of the County's operations for 2011. The more significant changes are as follows:

**Table 2
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Program Revenues:						
Charges for Services	\$ 7,144,998	\$ 6,920,385	\$5,499,813	\$5,008,837	\$12,644,811	\$11,929,222
Operating Grants	7,496,093	11,006,322			7,496,093	11,006,322
Capital Grants/Contributions	601,779	411,450	110,356	82,572	712,135	494,022
General Revenues:						
Property Taxes	5,407,460	5,427,195			5,407,460	5,427,195
Sales Tax	7,792,771	7,188,814			7,792,771	7,188,814
Intergovernmental	788,234	902,145			788,234	902,145
Gain/Loss on Sale of Assets	(135,158)	(275,320)			(135,158)	(275,320)
Miscellaneous	457,793	226,036	38,986	49,084	496,779	275,120
Interest	210,189	236,831			210,189	236,831
Total Revenues	29,764,159	32,043,858	5,649,155	5,140,493	35,413,314	37,184,351
Program Expenses						
General Government	6,899,692	6,612,853			6,899,692	6,612,853
Public Safety	5,549,463	5,158,018			5,549,463	5,158,018
Public Works	6,821,682	6,972,858			6,821,682	6,972,858
Health	6,399,303	5,559,173			6,399,303	5,559,173
Human Services	3,673,087	3,729,402			3,673,087	3,729,402
Other	1,642,963	1,314,608			1,642,963	1,314,608
Interest & Fiscal Charges	68,265	81,012			68,265	81,012
Sewer			481,743	515,685	481,743	515,685
County Home			5,078,972	5,071,456	5,078,972	5,071,456
Total Expenses	31,054,455	29,427,924	5,560,715	5,587,141	36,615,170	35,015,065
Changes in Net Assets	(1,290,296)	2,615,934	88,440	(446,648)	(1,201,856)	2,169,286
Net Assets January 1 (restated)	69,590,730	65,775,520	4,221,339	4,667,987	73,812,069	70,443,507
Net Assets December 31	\$68,300,434	\$68,391,454	\$4,309,779	\$4,221,339	\$72,610,213	\$72,612,793

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)
(Continued)**

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest offsetting those services. Table 3 shows the total cost of services and the net cost of services for governmental activities for 2011 and 2010. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. This table also shows the cost of services for business type activities along with the related charges for services to offset the costs or providing the services.

**Table 3
Total Costs versus Net Costs
Governmental Type Activities**

	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Current:				
General Government:				
Legislative and Executive	\$ 4,733,319	\$ 3,218,135	\$ 4,790,959	\$ 2,947,991
Judicial	2,166,373	873,377	1,821,894	492,605
Public Safety	5,549,463	4,751,970	5,158,018	4,437,493
Public Works	6,821,682	700,188	6,972,858	1,251,321
Health	6,399,303	3,890,100	5,559,173	692,410
Human Services	3,673,087	668,987	3,729,402	(125,073)
Other	1,642,963	1,640,563	1,314,608	1,312,008
Interest and Fiscal Charges	68,265	68,265	81,012	81,012
Total Expenses	\$31,054,455	\$15,811,585	\$29,427,924	\$11,089,767
	Business Type Activities			
	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Auglaize Acres	\$5,078,972	(\$183,076)	\$5,071,456	\$324,675
Sewer	481,743	133,622	515,685	171,057
Total Expenses	\$5,560,715	(\$ 49,454)	\$5,587,141	\$495,732

Financial Analysis of the Government's Funds - As noted earlier, Auglaize County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, Auglaize County's governmental funds reported total fund balances of \$23,552,671. Of this \$5,413,760 constitutes unassigned fund balance of the general fund, which is available for spending at the County's discretion. The remainder of the fund balances includes \$209,405 for debt service payments and \$2,289,564 for usage by the County's capital projects funds.

The general fund is the chief operating fund of the county. At the end of the current fiscal year, the unassigned balance was \$5,413,760 while the total fund balance was \$7,967,792.

The other major governmental funds of the County are Motor Vehicle and Gasoline Tax (MVGT), Solid Waste Management (SWM), Job and Family Services (JFS), Auglaize County Developmental Disabilities (ACDD) and Permanent Improvement.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)
(Continued)**

The MVGT fund balance decreased by \$134,673 to \$1,315,311. The decrease is due to a continued spending in excess of revenues.. The SWM fund balance increased by \$347,253 to (\$1,636,217). The increase is due to the per parcel fee assessed to the 2010 taxes collected in 2011. The JFS fund balance decreased by \$127,696 to \$874,960. The decrease is due to an increase in expenditures. The ACDD fund balance decreased by \$942,168 to \$4,799,544. The decrease is due to an increase in expenditures and in transfers. The Permanent Improvement fund balance decreased by \$4,439,202 to \$1,652,455. The decrease is due to expenditures incurred for the Courthouse renovation project.

Enterprise Funds - The County's enterprise funds had an increase in net assets. These funds comprise the County's business type activities.

The county home (Auglaize Acres) net assets increased by \$220,709 to \$697,380. In 2003 the facility became a Certified Long-term Care Facility. The various sewer fund net assets decreased by \$132,269 to \$3,612,399.

General Fund Budgeting Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash revenues, expenditures, and encumbrances. The most significant budgeted fund is the General Fund.

For the General Fund, actual budget basis revenues and other financing sources were \$961,572 higher than final budget estimates of \$11,722,686.

Total actual expenditures and other financing uses were \$1,863,972 less than the final budgeted expenditures. The decrease in actual versus budgeted expenditures is due to an overall decrease in expenditures by all departments.

Capital Assets and Debt Administration

**Table 4
Capital Assets at Year-End
Net of Accumulated Depreciation**

	Governmental Activities		Business-Type		Total	
	2011	2010	2011	2010	2011	2010
Land & Improvements	\$ 3,827,624	\$ 4,003,565	\$ 56,298	\$ 56,298	\$ 3,883,922	\$ 4,059,863
Infrastructure	21,084,531	21,648,616	3,133,426	3,250,218	24,217,957	24,898,834
Buildings/Improvements	9,635,079	10,294,591	198,300	118,940	9,833,379	10,413,531
Construction in Progress	6,274,038	1,165,318			6,274,038	1,165,318
Equipment, Furniture/Fixtures	2,756,547	2,849,871	93,038	110,404	2,849,585	2,960,275
Total	\$43,577,819	\$39,961,961	\$3,481,062	\$3,535,860	\$47,058,881	\$43,497,821

**Table 5
Outstanding Debt at Year-End
Governmental Activities**

	2011	2010
General Obligation Bonds:		
Human Services	\$ 240,000	\$ 280,000
Special Assessment Bonds	230,000	440,000
Ohio Public Works Loan	61,373	66,488
Special Assessment Notes	839,347	818,033
Total	\$1,370,720	\$1,604,521

Sixty one percent of the debt is in the form of ditch notes which are issued primarily for drainage improvement.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)
(Continued)**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The budget centers on a stable economic climate. The county unemployment rate is 6.3 percent, 1.8 percent lower than the state rate of 8.1 percent (January, 2012). The state legislature has indicated uncertainty regarding local government and state funded grant programs which may require more local financial support.

Business-type activities should remain relatively unchanged for 2012.

Ditch note debt incurred since January 1, 2012 is \$81,394.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors and creditors with general overview of the County's finances. If you have questions about this report or wish to obtain the separately issued financial statements of the County's component units contact the Auglaize County Auditor's Office by calling 419-739-6705 or writing the County Auditor at 209 S Blackhoof St, Suite 102, Wapakoneta Ohio 45895.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2011**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Airport Authority	Auglaize Industries
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$17,772,222	\$1,007,523	\$18,779,745		
Cash and Cash Equivalents in Segregated Accounts				\$5,309	\$623,757
Cash and Cash Equivalents With Fiscal Agent	3,040,948		3,040,948		
Cash and Cash Equivalents With Escrow Agent	243,281		243,281		
Materials and Supplies Inventory	622,760	36,963	659,723	28,716	
Accrued Interest Receivable	128,772		128,772		
Accounts Receivable	81,894	603,592	685,486	89,398	34,288
Internal Balances	290,555	(290,555)			
Due from Other Governments	3,832,392		3,832,392		
Prepaid Items	211,842	3,717	215,559		1,000
Sales Taxes Receivable	2,008,544		2,008,544		
Property Taxes Receivable	6,045,255		6,045,255		
Notes Receivable	721,093	3,750	724,843		
Special Assessments Receivable	1,130,720		1,130,720		
Non Depreciable Assets	8,216,967	56,298	8,273,265		
Depreciable Capital Assets, Net	35,360,852	3,424,764	38,785,616	53,844	24,076
Total Assets	79,708,097	4,846,052	84,554,149	177,267	683,121
Liabilities:					
Accounts Payable	519,501	218,253	737,754	3,920	5,766
Contracts Payable	758,137		758,137		
Accrued Wages	338,179	73,374	411,553		1,116
Due to Other Governments	351,764	72,155	423,919	7,684	4,764
Due to Clients		9,694	9,694		
Accrued Interest Payable	10,735		10,735		
Retainage Payable	243,281		243,281		
Deferred Revenue	5,951,668		5,951,668	7,791	
Long-Term Liabilities:					
Due Within One Year	1,057,905	100,625	1,158,530		1,553
Due In More Than One Year	2,176,493	62,172	2,238,665		
Total Liabilities	11,407,663	536,273	11,943,936	19,395	13,199
Net Assets:					
Invested in Capital Assets, Net of Related Debt	43,337,819	3,473,562	46,811,381	53,844	24,076
Restricted for:					
Capital Projects	2,309,529		2,309,529		
Debt Service	314,038		314,038		
Other Purposes	15,279,042		15,279,042	577	
Unrestricted (Deficit)	7,060,006	836,217	7,896,223	103,451	645,846
Total Net Assets	\$68,300,434	\$4,309,779	\$72,610,213	\$157,872	\$669,922

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>	
Primary Government:				
Governmental Activities:				
Current:				
General Government:				
Legislative and Executive	\$4,733,319	\$1,056,245	\$458,939	
Judicial	2,166,373	1,170,962	122,034	
Public Safety	5,549,463	355,902	415,116	\$26,475
Public Works	6,821,682	3,269,721	2,321,149	530,624
Health	6,399,303	1,151,708	1,357,495	
Human Services	3,673,087	138,060	2,821,360	44,680
Other	1,642,963	2,400		
Interest and Fiscal Charges	68,265			
Total Governmental Activities	<u>31,054,455</u>	<u>7,144,998</u>	<u>7,496,093</u>	<u>601,779</u>
Business-Type Activities:				
Auglaize Acres	5,078,972	5,151,692		110,356
Sewers	481,743	348,121		
Total Business-Type Activities	<u>5,560,715</u>	<u>5,499,813</u>		<u>110,356</u>
Total - Primary Government	<u>\$36,615,170</u>	<u>\$12,644,811</u>	<u>\$7,496,093</u>	<u>\$712,135</u>
Component Units:				
Airport Authority	\$434,540	\$428,903		
Auglaize Industries	334,634	332,886		
Total Component Units	<u>\$769,174</u>	<u>\$761,789</u>		

General Revenues:

Property Taxes Levied for:

 General Purposes

 Other Purposes

Sales Tax Levied for:

 General Purposes

 Other Purposes

 Capital Outlay

 Intergovernmental

 Loss/Gain on Sale of Capital Asset

 Investment Earnings

 Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - restated

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Airport Authority	Auglaize Industries
(\$3,218,135)		(\$3,218,135)		
(873,377)		(873,377)		
(4,751,970)		(4,751,970)		
(700,188)		(700,188)		
(3,890,100)		(3,890,100)		
(668,987)		(668,987)		
(1,640,563)		(1,640,563)		
(68,265)		(68,265)		
<u>(15,811,585)</u>		<u>(15,811,585)</u>		
	\$183,076	183,076		
	(133,622)	(133,622)		
	49,454	49,454		
<u>(15,811,585)</u>	<u>49,454</u>	<u>(15,762,131)</u>		
			(\$5,637)	
				(\$1,748)
			<u>(5,637)</u>	<u>(1,748)</u>
1,939,981		1,939,981		
3,467,479		3,467,479		
6,670,086		6,670,086		
522,685		522,685		
600,000		600,000		
788,234		788,234		
(135,158)		(135,158)		
210,189		210,189	294	
457,793	38,986	496,779	16,628	
<u>14,521,289</u>	<u>38,986</u>	<u>14,560,275</u>	<u>16,922</u>	
(1,290,296)	88,440	(1,201,856)	11,285	(1,748)
<u>69,590,730</u>	<u>4,221,339</u>	<u>73,812,069</u>	<u>146,587</u>	<u>671,670</u>
<u>\$68,300,434</u>	<u>\$4,309,779</u>	<u>\$72,610,213</u>	<u>\$157,872</u>	<u>\$669,922</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	<u>General</u>	<u>MVGT</u>	<u>SWM</u>	<u>Job and Family Srvc</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$4,012,731	\$398,525	\$439,696	\$830,872
Cash and Cash Equivalents With Fiscal Agent				
Due from other Governments	624,398	2,306,237		193,551
Materials and Supplies Inventory	67,873	470,890		71,911
Accrued Interest Receivable	13,404			
Accounts Receivable	3,947	20,432	32,348	
Due from other Funds	2,385,701	17,695		18,798
Prepaid Items	96,008	8,013	220	66,423
Sales Taxes Receivable	1,768,544			
Property Taxes Receivable	2,163,735			
Note Receivable				
Special Assessments Receivable				
Restricted Assets:				
Cash and Cash Equivalents With Escrow Agent				
Total Assets	<u>11,136,341</u>	<u>3,221,792</u>	<u>472,264</u>	<u>1,181,555</u>
Liabilities:				
Accounts Payable	130,675	79,283	28,419	38,955
Contracts Payable				
Accrued Wages	176,386	45,024	4,362	30,803
Intergovernmental Payable	200,769	45,800	4,467	33,874
Retainage Payable				
Due to Other Funds	10,747	2,190	2,071,233	9,911
Deferred Revenue	2,649,972	1,734,184		193,052
Total Liabilities	<u>3,168,549</u>	<u>1,906,481</u>	<u>2,108,481</u>	<u>306,595</u>
Fund Balances:				
Non-spendable:				
Inventory	67,873	470,890		71,911
Prepays	96,008	8,013	220	66,423
Notes Receivable				
Interfund Receivable	2,326,196			
Restricted for:				
Debt Service				
Capital Outlay				
MVGT		825,969		
Jobs and Family Services				721,518
Developmental Disabilities				
Other Purposes	11,987			
Committed to:				
Capital Outlay				
Other Purposes				
Assigned	51,968	10,439		15,108
Unassigned	5,413,760		(1,636,437)	
Total Fund Balances	<u>7,967,792</u>	<u>1,315,311</u>	<u>(1,636,217)</u>	<u>874,960</u>
Total Liabilities and Fund Balances	<u>\$11,136,341</u>	<u>\$3,221,792</u>	<u>\$472,264</u>	<u>\$1,181,555</u>

See accompanying notes to the basic financial statements.

