



**Auditor of State  
Betty Montgomery**



**FINANCIAL CONDITION  
DEFIANCE COUNTY**

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**Auditor of State  
Betty Montgomery**

**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, 2005, 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.

As further described in Note 3, during the year ended December 31, 2005, the County reclassified its presentation of the Green Acres Sewer fund. In addition, the County restated the beginning net assets of the Landfill fund for an accounting change in the capital asset balances as described in Note 3.

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, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, Mental Retardation and Developmental Disabilities Fund, Job and Family Services Fund, Motor Vehicle and Gas Tax, Emergency 911 Fund, and Senior Center Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2006, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The schedule of federal awards expenditures is required by 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. We subjected the schedule of federal awards expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Betty Montgomery**  
Auditor of State

June 29, 2006

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
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, 2005. 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 2005 are as follows:

- The total net assets of the County increased \$4,324,199. Net assets of governmental activities increased \$3,230,949, which represents a 4.56% increase over fiscal year 2004. Net assets of business-type activities increased \$1,093,250 or 6.47% from fiscal year 2004.
- General revenues accounted for \$13,888,442 or 43.29% of total governmental activities revenue. Program specific revenues accounted for \$18,193,124 or 56.71% of total governmental activities revenue.
- The County had \$30,026,168 in expenses related to governmental activities; \$18,193,124 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$13,888,442 were adequate to provide for these programs.
- The change in the net assets of the governmental activities also includes a special item of a gain on sale of capital assets of \$1,175,551.
- The General fund, the County's largest major governmental fund, had revenues and other financing sources of \$10,963,895 in 2005, an increase of \$750,512 or 7.35% from 2004 revenues. The General fund, had expenditures and other financing uses of \$10,412,891 in 2005, a decrease of \$17,211 or .17% from 2004. The County also had a special item in 2005, with revenue from the sale of a building complex for \$1,282,801. The increase in revenues and the decrease in expenditures contributed to the General fund balance increase of \$1,833,805 from 2004 to 2005.
- The Mental Retardation and Developmental Disabilities (MR/DD) fund, a major governmental fund, had revenues of \$4,583,659 in 2005, an increase of \$443,464 or 10.71% from 2004 revenues. The MR/DD fund, had expenditures of \$4,184,204 in 2005, an increase of \$287,401 or 7.38% from 2004. The larger increase in revenues than in expenditures contributed to the MR/DD fund balance increase of \$399,455 from 2004 to 2005.
- The Job and Family Services fund, a major governmental fund, had revenues and other financing sources of \$2,099,756 in 2005, a decrease of \$693,499 or 24.83% from 2004 revenues. The Job and Family services fund, had expenditures of \$2,364,855 in 2005, a decrease of \$157,751 or 6.25% from 2004. The greater decrease in revenues than in expenditures contributed to the Job and Family services fund balance decrease of \$265,099 from 2004 to 2005.
- The Motor Vehicle License and Gas Tax fund, a major governmental fund, had revenues and other financing sources of \$4,146,891 in 2005, an increase of \$343,595 or 9.03% from 2004 revenues. The Motor Vehicle License and Gas tax fund, had expenditures of \$5,359,627 in 2005, an increase of \$1,218,273 or 29.42% from 2004. The larger increase in expenditures than the increase in revenues contributed to the Motor Vehicle License and Gas Tax fund balance decrease of \$1,212,736 from 2004 to 2005.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(Continued)**

- The Emergency 911 fund, a major governmental fund, had revenues of \$841,292 in 2005, an increase of \$413,769 or 96.78% from 2004 revenues. The Emergency 911 fund, had expenditures of \$682,241 in 2005, an increase of \$112,460 or 19.74% from 2004. The greater increase in revenues than in expenditures contributed to the Emergency 911 fund balance increase of \$159,051 from 2004 to 2005.
- The Senior Center fund, a major governmental fund, had revenues of \$1,240,001 in 2005, an increase of \$16,657 or 1.36% from 2004 revenues. The Senior Center fund, had expenditures of \$1,145,402 in 2005, an increase of \$55,813 or 5.12% from 2004. Overall revenues were greater than expenditures which contributed to the Senior Center fund balance increase of \$94,599 from 2004 to 2005.
- The County Improvement fund, a major governmental fund, had other financing sources of \$300,000 in 2005, an increase of \$38,113 or 14.55% from 2004 revenues. The County Improvement fund, had expenditures and other financing uses of \$2,566,919 in 2005, an increase of \$2,432,752 or 1,813.22% from 2004 expenditures. The large increase in expenditures and other financing sources contributed to the County Improvement fund balance decrease of \$2,266,919 from 2004 to 2005.
- The County East Side Campus fund, a major governmental fund, had revenues and other financing sources of \$2,540,479 in 2005, an increase of \$2,480,830 or 4,159.05% from 2004 revenues. The County East Side Campus fund, had expenditures of \$2,930,136 in 2005, an increase of \$1,544,663 or 111.49% from 2004 expenditures. Overall expenditures exceeded revenues contributing to the County East Side Campus fund balance decrease of \$389,657 from 2004 to 2005.
- Net assets for the business-type activities, which are made up of the Landfill and Sewer enterprise funds, increased in 2005 by \$1,093,250. This increase in net assets was mainly due to adequate charges for services revenue to cover operating expenses.
- In the general fund, the actual revenues came in \$4,708,374 higher than they were originally budgeted and actual expenditures were \$2,051,522 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 financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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



