



Dave Yost • Auditor of State

DEFIANCE COUNTY
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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Defiance County, Ohio (the County), as of and for the year ended December 31, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Defiance County, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund, Developmental Disabilities Fund, Job and Family Services Fund, Motor Vehicle License and Gas Tax Fund, Emergency 911 Fund, and Senior Center Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3A, during 2011, the County adopted the provisions of 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 17, 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 federal awards expenditure 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 also 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 17, 2012

DEFIANCE COUNTY

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

The management's discussion and analysis of Defiance County's (the County) financial performance provides an overall review of the County's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- The total net assets of the County increased \$5,016,571. Net assets of governmental activities increased \$864,088, which represents a 1.03% increase from 2010. Net assets of business-type activities increased \$4,152,483 or 17.35% from 2010.
- General revenues accounted for \$12,934,445 or 39.43% of total governmental activities revenue. Program specific revenues accounted for \$19,872,337 or 60.57% of total governmental activities revenue.
- The County had \$28,647,935 in expenses related to governmental activities; \$19,872,337 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$12,934,445 were adequate to provide for these programs and capital contributions to business-type activities.
- The County restated governmental fund balances at December 31, 2010 as described in Note 3.B to the basic financial statements. The general fund, the County's largest major governmental fund, had revenues and other financing sources of \$10,385,448 in 2011. The general fund had expenditures and other financing uses of \$10,666,945 in 2011. The fund balance of the general fund decreased \$281,497 from 2010 to 2011.
- The developmental disabilities (DD) fund, a major governmental fund, had revenues of \$4,563,288 in 2011. The DD fund had expenditures of \$4,591,698 in 2011. The DD fund balance decreased \$28,410 from 2010 to 2011.
- The job and family services fund, a major governmental fund, had revenues and other financing sources of \$1,461,535 in 2011. The job and family services fund had expenditures of \$1,722,637 in 2011. The job and family services fund balance decreased \$261,102 from 2010 to 2011.
- The motor vehicle license and gas tax fund, a major governmental fund, had revenues and other financing sources of \$4,287,132 in 2011. The motor vehicle license and gas tax fund, had expenditures of \$4,116,239 in 2011. The motor vehicle license and gas tax fund balance increased \$170,893 from 2010 to 2011.
- The emergency 911 fund, a major governmental fund, had revenues of \$719,510 in 2011. The emergency 911 fund, had expenditures of \$685,548 in 2011. The emergency 911 fund balance increased \$33,962 from 2010 to 2011.
- The senior center fund, a major governmental fund, had revenues of \$1,116,816 in 2011. The senior center fund, had expenditures of \$1,190,705 in 2011. The senior center fund balance decreased \$73,889 from 2010 to 2011.
- The county improvement fund, a major governmental fund, had revenues and other financing sources of \$129,950 in 2011. The county improvement fund had expenditures of \$460,865 in 2011. The county improvement fund balance decreased \$330,915 from 2010 to 2011.

DEFIANCE COUNTY

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

- The Auglaize sewer fund, a major governmental fund, had revenues and other financing sources of \$4,198,787 in 2011. The Auglaize sewer fund had expenditures of \$3,134,288 in 2011. The Auglaize sewer fund balance increased \$1,064,499 from 2010 to 2011.
- The historical jail construction fund, a major governmental fund, had revenues of \$108,281 in 2011. The historical jail construction fund had expenditures of \$262,622 in 2011. The historical jail construction fund balance decreased \$154,341 from 2010 to 2011.
- Net assets for the business-type activities, which are made up of the landfill and sewer enterprise funds, increased in 2011 by \$4,152,483. This increase is due mainly due to capital contributions from governmental activities.
- In the general fund, the actual revenues and other financing sources were \$1,614,270 higher than originally budgeted and actual expenditures and other financing uses were \$3,129,344 less than the amount in the original budget. These positive variances are a result of the County's conservative budgeting process.

Using these Basic Financial Statements (BFS)

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

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

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets and the statement of activities answer the question, "How did we do financially during 2011?" These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

DEFIANCE COUNTY

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

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

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

Proprietary Funds

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

DEFIANCE COUNTY

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

Fiduciary Funds

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

Notes to the Financial Statements

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

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the County as a whole. Certain fund balance classifications have been restated in the governmental activities for 2010 to conform to 2011 presentation in accordance with GASB Statement No. 54. The table below provides a summary of the County's net assets at December 31, 2011 and December 31, 2010.

	Net Assets					
			(Restated)		(Restated)	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	2011	(Restated) 2010
	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2010</u>	<u>Total</u>	<u>Total</u>
<u>Assets</u>						
Current and other assets	\$ 40,437,080	\$ 16,676,751	\$ 40,632,346	\$ 15,381,075	\$ 57,113,831	\$ 56,013,421
Capital assets, net	<u>60,886,002</u>	<u>15,708,347</u>	<u>60,635,385</u>	<u>12,747,060</u>	<u>76,594,349</u>	<u>73,382,445</u>
Total assets	<u>101,323,082</u>	<u>32,385,098</u>	<u>101,267,731</u>	<u>28,128,135</u>	<u>133,708,180</u>	<u>129,395,866</u>
<u>Liabilities</u>						
Other liabilities	6,923,711	231,271	7,137,416	189,480	7,154,982	7,326,896
Long-term liabilities outstanding	<u>9,268,540</u>	<u>4,062,671</u>	<u>9,863,572</u>	<u>3,999,982</u>	<u>13,331,211</u>	<u>13,863,554</u>
Total liabilities	<u>16,192,251</u>	<u>4,293,942</u>	<u>17,000,988</u>	<u>4,189,462</u>	<u>20,486,193</u>	<u>21,190,450</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	56,872,363	15,589,847	56,350,288	12,622,760	72,462,210	68,973,048
Restricted	15,964,868	1,737,170	15,977,629	1,684,572	17,702,038	17,662,201
Unrestricted	<u>12,293,600</u>	<u>10,764,139</u>	<u>11,938,826</u>	<u>9,631,341</u>	<u>23,057,739</u>	<u>21,570,167</u>
Total net assets	<u>\$ 85,130,831</u>	<u>\$ 28,091,156</u>	<u>\$ 84,266,743</u>	<u>\$ 23,938,673</u>	<u>\$ 113,221,987</u>	<u>\$ 108,205,416</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2011, the County's assets exceeded liabilities by \$113,221,987. This amounts to \$85,130,831 in governmental activities and \$28,091,156 in business-type activities. The County's finances continued to remain strong during 2011, despite the decline in the economy.

DEFIANCE COUNTY

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

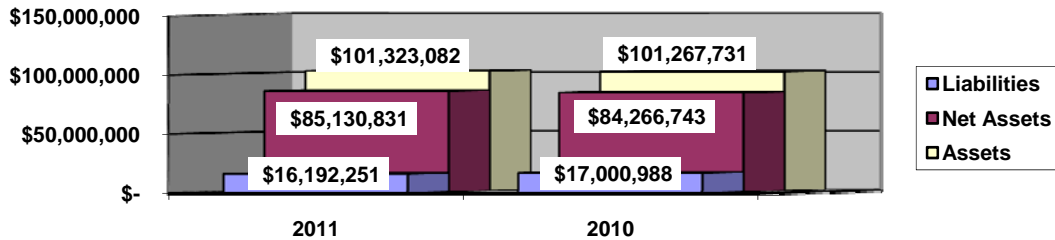
Capital assets reported on the government-wide statements represent the largest portion of the County's assets. At year-end, capital assets represented 57.29% of total governmental and business-type assets. Capital assets include land, easements, land improvements, buildings and improvements, equipment, vehicles, construction in progress, and infrastructure. Capital assets, net of related debt to acquire the assets, at December 31, 2011, were \$72,462,210. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 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.

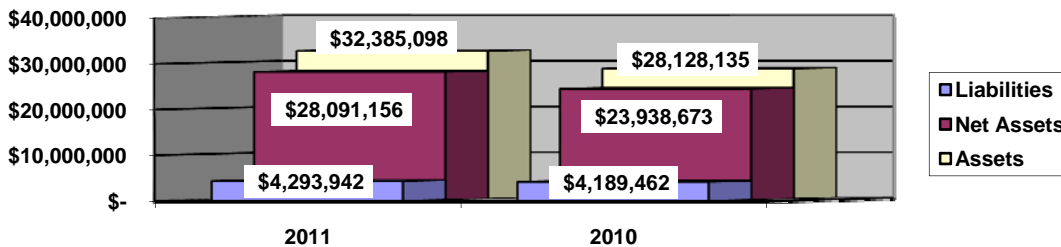
A portion of the County's net assets, \$17,702,038 or 15.63%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$23,057,739 or 20.37% may be used to meet the government's ongoing obligations to citizens and creditors.

The graphs below illustrate the District's assets, liabilities and net assets at December 31, 2011 and December 31, 2010 for the governmental activities and business-type activities.

Governmental Activities



Business-type Activities



DEFIANCE COUNTY

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

The table below shows the changes in net assets for 2011 and 2010.

	Change in Net Assets					
	Governmental Activities	Business-type Activities	(Restated) Governmental Activities	Business-type Activities	Total	(Restated) Total
	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues						
Program revenues:						
Charges for services and sales	\$ 3,902,225	\$ 3,670,633	\$ 4,137,518	\$ 3,252,267	\$ 7,572,858	\$ 7,389,785
Operating grants and contributions	10,436,920		10,696,845		10,436,920	10,696,845
Capital grants and contributions	<u>5,533,192</u>		<u>1,231,429</u>		<u>5,533,192</u>	<u>1,231,429</u>
Total program revenues	<u>19,872,337</u>	<u>3,670,633</u>	<u>16,065,792</u>	<u>3,252,267</u>	<u>23,542,970</u>	<u>19,318,059</u>
General revenues:						
Property taxes	4,461,599		4,808,561		4,461,599	4,808,561
Sales tax	4,931,360		4,426,384		4,931,360	4,426,384
Unrestricted grants	2,170,876		2,413,069		2,170,876	2,413,069
Investment earnings	473,293	68,592	643,974	47,674	541,885	691,648
Revenue in lieu of taxes	80,000		89,373		80,000	89,373
Reimbursement	107,572				107,572	
Other	<u>709,745</u>	<u>17,068</u>	<u>1,086,122</u>	<u>10,031</u>	<u>726,813</u>	<u>1,096,153</u>
Total general revenues	<u>12,934,445</u>	<u>85,660</u>	<u>13,467,483</u>	<u>57,705</u>	<u>13,020,105</u>	<u>13,525,188</u>
Total revenues	<u>32,806,782</u>	<u>3,756,293</u>	<u>29,533,275</u>	<u>3,309,972</u>	<u>36,563,075</u>	<u>32,843,247</u>

The increase in capital grants and contributions of \$4,301,763 in the governmental activities is due to grant revenue received in the Auglaize sewer fund related to the Auglaize sewer construction project conducted during 2011.

DEFIANCE COUNTY

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

	Change in Net Assets					
	Governmental	Business-type	(Restated)	Business-type		(Restated)
	Activities	Activities	Governmental	Activities	Total	Total
	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Expenses						
Program Expenses:						
General government						
Legislative and executive	5,498,662		5,975,966		5,498,662	5,975,966
Judicial	1,720,356		1,609,094		1,720,356	1,609,094
Public safety	4,553,727		4,498,335		4,553,727	4,498,335
Public works	5,779,626		5,613,669		5,779,626	5,613,669
Health	4,776,961		4,857,956		4,776,961	4,857,956
Human services	5,339,023		5,452,847		5,339,023	5,452,847
Conservation and recreation	2,230		2,149		2,230	2,149
Economic development	713,284		388,007		713,284	388,007
Interest and fiscal charges	264,066		192,224		264,066	192,224
Landfill		2,121,261		2,191,121	2,121,261	2,191,121
Sewer		777,308		579,528	777,308	579,528
	<u>28,647,935</u>	<u>2,898,569</u>	<u>28,590,247</u>	<u>2,770,649</u>	<u>31,546,504</u>	<u>31,360,896</u>
Change in net assets before transfers	4,158,847	857,724	943,028	539,323	5,016,571	1,482,351
Transfers	<u>(3,294,759)</u>	<u>3,294,759</u>	<u>(2,427,692)</u>	<u>2,427,692</u>		
Change in net assets	864,088	4,152,483	(1,484,664)	2,967,015	5,016,571	1,482,351
Net assets at beginning of year (restated)	<u>84,266,743</u>	<u>23,938,673</u>	<u>85,733,087</u>	<u>21,366,720</u>	<u>108,205,416</u>	<u>107,099,807</u>
Net assets at end of year	<u>\$ 85,130,831</u>	<u>\$ 28,091,156</u>	<u>\$ 84,248,423</u>	<u>\$ 24,333,735</u>	<u>\$ 113,221,987</u>	<u>\$ 108,582,158</u>

Governmental Activities

Governmental net assets increased by \$864,088 in 2011 from 2010. The increase in net assets is mainly a result of an increase in capital grants and contributions during 2011.

Human services expenses support the operations of family services (public assistance), veteran services, and the children services board, and accounts for \$5,339,023 of expenses, or 18.64% of total governmental expenses of the County. These expenses were funded by \$235,002 in direct charges to users and \$2,992,902 in operating grants and contributions in 2011. General government expenses, which include legislative and executive and judicial programs, accounted for \$7,219,018 or 25.20% of total governmental expenses. General government expenses were covered by \$2,950,663 of direct charges to users and \$219,678 in operating grants and contributions in 2011.

The State and federal government contributed to the County revenues of \$10,436,920 in operating grants and contributions and \$5,533,192 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Operating grants and contributions of \$2,992,902 or 28.68% of total operating grants and contributions subsidized human services programs. Operating grants and contributions of \$4,283,574 or 41.04% of total operating grants and contributions, as well as the entire amount of capital grants and contributions, subsidized public works projects.

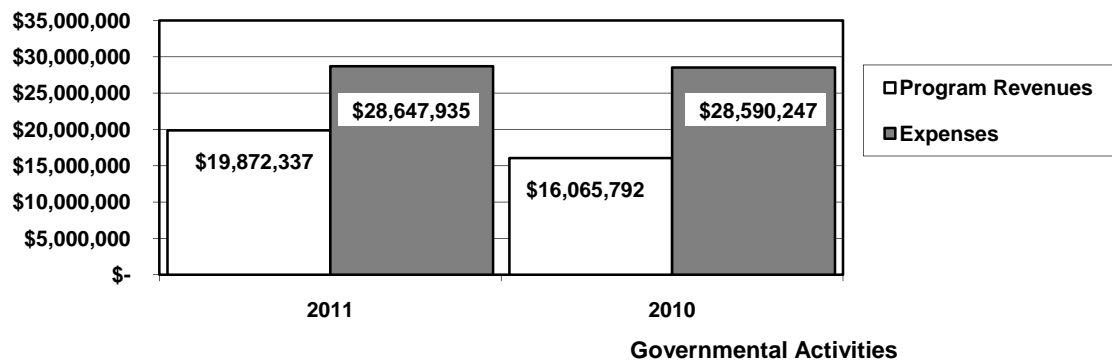
DEFIANCE COUNTY

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

General revenues totaled \$12,934,445, and amounted to 39.43% of the total revenues of \$32,806,782. These revenues primarily consist of property and sales tax revenue of \$9,392,959, or 72.62% of total general revenues in 2011. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with operating grants consisting of local government and local government revenue assistance making up \$2,170,876, or 16.78% of the total general revenues.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2011 and 2010. That is, it identifies the cost of these services supported by general revenues (such as tax revenue and unrestricted state grants and entitlements). As can be seen in the graph below, the County is reliant upon general revenues to finance operations as program revenues are not sufficient to cover total expenses.

Governmental Activities – Program Revenues vs. Total Expenses



	Total Cost of Services 2011	Net Cost of Services 2011	(Restated) Total Cost of Services 2010	(Restated) Net Cost of Services 2010
Program Expenses:				
General government				
Legislative and executive	\$ 5,498,662	\$ 3,088,929	\$ 5,975,966	\$ 3,461,825
Judicial	1,720,356	959,748	1,609,094	941,446
Public safety	4,553,727	4,195,497	4,498,335	4,197,127
Public works	5,779,626	(4,440,151)	5,613,669	(18,057)
Health	4,776,961	2,490,919	4,857,956	2,385,100
Human services	5,339,023	2,111,119	5,452,847	1,663,108
Conservation and recreation	2,230	2,230	2,149	2,149
Economic development	713,284	248,316	388,007	(300,467)
Interest and fiscal charges	264,066	118,991	192,224	192,224
Total	\$ 28,647,935	\$ 8,775,598	\$ 28,590,247	\$ 12,524,455

The variance in net cost of services for public works expenses is a result of capital grants for the Auglaize sewer construction project.