ACDD	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
\$1,895,052	\$2,095,287	\$7,911,343	\$17,583,506
3,040,948			3,040,948
370,712		337,494	3,832,392
2,735		9,351	622,760
		115,368	128,772
		25,167	81,894
		8,058	2,430,252
3,465		37,713	211,842
	240,000		2,008,544
3,881,520			6,045,255
		721,093	721,093
		1,130,720	1,130,720
	243,281		243,281
<u>9,194,432</u>	<u>2,578,568</u>	<u>10,296,307</u>	<u>38,081,259</u>
48,942		180,743	507,017
	666,979	91,158	758,137
57,845		21,493	335,913
43,173		20,984	349,067
	243,281		243,281
277	15,853	48,038	2,158,249
<u>4,244,651</u>		<u>1,355,065</u>	<u>10,176,924</u>
<u>4,394,888</u>	<u>926,113</u>	<u>1,717,481</u>	<u>14,528,588</u>
2,735		9,351	622,760
3,465		37,713	211,842
		721,093	721,093
			2,326,196
		209,405	209,405
		331,997	331,997
			825,969
			721,518
4,772,642			4,772,642
		6,355,863	6,367,850
	1,652,455	305,112	1,957,567
		544,670	544,670
20,702		63,622	161,839
		0	3,777,323
<u>4,799,544</u>	<u>1,652,455</u>	<u>8,578,826</u>	<u>23,552,671</u>
<u>\$9,194,432</u>	<u>\$2,578,568</u>	<u>\$10,296,307</u>	<u>\$38,081,259</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011**

Total Governmental Funds Balances		\$23,552,671
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		43,577,819
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Grants	\$915,302	
Property Tax	93,587	
Sales Tax	230,630	
Special Assessments	1,130,720	
Interest	115,368	
Local Government	236,095	
Gas Tax	785,000	
Charges for Services - licenses	<u>718,554</u>	
Total		4,225,256
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(240,000)	
Special Assessment Bonds	(230,000)	
Special Assessment Notes	(839,347)	
Compensated Absences	(1,860,920)	
Ohio Public Works Loan	(61,373)	
Accrued Interest Payable	<u>(10,735)</u>	
Total		(3,242,375)
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 in the statement of net assets.		<u>187,063</u>
Net Assets of Governmental Activities		<u><u>\$68,300,434</u></u>

See accompanying notes to the basic financial statements.

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**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>MVGT</u>	<u>SWM</u>	<u>Job and Family Srvc</u>
Revenues:				
Property Taxes	\$1,952,046			
Sales Tax	6,670,086	\$522,685		
Interest	224,131	6,619		
Licenses and Permits	2,242			
Fines and Forfeitures	438,843	47,764		
Intergovernmental	1,431,446	3,849,199	\$237	\$1,612,772
Charges for Services	1,425,251	360,138	276,834	
Special Assessments			367,598	
Other	183,231	10,428	194,624	95,060
Total Revenues	<u>12,327,276</u>	<u>4,796,833</u>	<u>839,293</u>	<u>1,707,832</u>
Expenditures:				
Current:				
General Government:				
Legislative and Executive	3,145,878			
Judicial	1,716,895			
Public Safety	4,789,800			
Public Works	316,278	4,939,726		
Health	98,234		492,040	
Human Services	398,723			1,985,528
Other	1,569,760			
Capital Outlay				
Debt Service:				
Principal Retirement				
Interest and Fiscal Charges				
Total Expenditures	<u>12,035,568</u>	<u>4,939,726</u>	<u>492,040</u>	<u>1,985,528</u>
Excess of Revenues Over/(Under) Expenditures	<u>291,708</u>	<u>(142,893)</u>	<u>347,253</u>	<u>(277,696)</u>
Other Financing Sources (Uses):				
Sale of Fixed Assets	34,473	8,220		
Other Financing Sources	25,860			
Proceeds from Notes				
Transfers In	2,171			150,000
Transfers Out	(150,000)			
Total Other Financing Sources (Uses)	<u>(87,496)</u>	<u>8,220</u>		<u>150,000</u>
Net Change in Fund Balances	204,212	(134,673)	347,253	(127,696)
Fund Balances (Deficits) Beginning of Year - restated	<u>7,763,580</u>	<u>1,449,984</u>	<u>(1,983,470)</u>	<u>1,002,656</u>
Fund Balances (Deficits) End of Year	<u>\$7,967,792</u>	<u>\$1,315,311</u>	<u>(\$1,636,217)</u>	<u>\$874,960</u>

See accompanying notes to the basic financial statements.

<u>ACDD</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$3,478,417			\$5,430,463
	\$600,000		7,792,771
1,088		\$20,884	252,722
			2,242
		127,852	614,459
814,069		2,559,354	10,267,077
		1,212,945	3,275,168
		1,262,313	1,629,911
6,262	100,000	196,513	786,118
<u>4,299,836</u>	<u>700,000</u>	<u>5,379,861</u>	<u>30,050,931</u>
		589,864	3,735,742
		474,383	2,191,278
		728,884	5,518,684
		610,205	5,866,209
4,642,004		1,186,438	6,418,716
		1,239,330	3,623,581
		73,878	1,643,638
	5,139,202	745,427	5,884,629
		414,654	414,654
		69,769	69,769
<u>4,642,004</u>	<u>5,139,202</u>	<u>6,132,832</u>	<u>35,366,900</u>
<u>(342,168)</u>	<u>(4,439,202)</u>	<u>(752,971)</u>	<u>(5,315,969)</u>
			42,693
			25,860
		181,019	181,019
		640,000	792,171
<u>(600,000)</u>		<u>(40,000)</u>	<u>(790,000)</u>
<u>(600,000)</u>		<u>781,019</u>	<u>251,743</u>
(942,168)	(4,439,202)	28,048	(5,064,226)
<u>5,741,712</u>	<u>6,091,657</u>	<u>8,550,778</u>	<u>28,616,897</u>
<u>\$4,799,544</u>	<u>\$1,652,455</u>	<u>\$8,578,826</u>	<u>\$23,552,671</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Net Change in Fund Balances - Total Governmental Funds (5,064,226)

**Amounts reported for governmental activities in the
statement of activities are different because:**

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current year.

Construction in progress	\$5,255,422	
Depreciable capital assets	2,168,798	
Depreciation expense	<u>(3,630,511)</u>	3,793,709

Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

Sale of capital assets	(42,693)	
Loss on sale of capital assets	<u>(135,158)</u>	(177,851)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	(23,004)	
Permissive Taxes	564	
Grants	57,920	
Special Assessments	(193,636)	
Interest	(35,914)	
Local Government	(32,524)	
Gas Tax	9,241	
Charges for Services - Licenses	<u>37,708</u>	(179,645)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

414,654

Note proceeds and some advances are other financing sources in governmental funds, but the issuance increases long-term liabilities on the statement of net assets.

Notes payable		(181,019)
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

Accrued Interest		1,504
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Some expenses reported in the statement of activities, such as compensated absences and claims payable do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences		(188,612)
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The internal service funds used by management to charge the costs of insurance and workers' compensation to individual funds are not reported in the entity-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated

291,190

Change in Net Assets of Governmental Activities

(\$1,290,296)

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$1,894,911	\$1,894,911	\$1,952,030	\$57,119
Sales tax	6,171,636	6,171,636	6,613,815	442,179
Charges for services	1,305,585	1,305,585	1,190,750	(114,835)
License and permits	2,450	2,450	2,242	(208)
Fines and forfeitures	487,000	487,000	438,146	(48,854)
Intergovernmental	1,149,159	1,149,159	1,463,932	314,773
Investment income	50,000	50,000	234,594	184,594
Other operating income	653,945	653,945	723,244	69,299
Total Revenues	<u>11,714,686</u>	<u>11,714,686</u>	<u>12,618,753</u>	<u>904,067</u>
Expenditures:				
Current:				
General Government:				
Legislative and Executive	3,728,440	3,696,578	3,308,750	387,828
Judicial	1,880,975	1,880,975	1,565,857	315,118
Public Safety	5,455,985	5,486,946	4,882,115	604,831
Public Works	418,465	418,465	345,233	73,232
Health	126,300	126,300	102,151	24,149
Human Services	424,882	424,882	394,647	30,235
Other	1,693,019	1,734,881	1,596,302	138,579
Total Expenditures	<u>13,728,066</u>	<u>13,769,027</u>	<u>12,195,055</u>	<u>1,573,972</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,013,380)</u>	<u>(2,054,341)</u>	<u>423,698</u>	<u>2,478,039</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	500	500	37,473	36,973
Other Financing Sources	7,500	7,500	25,861	18,361
Transfers In			2,171	2,171
Transfers Out	<u>(440,000)</u>	<u>(440,000)</u>	<u>(150,000)</u>	<u>290,000</u>
Total Other Financing Sources (Uses)	<u>(432,000)</u>	<u>(432,000)</u>	<u>(84,495)</u>	<u>347,505</u>
Net Change in Fund Balance	(2,445,380)	(2,486,341)	339,203	2,825,544
Fund Balance Beginning of Year	2,539,819	2,539,819	2,539,819	
Prior Year Encumbrances Appropriated	<u>251,762</u>	<u>251,762</u>	<u>251,762</u>	
Fund Balance End of Year	<u>\$346,201</u>	<u>\$305,240</u>	<u>\$3,130,784</u>	<u>\$2,825,544</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
MVGT FUND
DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales tax	\$510,000	\$510,000	\$521,856	\$11,856
Charges for services	360,000	360,000	311,249	(48,751)
Fines and forfeitures	48,000	48,000	47,769	(231)
Intergovernmental	3,850,000	3,850,000	3,856,744	6,744
Investment income	8,000	8,000	6,619	(1,381)
Other operating income	54,000	54,000	17,442	(36,558)
Total Revenues	<u>4,830,000</u>	<u>4,830,000</u>	<u>4,761,679</u>	<u>(68,321)</u>
Expenditures:				
Current:				
Public Works:				
Personal services	2,540,954	2,488,717	2,370,717	118,000
Materials and supplies	1,419,724	1,696,136	1,499,553	196,583
Charges and services	1,103,651	866,596	810,485	56,111
Capital outlay and equipment	382,000	394,880	382,833	12,047
Other operating expense	12,000	12,000	12,000	
Total Expenditures	<u>5,458,329</u>	<u>5,458,329</u>	<u>5,075,588</u>	<u>382,741</u>
Excess of Revenues Over (Under) Expenditures	<u>(628,329)</u>	<u>(628,329)</u>	<u>(313,909)</u>	<u>314,420</u>
Other Financing Sources:				
Proceeds from Sale of Fixed Assets			8,220	8,220
Net Change in Fund Balance	(628,329)	(628,329)	(305,689)	322,640
Fund Balance Beginning of Year	598,133	598,133	598,133	
Prior Year Encumbrances Appropriated	<u>30,329</u>	<u>30,329</u>	<u>30,329</u>	
Fund Balance End of Year	<u>\$133</u>	<u>\$133</u>	<u>\$322,773</u>	<u>\$322,640</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
SWM FUND
DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Special Assessments	\$350,000	\$350,000	\$366,966	\$16,966
Charges for services	266,000	266,000	280,043	14,043
Intergovernmental			237	237
Other operating income	163,000	163,000	200,180	37,180
Total Revenues	<u>779,000</u>	<u>779,000</u>	<u>847,426</u>	<u>68,426</u>
Expenditures:				
Current:				
Health:				
Personal services	258,336	258,336	253,884	4,452
Materials and supplies	39,343	54,843	54,644	199
Charges and services	217,983	220,483	166,485	53,998
Capital outlay and equipment	33,184	25,184	23,168	2,016
Other operating expense	160,900	320,900	320,833	67
Total Expenditures	<u>709,746</u>	<u>879,746</u>	<u>819,014</u>	<u>60,732</u>
Excess of Revenues Over (Under) Expenditures	<u>69,254</u>	<u>(100,746)</u>	<u>28,412</u>	<u>129,158</u>
Fund Balance Beginning of Year	378,622	378,622	378,622	
Prior Year Encumbrances Appropriated	<u>9,724</u>	<u>9,724</u>	<u>9,724</u>	
Fund Balance End of Year	<u><u>\$457,600</u></u>	<u><u>\$287,600</u></u>	<u><u>\$416,758</u></u>	<u><u>\$129,158</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
JOB AND FAMILY SERVICES FUND
DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$1,782,810	\$1,782,810	\$1,919,966	\$137,156
Other operating income	511,000	511,000	96,482	(414,518)
Total Revenues	<u>2,293,810</u>	<u>2,293,810</u>	<u>2,016,448</u>	<u>(277,362)</u>
Expenditures:				
Current:				
Human Services:				
Personal services	2,071,130	2,026,130	1,386,228	639,902
Materials and supplies	88,700	103,700	74,798	28,902
Charges and services	723,673	806,673	486,406	320,267
Capital outlay and equipment	100,000	47,000	12,135	34,865
Other operating expense	109,743	109,743	71,710	38,033
Total Expenditures	<u>3,093,246</u>	<u>3,093,246</u>	<u>2,031,277</u>	<u>1,061,969</u>
Excess of Revenues Over (Under) Expenditures	<u>(799,436)</u>	<u>(799,436)</u>	<u>(14,829)</u>	<u>784,607</u>
Other Financing Sources:				
Transfers In	<u>225,886</u>	<u>225,886</u>	<u>150,000</u>	<u>(75,886)</u>
Net Change in Fund Balance	(573,550)	(573,550)	135,171	708,721
Fund Balance Beginning of Year	460,286	460,286	460,286	
Prior Year Encumbrances Appropriated	<u>114,288</u>	<u>114,288</u>	<u>114,288</u>	
Fund Balance End of Year	<u><u>\$1,024</u></u>	<u><u>\$1,024</u></u>	<u><u>\$709,745</u></u>	<u><u>\$708,721</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
ACDD FUND
DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Taxes	\$4,769,039	\$4,769,039	\$3,553,612	(\$1,215,427)
Intergovernmental	1,632,000	1,632,000	1,475,695	(156,305)
Investment income			1,088	1,088
Other operating income	15,000	15,000	6,292	(8,708)
Total Revenues	<u>6,416,039</u>	<u>6,416,039</u>	<u>5,036,687</u>	<u>(1,379,352)</u>
Expenditures:				
Current:				
Human Services:				
Personal services	3,062,336	3,032,036	2,879,827	152,209
Materials and supplies	147,490	177,490	147,001	30,489
Charges and services	1,699,135	1,699,435	1,481,062	218,373
Capital outlay and equipment	49,207	49,207	4,721	44,486
Total Expenditures	<u>4,958,168</u>	<u>4,958,168</u>	<u>4,512,611</u>	<u>445,557</u>
Excess of Revenues Over (Under) Expenditures	<u>1,457,871</u>	<u>1,457,871</u>	<u>524,076</u>	<u>(933,795)</u>
Other Financing Sources :				
Operating Transfers Out		(600,000)	(600,000)	
Net Change in Fund Balance	1,457,871	857,871	(75,924)	(933,795)
Fund Balance Beginning of Year	1,698,135	1,698,135	1,698,135	
Prior Year Encumbrances Appropriated	115,625	115,625	115,625	
Fund Balance End of Year	<u>\$3,271,631</u>	<u>\$2,671,631</u>	<u>\$1,737,836</u>	<u>(\$933,795)</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011**