**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
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(Continued)**

**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 2005?" 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. This change in net assets is important because it tells the reader that, for the County as a whole, the financial position of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, and other factors.

In the Statement of Net Assets and the Statement of Activities, the County is divided into two distinct kinds of activities:

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

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

**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, Mental Retardation and Developmentally Disabled (MR/DD), Job and Family Services, Motor Vehicle and Gas Tax, Emergency 911, Senior Center, County Improvement and County East Side Campus. 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.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

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

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

***Proprietary Funds***

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

***Fiduciary Funds***

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

***Notes to the Financial Statements***

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

***Government-Wide Financial Analysis***

The Statement of Net Assets provides the perspective of the County as a whole. The table below provides a summary of the County's net assets for 2005 and 2004.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

	<b>Net Assets</b>					
	Governmental	Business-type	Restated Governmental	Restated Business-type	2005	Restated
	Activities 2005	Activities 2005	Activities 2004	Activities 2004	Total	2004 Total
<u>Assets</u>						
Current and other assets	\$ 38,319,081	\$ 13,616,646	\$ 38,647,956	\$ 12,790,918	\$ 51,935,727	\$ 51,438,874
Capital assets, net	<u>50,702,405</u>	<u>7,553,038</u>	<u>46,927,070</u>	<u>7,284,205</u>	<u>58,255,443</u>	<u>54,211,275</u>
Total assets	<u>89,021,486</u>	<u>21,169,684</u>	<u>85,575,026</u>	<u>20,075,123</u>	<u>110,191,170</u>	<u>105,650,149</u>
<u>Liabilities</u>						
Other liabilities	9,071,120	132,763	9,089,277	172,039	9,203,883	9,261,316
Long-term liabilities outstanding	<u>5,853,067</u>	<u>3,049,745</u>	<u>5,619,399</u>	<u>3,009,158</u>	<u>8,902,812</u>	<u>8,628,557</u>
Total liabilities	<u>14,924,187</u>	<u>3,182,508</u>	<u>14,708,676</u>	<u>3,181,197</u>	<u>18,106,695</u>	<u>17,889,873</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	46,518,406	7,358,038	44,376,826	6,921,560	53,876,444	51,298,386
Restricted	18,970,753	1,500,770	21,621,137	1,465,575	20,471,523	23,086,712
Unrestricted	<u>8,608,140</u>	<u>9,128,368</u>	<u>4,868,387</u>	<u>8,506,791</u>	<u>17,736,508</u>	<u>13,375,178</u>
Total net assets	<u>\$ 74,097,299</u>	<u>\$ 17,987,176</u>	<u>\$ 70,866,350</u>	<u>\$ 16,893,926</u>	<u>\$ 92,084,475</u>	<u>\$ 87,760,276</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2005, the County's assets exceeded liabilities by \$92,084,475. This amounts to \$74,097,299 in governmental activities and \$17,987,176 in business-type activities.

Capital assets reported on the government-wide statements represent the largest portion of the County's assets. At year-end, capital assets represented 52.87% of total governmental and business-type assets. Capital assets include land, buildings and improvements, equipment, vehicles, construction in progress and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2005, were \$53,876,444. 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.