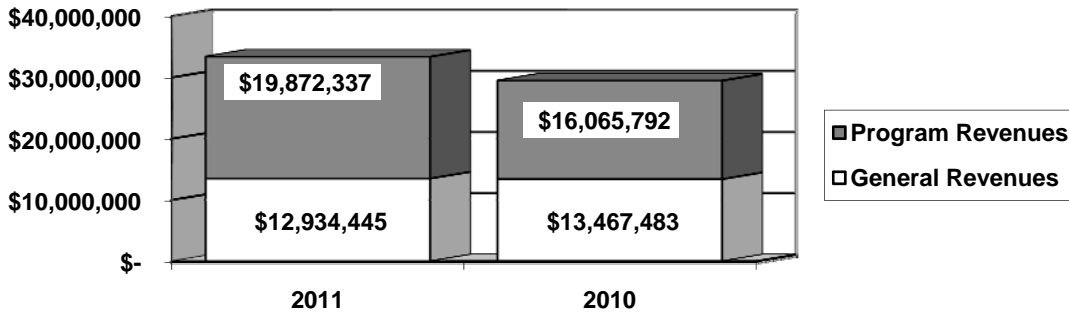
The dependence upon general revenues for governmental activities is apparent, with 30.63% of expenses supported through taxes and other general revenues during 2011.

DEFIANCE COUNTY

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

The graph below illustrates the County's reliance upon general revenues for 2011 and 2010.

Governmental Activities – General and Program Revenues



Business-type Activities

The landfill and sewer funds are the County's enterprise funds. These operations had program revenues of \$3,670,633, general revenues of \$85,660, expenses of \$2,898,569 and transfers in of \$3,294,759 for 2011. The net assets of the enterprise funds increased \$4,152,483 or 17.35% during 2011.

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements.

The County's governmental funds reported a combined fund balance of \$26,745,102, which is \$577,116 greater than last year's total of \$26,167,986.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2011 and December 31, 2010 for all major and nonmajor governmental funds. The fund balances of the County were restated at December 31, 2010 as described in Note 3.B to the basic financial statements.

DEFIANCE COUNTY

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

	Fund Balance <u>December 31, 2011</u>	(Restated) Fund Balance (Deficit) <u>December 31, 2010</u>	Increase/ <u>(Decrease)</u>
Major Funds:			
General	\$ 10,205,810	\$ 10,487,307	\$ (281,497)
Developmental Disabilities	3,376,424	3,404,834	(28,410)
Job and Family Services	369,366	630,468	(261,102)
Motor Vehicle License and Gas Tax	1,887,430	1,716,537	170,893
Emergency 911	870,115	836,153	33,962
Senior Center	327,862	401,751	(73,889)
County Improvement	3,582,997	3,913,912	(330,915)
Auglaize Sewer	243,242	(821,257)	1,064,499
Historical Jail Construction	4,412	158,753	(154,341)
Other Nonmajor Governmental Funds	<u>5,877,444</u>	<u>5,439,528</u>	<u>437,916</u>
Total	<u>\$ 26,745,102</u>	<u>\$ 26,167,986</u>	<u>\$ 577,116</u>

General Fund

The County's general fund balance decreased \$281,497. The primary reason for the decrease in fund balance was that the County transferred a substantial amount of money out of the general during 2011 to supplement the activities of the receiving funds. The table that follows assists in illustrating the revenues of the general fund. The fund balances of the County were restated at December 31, 2010 as described in Note 3.B to the basic financial statements.

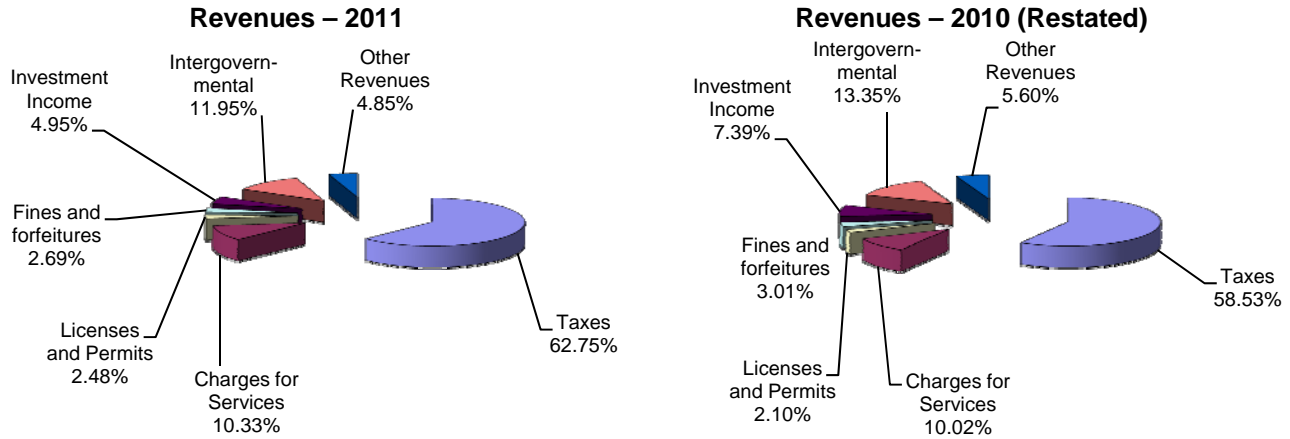
	2011 <u>Amount</u>	(Restated) 2010 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
Revenues				
Taxes	\$ 6,515,483	\$ 6,084,062	\$ 431,421	7.09 %
Charges for services	1,073,171	1,042,005	31,166	2.99 %
Licenses and permits	257,913	218,369	39,544	18.11 %
Fines and forfeitures	279,283	313,207	(33,924)	(10.83) %
Intergovernmental	1,240,953	1,388,317	(147,364)	(10.61) %
Investment income	513,916	767,986	(254,070)	(33.08) %
Rent income and other	<u>503,794</u>	<u>581,817</u>	<u>(78,023)</u>	<u>(13.41) %</u>
Total	<u>\$ 10,384,513</u>	<u>\$ 10,395,763</u>	<u>\$ (11,250)</u>	<u>(0.11) %</u>

Intergovernmental revenue decreased \$147,364 or 10.61% due to the phasing out of tangible personal property tax loss reimbursements. The decrease in investment income of \$254,070 or 33.08% is primarily due to declining interest rates. All other revenues remained comparable to 2010.

The graphs below illustrate the revenue of the general fund for 2011 and 2010. The fund balances of the County were restated at December 31, 2010 as described in Note 3.B to the basic financial statements.

DEFIANCE COUNTY

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



The table that follows assists in illustrating the expenditures of the general fund. The fund balances of the County were restated at December 31, 2010 as described in Note 3.B to the basic financial statements.

	2011 Amount	2010 Amount	Increase/ (Decrease)	Percentage Change
Expenditures				
General government				
Legislative and executive	\$ 4,329,694	\$ 4,434,137	\$ (104,443)	(2.36) %
Judicial	1,348,790	1,219,060	129,730	10.64 %
Public safety	2,169,247	2,085,271	83,976	4.03 %
Public works	99,538	46,150	53,388	115.68 %
Health	72,488	71,325	1,163	1.63 %
Human services	283,995	297,935	(13,940)	(4.68) %
Economic development	72,765	72,765		
Other	450,879	513,726	(62,847)	(12.23) %
Capital outlay		70,545	(70,545)	(100.00) %
Debt service	32,787	22,014	10,773	48.94 %
Total	\$ 8,860,183	\$ 8,832,928	\$ 27,255	0.31 %

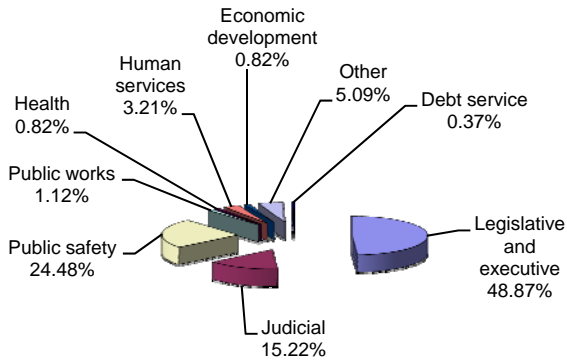
Overall expenditures of the general fund in 2011 increased \$27,255 or 0.31% from 2010. The minor increases and decreases in the various expenditure classifications are a result of closely monitored cash outflows by each department within the County during 2011, which is essential during difficult economic times.

The graphs below illustrate the expenditures of the general fund for 2011 and 2010. The fund balances of the County were restated at December 31, 2010 as described in Note 3.B to the basic financial statements.

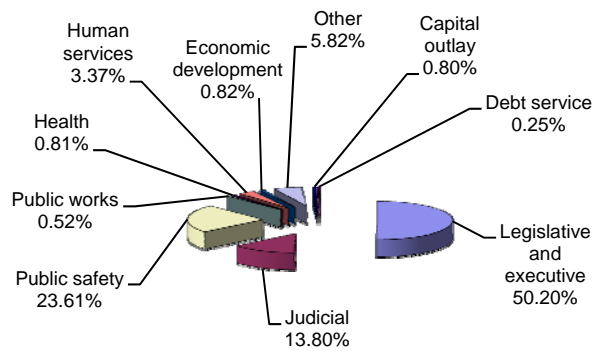
DEFIANCE COUNTY

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

Expenditures – 2011



Expenditures – 2010 (Restated)



Developmental Disabilities (DD) Fund

The developmental disabilities (DD) fund, a major governmental fund, had revenues of \$4,563,288 in 2011. The DD fund had expenditures of \$4,591,698 in 2011. The DD fund balance decreased \$28,410 from 2010 to 2011.

Job and Family Services Fund

The job and family services fund, a major governmental fund, had revenues and other financing sources of \$1,461,535 in 2011. The job and family services fund had expenditures of \$1,722,637 in 2011. The job and family services fund balance decreased \$261,102 from 2010 to 2011.

Motor Vehicle License and Gas Tax Fund

The motor vehicle license and gas tax fund, a major governmental fund, had revenues and other financing sources of \$4,287,132 in 2011. The motor vehicle license and gas tax fund, had expenditures of \$4,116,239 in 2011. The motor vehicle license and gas tax fund balance increased \$170,893 from 2010 to 2011.

Emergency 911 Fund

The emergency 911 fund, a major governmental fund, had revenues of \$719,510 in 2011. The emergency 911 fund, had expenditures of \$685,548 in 2011. The emergency 911 fund balance increased \$33,962 from 2010 to 2011.

Senior Center Fund

The senior center fund, a major governmental fund, had revenues of \$1,116,816 in 2011. The senior center fund, had expenditures of \$1,190,705 in 2011. The senior center fund balance decreased \$73,889 from 2010 to 2011.

County Improvement Fund

The county improvement fund, a major governmental fund, had revenues and other financing sources of \$129,950 in 2011. The county improvement fund had expenditures of \$460,865 in 2011. The county improvement fund balance decreased \$330,915 from 2010 to 2011.

DEFIANCE COUNTY

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

Auglaize Sewer Fund

The Auglaize sewer fund, a major governmental fund, had revenues and other financing sources of \$4,198,787 in 2011. The Auglaize sewer fund had expenditures of \$3,134,288 in 2011. The Auglaize sewer fund balance increased \$1,064,499 from 2010 to 2011.

Historical Jail Construction Fund

The historical jail construction fund, a major governmental fund, had revenues of \$108,281 in 2011. The historical jail construction fund had expenditures of \$262,622 in 2011. The historical jail construction fund balance decreased \$154,341 from 2010 to 2011.

Budgeting Highlights - General Fund

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

Budgetary information is presented for the general fund, DD fund, job and family services fund, motor vehicle license and gas tax fund, emergency 911 fund and senior center fund. In the general fund, the original budgeted revenues and other financing sources were \$8,894,070 and were increased to \$10,627,336 in the final budget. Actual revenues and other financing sources of \$10,508,340 were less than the final budgeted revenues and other financing sources by \$118,996 or 1.12%. In the general fund, the original budgeted appropriations and other financing uses were \$13,804,237. These were increased to \$15,537,503 in the final budget. Actual expenditures and other financing uses of \$10,674,893 were less than final budgeted amounts by \$4,862,610 or 31.30%. This variance is a result of the County's conservative budgeting practices.

Proprietary Funds

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

Capital Assets and Debt Administration

Capital Assets

At the end of 2011, the County had \$76,594,349 (net of accumulated depreciation) invested in land, easements, land improvements, buildings and improvements, equipment, vehicles, construction in progress and infrastructure. Of this total, \$60,886,002 was reported in governmental activities and \$15,708,347 was reported in business-type activities.

The following table shows December 31, 2011 balances compared to December 31, 2010:

DEFIANCE COUNTY

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

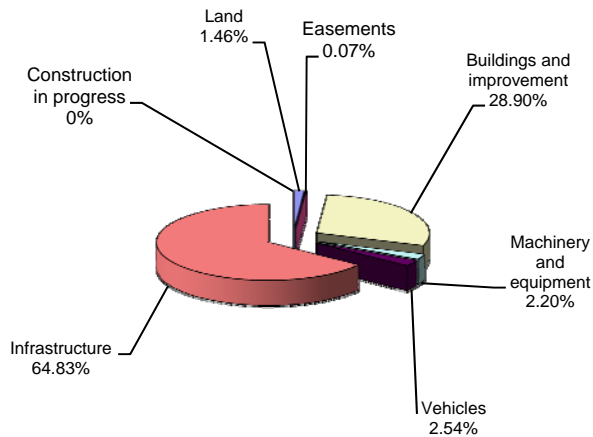
Capital Assets at December 31 (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2011	(Restated) 2010	2011	(Restated) 2010	2011	(Restated) 2010
Land	\$ 886,031	\$ 1,103,004	\$ 1,214,071	\$ 997,099	\$ 2,100,102	\$ 2,100,103
Easements	41,640	5,250			41,640	5,250
Land improvements			5,351,165	3,682,307	5,351,165	3,682,307
Building and improvements	17,594,638	12,369,666	1,538,214	389,580	19,132,852	12,759,246
Machinery and equipment	1,341,152	1,513,936	452,358	384,060	1,793,510	1,897,996
Vehicles	1,545,508	1,515,461	40,690	48,736	1,586,198	1,564,197
Infrastructure	39,472,674	38,720,580			39,472,674	38,720,580
Sewer lines			7,111,849	4,291,187	7,111,849	4,291,187
Construction in progress	4,359	5,407,488		2,954,091	4,359	8,361,579
Total	\$ 60,886,002	\$ 60,635,385	\$ 15,708,347	\$ 12,747,060	\$ 76,594,349	\$ 73,382,445

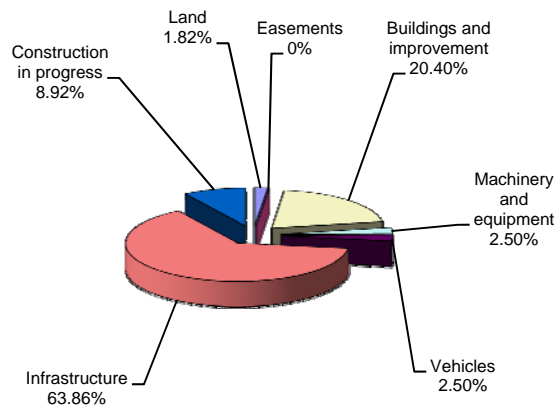
See Note 9 to the basic financial statements for detail on governmental activities and business-type activities capital assets.