	Business Type Activities Enterprise Funds			Governmental Activities
	Auglaize Acres	Sewers	Total	Internal Service Funds
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$582,377	\$425,146	\$1,007,523	\$188,716
Cash and Cash Equivalents in Segregated Accounts				
Receivables:				
Accounts	535,112	68,480	603,592	
Notes		3,750	3,750	
Special Assessments				
Accrued Interest				
Due From Other Funds				18,552
Materials and Supplies Inventory	36,963		36,963	
Prepaid Items	3,462	255	3,717	
Total Current Assets	<u>1,157,914</u>	<u>497,631</u>	<u>1,655,545</u>	<u>207,268</u>
Non-current Assets:				
Capital Assets:				
Land	4,200	52,098	56,298	
Depreciable Capital Assets, Net	291,338	3,133,426	3,424,764	
Total Noncurrent Assets	<u>295,538</u>	<u>3,185,524</u>	<u>3,481,062</u>	
Total Assets	<u>1,453,452</u>	<u>3,683,155</u>	<u>5,136,607</u>	<u>207,268</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	186,502	31,751	218,253	12,484
Accrued Wages	73,374		73,374	2,266
Intergovernmental Payable	72,155		72,155	2,697
Due to Other Funds	259,159	31,396	290,555	
Due to Clients	9,585	109	9,694	
Deferred Revenue				
Notes Payable		5,000	5,000	
Compensated Absences Payable	95,625		95,625	2,515
Total Current Liabilities	<u>696,400</u>	<u>68,256</u>	<u>764,656</u>	<u>19,962</u>
Long-Term Liabilities:				
Compensated Absences Payable	59,672		59,672	243
Notes Payable		2,500	2,500	
Total Long-Term Liabilities	<u>59,672</u>	<u>2,500</u>	<u>62,172</u>	<u>243</u>
Total Liabilities	<u>756,072</u>	<u>70,756</u>	<u>826,828</u>	<u>20,205</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	295,538	3,178,024	3,473,562	
Unrestricted	401,842	434,375	836,217	187,063
Total Net Assets	<u>\$697,380</u>	<u>\$3,612,399</u>	<u>\$4,309,779</u>	<u>\$187,063</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Business Type Activities Enterprise Funds			Governmental Activities
	Auglaize Acres	Sewers	Total	Internal Service Funds
Operating Revenues:				
Charges for Services	\$5,151,692	\$348,121	\$5,499,813	\$4,233,115
Total Operating Revenues	<u>5,151,692</u>	<u>348,121</u>	<u>5,499,813</u>	<u>4,233,115</u>
Operating Expenses:				
Personal Services	3,641,085		3,641,085	119,230
Contractual Services	748,986	361,998	1,110,984	3,631,597
Materials and Supplies	527,150	2,954	530,104	129,711
Other	104,471		104,471	16
Depreciation	48,362	116,791	165,153	
Capital Outlay	8,918		8,918	
Total Operating Expenses	<u>5,078,972</u>	<u>481,743</u>	<u>5,560,715</u>	<u>3,880,554</u>
Operating Income (Loss)	<u>72,720</u>	<u>(133,622)</u>	<u>(60,902)</u>	<u>352,561</u>
Non-Operating Revenues (Expenses):				
Capital Contribution	110,356		110,356	
Other Non Operating	37,633	1,353	38,986	117
Transfer Out				(2,171)
Total Non-Operating Revenues (Expenses)	<u>147,989</u>	<u>1,353</u>	<u>149,342</u>	<u>(2,054)</u>
Change in Net Assets	220,709	(132,269)	88,440	350,507
Net Assets Beginning of Year	<u>476,671</u>	<u>3,744,668</u>	<u>4,221,339</u>	<u>(163,444)</u>
Net Assets End of Year	<u>\$697,380</u>	<u>\$3,612,399</u>	<u>\$4,309,779</u>	<u>187,063</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Business Type Activities Enterprise Funds			Governmental Activities
	Auglaize Acres	Sewers	Total	Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents:				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$5,151,692	\$348,121	\$5,499,813	\$107,561
Cash Received from Interfund Services Provided				4,125,554
Cash Payments to Employees for Services	(3,681,107)		(3,681,107)	(120,074)
Cash Payments for Goods and Services	(1,488,216)	(315,816)	(1,804,032)	(4,057,621)
Net Cash Provided by (Used in) Operating Activities	<u>(17,631)</u>	<u>32,305</u>	<u>14,674</u>	<u>55,420</u>
Cash Flows from Noncapital Financing Activities:				
Non Operating Revenue	37,633	1,353	38,986	117
Transfer Out				(2,171)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>37,633</u>	<u>1,353</u>	<u>38,986</u>	<u>(2,054)</u>
Cash Flows from Capital and Related Financing Activities:				
Capital Asset Purchases	(110,356)		(110,356)	
Contributed Capital Revenue	110,356		110,356	
Principal Paid on Notes		(5,000)	(5,000)	
Net Cash Provided by (Used in) Capital and Related Financing Activities		<u>(5,000)</u>	<u>(5,000)</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	20,002	28,658	48,660	53,366
Cash and Cash Equivalents Beginning of Year	<u>562,375</u>	<u>396,488</u>	<u>958,863</u>	<u>135,350</u>
Cash and Cash Equivalents End of Year	<u>\$582,377</u>	<u>\$425,146</u>	<u>\$1,007,523</u>	<u>\$188,716</u>
Reconciliation of Operating Gain (Loss) to Net Cash: Provided by (Used in) Operating Activities:				
Operating Gain (Loss)	\$72,720	(\$133,622)	(\$60,902)	\$352,561
Adjustments:				
Depreciation	48,362	116,791	165,153	
(Increase) Decrease in Assets:				
Accounts Receivable	(105,695)	614	(105,081)	42,613
Intergovernmental Receivable		2,500	2,500	
Special Assessment Receivable				166
Interest Receivable				16
Prepaid Items	38	(156)	(118)	
Materials and Supplies Inventory	(4,624)		(4,624)	
Due from Other Funds				5,888
Increase (Decrease) in Liabilities:				
Accounts Payable	88,492	14,828	103,320	(344,797)
Deferred Revenue				(182)
Accrued Wages	3,164		3,164	51
Compensated Absences Payable	(43,185)		(43,185)	(884)
Intergovernmental Payable	(1,135)		(1,135)	(12)
Due to Clients	(40,540)	(46)	(40,586)	
Due to Other Funds	<u>(35,228)</u>	<u>31,396</u>	<u>(3,832)</u>	
Net Cash Provided by (Used in) Operating Activities	<u>(\$17,631)</u>	<u>\$32,305</u>	<u>\$14,674</u>	<u>\$55,420</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$5,999	\$2,885,448
Cash and Cash Equivalents in Segregated Accounts		957,054
Receivables:		
Property Taxes		45,839,206
Special Assessments		1,241,439
Due from other governments	1,009	2,763,428
Total Assets	7,008	53,686,575
Liabilities:		
Due to Other Governments		52,729,521
Undistributed Assets		957,054
Total Liabilities		\$53,686,575
Net Assets:		
Restricted	7,008	
Total Net Assets	\$7,008	

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Private Purpose Trust</u>
Additions:	
Other	\$59,367
Total Additions	<u>59,367</u>
Deductions:	
Human Service	59,367
Total Deductions	<u>59,367</u>
Change in Net Assets	
Net Assets Beginning of Year	<u>7,008</u>
Net Assets End of Year	<u><u>\$7,008</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

1. DESCRIPTION OF THE ENTITY

Auglaize County, Ohio (The County) was formed by an act of the Legislature on February 14, 1848. 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, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, a Probate/Juvenile and Domestic Relations Court Judge, and a Municipal County Court Judge. Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrators of public services for the entire County.

A. Reporting Entity

The County's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, effective for financial statements for periods beginning after December 15, 1992. The basic financial statements include all funds, agencies, boards, commissions, and other component units for which Auglaize County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's basic financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County.

Certain funds are legally separate from the County, however, their activity is so intertwined with that of the County that they are reported as part of the County. The following funds have been included or blended into the County's basic financial statements:

Auglaize County Children's Services Board (CSB)

The County Commissioners approve the budget for the CSB and are substantially involved in its operation. The operations of the CSB are accounted for as a separate special revenue fund.

The Auglaize County Board of Developmental Disabilities

The Board is appointed by the Probate Judge and the County Commissioners. The Commissioners serve as the appropriating authority for the Board and are "accountable" for its activities. The operations of ACDD are accounted for as a separate special revenue fund.

B. Discretely Presented Component Units

The component units columns in the basic financial statements include the financial data of the County's other component units. They are reported in a separate column to emphasize that they are legally separate from the County.

Auglaize County Airport Authority

The Commissioners are substantially involved in the operations of the Airport Authority. The operations of the Airport Authority are accounted for using proprietary fund accounting. Complete financial statements may be obtained from the Auglaize County Airport Authority, 07776 St. Rt. 219, New Knoxville, OH 45871.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

1. DESCRIPTION OF THE ENTITY (Continued)

Auglaize Industries, Inc.

This is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. Auglaize Industries, Inc., under a contractual agreement with the Auglaize County Board of Developmental Disabilities, provides sheltered employment for mentally challenged or handicapped adults in Auglaize County. Based on the significant services and resources provided by the County to Auglaize Industries, Inc. and their sole purpose of providing assistance to the mentally challenged and handicapped adults of Auglaize County, Auglaize Industries, Inc. is reflected as a component unit of Auglaize County. The operations of Auglaize Industries, Inc. are accounted for using proprietary fund accounting. Complete financial statements may be obtained from Auglaize Industries, 330 West Boesel Ave., New Bremen, Ohio 45869.

C. Potential Component Units Reported As Agency Funds

In the case of the separate agencies, boards, and commissions listed below, the County serves as fiscal agent, but is not accountable as defined in GASB Statement No. 14; accordingly, the activity of the following districts and agencies are included in the financial statements as agency funds:

- Auglaize County General Health District
- Auglaize County Soil and Water Conservation
- Auglaize County Regional Planning Commission
- Auglaize County Local Emergency Planning Commission
- Auglaize County Emergency Office of Homeland Security and Emergency Management
- Auglaize County Family and Children First Council
- Heritage Trails Park District

D. Excluded Potential Component Units

The County is not accountable, as defined in GASB Statement No. 14, for the following entities and is not involved with their activities in any substantial capacity; accordingly their activities have been excluded from the County's basic financial statements.

- Auglaize County Public District Library
- Auglaize County Agricultural Society
- Auglaize County Cooperative Extension Services
- Auglaize County Historical Society
- Auglaize County Council on Aging
- Auglaize County Child Abuse and Neglect Advisory Board
- Auglaize County Humane Society

The County is associated with the following risk pools, jointly governed organizations and joint ventures which are described in Notes 18 through 20.

- Midwest Pool Risk Management Agency, Inc.
- Midwest Employee Benefit Consortium
- County Commissioner Association of Ohio Workers' Compensation Group Rating Plan
- Auglaize County Regional Planning Commission
- Workforce Improvement Act Youth Consortium of Auglaize, Hardin, and Mercer Counties
- Mental Health and Recovery Services Board of Allen, Auglaize, and Hardin Counties
- West Central Ohio Network

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

1. DESCRIPTION OF THE ENTITY (Continued)

- Auglaize and Mercer Counties Convention and Visitors' Bureau
- Auglaize County Office of Homeland Security and Emergency Management
- Auglaize County Revolving Loan Fund Board
- Grand Lake St Marys Restoration Community Improvement Corporation
- Grand Lake Task Force
- Mental Health and Recovery Services Board of Allen, Auglaize, and Hardin Counties

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and practices of Auglaize County conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units, as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

The County also applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989 to its governmental and business type activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the County's accounting policies are described below.

The information provided in the notes to the financial statements relates generally to the primary government. Information related to the component units is specifically identified.

A. Basis of Presentation - Fund Accounting

1. Government-wide Statements

The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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 the different business type activities of the County and for each function for the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities.

Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category-governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column.

All remaining governmental and proprietary funds are aggregated and reported as non-major funds. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements.

a. Governmental Funds

Governmental funds are those through which most governmental functions typically 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 purposes 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.

Motor Vehicle and Gasoline Tax (MVGTT) - The Motor Vehicle Gas Tax fund accounts for gas tax and license revenue used for road and bridge maintenance in the County.