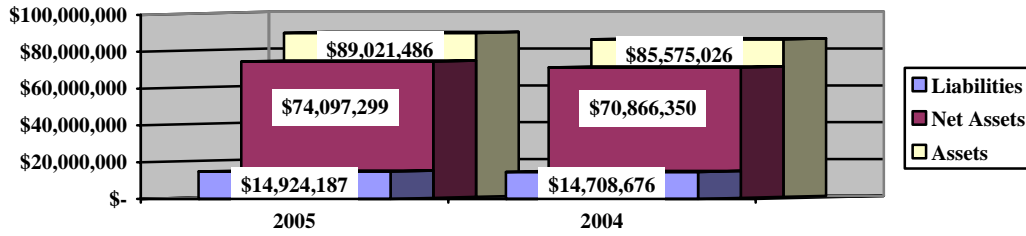
As of December 31, 2005, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the County's net assets, \$20,471,523 or 22.23%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of governmental activities unrestricted net assets of \$17,736,508 may be used to meet the government's ongoing obligations to citizens and creditors.

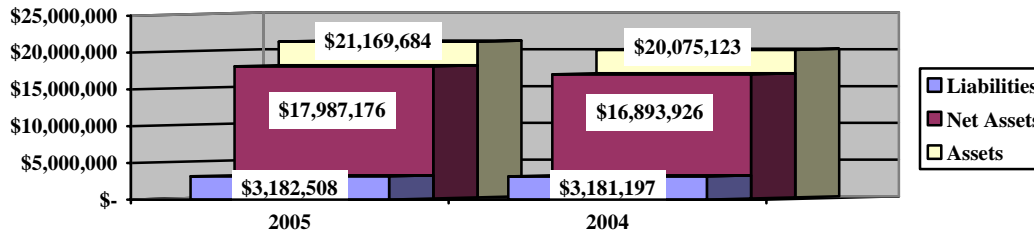
**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**Governmental Activities**



**Business-Type Activities**



**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

The table below shows the changes in net assets for fiscal year 2005 and 2004.

	<b>Change in Net Assets</b>					
	Governmental Activities 2005	Business-type Activities 2005	Restated Governmental Activities 2004	Restated Business-type Activities 2004	Total 2005	Restated Total 2004
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 4,371,028	\$ 3,416,803	\$ 3,909,227	\$ 3,166,202	\$ 7,787,831	\$ 7,075,429
Operating grants and contributions	13,095,647		11,126,145		13,095,647	11,126,145
Capital grants and contributions	<u>726,449</u>	<u>577,554</u>	<u>1,863,203</u>	<u>178,778</u>	<u>1,304,003</u>	<u>2,041,981</u>
Total program revenues	<u>18,193,124</u>	<u>3,994,357</u>	<u>16,898,575</u>	<u>3,344,980</u>	<u>22,187,481</u>	<u>20,243,555</u>
General revenues:						
Property taxes	5,214,657		5,124,667		5,214,657	5,124,667
Sales tax	4,433,635		4,482,195		4,433,635	4,482,195
Unrestricted grants	1,169,979		1,156,167		1,169,979	1,156,167
Investment earnings	1,631,377	138,515	958,763	10,160	1,769,892	968,923
Other	<u>1,438,794</u>	<u>29,951</u>	<u>1,374,637</u>	<u>72,469</u>	<u>1,468,745</u>	<u>1,447,106</u>
Total general revenues	<u>13,888,442</u>	<u>168,466</u>	<u>13,096,429</u>	<u>82,629</u>	<u>14,056,908</u>	<u>13,179,058</u>
Total revenues	<u>32,081,566</u>	<u>4,162,823</u>	<u>29,995,004</u>	<u>3,427,609</u>	<u>36,244,389</u>	<u>33,422,613</u>
Special item:						
Gain on sale of capital assets	<u>1,175,551</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,175,551</u>	<u>-</u>
Total revenues and special items	<u>33,257,117</u>	<u>4,162,823</u>	<u>29,995,004</u>	<u>3,427,609</u>	<u>37,419,940</u>	<u>33,422,613</u>

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

	Change in Net Assets					
	Governmental	Business-type	Restated	Restated	Total	Restated
	Activities	Activities	Governmental	Business-type		
2005	2005	Activities	Activities	2005	2004	
General government						
Legislative and executive	5,828,899		5,585,512		5,828,899	5,585,512
Judicial	1,542,892		1,373,983		1,542,892	1,373,983
Public safety	4,421,557		3,969,517		4,421,557	3,969,517
Public works	7,369,337		4,524,436		7,369,337	4,524,436
Health	4,216,895		3,835,788		4,216,895	3,835,788
Human services	5,910,202		5,236,075		5,910,202	5,236,075
Conservation and recreation	6,438		9,874		6,438	9,874
Economic development	483,702		511,613		483,702	511,613
Interest and fiscal charges	246,246		236,619		246,246	236,619
Landfill		2,345,933		2,520,945	2,345,933	2,520,945
Sewer	-	723,640	-	353,708	723,640	353,708
Total expenses	<u>30,026,168</u>	<u>3,069,573</u>	<u>25,283,417</u>	<u>2,874,653</u>	<u>33,095,741</u>	<u>28,158,070</u>
Change in net assets	3,230,949	1,093,250	4,711,587	552,956	4,324,199	5,264,543
Net assets at beginning of year (restated)	<u>70,866,350</u>	<u>16,893,926</u>	<u>66,154,763</u>	<u>16,340,970</u>	<u>87,760,276</u>	<u>82,495,733</u>
Net assets at end of year	<u>\$ 74,097,299</u>	<u>\$ 17,987,176</u>	<u>\$ 70,866,350</u>	<u>\$ 16,893,926</u>	<u>\$ 92,084,475</u>	<u>\$ 87,760,276</u>