The following graphs show the breakdown of governmental capital assets by category at December 31, 2011 and December 31, 2010:

Capital Assets - Governmental Activities 2011



Capital Assets - Governmental Activities 2010



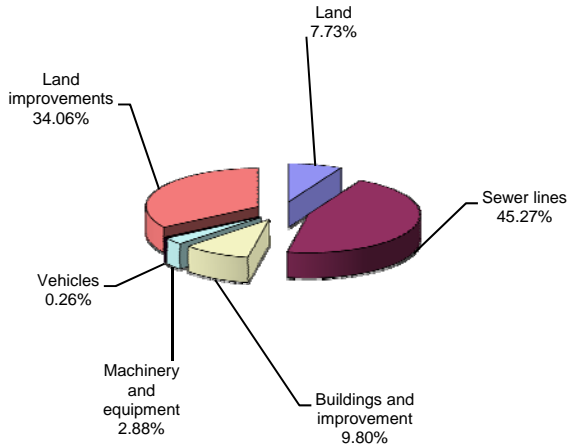
The County's largest governmental activities capital asset category is infrastructure, which includes roads and bridges. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 65% of the County's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category at December 31, 2011 and December 31, 2010:

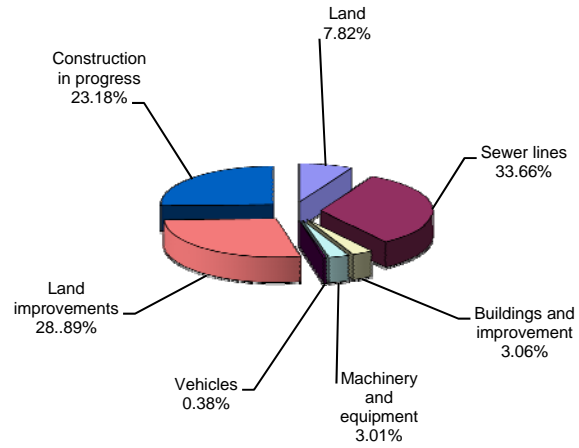
DEFIANCE COUNTY

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

Capital Assets - Business-type Activities 2011



Capital Assets - Business-type Activities 2010



The County's largest business-type capital asset category is sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the County's sewer lines (cost less accumulated depreciation) represents approximately 45% of the County's total business-type capital assets.

Debt Administration

At December 31, 2011 the County had \$3,945,000 in general obligation bonds, \$870,000 in special assessment bonds, \$56,500 in sewer revenue bonds, OPWC loans of \$187,220, OWDA loans of \$2,802,503, Capmark commercial mortgage of \$62,000, bond anticipation notes of \$344,300, capital lease obligations of \$138,709 and closure and postclosure liability outstanding of \$3,839,572. Of this total, \$798,094 is due within one year and \$11,447,710 is due in more than one year.

The following table summarizes the bonds and loans outstanding at December 31, 2011 and December 31, 2010:

DEFIANCE COUNTY

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

Outstanding Debt, at Year End

	Governmental Activities <u>2011</u>	Business-type Activities <u>2011</u>	Governmental Activities <u>2010</u>	Business-type Activities <u>2010</u>
Short-Term Obligations:				
Bond anticipation notes	\$ 170,700		\$ 130,250	
Long-Term Obligations:				
General obligation bonds	3,945,000		4,160,000	
Special assessment bonds	870,000		935,000	
Sewer revenue bonds		\$ 56,500		\$ 57,300
Bond anticipation notes	344,300		580,250	
OPWC loans	187,220		210,622	
OWDA loans	2,802,503		2,635,379	
Capmark commercial mortgage		62,000		67,000
Capital lease obligations	138,709		234,261	
Closure and postclosure		<u>3,839,572</u>		<u>3,773,577</u>
Total	<u>\$ 8,458,432</u>	<u>\$ 3,958,072</u>	<u>\$ 8,885,762</u>	<u>\$ 3,897,877</u>

See Notes 16 and 17 to the basic financial statements for detail on governmental activities and business-type activities long-term obligations.

Economic Factors and Next Year's Budgets and Rates

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

As of December 31, 2011, as reported by the Ohio Job and Family Services Office of Workforce Development and Bureau of Labor Market Information the County's unemployment rate was 8.9%, compared to the 8.5% unadjusted state rate and the 8.7% unadjusted national rate.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Honorable Marlene J. Goodwin, Defiance County Auditor, 500 Second Street, Suite 301, Defiance, Ohio 43512.

DEFIANCE COUNTY

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

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 25,395,915	\$ 10,913,607	\$ 36,309,522
Cash and cash equivalents in segregated accounts.	3,628	325	3,953
Cash and cash equivalents with fiscal agent.		2,161	2,161
Investments.		5,257,247	5,257,247
Receivables (net of allowance for uncollectibles):			
Sales taxes.	779,601		779,601
Real estate and other taxes	5,395,741		5,395,741
Accounts.	71,798	413,530	485,328
Intergovernmental.	4,614,506		4,614,506
Special assessments	1,862,996		1,862,996
Accrued interest	147,986	44,829	192,815
Loans.	480,493		480,493
Internal balances	25,250	(25,250)	
Prepayments	890,181	64,615	954,796
Materials and supplies inventory.	637,114	5,687	642,801
Unamortized bond issue costs	131,871		131,871
Capital assets:			
Non-depreciable capital assets.	932,030	1,214,071	2,146,101
Depreciable capital assets, net.	59,953,972	14,494,276	74,448,248
Total capital assets.	60,886,002	15,708,347	76,594,349
Total assets	101,323,082	32,385,098	133,708,180
Liabilities:			
Accounts payable.	391,052	149,095	540,147
Contracts payable.	163,619		163,619
Accrued wages and benefits.	358,357	15,598	373,955
Due to other governments	378,434	65,805	444,239
Accrued interest payable	22,904	773	23,677
Notes payable.	170,700		170,700
Claims payable.	191,645		191,645
Unearned revenue	5,247,000		5,247,000
Long-term liabilities:			
Due within one year	1,341,000	37,809	1,378,809
Due in more than one year.	7,927,540	4,024,862	11,952,402
Total liabilities	16,192,251	4,293,942	20,486,193
Net Assets:			
Invested in capital assets, net of related debt	56,872,363	15,589,847	72,462,210
Restricted for:			
Debt service	2,633,553		2,633,553
Capital projects	379,244		379,244
Other purposes.	2,882,839		2,882,839
Human services programs.	1,794,090		1,794,090
Public works projects.	3,634,000		3,634,000
Public safety programs.	1,197,412		1,197,412
Health services.	3,443,730		3,443,730
Landfill closure and postclosure.		1,737,170	1,737,170
Unrestricted	12,293,600	10,764,139	23,057,739
Total net assets	\$ 85,130,831	\$ 28,091,156	\$ 113,221,987

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government:				
Legislative and executive.	\$ 5,498,662	\$ 2,409,287	\$ 446	
Judicial.	1,720,356	541,376	219,232	
Public safety	4,553,727	144,305	213,925	
Public works	5,779,626	403,011	4,283,574	\$ 5,533,192
Health.	4,776,961	164,894	2,121,148	
Human services	5,339,023	235,002	2,992,902	
Conservation and recreation	2,230			
Economic development.	713,284	4,350	460,618	
Interest and fiscal charges.	264,066		145,075	
Total governmental activities	28,647,935	3,902,225	10,436,920	5,533,192
Business-type Activities:				
Landfill.	2,121,261	3,134,731		
Sewer.	777,308	535,902		
Total business-type activities	2,898,569	3,670,633		
Total	\$ 31,546,504	\$ 7,572,858	\$ 10,436,920	\$ 5,533,192

General Revenues:

Property taxes levied for:	
General fund.	
Public safety - Emergency 911.	
Human services - County Board of DD	
Human services - Senior Center.	
Sales taxes.	
Grants and entitlements not restricted to specific programs	
Investment income.	
Reimbursement	
Miscellaneous	
Payments in lieu of taxes.	
Total general revenues	
Transfers	
Total general revenues and transfers.	
Change in net assets	
Net assets at beginning of year (restated)	
Net assets at end of year.	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (3,088,929)		\$ (3,088,929)
(959,748)		(959,748)
(4,195,497)		(4,195,497)
4,440,151		4,440,151
(2,490,919)		(2,490,919)
(2,111,119)		(2,111,119)
(2,230)		(2,230)
(248,316)		(248,316)
(118,991)		(118,991)
(8,775,598)		(8,775,598)
	\$ 1,013,470	1,013,470
	(241,406)	(241,406)
	772,064	772,064
(8,775,598)	772,064	(8,003,534)
1,593,342		1,593,342
576,160		576,160
1,790,067		1,790,067
502,030		502,030
4,931,360		4,931,360
2,170,876		2,170,876
473,293	68,592	541,885
107,572		107,572
709,745	17,068	726,813
80,000		80,000
12,934,445	85,660	13,020,105
(3,294,759)	3,294,759	
9,639,686	3,380,419	13,020,105
864,088	4,152,483	5,016,571
84,266,743	23,938,673	108,205,416
\$ 85,130,831	\$ 28,091,156	\$ 113,221,987

DEFIANCE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General	Developmental Disabilities	Job and Family Services	Motor Vehicle License and Gas Tax	Emergency 911
Assets:					
Equity in pooled cash and cash equivalents	\$ 5,092,817	\$ 3,112,318	\$ 239,198	\$ 1,119,642	\$ 906,124
Cash and cash equivalents in segregated accounts.	3,483			120	
Receivables (net of allowance for uncollectibles):					
Sales taxes	779,601				
Real estate and other taxes	1,704,133	2,264,039			642,077
Accounts.	39,537			1,016	
Intergovernmental	538,314	204,837	187,239	2,039,868	45,938
Special assessments					
Accrued interest	147,986				
Loans.					
Interfund loans.	4,607,884				
Due from other funds	13,799		12,951	11,265	
Prepayments	198,558	338,525	11,106	4,031	2,343
Materials and supplies inventory.	65,898	12,697	10,501	500,780	1,061
Total assets	<u>\$ 13,192,010</u>	<u>\$ 5,932,416</u>	<u>\$ 460,995</u>	<u>\$ 3,676,722</u>	<u>\$ 1,597,543</u>
Liabilities:					
Accounts payable.	\$ 98,305	\$ 8,467	\$ 13,504	\$ 15,658	\$ 4,018
Contracts payable.					
Accrued wages and benefits.	129,411	72,972	38,629	39,571	18,176
Compensated absences payable	454				
Due to other funds	11,265		3,285	13	
Due to other governments	167,606	63,560	36,211	39,987	17,658
Interfund loans payable.					
Accrued interest payable					
Notes payable.					
Deferred revenue	922,159	210,993		1,694,063	62,576
Unearned revenue	1,657,000	2,200,000			625,000
Total liabilities	<u>2,986,200</u>	<u>2,555,992</u>	<u>91,629</u>	<u>1,789,292</u>	<u>727,428</u>
Fund Balances:					
Nonspendable	4,961,642	351,222	21,607	504,811	3,404
Restricted.		3,025,202	347,759	1,382,619	866,711
Committed	3,659				
Assigned	4,900,645				
Unassigned (deficit)	339,864				
Total fund balances.	<u>10,205,810</u>	<u>3,376,424</u>	<u>369,366</u>	<u>1,887,430</u>	<u>870,115</u>
Total liabilities and fund balances	<u>\$ 13,192,010</u>	<u>\$ 5,932,416</u>	<u>\$ 460,995</u>	<u>\$ 3,676,722</u>	<u>\$ 1,597,543</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Senior Center</u>	<u>County Improvement</u>	<u>Auglaize Sewer</u>	<u>Historical Jail Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 364,606	\$ 3,595,359	\$ 1,579,239	\$ 9,887	\$ 8,481,071	\$ 24,500,261
				25	3,628
					779,601
785,492					5,395,741
5,168				26,077	71,798
56,592				1,541,718	4,614,506
				1,862,996	1,862,996
					147,986
				480,493	480,493
					4,607,884
					38,015
2,210				333,408	890,181
2,305				43,872	637,114
<u>\$ 1,216,373</u>	<u>\$ 3,595,359</u>	<u>\$ 1,579,239</u>	<u>\$ 9,887</u>	<u>\$ 12,769,660</u>	<u>\$ 44,030,204</u>
\$ 12,512	\$ 12,362	\$ 45,997	\$ 5,475	\$ 238,588	\$ 391,052
				99,785	163,619
18,367				41,231	358,357
				1,316	1,770
732				20,968	36,263
16,809				36,603	378,434
		1,290,000		3,317,884	4,607,884
				241	241
				170,700	170,700
75,091				2,964,900	5,929,782
765,000					5,247,000
<u>888,511</u>	<u>12,362</u>	<u>1,335,997</u>	<u>5,475</u>	<u>6,892,216</u>	<u>17,285,102</u>
4,515				788,046	6,635,247
323,347		243,242	4,412	4,120,216	10,313,508
				2,060,633	2,064,292
	3,582,997				8,483,642
				(1,091,451)	(751,587)
<u>327,862</u>	<u>3,582,997</u>	<u>243,242</u>	<u>4,412</u>	<u>5,877,444</u>	<u>26,745,102</u>
<u>\$ 1,216,373</u>	<u>\$ 3,595,359</u>	<u>\$ 1,579,239</u>	<u>\$ 9,887</u>	<u>\$ 12,769,660</u>	<u>\$ 44,030,204</u>

DEFIANCE COUNTY

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

Total governmental fund balances		\$ 26,745,102
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		60,886,002
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Sales taxes receivable	\$ 395,297	
Real estate and other taxes receivable	144,918	
Intergovernmental receivable	3,504,736	
Special assessments receivable	1,862,996	
Accrued interest receivable	21,835	
Total	5,929,782	5,929,782
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.		704,009
An interfund receivable is recorded in governmental activities to reflect underpayments to the internal service fund by the business-type activities.		23,498
Unamortized premiums on bond issuances are not recognized in the funds.		(30,707)
Unamortized bond issuance costs are not recognized in the funds.		131,871
Unamortized deferred amounts on refundings are not recognized in the funds.		46,002
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(22,663)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable	(3,945,000)	
Special assessment bonds payable	(870,000)	
Notes payable	(344,300)	
Ohio Public Works Commission loan payable	(187,220)	
Ohio Water Development Authority loans payable	(2,802,503)	
Compensated absences payable	(994,333)	
Capital leases payable	(138,709)	
Total	(9,282,065)	(9,282,065)
Net assets of governmental activities		\$ 85,130,831

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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DEFIANCE COUNTY

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

	General	Developmental Disabilities	Job and Family Services	Motor Vehicle License and Gas Tax	Emergency 911
Revenues:					
Property taxes	\$ 1,589,177	\$ 1,784,408			\$ 574,652
Sales taxes	4,926,306				
Special assessments					
Charges for services	1,073,171	34,247		\$ 447	
Licenses and permits	257,913				
Fines and forfeitures	279,283			15,889	
Intergovernmental	1,240,953	2,671,207	\$ 1,321,356	4,191,057	144,783
Investment income	513,916	322		6,511	
Rental income	292,465				
Contributions and donations		23,620			
Payments in lieu of taxes					
Reimbursements					
Other	211,329	49,484	38,494	63,229	75
Total revenues	<u>10,384,513</u>	<u>4,563,288</u>	<u>1,359,850</u>	<u>4,277,133</u>	<u>719,510</u>
Expenditures:					
Current:					
General government:					
Legislative and executive	4,329,694				
Judicial	1,348,790				
Public safety	2,169,247				685,548
Public works	99,538			4,116,239	
Health	72,488	4,553,731			
Human services	283,995		1,722,637		
Economic development	72,765				
Other	450,879				
Capital outlay					
Debt service:					
Principal retirement	25,530	34,741			
Interest and fiscal charges	7,257	3,226			
Total expenditures	<u>8,860,183</u>	<u>4,591,698</u>	<u>1,722,637</u>	<u>4,116,239</u>	<u>685,548</u>
Excess (deficiency) of revenues over (under) expenditures	1,524,330	(28,410)	(362,787)	160,894	33,962
Other financing sources (uses):					
Sale of capital assets	935				
Loan proceeds					
Issuance of notes					
Transfers in			101,685	9,999	
Transfers out	(1,806,762)				
Total other financing sources (uses)	<u>(1,805,827)</u>		<u>101,685</u>	<u>9,999</u>	
Net change in fund balances	(281,497)	(28,410)	(261,102)	170,893	33,962
Fund balances at beginning of year (restated)	10,487,307	3,404,834	630,468	1,716,537	836,153
Fund balances at end of year	\$ 10,205,810	\$ 3,376,424	\$ 369,366	\$ 1,887,430	\$ 870,115

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Senior Center	County Improvement	Auglaize Sewer	Historical Jail Construction	Other Governmental Funds	Total Governmental Funds
\$ 500,220					\$ 4,448,457
					4,926,306
108,144				\$ 654,253	654,253
				916,016	2,132,025
					257,913
				233,912	529,084
494,235	\$ 52,900	\$ 3,965,609		4,275,342	18,357,442
			\$ 456	19,330	540,535
				149,317	441,782
3,617	27,000			148,816	203,053
				80,000	80,000
			107,572		107,572
10,600	50	1	253	336,230	709,745
<u>1,116,816</u>	<u>79,950</u>	<u>3,965,610</u>	<u>108,281</u>	<u>6,813,216</u>	<u>33,388,167</u>
				374,591	4,704,285
				326,715	1,675,505
				1,590,581	4,445,376
				119,254	4,335,031
				137,285	4,763,504
1,188,935				1,812,873	5,008,440
				640,179	712,944
				2,743	453,622
	460,865	3,134,288	262,622	1,731,648	5,589,423
1,267				983,719	1,045,257
503				245,090	256,076
<u>1,190,705</u>	<u>460,865</u>	<u>3,134,288</u>	<u>262,622</u>	<u>7,964,678</u>	<u>32,989,463</u>
(73,889)	(380,915)	831,322	(154,341)	(1,151,462)	398,704
					935
		233,177			233,177
				344,300	344,300
	50,000			1,358,455	1,520,139
				(113,377)	(1,920,139)
	<u>50,000</u>	<u>233,177</u>		<u>1,589,378</u>	<u>178,412</u>
(73,889)	(330,915)	1,064,499	(154,341)	437,916	577,116
401,751	3,913,912	(821,257)	158,753	5,439,528	26,167,986
<u>\$ 327,862</u>	<u>\$ 3,582,997</u>	<u>\$ 243,242</u>	<u>\$ 4,412</u>	<u>\$ 5,877,444</u>	<u>\$ 26,745,102</u>