Solid Waste Management (SWM) - The Solid Waste Management Fund accounts for a county wide special assessment to pay for ground water monitoring and the repayment to county general for a lawsuit settlement. They also account for monies derived from the fees associated with recycling and disposal of waste.

Job and Family Services (JFS) - The Job and Family Services Fund accounts for various federal and state grants as well as allocations from the general fund used to provide public assistance to general relief recipients and to pay their providers of medical assistance and certain public social services.

Auglaize County Development Disabilities (ACDD) - The Auglaize County Developmental Disabilities Fund accounts for a County-wide property tax levy, state grants and reimbursements used for care and services for the mentally handicapped.

Permanent Improvement - The Permanent Improvement Fund accounts for revenue received from permissive sales tax and is used to pay for capital improvements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are used to account for the County's ongoing activities which are financed and operated in a manner similar to the private sector.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user fees or charges; or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control or accountability. The County's enterprise funds consisted of Auglaize Acres, which accounts for activity pertaining to the County nursing home, and the Sewer Fund, which accounts for sewer revenue fees used for sewer maintenance in the County.

Internal Service Funds - These funds are used for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The County's internal service funds account for monies received from the activities of the insurance programs for employee health, vision, drug card benefits and flexible spending; and for various rotary services such as police protection and gasoline.

c. 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 agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The County's fiduciary funds are private purpose trust and agency funds. The private purpose trust accounts for funds held by binding trust agreements. The agency funds account for assets held by the County for political subdivisions for which the County acts as fiscal agent, and for taxes, assessments, state-levied shared revenues, and fines and forfeitures collected on behalf of other local governments and distributed to other political subdivisions.

B. Measurement Focus and Basis of Accounting

1. 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.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 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 (e.g., revenues and other financing sources) and uses (e.g., 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 reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary funds are accounted for using a flow of economic resources measurement focus. All assets 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 (e.g., revenues) and decreases (e.g., 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.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

3. Discretely Presented Component Units

The Auglaize County Airport Authority uses the proprietary basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

Auglaize Industries uses the proprietary basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

C. 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 and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal 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 a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales tax, interest, federal and state grants and subsidies, state levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals.

2. Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

3. Expenses/Expenditures

On the accrual basis of accounting, 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.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. Budgetary information for the component units is not reported because they are not included in the entity for which the "appropriated budget" is adopted. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates.

The certificate of estimated resources establishes a limit on the 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 County Commissioners. The legal level of control has been established by the County Commissioners at the personal services and other expense classification levels within each department for the General Fund and for all other 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.

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.

E. Cash and Cash Equivalents

To improve cash management, cash received by the County is pooled, except for cash held by a trustee or fiscal agent and in segregated accounts. Monies for all funds, including proprietary funds are included in this pool. Individual fund integrity is maintained through the County's records. Interest in the pool is reported as "Equity in Pooled Cash and Cash Equivalents." Cash and cash equivalents that are held separately within departments of the County, or in outside accounts in the name of various elected officials or departments and by Component Units are reported as "Cash and Cash Equivalents in Segregated Accounts." Cash held by the West Central Ohio Network (WestCon) on behalf of the County is reported as "Cash and Cash Equivalents with Fiscal Agent". Cash held in escrow accounts for the Courthouse renovation is reported as "Cash and Cash Equivalents with Escrow Agent".

During 2011, investments were limited to money markets, treasury notes, and federal agency securities. Except for money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio statutes, the County is required to credit all investment earnings to the General Fund, unless otherwise expressly required by law to allocate to other funds. Interest is distributed to the General Fund, the Motor Vehicle Gasoline Tax Special Revenue Fund, St. Marys River Project Special Revenue Fund, the Auglaize School Workshop Bond Retirement Fund, the Treasurer's Prepay Fund and the Auglaize School Group Home Special Revenue Fund. Total investment revenue earned during 2011 was \$252,722. The General Fund was credited \$234,594 and of this amount \$204,978 was assigned from other funds. Adjusting entries resulted in the General fund reporting \$224,131 of interest revenue on the GAAP basis.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased are considered to be cash and cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

F. Inventory of Supplies

Inventories are stated at lower of cost or market value on a first-in, first-out basis. The costs of inventory items are expensed when consumed or used.

G. Prepays

Payments made to vendors for services that will benefit periods beyond December 31, 2011, 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.

H. Receivables and Payables

Receivables and payables are recorded on the County's financial statements to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability.

Using these criteria, the County has elected not to record child support arrearages or various court receivables within the special revenue and agency funds. These amounts, while potentially significant, are not considered measurable, and because collections are often significantly in arrears, the County is unable to determine a reasonable value.

I. Interfund Receivables and Payables

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as "internal balances."

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 externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Money held in escrow accounts is reported as restricted since it is payable to contractors upon completion of the project.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets and Depreciation

The capital asset values were initially determined at December 31, 1990, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. Donated capital assets are capitalized at fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost. The cost of interest on debt issued for construction in progress is not capitalized. The County maintains a capitalization threshold of five thousand dollars.

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 on the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

Infrastructure assets are reported as part of Capital Assets Being Depreciated in the governmental activities column. Infrastructure reported in the governmental activities column consists of County bridges and roads. In addition, expenditures made by the County to reserve existing bridges and roads are expensed rather than capitalized. Only expenditures for additions or improvements are capitalized.

Capital assets used by the enterprise funds are reported in both the business-type activities column on the government-wide statement of net assets and in the respective funds. All reported capital assets are depreciated except for land, some land improvements and construction in progress.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Life</u>
Sewer and Water Treatment Plants and Lines	50 years
Buildings and Improvements	10-30 years
Bridges	40 years
Roads	15 years
Cruisers	2 years
Furniture and Fixtures	10-20 years
Machinery and Equipment	7-15 years
Licensed Vehicles (except (Cruisers)	6 years
Software	3 years

L. Component Units

Auglaize Industries - Equipment and improvements are stated at cost except for donated assets which are stated at fair market value at date of receipt. Leasehold improvements are depreciated rateably over the estimated useful life. Depreciation of capital assets is on a double declining balance basis over the estimated useful lives of the respective assets, as follows:

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Description</u>	<u>Estimated Life</u>
Furniture and Fixtures	7 years
Transportation Equipment	5 years
Computers	5 years
Leasehold Improvements	31-1/2 years

Auglaize Airport Authority - The capital asset values were initially determined at December 31, 1994, using the consumer pricing index to estimate historical costs. Donated capital assets are capitalized at fair market value on the date donated. Depreciation is provided on a straight line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Life</u>
Furniture and Fixtures	20 years
Machinery and Equipment	7 to 15 years
Licensed Vehicles	6 years

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer 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 termination payment method. An accrual for sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the County's past experience of making termination payments. Accumulated unused sick leave is paid to employees who retire at various rates depending on length of service and department policy.

The entire compensated absence liability is reported on the government-wide financial statements. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported in 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, claims, judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability in the governmental fund financial statements when due.

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 balances 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 the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets restricted for other purposes include resources restricted for specific county operations and federal and state grants restricted to expenditure for specified purposes. 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. At December 31, 2011, the amount of net assets restricted by enabling legislation was \$8,905,473.

P. Capital Contributions

Capital contributions arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction or transfers of capital assets between governmental and business type activities. These assets are recorded at their fair market value on the date contributed. Contributed resources are reported as capital contributions within the financial statements pursuant to GASB 33 "*Accounting and Reporting for Non-exchange Transactions*".

Q. Fund Balances

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

Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term portion of interfund receivable.

Restricted - The restricted classification includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (County resolutions).

Enabling legislation authorizes the County to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the County can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for purposes specified by the legislation.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the County Commissioners. The committed amounts cannot be used for any other purpose unless the County Commissioners remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the County Commissioners, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned - Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Commissioners or by a County official delegated that authority by resolution, or by State Statute.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for county home room and board, sewer services, as well as charges for internal service fund activities. 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 these definitions are reported as non-operating.

S. Inter-fund 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 non-operating 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.

Transactions that constitute reimbursements for expenditures or expenses initially made from a fund that are properly allocable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures and expenses in the fund that is reimbursed.

T. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

3. RESTATEMENT OF PRIOR YEAR NET ASSETS AND FUND BALANCES

Net assets of Governmental Activities were restated at December 31, 2010, to account for a fixed asset contributed to a Business Type Entity from a Governmental Type Entity. The net assets of Governmental Activities and fund balance of the ACDD Fund were also restated at December 31, 2010 as a result of including West Central Ohio Network (West CON) assets and liabilities. In addition, the net assets of the Governmental Activities were restated due to the allocation of the Internal Service Fund as required by GASB Statement No. 34. The net assets of the Governmental Activities were restated due to payment of debt made to an internal service fund. For 2011, the County modified its financial statements to reflect the modifications outlined in GASB statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". These changes had the following effect on net assets/fund balances as previously reported:

	Net Assets	Fund Balance			
	Governmental Activities	General Fund	ACDD Fund	Permanent Improvement	Other Governmental
Net Assets/Fund Balances, January 1, 2011	\$68,391,454	\$7,173,199	\$4,491,563	\$6,094,614	\$9,248,558
Restatements for:					
Contributed Capital	(110,356)			(2,957)	(107,399)
West Con	1,250,149		1,250,149		
Internal Service GASB 54	59,483	590,381			(590,381)
Restated Fund Balance/Net Assets, January 1, 2011	<u>\$69,590,730</u>	<u>\$7,763,580</u>	<u>\$5,741,712</u>	<u>\$6,091,657</u>	<u>\$8,550,778</u>

4. ACCOUNTABILITY AND COMPLIANCE

The following funds had a deficit fund balances as of December 31, 2011:

Special Revenue Funds:	Deficit Fund Balance
Solid Waste Management	\$1,636,217
Internal Service Funds:	
Flex Spending	7,238
Enterprise Funds:	
KZ Sewer	2,781

The deficits in the Special Revenue, Internal Service and Enterprise Funds are caused by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances, however, this is done as cash is needed rather than as accruals occur.

5. 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 Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual are presented in the basic financial statements for the General Fund and Major Special Revenue Funds.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget) rather than as a reservation of fund balance for governmental fund types (GAAP).

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

Net Change in Fund Balance					
General and Major Special Revenue Funds					
	General	Motor Vehicle Gasoline Tax	Solid Waste Mgt	Job and Family Services	Auglaize County Development Disabilities
Budget Basis	\$339,203	(\$305,689)	\$ 28,412	\$135,171	(\$ 75,924)
Net Adjustments:					
Revenue accruals	(291,477)	35,154	(8,133)	(308,616)	(736,851)
Expense accruals	22,971	63,720	314,800	(71,445)	(197,681)
Other financing sources	(3,001)				
Encumbrances	136,516	72,142	12,174	117,194	68,288
GAAP Basis	\$204,212	(\$134,673)	\$347,253	(\$127,696)	(\$942,168)

6. DEPOSITS AND INVESTMENTS

Primary Government

The County maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

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 bills, bonds, notes or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal or interest by the United States; or any book entry, zero coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes debentures, or any other obligations or securities issued by any federal government agency or instrumentality. 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;

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

4. Bonds and other obligations of the State of Ohio or its political subdivisions provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit, or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities described in division (1) or (2) or cash or both cash and securities, equal value for equal value;
9. High grade commercial paper and bankers acceptances in an amount not to exceed up to twenty five percent of the County's total portfolio and corporate notes not to exceed up to fifteen percent of the County's total average portfolio; and

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Bankers' acceptances must mature within 180 days, commercial paper within 270 days, and corporate notes within two years after purchase.

All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt and the investment advisory committee specifically approves it. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash On Hand - At December 31, 2011, cash on hand amounted to \$213,490.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the County's deposits was \$6,982,527. Of the County's bank balance of \$7,690,329, \$5,368,917 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

The County has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

As of December 31, 2011, the County had the following investments with the listed maturity periods:

	<u>Total</u>	<u>Less Than Six Months</u>	<u>Six Months to One Year</u>	<u>One to Five Years</u>
Federal Home Loan Bank Bonds	\$ 1,503,320			\$ 1,503,320
Federal Home Loan Bank Notes	500,185			500,185
Federal Home Loan Mortgage Corporation Medium Term Notes	1,453,517			1,453,517
Federal National Mortgage Association Notes	5,507,382		\$1,703,604	3,803,778
Freddie Mac Medium Term Notes	5,704,108		751,462	4,952,646
Federal Farm Credit Bank Bonds	2,627,168			2,627,168
Money Market Fund	1,420,778	\$1,420,778		
	<u>\$18,716,458</u>	<u>\$1,420,778</u>	<u>\$2,455,066</u>	<u>\$14,840,614</u>

The County's investment policy does not address any restriction on investments relating to interest rate (the risk that changes in interest rates will adversely affect the fair value of an investment), or custodial credit risks (the risk that in the event of failure of the counterparty, the County will not be able to recover the value of its investments or securities that are in the possession of an outside party). The federal agency securities are subject to custodial risk since they are uninsured, unregistered, and held by the counterparty's trust department or agent and not in the County's name.

The investment policy restricts the Treasurer from investing in anything other than as identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the County. The Treasurer is also restricted from purchasing investments that cannot be held until the maturity date.

All of the County's investments carry a rating of Aaa by Moody's.

The County diversifies its investments by security, type, and the institution. The County addresses concentration of credit risk by requiring that with the exception of direct obligations of the U. S. Treasury, no more than 50 percent of the County's total investment portfolio will be invested in a single security type or with a single financial institution.

The following table indicates the percentage of each investment to the total portfolio:

	<u>Carrying Value</u>	<u>Percentage Of Portfolio</u>
Federal Home Loan Bank Bonds	\$ 1,503,320	8.03%
Federal Home Loan Bank Notes	500,185	2.67%
Federal Home Loan Mortgage Corporation Medium Term Notes	1,453,517	7.77%
Federal National Mortgage Association Notes	5,507,382	29.43%
Freddie Mac Medium Term Notes	5,704,108	30.48%
Federal Farm Credit Bank Bonds	2,627,168	14.04%
Money Market Fund	1,420,778	7.58%
	<u>\$18,716,458</u>	<u>100.00%</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

C. Component Units

Auglaize County Airport Authority - All moneys and funds acquired by the Airport Authority under Ohio Rev. Code Sections 4582.22 and 4582.59 are held by it in trust and are not part of other public funds. These funds, except as otherwise provided in any resolution authorizing revenue bonds or in any trust agreement securing the same, or except when invested pursuant to Ohio Rev. Code Section 4582.54 are kept in depositories selected by the Airport Authority in the manner provided the Ohio Rev. Code Chapter 135. The deposits are secured as provided in that chapter.