**Governmental Activities**

Governmental net assets increased by \$3,230,949 in 2005 over 2004. This increase is due to increased revenues still being higher than increased expenses and transfers to business-type activities, as well as the special item - gain on sale of capital assets, of \$1,175,551.

Human services expenses support the operations of Family Services (Public Assistance), Veteran Services, and the Children Services Board, and accounts for \$5,910,202 of expenses, or 20.01% of total governmental expenses of the County. These expenses were funded by \$133,724 in direct charges to users and \$5,431,965 in operating grants and contributions in 2005. General government expenses which includes legislative and executive and judicial programs, accounted for \$7,371,791 or 24.95% of total governmental expenses. General government expenses were covered by \$3,417,553 of direct charges to users and \$555,502 in operating grants and contributions in 2005.

The state and federal government contributed to the County revenues of \$13,095,647 in operating grants and contributions and \$726,449 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total, operating grants and contributions, \$5,431,965, or 41.48%, subsidized human services programs.

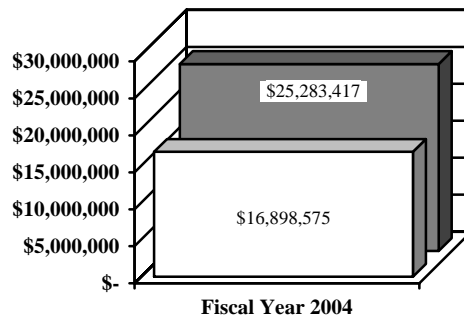
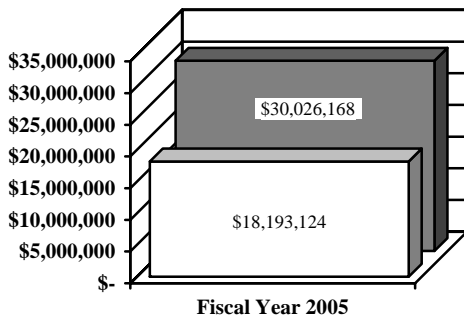
**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

General revenues totaled \$13,888,442, and amounted to 43.29% of total revenues. These revenues primarily consist of property and sales tax revenue of \$9,648,292, or 69.47% of total general revenues in 2005. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with local government and local government revenue assistance making up \$1,169,979, or 8.42% of the total.

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 2005 and 2004. 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**



□ Program Revenues ■ Expenses

□ Program Revenues ■ Expenses

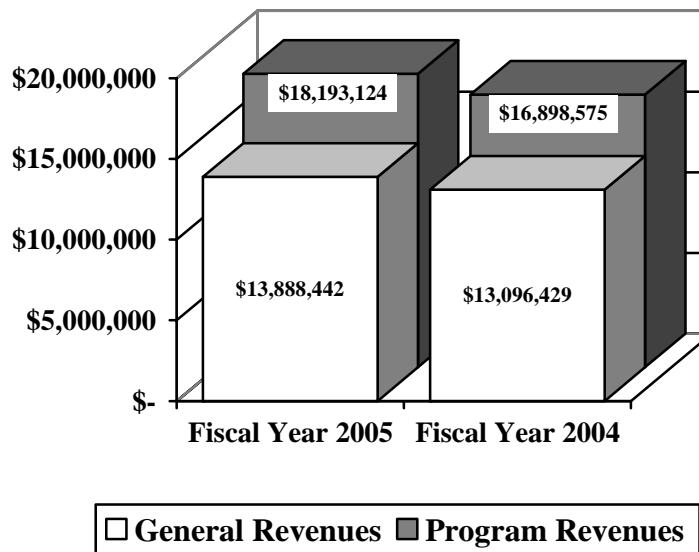
**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2005</u>	<u>2005</u>	<u>2004</u>	<u>2004</u>
Program Expenses:				
General government				
Legislative and executive	\$ 5,828,899	\$ 2,418,445	\$ 5,585,512	\$ 3,773,948
Judicial	1,542,892	980,291	1,373,983	752,051
Public safety	4,421,557	3,652,214	3,969,517	3,247,632
Public works	7,369,337	2,262,266	4,524,436	(2,127,047)
Health	4,216,895	1,670,029	3,835,788	1,781,315
Human services	5,910,202	344,513	5,236,075	1,278,441
Conservation and recreation	6,438	6,438	9,874	9,874
Economic development	483,702	252,602	511,613	(567,991)
Interest and fiscal charges	246,246	246,246	236,619	236,619
<b>Total</b>	<b><u>\$ 30,026,168</u></b>	<b><u>\$ 11,833,044</u></b>	<b><u>\$ 25,283,417</u></b>	<b><u>\$ 8,384,842</u></b>