DEFIANCE COUNTY

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

Net change in fund balances - total governmental funds	\$	577,116
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.		
Capital outlay	\$ 3,098,883	
Depreciation expense	<u>(2,580,860)</u>	
Total		518,023
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(267,406)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	13,142	
Sales taxes	5,054	
Special assessments	(112,832)	
Intergovernmental	(432,402)	
Investment income	<u>(54,347)</u>	
Total		(581,385)
The issuances of notes and loans are other financing sources in the funds, but they increase long-term liabilities on the statement of net assets:		
Notes	(344,300)	
Loans	<u>(233,177)</u>	
Total		(577,477)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported on the statement of activities:		
Decrease in accrued interest payable	2,257	
Amortization of bond premium	2,510	
Amortization of deferred charges on refundings	(3,815)	
Amortization of bond issue costs	<u>(8,942)</u>	
Total		(7,990)
Principal payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets:		
General obligation bonds payable	215,000	
Special assessment bonds payable	65,000	
Loans payable	89,455	
Capital leases payable	95,552	
Notes payable	<u>580,250</u>	
Total		1,045,257
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		129,062
The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund (plus the \$856 internal activity) is allocated among the governmental activities.		
		<u>28,888</u>
Change in net assets of governmental activities	\$	<u>864,088</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 1,606,500	\$ 1,725,942	\$ 1,725,942	
Sales taxes	3,900,000	4,891,264	4,891,264	
Charges for services	746,870	1,016,350	1,045,930	\$ 29,580
Licenses and permits	1,900	146,048	140,907	(5,141)
Fines and forfeitures	236,400	262,381	262,704	323
Intergovernmental	1,210,000	1,249,319	1,249,467	148
Investment income	650,000	566,899	504,769	(62,130)
Rental income	250,000	291,471	294,065	2,594
Other	287,400	335,980	251,610	(84,370)
Total revenues	<u>8,889,070</u>	<u>10,485,654</u>	<u>10,366,658</u>	<u>(118,996)</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	4,407,817	4,541,341	4,306,074	235,267
Judicial	1,777,766	1,837,942	1,389,123	448,819
Public safety	2,326,977	2,352,862	2,188,694	164,168
Public works	665,000	612,291	104,254	508,037
Health	75,215	75,215	72,488	2,727
Human services	617,937	316,252	289,674	26,578
Economic development	73,000	73,000	72,765	235
Other	2,827,540	1,672,541	483,713	1,188,828
Total expenditures	<u>12,771,252</u>	<u>11,481,444</u>	<u>8,906,785</u>	<u>2,574,659</u>
Excess (deficiency) of revenues over (under) expenditures	(3,882,182)	(995,790)	1,459,873	2,455,663
Other financing sources (uses):				
Advances in		90,747	90,747	
Advances out		(1,159,848)	(1,159,848)	
Transfers in		50,000	50,000	
Transfers out		(607,905)	(608,260)	(355)
Sale of capital assets	5,000	935	935	
Contingencies	(1,032,985)	(2,288,306)		2,288,306
Total other financing sources (uses)	<u>(1,027,985)</u>	<u>(3,914,377)</u>	<u>(1,626,426)</u>	<u>2,287,951</u>
Net change in fund balances	(4,910,167)	(4,910,167)	(166,553)	4,743,614
Fund balance at beginning of year (restated)	4,768,706	4,768,706	4,768,706	
Prior year encumbrances appropriated	\$ 141,461	\$ 141,461	141,461	
Fund balance at end of year	<u>\$ 4,768,706</u>	<u>\$ 4,768,706</u>	<u>\$ 4,743,614</u>	<u>\$ 4,743,614</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes.	\$ 1,974,000	\$ 1,974,000	\$ 1,925,181	\$ (48,819)
Charges for services.	2,800	2,800	34,247	31,447
Intergovernmental.	2,165,833	2,093,284	2,614,971	521,687
Investment income.	250	250	322	72
Contributions and donations.	2,000	2,000	23,620	21,620
Other	29,000	29,000	49,485	20,485
Total revenues	<u>4,173,883</u>	<u>4,101,334</u>	<u>4,647,826</u>	<u>546,492</u>
Expenditures:				
Current:				
Health	<u>5,414,957</u>	<u>5,342,408</u>	<u>4,679,971</u>	<u>662,437</u>
Net change in fund balances	(1,241,074)	(1,241,074)	(32,145)	1,208,929
Fund balance at beginning of year	2,968,636	2,968,636	2,968,636	
Prior year encumbrances appropriated	37,586	37,586	37,586	
Fund balance at end of year	<u>\$ 1,765,148</u>	<u>\$ 1,765,148</u>	<u>\$ 2,974,077</u>	<u>\$ 1,208,929</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 1,918,415	\$ 1,343,732	\$ 1,345,173	\$ 1,441
Other	499,323	711,274	415,932	(295,342)
Total revenues	<u>2,417,738</u>	<u>2,055,006</u>	<u>1,761,105</u>	<u>(293,901)</u>
Expenditures:				
Current:				
Human services	<u>2,655,449</u>	<u>2,279,402</u>	<u>1,779,994</u>	<u>499,408</u>
Excess of expenditures over revenues	<u>(237,711)</u>	<u>(224,396)</u>	<u>(18,889)</u>	<u>205,507</u>
Other financing sources:				
Transfers in	<u>115,000</u>	<u>101,685</u>	<u>101,685</u>	
Net change in fund balances	(122,711)	(122,711)	82,796	205,507
Fund balance at beginning of year	77,919	77,919	77,919	
Prior year encumbrances appropriated	<u>\$ 44,792</u>	<u>\$ 44,792</u>	<u>44,792</u>	
Fund balance at end of year	<u><u>205,507</u></u>	<u><u>205,507</u></u>	<u><u>\$ 205,507</u></u>	<u><u>\$ 205,507</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services	\$ 1,000	\$ 447	\$ 447	
Fines and forfeitures	10,000	15,894	15,894	
Intergovernmental	4,090,000	4,066,012	4,182,213	\$ 116,201
Investment income	12,000	6,511	6,511	
Other	3,000	61,211	73,547	12,336
Total revenues	<u>4,116,000</u>	<u>4,150,075</u>	<u>4,278,612</u>	<u>128,537</u>
Expenditures:				
Current:				
Public works	<u>5,305,339</u>	<u>5,339,414</u>	<u>4,382,255</u>	<u>957,159</u>
Excess of expenditures over revenues	<u>(1,189,339)</u>	<u>(1,189,339)</u>	<u>(103,643)</u>	<u>1,085,696</u>
Other financing sources:				
Transfers in	<u>9,999</u>	<u>9,999</u>	<u>9,999</u>	
Net change in fund balances	<u>(1,179,340)</u>	<u>(1,179,340)</u>	<u>(93,644)</u>	<u>1,085,696</u>
Fund balance at beginning of year	1,108,300	1,108,300	1,108,300	
Prior year encumbrances appropriated	\$ 71,040	\$ 71,040	71,040	
Fund balance at end of year	<u><u>1,008,000</u></u>	<u><u>1,008,000</u></u>	<u><u>\$ 1,085,696</u></u>	<u><u>\$ 1,085,696</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
EMERGENCY 911 FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 615,000	\$ 625,339	\$ 625,339	
Intergovernmental	209,925	144,783	144,783	
Other		75	75	
Total revenues	<u>824,925</u>	<u>770,197</u>	<u>770,197</u>	
Expenditures:				
Current:				
Public safety	1,619,572	1,564,844	692,102	\$ 872,742
Net change in fund balances	(794,647)	(794,647)	78,095	872,742
Fund balance at beginning of year	780,186	780,186	780,186	
Prior year encumbrances appropriated	\$ 14,461	\$ 14,461	14,461	
Fund balance at end of year	<u><u>872,742</u></u>	<u><u>872,742</u></u>	<u><u>872,742</u></u>	<u><u>\$ 872,742</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes.	\$ 675,000	\$ 546,343	\$ 546,343	
Charges for services.	90,632	101,091	102,976	\$ 1,885
Intergovernmental.	448,832	497,697	497,697	
Contributions and donations.	6,000	3,617	3,617	
Other	8,701	10,599	10,600	1
Total revenues	<u>1,229,165</u>	<u>1,159,347</u>	<u>1,161,233</u>	<u>1,886</u>
Expenditures:				
Current:				
Human services.	<u>1,594,971</u>	<u>1,525,154</u>	<u>1,226,127</u>	<u>299,027</u>
Net change in fund balances	(365,806)	(365,807)	(64,894)	300,913
Fund balance at beginning of year	334,695	334,695	334,695	
Prior year encumbrances appropriated	31,112	\$ 31,112	31,112	
Fund balance at end of year	<u>\$ 1</u>	<u>\$ 31,112</u>	<u>\$ 300,913</u>	<u>\$ 300,913</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Landfill</u>	<u>Sewer</u>	<u>Total</u>	<u>Activities - Internal Service Fund</u>
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 9,967,633	\$ 671,308	\$ 10,638,941	\$ 895,654
Cash with fiscal agent		2,161	2,161	
Cash and cash equivalents in segregated accounts	225	100	325	
Receivables (net of allowance for uncollectibles):				
Accounts	272,460	141,070	413,530	
Prepayments	63,429	1,186	64,615	
Materials and supplies inventory	5,023	664	5,687	
Total current assets	<u>10,308,770</u>	<u>816,489</u>	<u>11,125,259</u>	<u>895,654</u>
Noncurrent assets:				
Restricted assets:				
Equity in pooled cash and cash equivalents	274,666		274,666	
Investments	5,257,247		5,257,247	
Accrued interest receivable	44,829		44,829	
Total restricted assets	<u>5,576,742</u>		<u>5,576,742</u>	
Capital assets:				
Non-depreciable capital assets	991,731	222,340	1,214,071	
Depreciable capital assets, net	4,000,331	10,493,945	14,494,276	
Total capital assets, net	<u>4,992,062</u>	<u>10,716,285</u>	<u>15,708,347</u>	
Total noncurrent assets	<u>10,568,804</u>	<u>10,716,285</u>	<u>21,285,089</u>	
Total assets	<u>20,877,574</u>	<u>11,532,774</u>	<u>32,410,348</u>	<u>895,654</u>
Liabilities:				
Current liabilities:				
Accounts payable	74,380	74,715	149,095	
Accrued wages and benefits	11,895	3,703	15,598	
Compensated absences payable	25,375	5,634	31,009	
Due to other funds	262	1,490	1,752	
Due to other governments	62,390	3,415	65,805	
Accrued interest payable		773	773	
Claims payable				191,645
Revenue bonds		800	800	
Capmark commercial mortgage payable		6,000	6,000	
Total current liabilities	<u>174,302</u>	<u>96,530</u>	<u>270,832</u>	<u>191,645</u>
Long-term liabilities:				
Liabilities payable from restricted assets:				
Closure and postclosure payable	3,839,572		3,839,572	
Revenue bonds		55,700	55,700	
Capmark commercial mortgage payable		56,000	56,000	
Compensated absences	43,443	30,147	73,590	
Total long-term liabilities	<u>3,883,015</u>	<u>141,847</u>	<u>4,024,862</u>	
Total liabilities	<u>4,057,317</u>	<u>238,377</u>	<u>4,295,694</u>	<u>191,645</u>
Net Assets:				
Invested in capital assets, net of related debt	4,992,062	10,597,785	15,589,847	
Restricted for closure and postclosure	1,737,170		1,737,170	
Unrestricted	10,091,025	696,612	10,787,637	704,009
Total net assets	<u>\$ 16,820,257</u>	<u>\$ 11,294,397</u>	<u>28,114,654</u>	<u>\$ 704,009</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds			(23,498)	
Net assets of business-type activities			<u>\$ 28,091,156</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

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

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Landfill	Sewer	Total	
Operating Revenues:				
Charges for services	\$ 3,134,731	\$ 535,902	\$ 3,670,633	\$ 2,084,993
Other	13,950	3,118	17,068	
Total operating revenues.	<u>3,148,681</u>	<u>539,020</u>	<u>3,687,701</u>	<u>2,084,993</u>
Operating Expenses:				
Personal services	422,263	143,617	565,880	
Contract services.	911,708	333,646	1,245,354	
Materials and supplies.	181,719	20,179	201,898	
Administrative costs.				
Utilities				
Other	301,228	37,628	338,856	
Claims.				2,456,961
Closure and postclosure.	65,995		65,995	
Depreciation.	239,818	187,931	427,749	
Total operating expenses.	<u>2,122,731</u>	<u>723,001</u>	<u>2,845,732</u>	<u>2,456,961</u>
Operating income (loss)	<u>1,025,950</u>	<u>(183,981)</u>	<u>841,969</u>	<u>(371,968)</u>
Nonoperating Revenues (Expenses):				
Interest revenue.	68,592		68,592	
Interest expense and fiscal charges		(5,703)	(5,703)	
Loss on sale of capital assets		(46,278)	(46,278)	
Total nonoperating revenues (expenses).	<u>68,592</u>	<u>(51,981)</u>	<u>16,611</u>	
Net income (loss) before transfers and capital contributions.	<u>1,094,542</u>	<u>(235,962)</u>	<u>858,580</u>	<u>(371,968)</u>
Transfers in				400,000
Capital contributions.		3,294,759	3,294,759	
Change in net assets	1,094,542	3,058,797	4,153,339	28,032
Net assets at beginning of year.	<u>15,725,715</u>	<u>8,235,600</u>		<u>675,977</u>
Net assets at end of year	<u>\$ 16,820,257</u>	<u>\$ 11,294,397</u>		<u>\$ 704,009</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(856)	
Change in net assets of business-type activities			<u>\$ 4,152,483</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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DEFIANCE COUNTY

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

	Business-type Activities - Enterprise Funds			Governmental
	Landfill	Sewer	Total	Activities - Internal Service Fund
Cash flows from operating activities:				
Cash received from sales/service charges	\$ 3,251,407	\$ 510,505	\$ 3,761,912	\$ 2,084,993
Cash received from other operating revenue	13,950	3,118	17,068	
Cash payments for personal services	(418,400)	(140,571)	(558,971)	
Cash payments for contract services.	(911,863)	(296,564)	(1,208,427)	
Cash payments for materials and supplies.	(180,177)	(20,394)	(200,571)	
Cash payments for claims				(2,475,867)
Cash payments for other expenses.	(301,228)	(37,628)	(338,856)	
Net cash provided by (used in) operating activities.	1,453,689	18,466	1,472,155	(390,874)
Cash flows from noncapital financing activities:				
Cash received from transfers in				200,000
Net cash provided by noncapital financing activities				200,000
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(140,555)		(140,555)	
Principal payments on bonds.		(800)	(800)	
Interest payments on bonds.		(2,364)	(2,364)	
Principal payments on Capmark commercial mortgage		(5,000)	(5,000)	
Interest payments on Capmark commercial mortgage		(3,350)	(3,350)	
Net cash used in capital and related financing activities	(140,555)	(11,514)	(152,069)	
Cash flows from investing activities:				
Cash received from interest	73,356		73,356	
Net cash provided by maturities of investments	1,710,000		1,710,000	
Net cash payments for purchases of investments	(1,710,000)		(1,710,000)	
Net cash provided by investing activities	73,356		73,356	
Net increase (decrease) in cash and cash equivalents	1,386,490	6,952	1,393,442	(190,874)
Cash and cash equivalents at beginning of year	8,856,034	666,617	9,522,651	1,086,528
Cash and cash equivalents at end of year.	<u>\$ 10,242,524</u>	<u>\$ 673,569</u>	<u>\$ 10,916,093</u>	<u>\$ 895,654</u>

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DEFIANCE COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Landfill	Sewer	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 1,025,950	\$ (183,981)	\$ 841,969	\$ (371,968)
Adjustments:				
Depreciation	239,818	187,931	427,749	
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	116,676	(25,397)	91,279	
Decrease in prepayments	30	710	740	
(Increase) decrease in inventories	1,542	(215)	1,327	
Increase (decrease) in accounts payable.	(4,953)	35,740	30,787	
Increase in accrued wages and benefits	784	55	839	
Increase in landfill closure and postclosure care liability.	65,995		65,995	
Increase (decrease) in due to other funds.	(1,832)	632	(1,200)	
(Decrease) in claims payable.				(18,906)
Increase in due to other governments.	9,671	505	10,176	
Increase in compensated absences payable.	8	2,486	2,494	
Net cash provided by (used in) operating activities	<u>\$ 1,453,689</u>	<u>\$ 18,466</u>	<u>\$ 1,472,155</u>	<u>\$ (390,874)</u>

Non-Cash Activity:

In 2011, there was an increase in the fair value of investments in the Landfill fund, in the amount of \$35,140.
 In 2011, the Sewer fund received capital contributions in the amount of \$3,294,759 from governmental funds.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

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

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 8,663,167
Cash in segregated accounts.	861,518
Receivables:	
Real estate and other taxes.	27,091,769
Due from other governments.	1,931,240
Special assessments.	302,562
Total assets	\$ 38,850,256
Liabilities:	
Accounts payable	\$ 2,516
Due to other governments.	30,976,235
Undistributed monies.	7,871,505
Total liabilities.	\$ 38,850,256

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

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

NOTE 1 - DESCRIPTION OF THE COUNTY

A. The County

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

B. Reporting Entity

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

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

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

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

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

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

DEFIANCE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

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

DEFIANCE COUNTY

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

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

B. Fund Accounting

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

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

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

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

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

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

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

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

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

Auglaize sewer fund - This fund accounts for monies used for capital improvements related to the Auglaize sewer construction project.