At year end, the carrying amount of the Auglaize County Airport Authority deposits were \$5,228 and the bank balance was \$91,873. \$91,873 was covered by federal depository insurance. The balance of cash on hand at year end was \$81. The Auglaize County Airport Authority did not have any investments at year end.

Auglaize Industries, Inc. - At year end, the carrying amount of Auglaize Industries, Inc. deposits was \$45,996 and the bank balance was \$48,874. Of this amount, \$48,874 was covered by federal depository insurance. The balance of cash on hand at year end was \$200. The investment securities are carried at fair market value. Of these securities, the United States Government Securities and the Mortgaged Backed Securities due after ten years have a fair value of \$204,569 the Mutual Funds have a fair value of \$372,992. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporations.

The United States Government Securities carry a rating of AAA by Standards & Poor's. The Mutual Funds and Asset and Mortgaged Backed Securities 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 Industries' name.

7. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Taxes collected on real property (other than public utility property) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date.

Assessed values are established by the Tax Commissioner at 35 percent of appraised market value. All property is required to be revalued every six years. The last triennial update was completed in tax year 2008 (Calendar year 2009). The last revaluation update was completed in tax year 2011 (calendar year 2012). Real property taxes are payable annually or semiannually. The first payment is due February 15, with the remainder payable by July 15.

Property tax revenues received in 2011 represents the collection of 2010 taxes for real and public utility property taxes. Real and public utility real and tangible personal property taxes received in 2011 became a lien on December 31, 2010, were levied after October 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value.

Public utility real 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.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

7. PROPERTY TAXES (Continued)

Certain public utility tangible personal property currently is assessed at one hundred percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, and the County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, is accounted for through agency funds.

Accrued property taxes receivable represents delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable and unpaid as of December 31, 2011. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2011 operations. The receivable and the portion of the tax levies prepaid by year end into the undivided general tax agency fund are therefore offset by a credit to deferred revenue.

The full tax rate for all County operations for the year ended December 31, 2011, was \$9.25 per \$1,000 of assessed value.

The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real Property:	
Agricultural/Residential	\$724,978,690
Commercial/Industrial/Mineral	145,686,940
Public Utility Real	290,660
Tangible Personal Property:	
Public Utility	<u>18,202,090</u>
Total Assessed Value	<u><u>\$889,158,380</u></u>

8. PERMISSIVE SALES AND USE TAX

The County Commissioners by resolution imposed a one percent tax on all retail sales, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State then has five days in which to draw the warrant payable to the County.

Proceeds of the permissive sales tax are to be credited to the General Fund and starting in 2011, \$40,000 per month will be credited to the Permanent Improvement Fund. The sales tax revenue for 2011 amounted to \$6,670,086 in the General Fund and due to GAAP journal entries, \$600,000 was credited to the Permanent Improvement Fund. The use tax amounted to \$522,685, and was credited to the Motor Vehicle and Gasoline Tax Fund.

A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2011. On a full accrual basis, the full amount of the receivable is recognized as revenue. On a modified accrual basis, the amount of the receivable that will be received outside of the available period is deferred.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

9. INTERFUND TRANSACTIONS

As of December 31, 2011, inter-fund receivables and payables that resulted from various inter-fund transactions were as follows:

<u>Interfund Payable</u>	<u>General</u>	<u>MVGT</u>	<u>Job & Family Services</u>	<u>Other Govtl</u>	<u>Internal Service</u>	<u>Total</u>
General		\$ 736			\$10,011	\$ 10,747
MVGT					2,190	2,190
SWM	\$2,069,971	1,106			156	2,071,233
Job & Family Srvc				\$8,058	1,853	9,911
Departmental Disabilities	277					277
Permanent Improvement		15,853				15,853
Other Governmental	27,604		\$18,798		1,636	48,038
Auglaize Acres	256,453				2,706	259,159
Sewers	31,396					31,396
Interfund Receivable	<u>\$2,385,701</u>	<u>\$17,695</u>	<u>\$18,798</u>	<u>\$8,058</u>	<u>\$18,552</u>	<u>\$2,448,804</u>

<u>Operating Transfers</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 2,171	\$150,000
Developmental Disabilities		600,000
Jobs and Family Services	150,000	
Other Governmental Funds:		
Revolving Loan Fund		40,000
Community Development Block Grant	40,000	
Community Alternatives	600,000	
Total Other Governmental Funds	<u>792,171</u>	<u>790,000</u>
Internal Service Funds:		
Flex Spending		2,171
	<u>\$792,171</u>	<u>\$792,171</u>

The Community Alternatives Fund used the transfer from the ACDD Fund to provide funding to West Con (see Note 19 C). The \$40,000 transfer from the Revolving Loan Fund to the CDBG Fund was approved by the state for community improvements.

10. RECEIVABLES

Receivables at December 31, 2011 consist of taxes, accounts (billings for user charged services), special assessments, inter-fund, interest, due from other funds, and due from other government receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment. A summary of the principal items of due from other government receivables follows:

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

10. RECEIVABLES (Continued)

General Fund:	Amount
Public Defender Reimbursement	\$52,678
VOCA Reimbursement	4,198
School Food Service	1,476
Ohio Housing Trust Fund Admin Fee	500
Mentoring Reimbursement	170
Local Government	359,821
Homestead and Rollback	205,555
Total General Fund	<u>624,398</u>
MVGT Fund:	
Motor Vehicle License Tax	825,871
Permissive Motor Vehicle License Tax	269,477
Ohio Department of Natural Resources	45,396
Gasoline Tax	1,165,493
Total MVGT Fund	<u>2,306,237</u>
Job and Family Services Fund:	
State of Ohio	<u>193,551</u>
ACDD Fund:	
Homestead and Rollback	363,131
State of Ohio	7,581
Total Developmental Disabilities	<u>370,712</u>
Other Funds:	
Community Development Block Grant	10,822
Home Grant	68,026
Ohio Housing Trust Grant	21,951
Children's Services	24,798
911 Emergency Assistance	7,500
Title XIX	72,870
State Reimbursement	75,733
DARE Grant	7,574
Sheriff Equipment Grant	22,475
Law Enforcement Grant	8,475
PSI Writer Grant	12,579
Transition/Mental Health Grant	4,691
Total Other Funds	<u>337,494</u>
Total Due From Other Governments	<u>\$3,832,392</u>

A summary of the principal items of accounts receivables follows:

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

10. RECEIVABLES (Continued)

General Fund:	Amount
Fees	\$3,737
Fines	210
Total General Fund	<u>3,947</u>
MVGT Fund:	
Engineer Fees	<u>20,432</u>
SWM Fund:	
Generation Fee	22,484
Recycle Sales	9,864
Total SWM Fund	<u>32,348</u>
Other Funds:	
Reimbursements	7,217
Day Hab Fees	14,259
CAUV Fees	650
Inmate Telephone Sales	1,213
Restitution	1,828
Total Other Funds	<u>25,167</u>
Total Governmental Funds Accounts Receivable	<u>81,894</u>
Auglaize Acres:	
Auglaize Acres – Room and Board	521,860
Auglaize Acres – Other	13,252
Total Auglaize Acres Accounts Receivable	<u>535,112</u>
Sewer Funds:	
South Grand Lake Sewer Charges	30,335
Villa Nova Sewer Charges	3,794
Sharlon Sewer Charges	976
Beverly Hills Sewer Charges	4,560
Sherwood Forest Sewer Charges	1,725
Pleasantview Sewer Charges	4,408
KZ Sewer Charges	1,672
Arrowhead Estates Sewer Charges	2,201
Forest Lane Sewer Charges	1,936
Sandy Beach Sewer Charges	16,873
Total Sewer Funds	<u>68,480</u>
Total Enterprise Funds	<u>603,592</u>
Total Accounts Receivable	<u>\$685,486</u>

A summary of the principal items of notes receivables follows:

Other Funds:	
Auglaize Proviso	\$162,500
Industrial Paint and Strip	145,465
Johnna's LLC	32,429
Make Properties, Inc.	77,303
Mile Creek Animal Clinic	77,399
WeldTec, Ltd.	156,493
F & S Furniture	34,582
CC Propane	34,922
Total Governmental Notes Receivable	<u>721,093</u>
Enterprise Funds	
City of Wapakoneta – Oakwood Hills Sewer	<u>3,750</u>
Total Notes Receivable	<u>\$724,843</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

11. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

Governmental Activities	Balance January 1	Prior Year Additions	Additions	Reductions	Balance December 31
Non Depreciable Assets:					
Land	\$ 1,942,929				\$ 1,942,929
Construction in Progress	1,165,318		\$5,255,422	(\$146,702)	6,274,038
Total Non Depreciable	<u>3,108,247</u>		<u>5,255,422</u>	<u>(146,702)</u>	<u>8,216,967</u>
Depreciable Assets:					
Land Improvements	4,225,773	\$146,702	71,251		4,443,726
Buildings & Improvements	18,195,984		35,862		18,231,846
Infrastructure	37,962,564		1,223,170	(543,569)	38,642,165
Equipment, Furniture, Fixtures	9,858,425		838,515	(383,888)	10,313,052
Total Depreciable	<u>70,242,746</u>	<u>146,702</u>	<u>2,168,798</u>	<u>(927,457)</u>	<u>71,630,789</u>
Accumulated Depreciation:					
Land Improvements	2,165,137		393,894		2,559,031
Buildings & Improvements	7,901,393		695,374		8,596,767
Infrastructure	16,313,948		1,722,108	(478,422)	17,557,634
Equipment, Furniture, Fixtures	7,008,554		819,135	(271,184)	7,556,505
Total Accumulated Depreciation	<u>33,389,032</u>		<u>3,630,511</u>	<u>(749,606)</u>	<u>36,269,937</u>
Net Depreciable Assets	<u>36,853,714</u>	<u>146,702</u>	<u>(1,461,713)</u>	<u>(177,851)</u>	<u>35,360,852</u>
Total Governmental Activities Capital Assets (Net)	<u>\$39,961,961</u>	<u>\$146,702</u>	<u>\$3,793,709</u>	<u>(\$324,553)</u>	<u>\$43,577,819</u>

Business-Type Activities	Balance January 1	Additions	Reductions	Balance December 31
Non Depreciable Assets:				
Land	\$ 56,298			\$ 56,298
Depreciable Assets:				
Buildings & Improvements	1,011,312	\$110,356		1,121,669
Water & Sewer	5,841,251			5,841,251
Equip, Furn & Fixtures	362,097			362,096
Total Depreciable	<u>7,214,660</u>	<u>110,356</u>		<u>7,325,016</u>
Accumulated Depreciation:				
Buildings & Improvements	892,371	30,998		923,369
Water & Sewer	2,591,034	116,791		2,707,825
Equip, Furn & Fixtures	251,694	17,364		269,058
Total Accumulated Depreciation	<u>3,735,099</u>	<u>165,153</u>		<u>3,900,252</u>
Net Depreciable Assets	<u>3,479,561</u>	<u>(54,797)</u>		<u>3,424,764</u>
Business Type Activities Capital Assets (Net)	<u>\$3,535,859</u>	<u>(\$ 54,797)</u>		<u>\$3,481,062</u>

Depreciation expense was charged to governmental programs as follows:

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

11. CAPITAL ASSETS (Continued)0

General Government - Legislative and Executive	\$1,171,433
General Government - Judicial	27,435
Public Safety	131,187
Public Works	2,184,007
Health	58,661
Human Services	57,788
Total Depreciation Expense	\$3,630,511

12. RISK MANAGEMENT

A. Transference of Risk: Property, Crime and Liability

The County is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The County participates in the Midwest Pool Risk Management Agency, Inc. (MPRMA) (the Pool) which is a public entity risk pool, (see Note 18) for general liability, automobile liability, public officials' liability and property and crime insurance.

Coverage provided by the pool is as follows:

Property:

Maximum per occurrence	\$70,498,000
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Subject to following sub-limits:

Flood*	36,000,000
Earthquake*	36,000,000
Demolition and Increased Cost of Construction	1,000,000
Extra Expense	275,000
Computer Equipment & Media	1,000,000
Computer Extra Expense	100,000
Property in Transit	20,000
Valuable Papers	100,000
Account Receivable	100,000
Mobile Equipment	3,000,000
Fine Arts	50,000
Automatic Builders' Risk	1,000,000
Automatic Newly-Acquired Property	1,000,000

Crime:

Employee Dishonesty and Faithful Performance	500,000
Money and Securities (Inside and Outside)	500,000
Forgery and Alteration	500,000

Boiler and Machinery:

50,000,000

Liability:

Maximum per occurrence	7,000,000
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Subject to following sub-limits:

General, Law, Auto	7,000,000
Employee Benefits*	7,000,000
Ohio Stop Gap	7,000,000
Public Official Errors & Omissions*	7,000,000
Sexual Harassment*	1,000,000
County Home (primary and excess liability)	5,000,000
Pollution Liability	1,000,000

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

12. RISK MANAGEMENT (Continued)

Limits include the pool self-insured retentions.

*Limit is annual aggregate

Each member pays the first \$500 (deductible) of any physical damage to County automobiles, and crime loss involving county property. The pool pays (self-insured retention) for the next:

Crime, Pollution	\$25,000	per occurrence
Property, Auto, Physical Damage	100,000	per occurrence
Liability	100,000	per occurrence
Combined loss maximum	100,000	per occurrence

The Pool purchases excess commercial insurance to pay for claims in excess of the above member deductibles and pool self-insurance retentions. This insurance provides following insurance limits:

Property and Auto Physical Damage	\$70,498,000
Crime	500,000
Liability	7,000,000
Professional Liability Policy for County Home	3,000,000
Pollution Liability	1,000,000

The amount of any claim or loss in excess of these amounts would be the responsibility of the County that incurred the claim or loss.

Member contributions to the Pool are adjusted annually and are calculated to annually produce a sufficient sum of money to pay Pool expenses including estimated Pool self-insured losses and claims adjustment expense.