The dependence upon general revenues for governmental activities is apparent, with 41.08% of expenses supported through taxes and other general revenues during 2005. The graph below illustrates the County's reliance upon general revenues.

**Governmental Activities – General and Program Revenues**





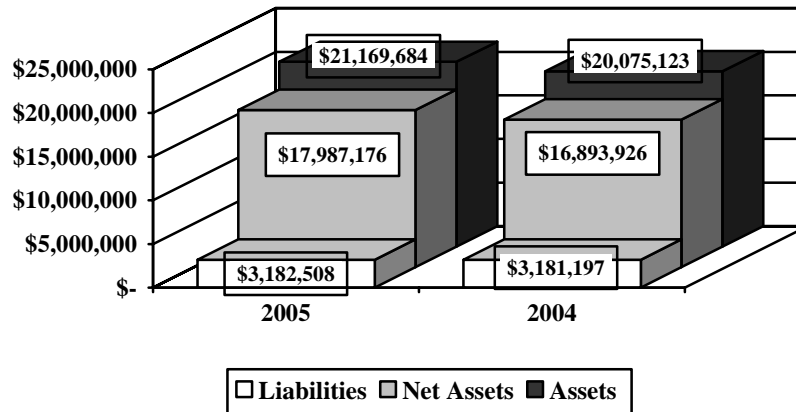
**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**Business-Type Activities**

The Landfill and Sewer are the County's enterprise funds. These operations had program revenues of \$3,994,357, general revenues of \$168,466, and expenses of \$3,069,573 for fiscal year 2005. The net assets of the enterprise funds increased \$1,093,250 or 6.47% during 2005. The following graph illustrates the assets, liabilities and net assets of the County's business-type activities at December 31, 2005:

**Net Assets in Business – Type Activities**



**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. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at year-end.

The County's governmental funds reported a combined fund balance of \$21,054,569, which is \$1,774,839 under last year's total of \$22,829,408. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2005, for all major and nonmajor governmental funds.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

	Fund Balance	(Restated) Fund Balance	Increase
	<u>December 31, 2005</u>	<u>December 31, 2004</u>	<u>(Decrease)</u>
Major Funds:			
General	\$ 10,079,870	\$ 8,246,065	\$ 1,833,805
Mental Retardation and Developmental Disabilities	2,215,941	1,816,486	399,455
Job and Family Services	217,473	482,572	(265,099)
Motor Vehicle License and Gas Tax	399,775	1,612,511	(1,212,736)
Emergency 911	231,610	72,559	159,051
Senior Center	722,343	627,744	94,599
County Improvement	4,098,056	6,364,975	(2,266,919)
County East Side Campus	(1,715,481)	(1,325,824)	(389,657)
Other Nonmajor Governmental Funds	<u>4,804,982</u>	<u>4,932,320</u>	<u>(127,338)</u>
Total	<u>\$ 21,054,569</u>	<u>\$ 22,829,408</u>	<u>\$ (1,774,839)</u>