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

DEFIANCE COUNTY

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

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

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

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

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

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

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

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

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. The County did not have any trust funds in 2011. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's agency funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent and for taxes, State-levied shared revenues and fines and forfeitures collected and distributed to other political subdivisions.

C. Measurement Focus

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

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

DEFIANCE COUNTY

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

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

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

D. Basis of Accounting

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

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

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

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

DEFIANCE COUNTY

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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 2012 operations and other revenues received in advance of the year for which they are intended to finance, have been recorded as unearned revenue.

Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2011 are recorded as deferred revenue on the governmental fund financial statements.

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

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

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

E. Budgetary Process

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

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

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

DEFIANCE COUNTY

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

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

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

F. Cash and Investments

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

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

During 2011, the County invested in nonnegotiable certificates of deposit, repurchase agreements, federal agency securities, U.S. Treasury notes, corporate notes and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, except for nonnegotiable certificates of deposit and repurchase agreements, which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on December 31, 2011.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the general fund during 2011 was \$513,916 which includes \$405,303 assigned from other County funds.

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

G. Prepaid Items

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

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

DEFIANCE COUNTY

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

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

I. Loans Receivable

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

J. Restricted Assets

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

K. Capital Assets

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

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

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

DEFIANCE COUNTY

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

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

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

L. Interfund Receivables/Payables

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

M. Compensated Absences

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

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

N. Accrued Liabilities and Long-Term Obligations

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

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

DEFIANCE COUNTY

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

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

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

O. Net Assets

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

P. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Commissioners (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the Board of Commissioners removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Board of Commissioners.

DEFIANCE COUNTY

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

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

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

Q. Operating Revenues and Expenses

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

R. Capital Contributions

Capital contributions on the proprietary fund financial statements arise from contributions from governmental activities, from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction. During 2011, the sewer enterprise fund received capital contributions of \$3,294,759 from governmental funds.

S. Interfund Transactions

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

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither one of these types of events occurred during 2011.

DEFIANCE COUNTY

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

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

U. Estimates

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

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

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

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2011, the County has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the County.

B. Restatement of Governmental Fund Balances

The County's governmental beginning fund balances have been restated as a result of the following: 1) fund reclassifications are required in order to report funds in accordance with GASB Statement No 54; and 2) a restatement is required to report due to/from other funds, which resulted from various reimbursements due between departments at December 31, 2010.

DEFIANCE COUNTY

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

In 2010 the Auglaize Sewer's fund balance was classified as a nonmajor fund and in 2011 the Auglaize Sewer Fund was classified as a major fund due to the increase in revenues and expenses for the Auglaize Sewer project. The Auglaize Sewer had a deficit balance of \$821,257 as of December 31, 2010.

The prior period restatement had the following effect on the County's governmental fund balances as previously reported:

	<u>General</u>	<u>Job and Family Services</u>	<u>Other Major Governmental</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as of December 31, 2010	\$ 10,372,202	\$ 572,471	\$ 10,431,940	\$ 4,791,373	\$ 26,167,986
Fund reclassifications:					
County Recorder equipment	3,502			(3,502)	
Retirement payoffs	3,467			(3,467)	
Certificate of title administration Auglaize Sewer	108,136		(821,257)	821,257	
Total reclassifications	<u>115,105</u>		<u>(821,257)</u>	<u>706,152</u>	
Adjustment for due from/to other funds		<u>57,997</u>		<u>(57,997)</u>	
Restated fund balance as of January 1, 2011	<u>\$ 10,487,307</u>	<u>\$ 630,468</u>	<u>\$ 9,610,683</u>	<u>\$ 5,439,528</u>	<u>\$ 26,167,986</u>

The prior period restatement did not have an effect on net assets as previously reported.

C. Restatement of Governmental-Type Net Assets

The beginning net assets of the governmental-type activities have been restated to more accurately reflect prior year capital asset land valuation:

	<u>Governmental- Type Activities</u>
Net assets, December 31, 2010	\$ 84,248,423
Restatement to capital asset land	<u>18,320</u>
Restated net assets, January 1, 2011	<u>\$ 84,266,743</u>

D. Restatement of Enterprise Net Assets and Net Assets of Business-Type Activities

The beginning net assets of the Sewer Fund have been restated to more accurately reflect prior year capital asset construction in progress:

	<u>Sewer Fund</u>
Net assets, December 31, 2010	\$ 8,630,662
Restatement to capital asset construction in progress	<u>(395,062)</u>
Restated net assets, January 1, 2011	<u>\$ 8,235,600</u>

DEFIANCE COUNTY

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

In addition, the prior period restatement for construction had the following effect on the net assets of the business-type activities as previously reported:

	<u>Business-Type Activities</u>
Net assets, December 31, 2010	\$ 24,333,735
Restatement to capital asset construction in progress	<u>(395,062)</u>
Restated net assets, January 1, 2011	<u>\$ 23,938,673</u>

E. Budgetary Prior Period Adjustment

In prior years the general fund included certain funds that are legally budgeted in separate funds on a budgetary basis. The County has elected to report only the legally budgeted general fund in the budgetary statements; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund budgetary-basis fund balance at December 31, 2011 is as follows:

Budgetary Basis

	<u>General</u>
Balance at December 31, 2010	\$ 4,877,871
Funds budgeted elsewhere	<u>(109,165)</u>
Restated balance at January 1, 2011	<u>\$ 4,768,706</u>

F. Deficit Fund Balances

Fund balances at December 31, 2011 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Economic development special revenue fund	\$ 1,082
DRETAC - prosecuting attorney special revenue fund	302
High visibility enforcement grant special revenue fund	5,014
Auglaize sewer debt service fund	222,630
Historical jail debt service fund	317,838
Airport capital projects fund	229,859
Senior center capital projects fund	100,000
Elliot road water and sewer capital projects fund	103,923
Lick creek capital projects fund	39,859
Black ditch capital projects fund	70,941

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

DEFIANCE COUNTY

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

The statements of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund, developmental disabilities fund, job and family services fund, motor vehicle and gas tax fund, emergency 911 fund, and senior center fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

Net Change in Fund Balance

	<u>General</u>	<u>Developmental Disabilities</u>	<u>Job and Family Services</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Emergency 911</u>	<u>Senior Center</u>
Budget basis	\$ (166,553)	\$ (32,145)	\$ 82,796	\$ (93,644)	\$ 78,095	\$ (64,894)
Net adjustment for revenue accruals	(122,580)	(84,538)	(401,255)	(1,479)	(50,687)	(44,417)
Net adjustment for expenditure accruals	107,181	28,753	23,666	232,070	(2,765)	604
Net adjustment for other sources/uses	(130,977)					
Funds budgeted elsewhere	(54,535)					
Adjustment for encumbrances	<u>85,967</u>	<u>59,520</u>	<u>33,691</u>	<u>33,946</u>	<u>9,319</u>	<u>34,818</u>
GAAP basis	<u>\$ (281,497)</u>	<u>\$ (28,410)</u>	<u>\$ (261,102)</u>	<u>\$ 170,893</u>	<u>\$ 33,962</u>	<u>\$ (73,889)</u>

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

DEFIANCE COUNTY

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

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

DEFIANCE COUNTY

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

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At year end, the County had \$120,740 in undeposited cash on hand which is included on the financial statements of the County as part of "equity in pooled cash and cash equivalents".

B. Cash with Fiscal Agent

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

C. Cash in Segregated Accounts

At year end, the County had \$865,471 in cash and cash equivalents deposited separate from the County's internal investment pool. This amount is included in the amount of deposits with financial institutions below.

D. Deposits with Financial Institutions

At December 31, 2011, the carrying amount of all County deposits, including cash in segregated accounts, was \$38,253,459. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2011, \$10,520,815 of the County's bank balance of \$39,046,071 was exposed to custodial risk as discussed below, while \$28,525,256 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

E. Investments

As of December 31, 2011, the County had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>6 months or less</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
Federal Home Loan Bank	\$ 1,022,750	\$ 1,022,750		
Federal Farm Credit Bank	1,000,540			\$ 1,000,540
U.S. Treasury Note	131,859			131,859
Corporate Note	506,160		\$ 506,160	
Repurchase Agreement	9,780,233	9,780,233		
STAR Ohio	279,666	279,666		
Total	<u>\$ 12,721,208</u>	<u>\$ 11,082,649</u>	<u>\$ 506,160</u>	<u>\$ 1,132,399</u>

The weighted average maturity of investments is 1.63 years.

DEFIANCE COUNTY

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

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

Concentration of Credit Risk: The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Federal Home Loan Bank	\$ 1,022,750	8.04
Federal Farm Credit Bank	1,000,540	7.87
U.S. Treasury Note	131,859	1.04
Repurchase Agreement	9,780,233	76.88
Corporate Note	506,160	3.98
STAR Ohio	279,666	2.19
Total	\$ 12,721,208	100.00

F. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2011.

DEFIANCE COUNTY

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

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

Cash and investments per note

Carrying amount of deposits	\$	38,253,459
Investments		12,721,208
Cash with fiscal agent		2,161
Cash on hand		120,740
Total	\$	<u>51,097,568</u>

Cash and investments per statement of net assets

Governmental activities	\$	25,399,543
Business-type activities		16,173,340
Agency funds		9,524,685
Total	\$	<u>51,097,568</u>

NOTE 6 - RECEIVABLES

Receivables at December 31, 2011, consisted of accounts (billings for user charged services); sales taxes; accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; interfund; property taxes; loans; and special assessments. All receivables are considered collectible in full and within one year, except for loans and special assessments. Special assessments, in the amount of \$1,862,996, will not be fully collected within one year.

Loans receivable represent low interest loans for housing and development projects granted to eligible County property owners and businesses under the Federal Community Block Grant program. During 2011, new loans for housing and development projects were issued to the County in the amount of \$100,490. The loans outstanding at December 31, 2011 have an annual interest rate of 0 to 8.5 % and are to be repaid over periods ranging from five to ten years. During 2011, principal in the amount of \$80,420 was repaid and \$26,276 in loans receivable were written off. Loans outstanding at December 31, 2011, were \$480,493, net of allowance for doubtful accounts in the amount of \$92,018. Loans receivable, in the amount of \$410,766 will not be received within one year.

A summary of the principal items of intergovernmental receivables follows:

DEFIANCE COUNTY

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

NOTE 6 - RECEIVABLES - (Continued)

Governmental activities:

Major funds

General fund	
Local government	\$ 386,305
Homestead and rollback	130,058
Other intergovernmental receivables	<u>21,951</u>
Total general fund	<u>538,314</u>
Developmental disabilities fund	
Homestead and rollback	148,600
Other intergovernmental receivables	<u>56,237</u>
Total developmental disabilities fund	<u>204,837</u>
Job and family services fund	
Grants	<u>187,239</u>
Motor vehicle and gas tax fund	
Motor vehicle license tax	880,660
Gasoline tax	1,155,104
Other intergovernmental receivables	<u>4,104</u>
Total motor vehicle and gas tax fund	<u>2,039,868</u>
Emergency 911 fund	
Homestead and rollback	<u>45,938</u>
Senior Center fund	
Homestead and rollback	55,125
Grants	<u>1,467</u>
Total senior center fund	<u>56,592</u>
Total major funds	<u>\$ 3,072,788</u>

DEFIANCE COUNTY

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

NOTE 6 - RECEIVABLES - (Continued)

<u>Nonmajor governmental funds</u>	
Children services fund	\$ 90,324
Community development block grant fund	742,983
Airport capital projects fund	78,577
Sarah's house fund	3,854
WIA fund	491,760
Brownfield grant fund	41,383
PSI writer grant fund	15,000
Child support enforcement agency fund	11,626
High visibility enforcement grant fund	2,907
Law library resource fund	4,189
Wireless 911 fund	8,494
Public defender application fee fund	519
Regional jail fund	49,127
Dog and kennel fund	<u>975</u>
Total nonmajor governmental funds	<u>1,541,718</u>
Total governmental activities	<u>\$ 4,614,506</u>
<u>Agency funds</u>	
Library local government fund	\$ 593,087
Local government and local government revenue assistance fund	522,648
Permissive motor vehicle license fund	108,862
Motor vehicle license tax fund	191,762
Gasoline tax fund	<u>514,881</u>
Total agency funds	<u>\$ 1,931,240</u>

NOTE 7 - PERMISSIVE SALES AND USE TAX

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

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

DEFIANCE COUNTY

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

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the County. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, tangible personal property taxes and outstanding delinquencies which are measurable as of December 31, 2011 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all County operations for the year ended December 31, 2011 was \$8.91 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:

<u>Real property</u>	
Residential/agricultural	\$ 551,789,660
Commercial/industrial/mineral	110,466,930
<u>Public utility</u>	
Real	477,270
Personal	52,422,710
Total assessed value	<u>\$ 715,156,570</u>

NOTE 9 - CAPITAL ASSETS

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

DEFIANCE COUNTY

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

NOTE 9 - CAPITAL ASSETS (Continued)

	(Restated) Balance 12/31/10	Additions	Disposals	Balance 12/31/11
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,103,004		\$ (216,973)	\$ 886,031
Easements	5,250	\$ 36,390		41,640
Construction in progress	<u>5,407,488</u>	<u>784,351</u>	<u>(6,187,480)</u>	<u>4,359</u>
Total capital assets, not being depreciated	<u>6,515,742</u>	<u>820,741</u>	<u>(6,404,453)</u>	<u>932,030</u>
<i>Capital assets, being depreciated:</i>				
Buildings & improvements	16,362,224	5,850,735	(89,233)	22,123,726
Roads and bridges	59,282,492	2,180,684		61,463,176
Machinery and equipment	5,509,278	128,959	(67,741)	5,570,496
Vehicles	<u>3,842,659</u>	<u>305,244</u>	<u>(373,208)</u>	<u>3,774,695</u>
Total capital assets, being depreciated	<u>84,996,653</u>	<u>8,465,622</u>	<u>(530,182)</u>	<u>92,932,093</u>
<i>Less: accumulated depreciation:</i>				
Buildings & improvements	(3,992,558)	(585,749)	49,219	(4,529,088)
Roads and bridges	(20,561,912)	(1,428,590)		(21,990,502)
Machinery and equipment	(3,995,342)	(298,512)	64,510	(4,229,344)
Vehicles	<u>(2,327,198)</u>	<u>(268,009)</u>	<u>366,020</u>	<u>(2,229,187)</u>
Total accumulated depreciation	<u>(30,877,010)</u>	<u>(2,580,860)</u>	<u>479,749</u>	<u>(32,978,121)</u>
Total capital assets being depreciated, net	<u>54,119,643</u>	<u>5,884,762</u>	<u>(50,433)</u>	<u>59,953,972</u>
Governmental activities capital assets, net	<u>\$ 60,635,385</u>	<u>\$ 6,705,503</u>	<u>\$ (6,454,886)</u>	<u>\$ 60,886,002</u>

The December 31, 2010 balance of governmental-type activities capital assets was restated by \$18,320 to more accurately reflect prior year capital asset land valuation.