Under the terms of Pool membership, should the annual member contributions not be sufficient to fully fund Pool expenses including ultimate losses, the Board of Trustees can require supplementary contributions. Supplementary contributions, if required, would be based on the Members' pre-determined percentage share of Pool costs for that year. Supplementary contributions can be accessed during the entire life of the Association and any later period when claims or expenses need to be paid which are attributable to any membership year during which the event or claim occurred.

Provisions for claim reserves and loss adjustment expenses are based on information reported by members and are calculated by the Pool's claim administrator and independent actuary. These amounts represent an estimate of reported, unpaid claims, plus provisions for claims incurred and not reported.

The Pool's management believes that the estimate of the liability for claim reserves is reasonable in the circumstances; however, actual incurred losses and loss adjustment expenses may not conform to the assumptions inherent in the determination of the liability. Accordingly, the ultimate settlement of losses and related loss adjustment expenses may vary from the estimated amount included in the accompanying financial statements. Should the provision for claims reserves not be sufficient, supplemental contributions, as discussed above, will be assessed.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

12. RISK MANAGEMENT (Continued)

To lower costs to pool members, MPRMA joined with other Ohio public entities to form a new excess pool called the Public Entity Risk Consortium (PERC). The PERC pool provides self-insured retentions for each of the member pools as follows: Property – up to \$250,000 per occurrence, Liability – up to \$500,000 per occurrence and annual Stop Loss for the period of December 1, 2010 through November 30, 2011 up to \$1,650,000 maximum. As of November 30, 2010 PERC has cash reserves of \$4,491,126 which, in the opinion of an outside actuary and management, is adequate for any claims currently pending against the pool.

B. Transference of Risk: Employee Health Insurance

The County is part of the Midwest Employee Benefit Consortium (MEBC) (the Consortium) for its employee health insurance, and retains no risk for this plan (see Note 18). Member contributions are calculated to annually produce a sufficient sum of money within the self-insurance pool adequate to fund administrative expenses of the Association and to create adequate reserves for claims and unallocated loss adjustment expenses.

Under the terms of membership, should annual member contributions not be sufficient to fund ultimate losses, establish adequate reserves and cover administrative expenses, the Board of Trustees can require supplementary contributions. Supplementary contributions can be assessed during the entire life of the Association and any later period when claims or expenses need to be paid which are attributable to any membership year during which the event or claim occurred.

Provisions for claims reserves and loss adjustment expenses are based on information reported by members and are calculated by the Consortium's claims administrator. These amounts represent an estimate of reported, unpaid claims, plus a provision for claims incurred and not reported. The Consortium's management believes that the estimate of liability for claim reserves is reasonable in the circumstances; however, actual incurred losses and loss adjustment expenses may not conform to the assumptions inherent in the determination of the liability.

Accordingly, the ultimate settlement of losses and related loss adjustment expenses may vary from the estimated amounts included in the accompanying financial statements. Should the provision for claims reserves not be sufficient, supplemental contributions, as discussed above, will be assessed.

C. Transference of Risk: Workers Compensation Insurance

For 2011, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (See Note 18). 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 the individual rate.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

12. RISK MANAGEMENT (Continued)

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 Ohio Bureau Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and a participant leaving the Plan allows representative of the Plan to assess loss experience for three years following the last year of participation.

D. Retention of Risk: Flexible Spending, Employee Drug Card and Reimbursed Health Claims

In addition to the basic Health Care Benefit Plan, the County has established a "Flexible Spending Account" to supplement the services provided under the Basic Health Care Benefit Plan and the County self-funds an employee prescription drug card administered through Caremark/CVS.

1. Each year the County deposits into the "flexible spending account" the amount of \$150 for a single coverage plan and \$300 for a family coverage plan. These funds may be used, as the employee determines, to cover health care expenses which are not covered under the County's basic health care program or to provide additional coverage for items which are part of the County's basic health care coverage. This plan is administered by Polaris Benefit Administrators.
2. The County's Basic Health Care Program has an agreement with Caremark/CVS to provide prescription drugs to the County's Basic Health Care Plan members. Under this program, the employee pays a deductible for each prescription filled and the County pays the balance.
3. The County reimburses Medicare for any past payments for services to Auglaize County employees that should have been covered by the Auglaize County Group Health plan but were originally paid by Medicare.

13. DEFINED BENEFIT PENSION PLANS

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 percent 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. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to, but not less than, 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.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

13. DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional pension and 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 visiting <https://www.opers.org/investments/caf.shtml>, writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For 2011, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the traditional pension plan. For the year ended December 31, 2011, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 10.0 percent of their annual covered salaries. Members participating in the traditional plan that were in law enforcement contributed 11.0 percent of their annual covered salary. The County's contribution rate for pension benefits for 2011 was 14.0 percent, except for those plan members in law enforcement. For that classification, the County's pension contributions were 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contributions allocated to health care for members of the Traditional Plan was 4%. The portion of employer contributions allocated to health care for members in the combined plan was 6.05 percent. Employer contribution rates are actuarially determined.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$1,482,714, \$1,323,534, and \$1,250,856 respectively; 90 percent has been contributed for 2011 and 100 percent for 2010 and 2009. Contributions to the member-directed plan for 2011 were \$22,258 made by the County and \$31,161 made by the plan members.

14. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care 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. In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit.

Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

14. POSTEMPLOYMENT BENEFITS (Continued)

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/caft.shtml>, writing to OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011 local government employer units contributed at 14.0% of covered payroll, and public safety and law enforcement employer units contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4%. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05%. Actual employer contributions for 2011 were \$526,747 for regular employees and \$47,024 for law enforcement employees. For 2010 and 2009, the actual employer contributions were \$667,629 and \$881,438, respectively, for regular employees and \$60,549 and \$67,301, respectively, for law enforcement employees; 90 percent has been contributed for 2011 and 100 percent for 2010 and 2009. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees September 9, 2004, was effective on January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 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.

15. COMPENSATED ABSENCES

Vacation is earned at rates which vary depending upon length of service and standard work week. The county currently has different policies regarding vacation leave. All of the policies allow the County employees to be paid for all earned, unused vacation leave at the time of termination of employment with more than one year of service with the County.

Employees earn sick leave at varying rates based on whether the employee is union or non-union. Upon retirement, employees with ten or more years of service are paid one-fourth of accumulated sick leave up to a maximum of 480 hours.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

16. LEASES – LESSEE DISCLOSURE

The County has entered into a lease for office space. The lease entered into does not meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The schedule for future minimum long-term operating lease payments as of December 31, 2011 is as follows:

<u>Year</u>	<u>Special Revenue Fund</u>
2012	\$10
2013	10
2014	10
2015	10
2016	10
2017	10
2018	10
2019	10
2020	10
2021	10
Total	<u><u>\$100</u></u>

17. DEBT OBLIGATIONS

The County's long-term obligations at year-end consist of the following:

<u>Governmental Activities</u>	<u>Balance 12/31/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/11</u>	<u>Due Within One Year</u>
General Obligation Bonds:					
2005 – 2.4% - 4.1%					
Original Amount	\$475,000				
Human Services Building	\$280,000		(\$ 40,000)	\$ 240,000	\$ 35,000
Ohio Public Works Loan					
Original Amount \$102,288 – 0%					
Sandy Beach Storm Sewer	66,488		(5,115)	61,373	5,114
Special Assessment Bonds:					
1992 – 4.9%-7%					
Original Amount -	\$1,220,000				
Southeast Sewer District	105,000		(105,000)		
1993 – 3.1% - .9%					
Original Amount -	\$1,495,000				
Sandy Beach Sewer District	335,000		(105,000)	230,000	110,000
Total Special Assessment	440,000		(210,000)	230,000	110,000

(Continued)

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

17. DEBT OBLIGATIONS (Continued)

Governmental Activities (Cont'd.)	Balance 12/31/10	Additions	Reductions	Balance 12/31/11	Due Within One Year
Special Assessment Notes:					
Kah Sewer- 0%	179,341	76,220	(8,967)	67,253	8,967
Ramga #2 Ditch-4.87%	62,606	39,129	(7,826)	31,303	7,826
Jacob Ditch – 3.35%	44,653	\$ 44,653		44,653	5,582
Kellermeyer #2 – 4.60%	31,687	27,726	(3,961)	23,765	3,961
Shaw Ditch-5.1%	34,116	19,190	(4,264)	14,926	4,265
Barnt Ditch-5.1%	7,860	4,421	(982)	3,439	983
Warman #3 – 2.71%	28,664	28,664		28,664	14,381
Kettler Ditch–3.85%	132,172	123,911	(16,521)	107,390	16,521
Bennett Ditch – 3.39%	100,113	100,113	(6,264)	93,849	12,527
Spencer #2 Ditch–4.05%	24,428	24,428	(3,054)	21,374	3,053
Barrington Ditch–4.6%	2,088	1,818	(259)	1,559	260
Smith Ditch – 3.98%	6,798	425	(425)		
Arnold Ditch-5.5%	16,687	10,429	(2,086)	8,343	2,086
Cook #2 Ditch–3.98%	12,233	765	(765)		
Henschen Ditch-4.67%	52,540	29,554	(6,568)	22,986	6,568
Nielson Ditch-4.67%	18,609	10,467	(2,326)	8,141	2,326
IEOF Ditch-4.2%	24,981	15,613	(3,122)	12,491	3,123
Muddy Creek Jt – 3.85%	69,323	69,323	(8,665)	60,658	8,665
Danaher Ditch – 4.091%	40,255	7,548	(5,032)	2,516	2,516
Bryant Ditch – 3.95%	34,838	34,838	(4,355)	30,483	4,355
Annesser Ditch – 4.15%	78,281	53,818	(9,785)	44,033	9,785
Fritz Ditch – 4.45%	9,379	8,793	(1,172)	7,621	1,172
Kuenstle Ditch – 4.60%	329	246	(164)	82	82
Waynesfield Nrtheast Storm Sewer – 4.25%	19,561	9,781	(3,913)	5,868	3,912
Huenke #2 Ditch– 4.35%	21,531	14,803	(2,692)	12,111	2,691
King Ditch - 6.5%	36,539	6,851	(4,567)	2,284	2,284
Parker Ditch – 4.748%	12,483	3,121	(1,561)	1,560	1,560
Knueve Ditch – 4.748%	10,756	2,689	(1,344)	1,345	1,345
Freeman Ditch – 3.95%	32,149	30,140	(4,019)	26,121	4,019
Lotridge Ditch – 4.25%	72,169	18,042	(9,021)	9,021	9,021
Allman #2 Ditch - 4.75%	66,929	17,916	(7,166)	10,750	7,166
Barnes #2 – 4.59%	7,589		7,589	7,589	950
Downey Ditch – 4.53%	13,369	4,178	(1,671)	2,507	1,671
Stoner Ditch – 4.50%	8,138	6,104	(1,018)	5,086	1,017
Zink Ditch – 4.50%	14,533	8,720	(2,907)	5,813	2,907
Simms Run Ditch – 4.50%	25,530	19,147	(3,191)	15,956	3,191
Shearer #3 Ditch – 3.81%	20,446	14,056	(2,555)	11,501	2,556
Spencer Ditch – 4.70%	30,285	22,714	(3,786)	18,928	3,786
Cartwright Ditch – 4.70%	10,726	7,151	(1,788)	5,363	1,788
Luedeke Ditch – 4.52%	14,337	11,649	(1,792)	9,857	1,792
Easterly Ditch – 4.60%	1,893	1,419	(473)	946	473
McKee Ditch – 4.60%	36,178	29,394	(4,522)	24,872	4,522
Helmstetter Ditch -4.60%	1,846	1,292	(369)	923	369
Burr Oak Ditch – 4.50%	36,970	30,038	(4,621)	25,417	4,621
Total Special Assessment Notes	817,867	181,019	(159,539)	839,347	180,645
Total Other Long Term Obligations					
Compensated Absences	1,675,949	935,195	(747,466)	1,863,678	727,146
Total Governmental Activities	\$3,280,304	\$1,116,214	(\$1,162,120)	\$3,234,398	\$1,057,905

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

17. DEBT OBLIGATIONS (Continued)

Business Type Activities	Balance 12/31/10	Additions	Reductions	Balance 12/31/11	Due Within One Year
Ohio Public Works Loans					
Sewer and Interceptor					
Original Amount \$100,000	\$ 12,500		(\$ 5,000)	\$ 7,500	\$ 5,000
Other Long-Term Obligations					
Compensated Absences	198,482	\$132,011	(175,196)	155,297	95,625
Total Business Type Activities	\$210,982	\$132,011	(\$180,196)	\$162,797	\$100,625

All general obligation bonds are supported by the full faith and credit of the County. All outstanding special assessment bonds consist of sewer construction projects which are payable from the proceeds of tax assessments levied against benefited individual property owners.

The human services bonds were issued for the purpose of acquiring, renovating and improving a building for the use of County offices and will be paid from human services revenues. This was refunded in 2005.

The County obtained a loan from the Ohio Public Works Commission in the amount of \$102,288 for a term of twenty years for the purpose of assisting in the cost of the Sandy Beach storm sewer installation project. The infrastructure from this project is not owned by the County.

All of the special assessment bonds were backed by the full faith and credit of Auglaize County and are payable from special assessment and/or governmental revenues. The liability will be paid from un-voted property tax or special assessments which are received by the County. In the event that property owners fail to make their special assessment payments, the County is responsible for providing the resources to meet the annual principal and interest payments.

All special assessment notes had been issued for the terms allowed by law. These notes are to be repaid through assessments against benefited property owners. Proceeds from the notes were used for ditch construction and improvement. In the event that property owners fail to make their special assessment payments, the County is responsible for providing the resources to meet the annual principal and interest payments.

Pursuant to the Ohio Rev. Code 164.95 and Ohio Admin. Code 164-1-21, the County entered into an agreement with the Ohio Public Works Commission, on March 13, 1992, in the amount of \$100,000 in respect to the Hamilton Street Sanitary Interceptor Reconstruction project. The County and City of Wapakoneta subsequently entered into an agreement that stated each entity would be financially responsible to repay one half of the debt. The debt is to be repaid from revenues generated by the Oakwood Hills Sewer District.

Compensated absences liability will be paid from the fund from which the employees' salaries are paid.

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and un-voted net debt of the County less the same exempt debt should not exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000.