**General Fund**

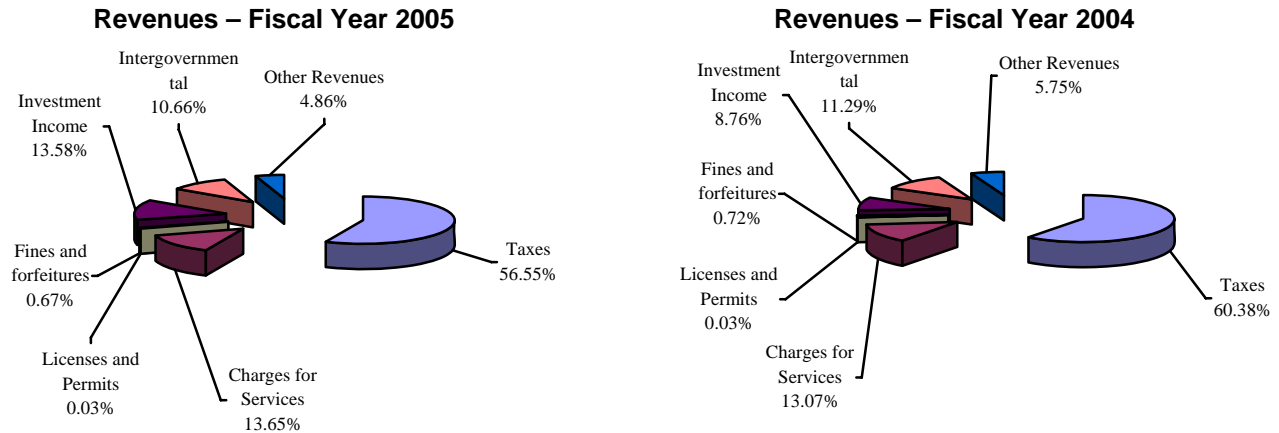
The County's general fund balance increased \$1,833,805, primarily due to increase investment income and the Special Item due to the sale of the building complex of \$1,282,801. The table that follows assists in illustrating the revenues of the general fund.

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 6,194,842	\$ 6,160,598	0.56 %
Charges for services	1,494,945	1,333,612	12.10 %
Licenses and permits	3,703	3,370	9.88 %
Fines and forfeitures	72,933	73,682	(1.02) %
Intergovernmental	1,168,161	1,151,984	1.40 %
Investment income	1,487,362	893,471	66.47 %
Other	<u>532,996</u>	<u>586,924</u>	(9.19) %
Total	<u>\$ 10,954,942</u>	<u>\$ 10,203,641</u>	7.36 %

Tax revenue represents 56.55% of all general fund revenue. Tax revenue increased slightly by .56% over prior year. The increase in investment income is primarily due to an increase in the interest rates the County receives on its investments. All other revenue remained comparable to 2004.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**



The table that follows assists in illustrating the expenditures of the general fund.

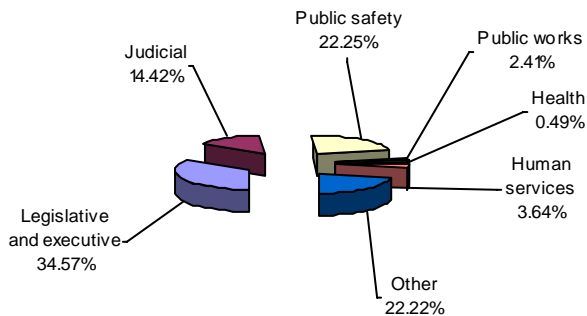
	<u>2005 Amount</u>	<u>2004 Amount</u>	<u>Percentage Change</u>
<b><u>Expenditures</u></b>			
General government			
Legislative and executive	\$ 2,953,467	\$ 2,864,912	3.09 %
Judicial	1,231,737	1,135,595	8.47 %
Public safety	1,900,464	1,869,169	1.67 %
Public works	205,534	265,876	(22.70) %
Health	41,977	62,523	(32.86) %
Human services	311,610	393,320	(20.77) %
Other	<u>1,898,485</u>	<u>1,886,494</u>	0.64 %
<b>Total</b>	<b><u>\$ 8,543,274</u></b>	<b><u>\$ 8,477,889</u></b>	<b>0.77 %</b>

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

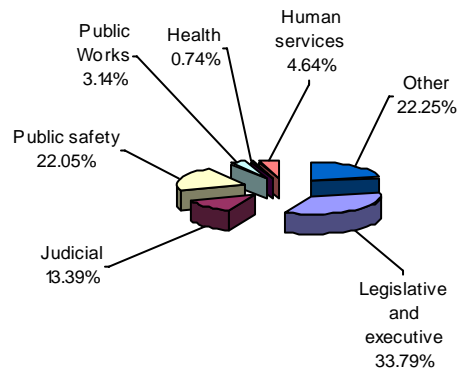
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

The most significant decreases as a percentage change are in the areas of Public Works, Health, and Human services; however as a dollar amount the changes are not significant. All other expenditures remained comparable to 2004.