Capital asset activity of business-type activities for the year ended December 31, 2011, was as follows:

DEFIANCE COUNTY

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

NOTE 9 - CAPITAL ASSETS - (Continued)

	(Restated) Balance			Balance
<u>Business-type activities:</u>	<u>12/31/10</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/11</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 997,099	\$ 216,972		\$ 1,214,071
Construction in progress	<u>2,954,091</u>	<u>3,077,786</u>	<u>\$ (6,031,877)</u>	
Total capital assets, not being depreciated	<u>3,951,190</u>	<u>3,294,758</u>	<u>(6,031,877)</u>	<u>1,214,071</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,862,363	1,763,742		5,626,105
Buildings & improvements	609,804	1,206,929	(70,764)	1,745,969
Sewer lines	5,939,984	2,969,154		8,909,138
Machinery and equipment	2,730,521	232,608	(76,574)	2,886,555
Vehicles	<u>183,571</u>			<u>183,571</u>
Total capital assets, being depreciated	<u>13,326,243</u>	<u>6,172,433</u>	<u>(147,338)</u>	<u>19,351,338</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(180,056)	(94,884)		(274,940)
Buildings & improvements	(220,224)	(12,017)	24,486	(207,755)
Sewer lines	(1,648,797)	(148,492)		(1,797,289)
Machinery and equipment	(2,346,461)	(164,310)	76,574	(2,434,197)
Vehicles	<u>(134,835)</u>	<u>(8,046)</u>		<u>(142,881)</u>
Total accumulated depreciation	<u>(4,530,373)</u>	<u>(427,749)</u>	<u>101,060</u>	<u>(4,857,062)</u>
Total capital assets, being depreciated net	<u>8,795,870</u>	<u>5,744,684</u>	<u>(46,278)</u>	<u>14,494,276</u>
Business-type activities capital assets, net	<u>\$ 12,747,060</u>	<u>\$ 9,039,442</u>	<u>\$ (6,078,155)</u>	<u>\$ 15,708,347</u>

The December 31, 2010 balance of business-type activities capital assets was restated by \$395,062 to more accurately reflect prior year capital asset construction in progress.

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

Governmental activities:	
Legislative and executive	\$ 318,755
Conservation and recreation	2,188
Health	68,349
Human services	304,397
Judicial	5,027
Public safety	150,725
Public works	<u>1,731,419</u>
Total depreciation expense - governmental activities	<u>\$ 2,580,860</u>

DEFIANCE COUNTY

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

NOTE 9 - CAPITAL ASSETS - (Continued)

Business-type activities:			
Landfill		\$	239,818
Sewer			187,931
Total depreciation expense - business-type activities		\$	<u>427,749</u>

NOTE 10 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2011, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 1,245,078
Job and family services fund	101,685
Motor vehicle license and gas tax fund	9,999
County improvement fund	50,000
Internal service fund	400,000
<u>Transfers from nonmajor governmental funds to:</u>	
Nonmajor governmental funds	<u>113,377</u>
Total	<u>\$ 1,920,139</u>

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

During 2011, the County passed resolutions to convert advances made in 2010 from the general fund to nonmajor governmental funds in the amount of \$1,000,078 and from the general fund to the internal service fund in the amount of \$200,000 to transfers. The senior center building capital projects fund (a nonmajor governmental fund) transferred \$51,671 to the senior center building debt service fund (a nonmajor governmental fund) in order to close out the fund at December 31, 2011. The DETDITCH fund and rotary ditches capital projects fund (both nonmajor governmental funds) transferred \$39,422 and \$22,284, respectively, to the black ditch fund, highland ditch fund and capital projects lost creek ditch fund (all nonmajor governmental funds) in order to record principal and interest payments related to notes payable in the appropriate funds.

- B. Due from/to other funds consisted of the following at December 31, 2011, as reported on the fund financial statements:

DEFIANCE COUNTY

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

NOTE 10 - INTERFUND TRANSACTIONS - (Continued)

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Job and family services fund	\$ 3,285
General fund	Motor vehicle and gas tax fund	13
General fund	Senior center fund	732
General fund	Landfill fund	262
General fund	Sewer fund	1,490
General fund	Nonmajor governmental funds	8,017
Job and family services fund	Nonmajor governmental fund	12,951
Motor vehicle and gas tax fund	General fund	<u>11,265</u>
Total		<u>\$ 38,015</u>

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

C. Interfund loans payable/receivable consisted of the following at December 31, 2011:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Auglaize sewer fund	\$ 1,290,000
General fund	Nonmajor governmental funds	<u>3,317,884</u>
Total		<u>\$ 4,607,884</u>

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

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

NOTE 11 - RISK MANAGEMENT

A. General Liability

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

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

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

DEFIANCE COUNTY

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

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Health Benefits

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

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

Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at December 31, 2011 is estimated by a third party administrator at \$191,645. The changes in the claims liability for 2011 and 2010 were:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Year
2011	\$ 210,551	\$ 2,456,961	\$ (2,475,867)	\$ 191,645
2010	194,795	2,416,934	(2,401,178)	210,551

C. Workers' Compensation

For 2011, the County participated in the County Commissioners Association Service Corporation (Plan), a workers' compensation insurance purchasing pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, annually the Plan's executive committee calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants.

Participation in the Plan is limited to counties that can meet the Plans' selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

DEFIANCE COUNTY

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

NOTE 11 - RISK MANAGEMENT - (Continued)

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

NOTE 12 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The County has outstanding contracts for professional services and construction. The following amounts remain on these contracts as of December 31, 2011:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid as of 12/31/11</u>	<u>Outstanding Balance</u>
Mannik and Smith Group, Inc.	\$ 283,000	\$ (198,213)	\$ 84,787
Appraisal Research Corporation	599,500	(589,106)	10,394
Digital Data Technologies, Inc.	108,000	(101,000)	7,000
BRS	115,128	(103,090)	12,038
Northwest Ohio Computer Association	77,200	(75,232)	1,968
Job Works	125,000	(118,391)	6,609
JMC Mechanical, Inc.	181,800	(176,167)	5,633
Underground Utilities, Inc.	2,697,258	(2,518,339)	178,919
Fechko Excavating, Inc.	2,817,282	(2,578,900)	238,382
Schimmoller Construction, Inc.	88,368	(66,090)	22,278
Gerken Paving	209,376	(148,925)	60,451
Tenmile Creek Excavating, LLC	<u>604,948</u>	<u>(340,597)</u>	<u>264,351</u>
Total	<u>\$ 7,906,860</u>	<u>\$ (7,014,050)</u>	<u>\$ 892,810</u>

NOTE 13 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

DEFIANCE COUNTY

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

NOTE 13 - PENSION PLANS - (Continued)

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2011 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 11.00% and 11.60%, respectively. The County's contribution rate for 2011 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10% of covered payroll.

The County's contribution rate for pension benefits for members in the Traditional Plan for 2011 was 10.00%. The County's contribution rate for pension benefits for members in the Combined Plan for 2011 was 7.95%. For those plan members in law enforcement and public safety pension contributions were 14.10%. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$1,156,621, \$1,030,736, and \$978,577, respectively; 89.50% has been contributed for 2011 and 100% has been contributed for 2010 and 2009. Contributions to the Member-Directed Plan for 2011 were \$33,501 made by the County and \$23,929 made by the plan members.

B. State Teachers Retirement System

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

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

DEFIANCE COUNTY

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

NOTE 13 - PENSION PLANS - (Continued)

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code. A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For 2011, plan members were required to contribute 10.00% of their annual covered salaries. The County was required to contribute 14.00%; 13.00% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2011, 2010, and 2009 were \$109,041, \$110,983, and \$103,992, respectively; 100% has been contributed for 2011, 2010 and 2009.

NOTE 14 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement

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

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

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

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

DEFIANCE COUNTY

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

NOTE 14 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2011 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2011 was 6.05%.

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$451,612, \$566,337, and \$689,707, respectively; 89.50% has been contributed for 2011 and 100% has been contributed for 2010 and 2009.

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

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1.00% of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2011, 2010, and 2009 were \$8,388, \$8,537, and \$7,999, respectively; 100% has been contributed for 2011, 2010 and 2009.

DEFIANCE COUNTY

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

NOTE 15 - OTHER BENEFITS

A. Compensated Absences

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

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

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

B. Health Care Benefits

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

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

NOTE 16 - SHORT-TERM OBLIGATIONS

The County's short-term note activity for the year ended December 31, 2011, was as follows:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/11</u>
Governmental activities:						
Black ditch - 2010	10/9/2010	1.66%	\$ 91,200		\$ (91,200)	
Highland ditch - 2010	6/26/2010	1.66%	6,550		(6,550)	
Lost creek ditch - 2010	6/26/2010	1.66%	32,500		(32,500)	
Black ditch - 2011	10/9/2011	1.50%		\$ 70,700		\$ 70,700
Senior center - 2011	3/18/2011	1.55%		100,000		100,000
Total			<u>\$ 130,250</u>	<u>\$ 170,700</u>	<u>\$ (130,250)</u>	<u>\$ 170,700</u>

The black ditch, highland ditch and lost creek ditch notes were issued for ditch improvements. The senior center notes were issued for improvements related to the senior center building and represent the portion of the 2011 note issuance that will be retired when the notes are refinanced as general obligation bonds on March 15, 2012 (See Note 26 for detail).

The County's general obligation notes are backed by the full faith and credit of the County and have a maturity of one year.

DEFIANCE COUNTY

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

NOTE 17 - LONG-TERM OBLIGATIONS

The original issue date, interest rate, original issue amount and balance at December 31, 2011 for the County's long-term obligations are as follows:

	<u>Original Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Balance 12/31/2011</u>
<u>General obligation bonds:</u>				
Various purpose improvement	2005	5.25%	\$ 375,000	\$ 295,000
Refunding bonds, series 2010	2010	2 - 4%	1,680,000	1,470,000
Various purpose, series 2010	2010	1.25 - 6.1%	2,385,000	2,180,000
<u>Special assessment bonds:</u>				
Platter creek	2004	2.25 - 5%	425,000	320,000
Refunding bonds, series 2010	2010	2 - 4%	645,000	550,000
<u>Bond anticipation notes:</u>				
Carryall tile - 2011	2011	1.55%	10,750	10,750
Peterson ditch - 2011	2011	1.55%	10,650	10,650
Beetree ditch - 2011	2011	1.55%	18,550	18,550
Kinner ditch - 2011	2011	1.55%	4,350	4,350
Senior center - 2011	2011	1.55%	300,000	300,000
<u>Revenue bonds:</u>				
Sewer	2005	4.1%	60,000	56,500
<u>OPWC loans:</u>				
Evansport water	1999	0%	468,050	187,220
<u>OWDA loans:</u>				
Express sewer	2002	1.5%	1,356,038	795,635
Auglaize sewer	2010	1.37%	2,006,868	2,006,868
<u>Capmark Commercial Mortgage:</u>				
Sewer	1980	5%	146,300	62,000

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

The County's long-term obligations activity for the year ended December 31, 2011, was as follows:

DEFIANCE COUNTY

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

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due Within</u>
Governmental activities:	<u>12/31/10</u>			<u>12/31/11</u>	<u>One Year</u>
<u>General obligation bonds:</u>					
Various purpose improvement	\$ 2,590,000		\$ (115,000)	\$ 2,475,000	\$ 120,000
Refunding bonds, series 2010	<u>1,570,000</u>		<u>(100,000)</u>	<u>1,470,000</u>	<u>105,000</u>
Total general obligation bonds	<u>4,160,000</u>		<u>(215,000)</u>	<u>3,945,000</u>	<u>225,000</u>
<u>Special assessment bonds:</u>					
Refunding bonds, series 2010	595,000		(45,000)	550,000	45,000
Platter creek	<u>340,000</u>		<u>(20,000)</u>	<u>320,000</u>	<u>20,000</u>
Total special assessment bonds	<u>935,000</u>		<u>(65,000)</u>	<u>870,000</u>	<u>65,000</u>
<u>Other long-term obligations:</u>					
Bond anticipation notes payable	580,250	\$ 344,300	(580,250)	344,300	344,300
OPWC loans payable	210,622		(23,402)	187,220	23,403
OWDA loans payable	2,635,379	233,177	(66,053)	2,802,503	67,048
Capital lease obligations	234,261		(95,552)	138,709	66,543
Compensated absences	<u>1,124,660</u>	<u>376,972</u>	<u>(505,529)</u>	<u>996,103</u>	<u>549,706</u>
Total other long-term obligations	<u>4,785,172</u>	<u>954,449</u>	<u>(1,270,786)</u>	<u>4,468,835</u>	<u>1,051,000</u>
Total governmental activities long-term obligations	<u>\$ 9,880,172</u>	<u>\$ 954,449</u>	<u>\$ (1,550,786)</u>	9,283,835	<u>\$ 1,341,000</u>
				Add: Unamortized Premium 30,707	
				Less: Deferred Amount on Refunding (46,002)	
				<u>Total on Statement of Net Assets \$ 9,268,540</u>	
Business-type activities:	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due Within</u>
<u>Revenue bonds:</u>	<u>12/31/10</u>			<u>12/31/11</u>	<u>One Year</u>
Sewer revenue bonds	\$ 57,300		\$ (800)	\$ 56,500	\$ 800
<u>Other long-term obligations:</u>					
Capmark commercial mortgage	67,000		(5,000)	62,000	6,000
Closure and postclosure liability	3,773,577	\$ 65,995		3,839,572	
Compensated absences	<u>102,105</u>	<u>34,740</u>	<u>(32,246)</u>	<u>104,599</u>	<u>31,009</u>
Total other long-term obligations	<u>3,942,682</u>	<u>100,735</u>	<u>(37,246)</u>	<u>4,006,171</u>	<u>37,009</u>
Total business-type activities long-term obligations	<u>\$ 3,999,982</u>	<u>\$ 100,735</u>	<u>\$ (38,046)</u>	<u>\$ 4,062,671</u>	<u>\$ 37,809</u>

A. Various Purpose General Obligation Bonds, Series 2005

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

DEFIANCE COUNTY

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

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

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

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

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

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

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

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

B. Various Purpose General Obligation Bonds, Series 2010

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

DEFIANCE COUNTY

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

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

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

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

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

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

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

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

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

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

DEFIANCE COUNTY

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

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

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

C. Various Purpose General Obligation Refunding Bonds, Series 2010

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

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

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

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

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

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

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

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

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

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

DEFIANCE COUNTY

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

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

D. Special Assessment Bonds

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

E. Brunersburg Sewer Special Assessment Refunding Bonds, Series 2010

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

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

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

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

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

F. Revenue Bonds

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

G. OPWC Loans Payable

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

DEFIANCE COUNTY

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

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

H. OWDA Loans Payable

The County has entered into debt financing arrangements through the Ohio Water Development Authority (OWDA) to fund construction of wastewater facilities and the Auglaize sewer. The amounts due to the OWDA are payable from the express sewer and the Auglaize sewer debt service funds (both nonmajor governmental funds). The loan agreements function similar to a line-of-credit agreement. At December 31, 2011, the County has outstanding borrowings of \$2,802,503. The loan agreements require semi-annual payments based on the actual amount owed.

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

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

J. Bond Anticipation Notes Payable

In 2011, the County entered into bond anticipation notes for \$44,300 to finance ditch improvements and \$300,000 to finance improvements to the senior center. In accordance with FASB Statement No. 6, "Classification of Short-Term Obligations Expected to Be Refinanced", the County's bond anticipation notes are reported as long-term obligations as the County has consummated refinancing on a long-term basis prior to the issuance of the financial statements. The portion of the 2011 senior center note issuance that will be retired on March 15, 2012 (See Note 26 for detail) has been reported as short-term notes payable in Note 16. The bond anticipation notes are backed by the full faith and credit of the County.

K. Compensated Absences Payable

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

L. Capital Lease Obligations

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

DEFIANCE COUNTY

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

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

M. Legal Debt Margin

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

The effect of the debt limitations described above is an overall debt margin of \$12,268,311 at December 31, 2011.