The effects of the debt limitations described above at December 31, 2011 are an overall debt margin of \$20,728,960 and an un-voted debt margin of \$8,891,584.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

17. DEBT OBLIGATIONS (Continued)

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

Year	General Obligation Bonds	Special Assessment Bonds	Special Assessment Notes	OPWC Promissory Loans	Total Debt Obligations
2012	\$ 44,382	\$123,570	\$210,588	\$10,114	\$ 388,654
2013	48,105	127,080	180,135	7,614	362,934
2014	46,605		150,122	5,114	201,841
2015	45,065		135,866	5,114	186,045
2016	43,465		103,798	5,114	152,377
2017-2021	46,845		153,556	25,574	225,975
2022-2026				10,229	10,229
2027-2031					
Total	274,467	250,650	934,065	68,873	1,528,055
Less:					
Interest	34,467	20,650	94,718		149,835
Outstanding Principal	\$240,000	\$230,000	\$839,347	\$68,873	\$1,378,220

The County has also received two loan agreements from the Ohio Water and Sewer Rotary Commission in regard to the construction of two sewer districts. These loans provide funding assistance for that portion of the project for which collections of assessments from certain owners of undeveloped property located within an agricultural district are exempted pursuant to Ohio Rev. Code Section 929.03 subject to the performance of certain terms and conditions of repayment.

As part of the agreement, the change of the use of any parcel, pursuant to Ohio Admin. Code Section 1525-1-06, would require repayment to the Ohio Water and Sewer Rotary Commission for the full amount of the assessment for the portion of the property for which the use has changed pursuant to Division C of Ohio Rev. Code Section 929.03. Therefore, until a change in use occurs, no liability has been recorded for these loans.

A summary of the loan transactions for the year ended December 31, 2011 is as follows:

Project Loans:	Outstanding 12/31/10	Additions	Reductions	Outstanding 12/31/11
Southeast Sewer District	\$1,196,367			\$1,196,367
Sandy Beach Sewer District	209,786			209,786
Total	\$1,406,153			\$1,406,153

A. Current Refunding

On February 23, 2005, the County issued at par \$475,000 of County Building Acquisition Refunding Bonds Limited Tax General Obligation (the "Bonds") for the purpose of refunding \$450,000 of then-outstanding 1992 Long Term General Obligation bonds. The 2005 bonds bear an average coupon rate of 3.725580 percent and the final payment due December 1, 2017. As a result, \$450,000 of the 1992 Long Term General Obligation bonds are considered to be defeased and the liability for those bonds have been removed from the county's long-term obligations.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

18. PUBLIC ENTITY RISK POOLS

A. Midwest Pool Risk Management Agency, Inc.

Midwest Pool Risk Management Agency, Inc. is an Ohio not-for-profit corporation organized under Chapter 2744.081 of the Ohio Revised Code for the purpose of enabling its member political subdivisions to obtain insurance coverage, provide methods for paying claims and provide a formalized jointly administered self-insurance pool.

Specifically, the pool provides coverage for automobile liability, general liability, crime and property (including automobile physical damage) and public officials' liability (See Note 12). In addition to the self-insurance pool, the Association provides risk management services, loss prevention programs, and various other educational materials. The Association includes the following member counties within the State of Ohio: Auglaize, Hancock, Mercer, Shelby, and Van Wert.

Member and supplemental contributions are recognized on an accrual basis and are recorded as revenue in the month earned. For the current agreement dated August 1, 2006, the percentage of contributions by the members and their equity interests are:

<u>County</u>	<u>%</u>	<u>Fixed Costs</u>	<u>Loss Fund</u>
Mercer	18.1	\$140,434	\$65,200
Auglaize	20.3	157,503	70,800
Shelby	24.4	189,313	116,000
Hancock	23.4	181,555	88,400
Van Wert	13.8	107,071	59,600

The financial statements of Midwest Risk Pool Management Agency, Inc. can be obtained from Gary Adams, Van Wert County Commissioner and Treasurer of the Midwest Pool Risk Management Agency.

B. Midwest Employee Benefit Consortium

Midwest Employee Benefit Consortium (MEBC) is an Ohio not-for-profit corporation organized under Ohio Rev. Code Sections 304.171 and 9.833 for the public purpose of enabling its five members political subdivisions to obtain insurance coverage, provide methods for paying claims, and provide a formalized jointly administered self-insurance pool. Specifically, this pool provides coverage for health benefits to employees of its members.

In addition to the self-insurance pool, the Consortium provides risk management services and established loss reduction and prevention procedures and programs.

The members of the Association include the following counties within the State of Ohio: Auglaize, Hancock, Mercer, Van Wert, and Shelby. The financial statements of Midwest Employee Benefit Consortium can be obtained from the Auglaize County Board of Commissioners.

C. County Commissioner Association of Ohio Workers' Compensation Group Rating Plan

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 a group purchasing pool.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

18. PUBLIC ENTITY RISK POOLS (Continued)

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services, and general management fees, determining ongoing eligibility of each participant and performing any other acts and functions which may be delegated to it by the participating employers.

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

19. JOINTLY GOVERNED ORGANIZATIONS

A. Auglaize County Regional Planning Commission

The Auglaize Regional Planning Commission (the Commission) is a jointly governed organization between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty seven members, any of which may hold any other public office.

The County is represented by three members, each of the two Cities within the county is represented by two members, all participating villages within the county are represented by one member each, and participating townships within the county are represented by one member each. Other members include: a representative from all participating board of trustees; the mayor or a council member of each participating incorporated village; two representatives from each of the Cities of Wapakoneta and St. Marys, one being the Mayor or his designee and one being appointed by City Council. The remaining members of the Commission shall be representatives from public utility, minority groups, business, industry, Ministerial Association, farm organizations, Chamber of Commerce and other representations as deemed necessary by the Commission.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute up to .10 cents per capita, according to the latest federal census, in any calendar year in which revenue is needed.

The Commission has no outstanding debt as of December 31, 2011. The following unaudited cash financial data of the Commission is presented for the year ended December 31, 2011:

	Joint Venture	Auglaize County's 50 Percent
Total Non-Operating Revenues	\$4,377	\$2,188
Total Operating Expenses	(1,924)	(962)
Net Income (Loss)	2,453	1,226
Fund Balance, January 1, 2011	3,241	1,621
Fund Balance, December 31, 2011	\$5,694	\$2,847

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

19. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Workforce Investment Act Consortium of Auglaize, Hardin, and Mercer Counties

The objectives of the Workforce Investment Act (WIA) are to increase the employment, retention, and earnings of participants in the program, and as a result improve the quality of the workforce, reduce welfare dependency, and enhance the productivity of the Nation. Ohio is organized into seven local workforce investment areas.

There are six "traditional" local areas and a seventh area known as the Ohio Option, which includes most of the State. Each traditional area has its own workforce investment board and acts as its own workforce investment system. The Ohio Option is subdivided into local Workforce Development Areas (WDA), typically county or multi-county WDA's. Each Workforce Investment or Policy Board is responsible for developing "one-stop" service delivery systems in the local area. The one-stop system is a network of required partners delivering training/employment services and activities defined in the law.

The Federal WIA program is administered through the Ohio Department of Job and Family Services and operates on a state fiscal year from July 1 to June 30. Effective July 1, 2002, Auglaize County participated in a multi-county WDA with Hardin and Mercer Counties, with Mercer as the fiscal agent.

C. West Central Ohio Network

The West Central Ohio Network (West CON) is a regional council of governments. West CON is comprised of the boards of Developmental Disabilities (DD) of several counties, including, Auglaize, Darke, Logan, Mercer, Miami, Shelby, Union, and Hardin. The Board of Directors is made up of the Superintendents from each of these DD Boards, and the degree of control exercised by any participating government is limited to its representation on the Board. West CON is the administrator and fiscal agent of Supported Living funds for each of these Boards of Developmental Disabilities. The following unaudited financial data of the West Central Ohio Network - Auglaize County is presented on a cash basis for the year ended December 31, 2011.

	County Portion
Total Operating Revenue	\$1,025,651
Total Operating Expenses	(669,947)
Net Income (Loss)	355,704
Fund Balance, January 1, 2011	2,685,244
Fund Balance, December 31, 2011	\$3,040,948

Financial information can also be obtained from the West Central Ohio Network, 315 East Court Street, Sidney, Ohio 45365.

D. Auglaize and Mercer Counties Convention and Visitors Bureau

The Auglaize and Mercer Counties Convention and Visitors Bureau (the Bureau) is a jointly governed organization between Auglaize and Mercer Counties for the purpose of promoting tourism and attracting tourists and conventions to the two counties. Membership is open to any person, firm, partnership, association, corporation, foundation, trust or estate subscribing to the purpose of this organization. The government of the Bureau, the general policies and control of its property is vested in a Board of Trustees. The Board shall be nineteen members composed of the following: seven appointees from Auglaize County, seven from Mercer County, one Auglaize County Commissioner or designee, one Mercer County Commissioner or designee, three members representing the following: Celina/Mercer County Chamber of Commerce, St. Marys Area Chamber of Commerce and the Wapakoneta Area Chamber of Commerce.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

19. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The Board conducts business and sponsors projects to further the purpose of the Bureau. The Bureau is funded primarily from a 3 percent (effective 7/1/96) lodging tax imposed by both counties. Payment is due to the county by the last day of the following month. The 2011 revenue received by the Bureau was \$138,766. Of this amount \$119,100 came from the lodging tax. \$59,368 of the total 2011 revenue was from Auglaize County. Financial information can be obtained from 900 Edgewater Drive, St Marys, Ohio 45885.

E. Auglaize County Office of Homeland Security and Emergency Management

The Auglaize County Office of Homeland Security and Emergency Management (the Agency) is a jointly governed organization between the County, the municipalities, and the townships within the County, formed to perform services of coordinating the emergency management activities within the county of Auglaize and the political subdivisions therein. The Cooperative has established a County-Wide Advisory Group for emergency management composed of a representative from each political subdivision cooperative member under Section 5915.06 of the Ohio Revised Code.

The advisory group appoints an executive committee composed of at least seven of the following members: three township representatives, two village or city representatives, one county commissioner and one non-elected representative. The tenure of the members of the executive committee is three years. A coordinator is appointed by the Emergency Management Executive Committee to carry out the cooperative agreement under the advisement of the committee. Financial information can be obtained from Troy Anderson, Director, Room 206, 209 South Blackhoof Street, Wapakoneta, Ohio 45895.

F. Auglaize County Revolving Loan Fund Board

The Board of County Commissioners had agreed to work with the West Central Development Corporation for any Auglaize County businesses or corporations desiring to participate in the Revolving Loan Program offered by the State of Ohio Department of Development. The Board of County Commissioners appointed ten members to oversee the Revolving Loan Fund concerns for Auglaize County.

G. Grand Lake St. Marys Restoration Community Improvement Corporation

The Auglaize County Commissioners and the Mercer County Commissioners joined together to form the Grand Lake St. Marys Restoration Community Improvement Corporation. The mission of this corporation is to support the advancement, encouragement and promotion of the industrial, economic, commercial and civic development of Grand lake St. Marys and the surrounding area. It will aid in the research and development of technologies and provide funding opportunities to enhance the quality of water in Grand Lake St. Marys.

20. JOINT VENTURES

A. Grand Lake Task Force

Auglaize and Mercer Counties share territory of the Grand Lake State Park which encounters unique enforcement problems. The Grand Lake Task Force was established in regards to federal financial assistance received from the Department of Justice which requires a twenty-five percent local matching share. Additional revenues were received through asset seizures, fines, and village law enforcement agency contributions.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

20. JOINT VENTURES (Continued)

The objective of the Grand Lake Task Force is to increase the number of criminal justice agencies working cooperatively to eliminate specifically targeted major narcotics trafficking conspiracies and the persons involved through investigations, arrests, prosecution, and convictions. Those participating in the project are Auglaize and Mercer County Sheriff's offices, Wapakoneta, St. Marys, Celina, Coldwater, Minster, and New Bremen Police offices, United States Investigative Agency Alcohol, Tobacco, and Firearms, Ohio Bureau of Criminal Investigation and Identification, and Auglaize and Mercer County Prosecutor's Offices. The Auglaize County Sheriff serves as the applicant who accepts the responsibility for the project's administrative and financial matters. The project requires a control group to be established of four members; one from a police department, one from a Sheriff's office, one from a prosecutor's office, and the Task Force Supervisor. This group allocates what funds are to be used for which investigations and to manage these resources and jointly manage project investigations.

The following unaudited financial data of the Grand Lake Task Force is presented on a cash basis for the year ended December 31, 2011:

	Joint Venture	Auglaize County's 12.5 Percent
Total Operating Revenues	\$ 91,115	\$11,389
Total Operating Expenses	(118,452)	(14,807)
Net Income (Loss)	(27,337)	(3,418)
Fund Balance, January 1, 2011	195,579	24,448
Fund Balance, December 31, 2011	\$168,242	\$21,030

B. Mental Health and Recovery Services Board of Allen, Auglaize, and Hardin Counties

The Mental Health and Recovery Services Board (MHRS) of Allen, Auglaize, and Hardin Counties, is a tri-county non-profit corporation whose general purpose is to provide leadership in planning for and supporting community-based alcohol, drug addiction and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting and advocating for the rights of persons as consumers of alcohol, drug addiction and mental health services.

The Board of Trustees consists of eighteen members. Four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services and the remaining ten members are appointed by the County Commissioners of Allen, Auglaize, and Hardin counties in the same proportion as the County's population bears to the total population of the three counties combined. The degree of control exercised by any participating government is limited to its representation on the Board. The MHRS Board is a joint venture since continued participation by the Counties is necessary for the continued existence.

Allen County acts as the fiscal agent for the MHRS Board. The Board receives tax revenue from the three Counties and receives federal and state funding through grant monies which are applied for and received by the board of trustees. The MHRS Board is accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial benefit to or burden on members in the future. The Board has sole budgetary authority and controls surpluses and deficits and the county is not legally or morally obligated for the Board's debt.

During 2011, tax revenues generated by the levy in Auglaize County were \$343,888. Complete financial statements can be obtained from the MHRS Board, Allen County, Ohio.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

21. COMPONENT UNITS

A. Auglaize County Airport Authority (the Authority)

1. Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles for governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

The operations of the Authority are accounted for using proprietary fund accounting. The Authority applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, provided they do not conflict with or contradict GASB pronouncements.