**Expenditures - Fiscal Year 2005**



**Expenditures - Fiscal Year 2004**



***Mental Retardation and Developmental Disabilities (MR/DD) Fund***

The Mental Retardation and Developmental Disabilities (MR/DD) fund, a major governmental fund, had revenues of \$4,583,659 in 2005, an increase of \$443,464 or 10.71% from 2004 revenues due to increases in general property tax and state grants. The MR/DD fund, had expenditures of \$4,184,204 in 2005, an increase of \$287,401 or 7.38% from 2004 due to an increase in contract services, equipment purchases, and insurance. The larger increase in revenues than in expenditures contributed to the MR/DD fund balance increase of \$399,455 from 2004 to 2005.

***Job and Family Services Fund***

The Job and Family Services fund, a major governmental fund, had revenues and other financing sources of \$2,099,756 in 2005, a decrease of \$693,499 or 24.83% from 2004 revenues due to a decrease in grant revenues. The Job and Family services fund, had expenditures of \$2,364,855 in 2005, a decrease of \$157,751 or 6.25% from 2004. The greater decrease in revenues than in expenditures contributed to the Job and Family services fund balance decrease of \$265,099 from 2004 to 2005.

***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 \$4,146,891 in 2005, an increase of \$343,595 or 9.03% from 2004 revenues due an increase in state reimbursements. The Motor Vehicle License and Gas tax fund, had expenditures of \$5,359,627 in 2005, an increase of \$1,218,273 or 29.42% from 2004 as a result of additional contracts for paving in 2005. The larger increase in expenditures than the increase in revenues contributed to the Motor Vehicle License and Gas Tax fund balance decrease of \$1,212,736 from 2004 to 2005.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

***Emergency 911 Fund***

The Emergency 911 fund, a major governmental fund, had revenues of \$841,292 in 2005, an increase of \$413,769 or 96.78% from 2004 revenues. The Emergency 911 fund, had expenditures of \$682,241 in 2005, an increase of \$112,460 or 19.74% from 2004 due to a new levy. The greater increase in revenues than in expenditures contributed to the Emergency 911 fund balance increase of \$159,051 from 2004 to 2005 due to an increase in salary expenses.

***Senior Center Fund***

The Senior Center fund, a major governmental fund, had revenues of \$1,240,001 in 2005, an increase of \$16,657 or 1.36% from 2004 revenues. The Senior Center fund, had expenditures of \$1,145,402 in 2005, an increase of \$55,813 or 5.12% from 2004. Overall revenues were greater than expenditures which contributed to the Senior Center fund balance increase of \$94,599 from 2004 to 2005.

***County Improvement Fund***

The County Improvement fund, a major governmental fund, had other financing sources of \$300,000 in 2005, an increase of \$38,113 or 14.55% from 2004 revenues. The County Improvement fund, had expenditures and other financing uses of \$2,566,919 in 2005, an increase of \$2,432,752 or 1,813.22% from 2004 expenditures due to transfers-out in 2005. The large increase in expenditures and other financing sources contributed to the County Improvement fund balance decrease of \$2,266,919 from 2004 to 2005.

***County East Side Campus Fund***

The County East Side Campus fund, a major governmental fund, had revenues and other financing sources of \$2,540,479 in 2005, an increase of \$2,480,830 or 4,159.05% from 2004 revenues due to transfers-in for 2005. The County East Side Campus fund, had expenditures of \$2,930,136 in 2005, an increase of \$1,544,663 or 111.49% from 2004 expenditures as a result of the construction project on a building at the County East Side Campus. Overall expenditures exceeded revenues contributing to the County East Side Campus fund balance decrease of \$389,657 from 2004 to 2005.

***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, MR/DD, job and family services, motor vehicle license and gas tax, emergency 911 and senior center. In the general fund, the original budgeted revenues and other financing sources were \$7,663,178 these were increased to \$11,931,405 in the final budget. Actual revenues of \$12,371,552 exceeded final budgeted revenues by \$440,147 or 3.69%. This increase is primarily due to greater than anticipated receipts in sales tax revenue. In the general fund, the original budgeted appropriations were \$13,416,525 these were increased to \$17,684,752 in the final budget. Actual expenditures and other financing uses of \$11,365,003 were less than final budgeted appropriations by \$6,319,749 or 35.74%. Actual expenditures being lower than final budgeted expenditures are a result of the County's conservative budgeting practices.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