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

Year Ended	Governmental Activities					
	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 225,000	\$ 179,621	\$ 404,621	\$ 65,000	\$ 32,640	\$ 97,640
2013	230,000	174,145	404,145	65,000	30,880	95,880
2014	225,000	168,415	393,415	70,000	29,100	99,100
2015	220,000	162,420	382,420	70,000	27,075	97,075
2016	225,000	153,825	378,825	70,000	24,825	94,825
2017 - 2021	1,210,000	617,904	1,827,904	410,000	80,750	490,750
2022 - 2026	1,100,000	320,838	1,420,838	120,000	10,200	130,200
2027 - 2029	510,000	63,440	573,440			
Total	<u>\$ 3,945,000</u>	<u>\$ 1,840,608</u>	<u>\$ 5,785,608</u>	<u>\$ 870,000</u>	<u>\$ 235,470</u>	<u>\$ 1,105,470</u>

Year Ended	Governmental Activities						
	Bond Anticipation Notes Payable			OPWC Loans		OWDA Loans	
	Principal	Interest	Total	Principal	Principal	Interest	Total
2012	\$ 344,300	\$ 6,887	\$ 351,187	\$ 23,403	\$ 67,048	\$ 11,684	\$ 78,732
2013				23,402	68,058	10,674	78,732
2014				23,403	69,082	9,650	78,732
2015				23,402	70,122	8,610	78,732
2016				23,403	71,178	7,554	78,732
2017 - 2021				70,207	372,292	21,368	393,660
2022					77,855	887	78,742
Total	<u>\$ 344,300</u>	<u>\$ 6,887</u>	<u>\$ 351,187</u>	<u>\$ 187,220</u>	<u>\$ 795,635</u>	<u>\$ 70,427</u>	<u>\$ 866,062</u>

The Auglaize sewer OWDA loan is currently "open" meaning that final disbursements have not been made from the OWDA; therefore, future debt service requirements have not been finalized and are not presented in the schedule above. The balance of the Auglaize sewer OWDA loan at December 31, 2011 was \$2,006,868.

DEFIANCE COUNTY

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

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

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

<u>Year Ended</u>	Business-Type Activities					
	Revenue Bonds			Capmark Commercial Mortgage		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 800	\$ 2,331	\$ 3,131	\$ 6,000	\$ 3,100	\$ 9,100
2013	800	2,298	3,098	6,000	2,800	8,800
2014	900	2,265	3,165	6,000	2,500	8,500
2015	900	2,228	3,128	6,000	2,200	8,200
2016	900	2,190	3,090	7,000	1,900	8,900
2017- 2021	5,200	10,350	15,550	31,000	3,950	34,950
2022 - 2026	6,500	9,182	15,682			
2027 - 2031	7,800	7,739	15,539			
2032 - 2036	9,600	5,977	15,577			
2037 - 2041	11,800	3,822	15,622			
2042 - 2045	11,300	1,285	12,585			
Total	<u>\$ 56,500</u>	<u>\$ 49,667</u>	<u>\$ 106,167</u>	<u>\$ 62,000</u>	<u>\$ 16,450</u>	<u>\$ 78,450</u>

Conduit Debt:

In 2001, the County issued \$2,325,000 in Adjustable Rate Demand Economic Development Revenue Refunding Bonds. The proceeds were used for the refunding of economic development revenue bonds issued in 1982 to acquire and construct a supermarket. The County is not obligated in any way to pay the debt charges on the bonds from any of its funds, and therefore, the debt has been excluded entirely from the County's debt presentation. As of December 31, 2011, \$2,325,000 of these bonds was outstanding.

In 2005, the County issued \$700,000 in Ohio Economic Development Revenue Bonds for the purpose of making a loan to assist the Defiance Area YMCA in financing a portion of the cost of acquiring, constructing, improving, installing, and equipping gymnasiums and related facilities. The County is not obligated in any way to pay the debt charges on the bonds from any of its funds, and therefore, the debt has been excluded entirely from the County's debt presentation. As of December 31, 2011, \$583,977 of these bonds was outstanding.

In 2007, the County issued \$1,407,600 in Health Care Facilities Revenue Bonds. The proceeds were used to provide Hospital Facilities at the lowest possible cost to service the residents of the Public Hospital Agencies, which hospital facilities will be available for the service of the general public. The County is not obligated in any way to pay the debt charges on the bonds from any of its funds, and therefore, the debt has been excluded entirely from the County's debt presentation. As of December 31, 2011, \$1,224,790 of these bonds was outstanding.

In 2009, the County issued \$11,500,000 in Multifamily Housing Mortgage Revenue Bonds. The proceeds were loaned to Defiance County Health Partners, LLC to finance the acquisition, construction, and equipping of an assisted living multifamily residential housing rental housing facility. The County is not obligated in any way to pay the debt charges on the bonds from any of its funds, and therefore, the debt has been excluded entirely from the County's debt presentation. As of December 31, 2011, \$11,500,000 of these bonds was outstanding.

DEFIANCE COUNTY

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

NOTE 18 - CLOSURE AND POSTCLOSURE CARE COSTS

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

The \$3,839,572 reported as landfill closure and postclosure costs payable at December 31, 2011, represents the cumulative amount reported to date based on the use of 45% of the estimated capacity of the landfill. The County will recognize the remaining estimated costs of closure and post closure of \$4,740,128 as the remaining estimated capacity is filled. This amount is based on what it would cost to perform all closure and post-closure care in 2011. For financial assurance purposes, Ohio EPA requires closure and postclosure costs to be reported based on the worst case scenario of when closure will occur. For 2011, the liabilities total \$1,869,465 for closure and \$1,970,107 for post-closure costs. The County expects the landfill to have a remaining life of 85 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to either make annual contributions to an EPA controlled trust fund or demonstrate financial assurance through the "Local Government Financial Test". For 2011, the County met the Local Government Financial Test requirements.

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

NOTE 19 - CAPITALIZED LEASE - LESSEE DISCLOSURE

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

Capital assets consisting of equipment and vehicles have been capitalized in the statement of net assets. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in 2011 totaled \$25,530 paid by the general fund, \$34,741 paid by the developmental disabilities fund, \$1,400 paid by the child support enforcement agency fund (a nonmajor governmental fund), \$32,614 paid by the ditch maintenance fund (a nonmajor governmental fund) and \$1,267 paid by the senior center fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of December 31, 2011:

DEFIANCE COUNTY

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

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2012	\$ 74,195
2013	35,670
2014	30,400
2015	<u>11,805</u>
Total minimum lease payments	152,070
Less amount representing interest	<u>(13,361)</u>
Total	<u>\$ 138,709</u>

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

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

Northwest Ohio Juvenile Detention, Training, and Rehabilitation Center (Center) is a jointly governed organization among Defiance, Fulton, Henry, and Williams Counties. Center's Board of Trustees consists of thirteen members; three from each County and one at-large member. The Board of Trustees exercises total control over the operation of the Center including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the Center. In 2011, Defiance County contributed \$320,163 for the Center's operations which represents 22.3% of total contributions. Information can be obtained from Nancy J. Yackee, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

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

Four County Board of Alcohol, Drug Addiction, and Mental Health Services (ADAMHS) is a jointly governed organization among Defiance, Fulton, Henry, and Williams Counties to provide alcohol, drug addiction, and mental health services to individuals in the four counties. The Governing Board of ADAMHS consists of eighteen members; four members appointed by the Ohio Director of Alcohol and Drug Addiction Services, four members appointed by the Ohio Director of Mental Health Services, Defiance and Fulton County Commissioners appointing three members each, and Henry and Williams County Commissioners appointing two members each. The Governing Board exercises total control over the operation of the ADAMHS including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the ADAMHS. In 2011, Defiance County contributed \$1,412,513 in property taxes for the ADAMHS' operation which represents 12% of total contributions. Information can be obtained from Marlene J. Goodwin, Defiance County Auditor, 500 Second Street, Defiance, Ohio 43512.

DEFIANCE COUNTY

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

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

C. Corrections Commission of Northwest Ohio

Corrections Commission of Northwest Ohio (CCNO) is a jointly governed organization among Defiance, Fulton, Henry, Lucas, and Williams Counties and the City of Toledo. CCNO was established to provide jail space for convicted criminals in the five counties and the City of Toledo and to provide a correctional center for the inmates. CCNO was created in 1986 and occupancy started in 1991. The commission team consists of eighteen members; one judge, one chief law enforcement officer, and one county commissioner or administrative official from each entity. The commission team exercises total control over the operation of CCNO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for CCNO.

In 2011, Defiance County contributed \$1,295,859 for CCNO's operations which represents 8.4% of total contributions. Information can be obtained from Tonya Justus, Fiscal Manager, Corrections Commission of Northwest Ohio, 03151 County Road 2425, Route 1, Box 100-A, Stryker, Ohio 43557.

D. Four County Solid Waste District

Four County Solid Waste District (District) is a jointly governed organization among Defiance, Fulton, Paulding, and Williams Counties to make disposal of waste in the four-county area more comprehensive in terms of recycling, incinerating, and landfilling. The District was created in 1989. The Board of Directors consists of twelve members; the three commissioners from each county. The Board of Directors exercises total control over the operation of the District including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the District. In 2011, Defiance County contributed \$99,330 for the District's operations which represents 34.12% of total contributions. Information can be obtained from Deborah Nester, Williams County Auditor, One Courthouse Square, Bryan, Ohio 43506.

E. Multi-Area Narcotics Task Force

Multi-Area Narcotics Task Force (Task Force) is a jointly governed organization among Defiance, William, Fulton, and Putnam Counties and the Cities of Defiance and Bryan. The Task Force is jointly controlled by the chief law enforcement officer of each respective entity. The main source of revenue for the Task Force is from federal grants and local matching funds from the entities. The County has no ongoing financial interest or responsibility for the Task Force. In 2011, Defiance County did not make any contributions to the Task Force's operations. Information can be obtained from the Defiance County Sheriff's office, 113 Beide Street, Defiance, Ohio 43512.

DEFIANCE COUNTY

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

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

F. Quadco Rehabilitation Center

Quadco Rehabilitation Center (Quadco) is a jointly governed organization among Defiance, Fulton, Henry, and Williams Counties. Quadco Rehabilitation Center is a nonprofit corporation which provides services and facilities for training physically and mentally disabled persons. Quadco is responsible for contracting with various agencies to obtain funding to operate the organization. Quadco is governed by an eight-member board composed of two appointees made by each of the four County Boards of Developmental Disabilities (County Boards of DD). This Board, in conjunction with the County Boards of DD, assesses the needs of adult mentally handicapped and developmentally disabled residents of each County and sets priorities based on available funds. The County provides resources to the Board based on units of service provided to the County. Quadco exercises total control over the operation of Quadco including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for Quadco. In 2011, the Northwest Ohio Waiver Administration made contributions to Quadco on the County's behalf.

G. Maumee Valley Planning Organization

Maumee Valley Planning Organization (MVPO) is a jointly governed organization among Defiance, Fulton, Henry, Paulding, and Williams Counties. MVPO is an organization established to improve the social and economic conditions of the region through development and conservation. MVPO is governed by a fifteen member executive council composed of the three county commissioners, the mayor of the largest municipality, three mayors selected by the committee of mayors that represent the incorporated cities and villages, the township trustee association president, the regional planning commission chairman, and two members at large to represent business, industry, labor, agricultural, low income, minority groups, education, and consumer protection activities. The County provides resources to the executive council based on a membership fee and services provided to the County. MVPO exercises total control over the operation of MVPO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for MVPO. In 2011, Defiance County contributed \$80,121 for MVPO's operations which represents 9.1% of total contributions. Information can be obtained from Nancy J. Yackee, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

H. Community Improvement Corporation of Defiance County

Community Improvement Corporation of Defiance County (CIC) is a jointly governed organization among Defiance County, the City of Defiance, and the respective villages and townships of Defiance County. The purpose of the CIC is to promote and encourage the establishment and growth of industrial, commercial, distribution, and research facilities within member subdivisions. CIC is governed by a Board of Trustees consisting of fifteen self-appointed members. Not less than two-fifths of the members are to be composed of elected officials. Five of these trustees include: a member of the Board of County Commissioners of Defiance County, the Auditor of Defiance County, the Mayor or his/her designated elected official of the City of Defiance, the Mayor or his/her designated elected official of the Village of Hicksville, and the President of the Defiance County Trustees. The remaining members represent private residents of Defiance County or employees of Defiance County businesses or firms. The County provides resources to the Board of Trustees based on a membership fee. CIC exercises total control over the operation of CIC including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the CIC. In 2011, Defiance County contributed \$50,000 for CIC's operations which represents 21.4% of total contributions. Information can be obtained from the Jerry Hayes, Executive Director, 1300 East Second Street, Suite 201, Defiance, Ohio 43512.

DEFIANCE COUNTY

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

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

I. Northwest Ohio Waiver Administration Council (NOWAC)

Northwest Ohio Waiver Administration Council (NOWAC) is a jointly governed organization created under the provisions of Chapter 167 of the Ohio Revised Code. NOWAC is organized as a voluntary organization of local County Boards of Developmental Disabilities in Defiance County, Williams County, Allen County, Henry County, Fulton County, Van Wert County and Paulding County. Each of the participating counties has equal representation and no financial responsibility. NOWAC's purpose is to foster a cooperative effort in regional planning, programming, and the implementation of regional plans and programs. Its primary function is to oversee and obtain contracted services for its clientele in member counties. These services include various types of assistance provided by outside individuals or health care organizations for living maintenance of disabled clients so they can remain in their homes. Defiance County contributed \$1,218,821 towards NOWAC's operation in 2011. Complete financial statements can be obtained from the Northwest Ohio Waiver Administration Council, 815 East Second Street, Suite B, Defiance, Ohio 43512-2511.

NOTE 21 - INSURANCE POOLS

A. County Commissioners Association Service Corporation

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

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

B. Northern Buckeye Education Council Employee Insurance Benefits Program

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

DEFIANCE COUNTY

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

NOTE 22 - RELATED ORGANIZATION

Defiance County Regional Airport Authority (the "Airport Authority") was created by resolution of the County Commissioners under the authority of Chapter 308 of the Ohio Revised Code. The Airport Authority is governed by a five member board of trustees appointed by the County Commissioners. The board of trustees has the authority to exercise all of the powers and privileges provided under the law. These powers include the ability to sue or be sued in its corporate name; the power to establish and collect rates, rentals, and other charges; the authority to acquire, construct, operate, manage, and maintain airport facilities; the authority to buy and sell real and personal property; and the authority to issue debt for acquiring or constructing any facility or permanent improvement. The Airport Authority serves as custodian of its own funds and maintains all records and accounts independent of Defiance County. Although the County has no obligation to provide financial resources to the Airport Authority, the County Commissioners have in prior years allocated certain funds to the Airport Authority. In 2011, the County contributed \$25,200 to the Airport Authority.

NOTE 23 - CONTINGENT LIABILITIES

A. Litigation

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

B. Federal and State Grants

For the period January 1, 2011, to December 31, 2011, the County received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the County believes such disallowances, if any, would be immaterial.

NOTE 24 - OTHER COMMITMENTS

The County utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the County's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 71,688
Developmental disabilities	51,054
Job and family services	28,117
Motor vehicle and gas tax	19,263
Emergency 911	6,975
Senior center	22,306
County improvement	29,907
Auglaize sewer	371,305
Historical jail construction	158
	<hr/>
Total	\$ <u>600,773</u>

DEFIANCE COUNTY

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

NOTE 25 - FUND BALANCE

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

Fund Balance	General	Developmental Disabilities	Job and Family Services	Motor Vehicle License and Gas Tax	Emergency 911
Nonspendable:					
Long-term loans					
Long-term interfund loans	\$ 4,607,884				
Prepayments	198,558	\$ 338,525	\$ 11,106	\$ 4,031	\$ 2,343
Materials and supplies inventory	65,898	12,697	10,501	500,780	1,061
Unclaimed monies	89,302				
Total nonspendable	<u>4,961,642</u>	<u>351,222</u>	<u>21,607</u>	<u>504,811</u>	<u>3,404</u>
Restricted:					
Human services programs			347,759		
Public works projects				1,382,619	
Public safety programs					866,711
Health services		3,025,202			
Debt service					
Capital projects					
Other purposes					
Total restricted		<u>3,025,202</u>	<u>347,759</u>	<u>1,382,619</u>	<u>866,711</u>
Committed:					
General government					
Public safety programs					
Economic development					
Debt service					
Capital projects					
County commissioners	192				
Retirement payoffs	3,467				
Other purposes					
Total committed	<u>3,659</u>				
Assigned:					
General government	27,363				
Human services programs	1,425				
Public works projects	4,716				
Public safety programs	29,660				
Capital projects					
Subsequent year appropriation	4,836,615				
Other purposes	866				
Total assigned	<u>4,900,645</u>				
Unassigned (deficit)	<u>339,864</u>				
Total fund balances	<u>\$ 10,205,810</u>	<u>\$ 3,376,424</u>	<u>\$ 369,366</u>	<u>\$ 1,887,430</u>	<u>\$ 870,115</u>

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DEFIANCE COUNTY

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

NOTE 25 - FUND BALANCE - (Continued)

Fund Balance	Senior Center	County Improvement	Auglaize Sewer	Historical Jail Construction	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Long-term loans					\$ 410,766	\$ 410,766
Long-term interfund loans						4,607,884
Prepayments	\$ 2,210				333,408	890,181
Materials and supplies inventory	2,305				43,872	637,114
Unclaimed monies						89,302
Total nonspendable	<u>4,515</u>				<u>788,046</u>	<u>6,635,247</u>
Restricted:						
Human services programs	323,347				674,498	1,345,604
Public works projects					148,650	1,531,269
Public safety programs					270,440	1,137,151
Health services					39,901	3,065,103
Debt service					1,244,716	1,244,716
Capital projects			\$ 243,242	\$ 4,412	68,348	316,002
Other purposes					1,673,663	1,673,663
Total restricted	<u>323,347</u>		<u>243,242</u>	<u>4,412</u>	<u>4,120,216</u>	<u>10,313,508</u>
Committed:						
General government					2,394	2,394
Public safety programs					1,921,847	1,921,847
Economic development					80,200	80,200
Debt service					149	149
Capital projects					39,192	39,192
County commissioners						192
Retirement payoffs						3,467
Other purposes					16,851	16,851
Total committed					<u>2,060,633</u>	<u>2,064,292</u>
Assigned:						
General government						27,363
Human services programs						1,425
Public works projects						4,716
Public safety programs						29,660
Capital projects		\$ 3,582,997				3,582,997
Subsequent year appropriation						4,836,615
Other purposes						866
Total assigned		<u>3,582,997</u>				<u>8,483,642</u>
Unassigned (deficit)					<u>(1,091,451)</u>	<u>(751,587)</u>
Total fund balances	<u>\$ 327,862</u>	<u>\$ 3,582,997</u>	<u>\$ 243,242</u>	<u>\$ 4,412</u>	<u>\$ 5,877,444</u>	<u>\$ 26,745,102</u>

NOTE 26 - SIGNIFICANT SUBSEQUENT EVENT

On March 15, 2012, the County retired senior center notes of \$400,000 and refinanced with \$300,000 in general obligation bonds at an interest rate of 1.5% with a maturity date of March 15, 2015.