2. Accounting System

The Authority maintains its own set of accounting records. These financial statements were prepared from the accounts and financial records of the Authority and, accordingly, these financial statements do not present the financial position or results of operations of Auglaize County.

3. Revenue and Expenditure Recognition

The Authority maintains its fund as a proprietary type fund. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets.

Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The Authority reports deferred revenues on its statement of net assets. Deferred revenues arise when potential revenue meets the asset recognition criteria, but does not meet the revenue recognition criteria. In the subsequent period, when the revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of net assets and revenue is recognized. Hanger rent paid in advance is not considered earned until subsequent years.

4. Cash

To improve cash management, all cash received by the Authority is pooled in a central bank account. During fiscal year 2011, the Authority invested in interest bearing depository accounts and a certificate of deposit.

5. Inventory

Inventory consists of two types of aviation fuel for sale to customers and is stated at cost, which is determined on a first-in, first-out basis. The cost of inventory is recorded as an expense when purchased.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

21. COMPONENT UNITS (Continued)

6. Capital Assets and Depreciation

Equipment and improvements are stated at cost except for donated equipment, which is stated at fair market value at the date of receipt. Depreciation of capital assets is on a straight line basis over the estimated useful lives (five to twenty years) of the respective assets. The Authority maintains a capitalization threshold of \$2,500. The land, buildings and improvements of the airport are owned by Auglaize County.

B. Auglaize Industries, Inc

1. Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to United States generally accepted accounting principles for governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The operations of Auglaize Industries apply Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, provided they do not conflict with or contradict GASB pronouncements.

2. Accounting System

Auglaize Industries maintains its own set of accounting records. These financial statements were prepared from the accounts and financial records of Auglaize Industries and, accordingly, these financial statements do not present the financial position or results of operations of Auglaize County.

3. Revenue and Expense Recognition

Auglaize Industries prepares its financial statements on the accrual basis of accounting, consequently certain revenues and related assets are recognized when earned rather than when received and certain expenses are recognized when incurred rather than when the obligation is paid.

4. Budgetary Process

Through a contractual agreement with the Auglaize County Board of Developmental Disabilities, Section VII, Item Number 11, Auglaize Industries is required to prepare and approve an annual budget.

5. Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires the use of managements estimates. Actual results may differ from those estimates.

6. Cash and Investments

To improve cash management, cash received by Auglaize Industries is maintained in a checking account or used to purchase investments. Investments are limited to certificates of deposits, government securities and mutual funds. Investments are stated at market value.

Investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

21. COMPONENT UNITS (Continued)

7. Capital Assets

Buildings, equipment and improvements are stated at cost except for donated assets, which are stated at fair market value at the date of receipt. Auglaize Industries maintains a capitalization threshold of \$1,000. A portion of the facilities occupied by Auglaize Industries consists of additions to the original facilities owned by Auglaize County. Leasehold improvements are depreciated rateably over the estimated useful life. Depreciation of fixed assets is on a double declining balance basis over the estimated useful lives of the respective assets, as follows:

<u>Class of Asset</u>	<u>Years</u>
Leasehold Improvements	31-1/2
Transportation Equipment	5
Computers	5
Furniture and Fixtures	7

8. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the year end, 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.

9. Advertising

Advertising costs are charged to operations when incurred. Advertising costs amounted to \$569 for 2011.

10. Inventory

Work is performed on customer owned materials. Inventory on hand at any one time consists primarily of consumable manufacturing supplies in nominal amounts. Accordingly, no manufacturing inventories are recognized on the financial statements.

11. Compensated Absences

Governmental Accounting and Financial Reporting Standards specifies that a liability should be accrued for leave benefits if the employer's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered; the obligation relates to rights that vest or accumulate; payment of the compensation is probable; and the amount can be reasonably estimated. Auglaize Industries records a liability for accumulated unused vacation time when earned for workshop employees.

22. RELATED PARTY TRANSACTIONS

Auglaize Industries has entered into a contract with the Auglaize County Board of Developmental Disabilities (DD), whereby the DD has agreed to pay specified overhead expenses for the workshop. The additional income and related expenses are reported on the income statement as Unrestricted Support. The unaudited operating expenses paid by the DD on behalf of the Auglaize Industries amounted to \$653,503 for the year ended December 31, 2011.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

23. SIGNIFICANT CONTRACTUAL OBLIGATIONS

At December 31, 2011, the County had entered into several contracts, the most significant of which include the following:

<u>Contractor</u>	<u>Amount</u>
Tyler Technologies Inc	\$ 32,824
Perfection Group	267,254
JMC Mechanical Inc	50,952
Koester Electric Inc	436,082
Petermann LLC	77,505
Vulcan Enterprises Inc	47,439
Peterson Construction	256,247
Whitney Stained Glass	87,485
Brian Brothers Painting	413,299
The Marsh Foundation	73,000
Gerding Ditching	54,680
Garmann Miller & Associates	37,241
Total Commitments	<u>\$1,834,008</u>

24. CONTINGENT LIABILITIES

A. Grants

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

B. Litigation

The County is involved in no litigation as either plaintiff or defendant which they believe would result in a liability having to be booked on the County's financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number or Grant	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed through Ohio Department of Development</i>				
Community Development Block Grant/States Program				
Formula Grant	B-F-10-1AF-01	14.228	\$173,000	
Formula Grant	B-F-09-006-01		1,063	
Formula Grant	B-F-08-006-01		186	
Community Housing Improvement Program	B-C-10-1AF-01		27,000	
Total Community Housing Improvement Program			<u>201,249</u>	
HOME Investment Partnerships Program	B-C-08-006-02	14.239	5,654	
	B-C-10-1AF-02		119,735	
Total HOME Investment Partnerships Program			<u>125,389</u>	
Total U.S. Department of Housing and Urban Development			<u>326,638</u>	
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed through Ohio Department of Jobs and Family Services</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1011-11-5011/G-89-20-1025	10.561	170,624	
<i>Passed through Ohio Department of Education</i>				
Nutrition Cluster:				
School Breakfast Program	137125-05NP-2011	10.553	7,633	
National School Lunch Program	137125-LLN4-2011	10.555	10,861	\$1,348
Total Nutrition Cluster			<u>18,494</u>	<u>1,348</u>
Total U.S. Department of Agriculture			<u>189,118</u>	<u>1,348</u>
U.S. DEPARTMENT OF JUSTICE				
<i>Passed through Ohio Office of Criminal Justice Services</i>				
Edward Byrne Memorial Justice Assistance Grant Program	10-DL-LEF-5804	16.738	22,344	
Edward Byrne Memorial Justice Assistance Grant Program	09-DL-LEF-5804		27,846	
Edward Byrne Memorial Justice Assistance Grant Program	10-JG-C01-6254		11,396	
Edward Byrne Memorial Justice Assistance Grant Program	09-JG-C01-6254		11,204	
Edward Byrne Memorial Justice Assistance Grant Program	07-JG-LSS-9272		22,475	
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>95,265</u>	
Residential Intervention and Diversion	10-RS-SAT-191	16.593	2,660	
Justice and Mental Health Collaboration Program	10-MO-BX-0055	16.745	15,030	
Juvenile Justice and Delinquency Prevention - Allocation to States	08-JJ-JR1-0812	16.540	4,000	
<i>Passed through the Ohio Attorney General</i>				
Crime Victim Assistance	2012-VAGENE-059	16.575	6,422	
Crime Victim Assistance	2011-VAGENE-059		25,425	
Total Crime Victim Assistance			<u>31,847</u>	
Total U.S. Department of Justice			<u>148,802</u>	
U.S. DEPARTMENT OF TRANSPORTATION				
<i>Passed through the Federal Aviation Administration</i>				
Airport Improvement Program	3-39-0084-1410	20.106	82,264	
Airport Improvement Program	3-39-0084-1209		7,945	
Airport Improvement Program	3-39-0084-1309		9,860	
Airport Improvement Program	3-39-0084-1108		1,406	
Total Airport Improvement Program			<u>101,475</u>	
Total U.S. Department of Transportation			<u>101,475</u>	

(Continued)

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed through Ohio Secretary of State</i>				
Voting Access for Individuals with Disabilities Grants to States		93.617	820	
<i>Passed through Ohio Department of Jobs and Family Services</i>				
Promoting Safe and Stable Families	G-1011-11-5011/G-89-20-1025	93.556	49,777	
Temporary Assistance for Needy Families	G-1011-11-5011/G-89-20-1025	93.558	680,641	
Child Support Enforcement	G-1011-11-5011/G-89-20-1025	93.563	312,360	
Child Care and Development Grant Cluster:				
Child Care and Development Block Grant	G-1011-11-5011/G-89-20-1025	93.575	11,346	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	G-1011-11-5011/G-89-20-1025	93.596	23,330	
Child Abuse and Neglect		93.590	1,997	
Total Child Care and Development Grant Cluster			<u>36,673</u>	
Child Welfare Services - State Grants	G-1011-11-5011/G-89-20-1025	93.645	38,621	
Foster Care Title IV-E	G-1011-11-5011/G-89-20-1025	93.658	71,237	
ARRA Foster Care Title IV-E	G-1011-11-5011/G-89-20-1025	93.658	1,941	
Total Foster Care Title IV-E			<u>73,178</u>	
Adoption Assistance	G-1011-11-5011/G-89-20-1025	93.659	56,859	
Chafee Foster Care Independence Program	G-1011-11-5011/G-89-20-1025	93.674	3,674	
<i>Passed through Ohio Department of Jobs and Family Services</i>				
Medical Assistance Program	G-1011-11-5011/G-89-20-1025	93.778	256,693	
<i>Passed through Ohio Department of Developmental Disabilities</i>				
ARRA - Medical Assistance Program		93.778	26,910	
Total Medical Assistance Program			<u>283,603</u>	
<i>Passed through Ohio Department of Developmental Disabilities</i>				
Social Services Block Grant		93.667	38,142	
<i>Passed through Ohio Department of Jobs and Family Services</i>				
Social Services Block Grant	G-1011-11-5011/G-89-20-1025	93.667	454,882	
Total Social Services Block Grant			<u>493,024</u>	
Total U.S. Department of Health and Human Services			<u>2,029,230</u>	
Total Federal Financial Assistance			<u><u>\$2,795,263</u></u>	<u><u>\$1,348</u></u>

See accompanying notes to the schedule of federal awards expenditures.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 1: GENERAL

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

NOTE 2: SUB-RECIPIENTS

The County passes-through certain federal awards received from the Ohio Department of Development to other governments (sub-recipients). As described in Note 1, the County reports expenditures of Federal awards to sub-recipients when paid in cash.

As a sub-recipient, the County has certain compliance responsibilities such as monitoring its sub-recipients to help assure they use these sub-awards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that sub-recipients achieve the awards performance goals.

NOTE 3: FOOD SERVICES PROGRAMS – LAW ENFORCEMENT CENTER

The Law Enforcement Center received federal assistance through the National School Lunch/Breakfast and Donated Food Programs. The National School Lunch and Breakfast programs are reimbursing in nature and revenues are considered expended when received. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

The above department is allowed a selection from a pool of foods, when available, under the Food Distribution Program. Program regulations do not require the County to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at fair value of the commodities received.

NOTE 4: MATCHING REQUIREMENTS

Certain Federal programs require that the County 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-matching funds.

NOTE 5: COMMUNITY DEVELOPMENT BLOCK GRANT REVOLVING LOAN PROGRAM

The County has established a revolving loan program to provide low-interest loans to existing businesses to create jobs for persons from low-moderate income households, to help with capital expenditures and to help with startup funds for new businesses. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD and are also included as disbursements on the Schedule.

These loans are collateralized by equipment. At December 31, 2011 the gross amount of loans outstanding under this program was \$721,093.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

**NOTE 5: COMMUNITY DEVELOPMENT BLOCK GRANT REVOLVING LOAN PROGRAM
(Continued)**

Activity in the CDBG revolving loan fund during 2011 is as follows:

Beginning loans receivable balance as of January 1, 2011	\$772,874
New loans	80,000
Loan principal repaid	<u>(131,781)</u>
Ending loans receivable balance as of December 31, 2011	<u>\$721,093</u>
Cash balance on hand in the revolving loan fund as of December 31, 2011	\$348,542
Transfer to CDBG Funds	\$40,000
Administrative costs expended during 2011	\$25,894

NOTE 6: TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2011, the County made allowable transfers of \$211,633 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 \$679,239 on the TANF 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 2011 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$890,872
Transfer to Social Services Block Grant	<u>(211,633)</u>
Total Temporary Assistance for Needy Families	<u>\$679,239</u>



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

Financial Condition
Auglaize County
209 South Blackhoof Street
Wapakoneta, Ohio 45895

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Auglaize County, (the County) as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 14, 2012, wherein, we noted the County adopted the provisions of Government Accounting Standards Board Statement No 54, *Fund Balance and Governmental Fund Type Definitions*. We also noted that the County restated the January 1, 2011 Net Assets of the Governmental Activities and the Fund Balances of the General, Auglaize County Developmental Disabilities, Permanent Improvement, and Other Governmental Funds. 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*. Other Auditors audited the financial statements of the component units Auglaize County Airport Authority and Auglaize Industries, Inc. as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors reported.

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 opinion 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 14, 2012.

We intend this report solely for the information and use of management, the audit committee, Board of County Commissioners, and 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 14, 2012



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

Financial Condition
Auglaize County
209 South Blackhoof Street
Wapakoneta, Ohio 45895

To the Board of County Commissioners:

Compliance

We have audited the compliance of Auglaize County (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 Auglaize County's major federal programs for the year ended December 31, 2011. The *summary of auditor's results* section of the accompanying schedule of findings 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 opine on the County's compliance based on our audit.

Our compliance audit followed 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*. These 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 Government's compliance with these 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 Government's compliance with these requirements.

In our opinion, Auglaize 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, 2011.

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 requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining 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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**Internal Control Over Compliance
(Continued)**

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.

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated September 14, 2012.

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



Dave Yost
Auditor of State

September 14, 2012

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Development Block Grant/States Program CFDA #14.228 Temporary Assistance for Needy Families CFDA #93.558
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

AUGLAIZE COUNTY FINANCIAL CONDITION

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 09, 2012