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DEFIANCE COUNTY
FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
National School Lunch Program			
Noncash Assistance		10.555	\$ 664
Cash Assistance		10.555	14,528
Total National School Lunch Program			<u>15,192</u>
<i>Direct Assistance</i>			
ARRA Water and Waste Disposal System for Rural Communities		10.781	<u>1,847,983</u>
Total U.S. Department of Agriculture			<u>1,863,175</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Special Education Cluster:			
Special Education - Grants to States		84.027	46,782
Special Education - Preschool Grant		84.173	22,063
ARRA - Special Education - IDEA Part-B		84.391	38,569
Total Special Education Cluster			<u>107,414</u>
<i>Passed Through Ohio Rehabilitation Services Commission:</i>			
Vocational Rehabilitation Grant		84.126	<u>97,627</u>
<i>Passed Through Ohio Department of Health</i>			
Help Me Grow	02010021HG0312	84.181	4,927
ARRA - Help Me Grow	02010021HA0211	84.393A	12,651
Total Help Me Grow			<u>17,578</u>
Total U.S. Department of Education			<u>222,619</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through Ohio Department of Public Safety Emergency Management Agency</i>			
<i>Homeland Security Cluster:</i>			
State Homeland Security Program	2008-GE-T8-0025	97.067	13,266
State Homeland Security Program	2009-SS-T9-0089	97.067	38,349
Citizens Corp Program Grant	2008-GE-T8-0025	97.067	4,951
Citizens Corp Program Grant	2009-SS-T9-0089	97.067	613
Total Homeland Security Cluster			<u>57,179</u>
Emergency Management Performance Grant	2010-EP-00-0003	97.042	22,805
Emergency Management Performance Grant	EMW-2011-EP-00003-S01	97.042	26,284
Total Emergency Management Performance Grant			<u>49,089</u>
Total U.S. Department of Homeland Security			<u>106,268</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through The Area Office of Aging</i>			
<i>Aging Cluster:</i>			
Grants for Supportive Services and Senior Centers		93.044	52,492
Nutrition Services Incentive Program		93.053	41,342
Special Programs for the Aging - Title III Part C - Nutrition Services		93.045	106,931
Total Aging Cluster			<u>200,765</u>
Special Programs for the Aging - Title III Part D - Disease Prevention and Health Promotion		93.043	<u>130</u>
Alzheimer Disease Demonstration Grants to States FY 11		93.051	14,887
Alzheimer Disease Demonstration Grants to States FY 12		93.051	1,501
Total Alzheimers Disease Demonstration Grant			<u>16,388</u>
Total Area Office of Aging			<u>217,283</u>
<i>Passed Through Ohio Department of Developmental Disabilities</i>			
ARRA Medical Assistance Program (Medicaid: Title XIX)		93.778	40,730
ARRA Medical Assistance Program (TCM)		93.778	6,494
Total Passed Through Ohio Department of Developmental Disabilities			<u>47,224</u>

(Continued)

DEFIANCE COUNTY
FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<i>Passed Through Ohio Department of Job and Family Services</i>			
State Administrative Matching Grants for the Supplemental Assistance Program	G-1213-11-0028 / G-1011-11-5028	10.561	<u>184,438</u>
Promoting Safe and Stable Families	G-1213-11-0028 / G-1011-11-5028	93.556	<u>3,591</u>
Temporary Assistance for Needy Families	G-1213-11-0028 / G-1011-11-5028	93.558	<u>468,775</u>
Child Support Enforcement	G-1213-11-0029 / G-1011-11-5029	93.563	<u>410,840</u>
Child Care Cluster:			
Child Care and Development Block Grant	G-1213-11-0028 / G-1011-11-5028	93.575	9,189
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	G-1213-11-0028 / G-1011-11-5028	93.596	<u>30,331</u>
Total Child Care Cluster			<u>39,520</u>
Child Welfare Services State Grants	G-1213-11-0028 / G-1011-11-5028	93.645	<u>24,028</u>
Social Services Block Grant	G-1213-11-0028 / G-1011-11-5028	93.667	184,609
Child Abuse and Neglect Grant	G-1213-11-0028 / G-1011-11-5028	93.590	906
Total Social Services Block Grant			<u>185,515</u>
Chafee Foster Care Independence Program	G-1213-11-0028 / G-1011-11-5028	93.674	<u>190</u>
Medical Assistance Program	G-1213-11-0028 / G-1011-11-5028	93.778	127,141
Total Medical Assistance Program			<u>174,365</u>
Foster Care Title IV-E	G-1213-11-0028 / G-1011-11-5028	93.658	181,129
Foster Care Title IV-E Administration	G-1213-11-0028 / G-1011-11-5028	93.658	55,722
ARRA Foster Care Title IV-E	G-1213-11-0028 / G-1011-11-5028	93.658	6,761
Total Foster Care Title IV-E			<u>243,612</u>
Adoption Assistance Administration	G-1213-11-0028 / G-1011-11-5028	93.659	<u>90,040</u>
Total Passed Through Ohio Department of Job and Family Services			<u>1,777,690</u>
Total U.S. Department of Health and Human Services			<u>2,042,197</u>
U.S. DEPARTMENT OF LABOR			
<i>Passed Through Montgomery County Workforce Investment Act Area 7</i>			
Workforce Investment Act Cluster:			
Workforce Investment Act - Employment Service/Wagner-Peyser Funded Activities	2011-7120-1 / 2010-7120-1	17.207	<u>6,727</u>
Workforce Investment Act - Adult	2011-7120-1 / 2010-7120-1	17.258	142,497
Workforce Investment Act - Adult Administration	2011-7120-1 / 2010-7120-1	17.258	1,057
Workforce Investment Act - One Stop Resource Sharing	2011-7120-1 / 2010-7120-1	17.258	259
Total Workforce Investment Act - Adult			<u>143,813</u>
Workforce Investment Act - Youth	2011-7120-1 / 2010-7120-1	17.259	108,344
Workforce Investment Act - Youth Administration	2011-7120-1 / 2010-7120-1	17.259	1,073
Total Workforce Investment Act - Youth			<u>109,417</u>
Workforce Investment Act - Dislocated Worker	2011-7120-1 / 2010-7120-1	17.278	169,896
Workforce Investment Act - Dislocated Worker Administration	2011-7120-1 / 2010-7120-1	17.278	12,709
Total Workforce Investment Act - Dislocated Worker			<u>182,605</u>
Total Workforce Investment Act - Disabled Veteran's Outreach Program	2011-7120-1 / 2010-7120-1	17.801	<u>173</u>
Total Workforce Investment Act - Local Veterans' Employment Representative Program	2011-7120-1 / 2010-7120-1	17.804	<u>1,466</u>
Total Workforce Investment Act Cluster			444,201
ARRA Workforce Investment Act - National Emergency Grant	2011-7120-1 / 2010-7120-1	17.277	<u>31,397</u>
Total U.S. Department of Labor			<u>475,598</u>

(Continued)

DEFIANCE COUNTY
FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant (Formula Grant)	B-F-09-1AS-1	14.228	45,300
Community Development Block Grant (Formula Grant)	B-F-10-1AS-1	14.228	71,000
Community Development Block Grant (Chip)	B-C-10-1AS-1	14.228	38,939
Community Development Block Grant Revolving Loans		14.228	80,541
Total Community Development Block Grant			<u>235,780</u>
Home Investment Partnerships Program (Chip)	B-C-10-1AS-2	14.239	18,250
Total U.S. Department of Housing and Urban Development			<u>254,030</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	E091(201)	20.205	24,714
Federal Aviation Administration Direct Assistance Airport Improvement Program		20.106	911,015
<i>Passed Through the Office of Criminal Justice Services</i>			
High Visibility Enforcement Overtime	HVEO-2012-20-00-00-00353-00	20.600-20.601	3,881
Total U.S. Department of Transportation			<u>939,610</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through the Ohio Department of Public Safety Office of Criminal Justice Services</i>			
Crime Victims Assistance	2011VAGENE061	16.575	44,898
Crime Victims Assistance	2012VAGENE061	16.575	8,264
Total Crime Victims Assistance			<u>53,162</u>
Edward Byrne Memorial Justice Assistance Grant Formula Program	2010-JG-A01-6407	16.738	66,400
Edward Byrne Memorial Justice Assistance Grant Formula Program	2007-JG-LSS-9273	16.738	24,729
Total Edward Byrne Memorial Justice Assistance Grant Formula Program			<u>91,129</u>
ARRA Edward Byrne Memorial Justice Assistance Grant Formula Program	2009-RA-A01-2065	16.803	10,959
Total Edward Byrne Memorial Justice Assistance Cluster			<u>102,088</u>
Total U.S. Department of Justice			<u>155,250</u>
U.S. DEPARTMENT OF DEFENSE - U.S. ARMY CORPS OF ENGINEERS			
<i>Direct Assistance</i>			
U.S. Army Corps of Engineers: Section 594 Environmental Infrastructure		12.xxx	521,315
Total			<u>\$ 6,580,062</u>

The accompanying notes are an integral part of this schedule.

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DEFIANCE COUNTY

NOTES TO THE FEDERAL AWARDS EXPENDITURE SCHEDULE FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

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

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D - FOOD DONATION PROGRAM

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

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

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

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

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

Beginning loans receivable balance as of January 1, 2011	\$	475,824
Revolving loans made		75,000
Mortgage loans made		25,490
Loans principal repaid		(69,545)
Loans written off		<u>(26,276)</u>
Ending loans receivable balance as of December 31, 2011	\$	<u>480,493</u>
Cash balance on hand in the revolving loan fund as of December 31, 201	\$	202,755
Administrative costs expended during 2011	\$	5,541

NOTE F - MATCHING REQUIREMENTS

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



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

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

To the Board of Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Defiance County, Ohio (the County), as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 17, 2012, wherein we noted the County adopted the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2011-002 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

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

We also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 17, 2012.

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

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



Dave Yost
Auditor of State

September 17, 2012



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

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

To the Board of Commissioners:

Compliance

We have audited the compliance of Defiance County, Ohio (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 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 County'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 County's compliance with these requirements.

In our opinion, Defiance County, Ohio 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.

Defiance County
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
Page 2

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 17, 2012.

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



Dave Yost
Auditor of State

September 17, 2012

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal for Rural Communities – CFDA 10.781 Temporary Assistance for Needy Families – CFDA 93.558 Workforce Investment Act Cluster – CFDA 17.207, 17.258, 17.259, 17.278, 17.801, and 17.804 U.S. Army Corps of Engineers: Section 594 Environment Infrastructure – CFDA 12.xxx Special Education Cluster – CFDA 84.027, 84,173, and 84.391 Community Development Block Grant – CFDA 14.228 Army Corp of Engineers CFDA 12.xxx
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2011-001

Monitoring Financial Statements

Material Weakness

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

The 2011 financial statements contained errors, such as the following:

- Sales tax receivable and deferred revenue in the General Fund were overstated by \$524,181, which caused sales tax receivable and sales tax revenue for Governmental Type Activities to be overstated by the same amount.
- Landfill Fund and Business Type Activities beginning net assets and capital assets were overstated by \$395,062 due to landfill costs being improperly included in capital assets construction in progress in prior years.
- \$107,572 in reimbursement revenue in the Historical Jail Construction Fund and Governmental Type Activities was reported as other revenue instead of being separately reported as reimbursement revenue.
- Landfill Fund closure and postclosure expenses and the closure and postclosure payable were understated by \$61,658 due a miscalculation of the landfill liability. This also understated Business Type Activities landfill expenses and long-term liabilities due in more than one year by the same amount.

The financial statements and accounting records have been adjusted to reflect these and other corrections ranging from \$1,170 to \$524,181.

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

Officials' Response:

The County Auditor's office continues to implement various policies, procedures, and reviews within our office and with our Independent Public Accountant in an attempt to keep current with the State Auditor's fund review parameter changes to reduce or eliminate audit adjustments.

FINDING NUMBER 2011-002

Clerk of Courts Cash Reconciliations

Significant Deficiency

Prior to the closing out the cashbook records each month, the legal department bank account balances should be reconciled to the total cash balance of open cases (open items listing) in a timely manner. The title department bank account also should be reconciled to zero after the month end remittances are issued. These procedures are an important method of detecting errors in the cashbook postings and bank account records. After this procedure is completed, any errors found should be immediately corrected, cashbook records closed, and month end financial information generated by the courts.

The following discrepancies were noted as of December 31, 2011:

- Legal department bank account interest was not remitted to the County Treasury for seven months in 2011.
- The Title department did not reconcile the bank account to a zero balance for any month in 2011, resulting in \$1,470 in unremitted monies at the end of the year.
- Outstanding check lists were not created by the title department during 2011.
- There was no evidence bank reconciliations were routinely monitored for accuracy.

The lack of bank reconciliations and monitoring could results in errors or irregularities occurring without detection by management.

We recommend the legal and title departments perform detailed monthly reconciliations of the bank and book balances. The legal department should be reconciled to the open items listing and the title department should be reconciled to zero at the end of each month. Any variances should be investigated and corrected.

Furthermore, The Clerk of Courts and the individual performing the reconciliation should review and sign the bank reconciliation only after the amounts have been traced to supporting documentation and any errors have been investigated and corrected. For the title department, a detailed outstanding check listing should be created and included with the bank reconciliation. The Clerk of Courts should also validate the bank reconciliation by periodically re-performing the reconciliation and tracing remittances to the appropriate supporting documentation. Any daily cash overages or shortages should be reflected and documented on the County Treasurer remittance, when appropriate.

Officials' Response:

All findings by the State Auditor have been reviewed and the Clerk of Courts is in the process of taking corrective action.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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DEFIANCE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 OMB CIRCULAR A -133 § .315 (b)
 DECEMBER 31, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2010-001	Finding for recovery of \$17,222 for money collected but unaccounted for by a former Deputy Clerk of Courts.	No	Partially Corrected, \$2,500 has not been repaid.
2010-002	Finding for recovery of \$299 for public money illegally expended by a former Deputy Clerk of Courts.	Yes	
2010-003	Finding for recovery of \$492 for public money illegally expended by a former Deputy Clerk of Courts.	Yes	
2010-004	Material Weakness due to errors in financial reporting.	No	Not Corrected. Repeated in this report as finding 2011-001.
2010-005	Significant deficiency regarding segregation of duties in the Clerk of Courts office.	No	Partially Corrected. Repeated in this report as finding 2011-002.
2010-006	Noncompliance/questioned cost/material weakness for Workforce Investment Act (WIA) Cluster, for unsubstantiated and improper reporting of expenditures for 2010.	Yes	

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DEFIANCE COUNTY FINANCIAL CONDITION

DEFIANCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 2, 2012