***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 2005, the County had \$58,255,443 (net of accumulated depreciation) invested in land, buildings and improvements, furniture and equipment, vehicles, construction in progress, sewer mains and infrastructure. Of this total, \$50,702,405 was reported in governmental activities and \$7,553,038 was reported in business-type activities. The following table shows fiscal 2005 balances compared to 2004:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$ 886,031	\$ 811,071	\$ 997,099	\$ 878,530	\$ 1,883,130	\$ 1,689,601
Building and improvements	11,446,219	9,473,318	251,625	257,947	11,697,844	9,731,265
Furniture and equipment	1,071,190	1,032,465	1,308,438	1,556,208	2,379,628	2,588,673
Vehicles	1,262,742	1,352,372	68,291	71,651	1,331,033	1,424,023
Infrastructure	36,036,223	32,402,471			36,036,223	32,402,471
Sewer lines			2,657,978	2,735,717	2,657,978	2,735,717
Construction in progress	-	1,855,373	2,269,607	1,784,153	2,269,607	3,639,526
<b>Total</b>	<b><u>\$ 50,702,405</u></b>	<b><u>\$ 46,927,070</u></b>	<b><u>\$ 7,553,038</u></b>	<b><u>\$ 7,284,206</u></b>	<b><u>\$ 58,255,443</u></b>	<b><u>\$ 54,211,276</u></b>

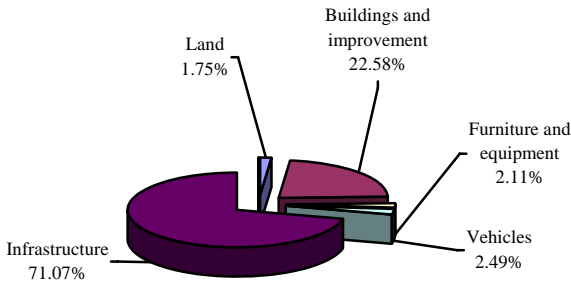
See Note 9 to the basic financial statements for detail on governmental activities and business-type activities capital assets.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

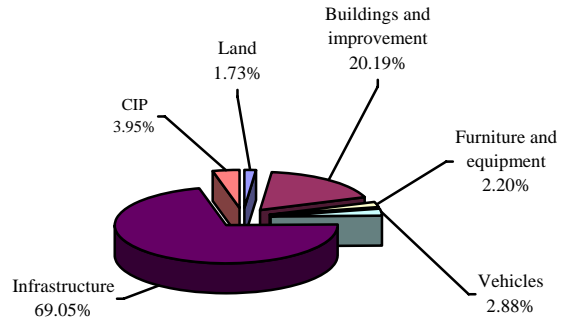
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

The following graphs show the breakdown of governmental capital assets by category for 2005 and 2004.

**Capital Assets - Governmental Activities 2005**



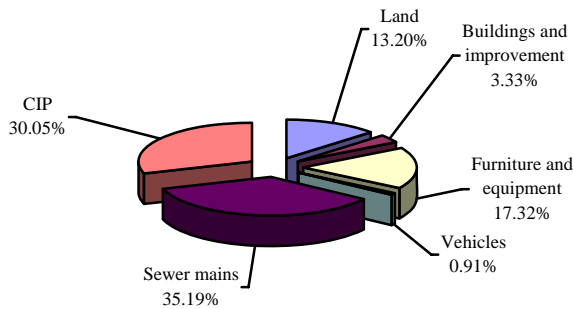
**Capital Assets - Governmental Activities 2004**



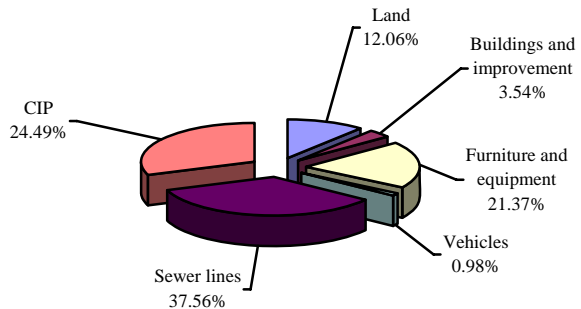
The County's largest capital asset category is infrastructure which includes roads, bridges and culverts. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 71% of the County's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2005 and 2004.

**Capital Assets - Business-Type Activities 2005**



**Capital Assets - Business-Type Activities 2004**



The County's largest business-type capital asset category is sewer mains. 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 mains (cost less accumulated depreciation) represents approximately 35% of the County's total business-type capital assets.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

***Debt Administration***

At December 31, 2005, the County had \$2,490,000 in general obligation bonds, \$1,178,500 in special assessment bonds, \$60,000 in sewer revenue bonds, OPWC loans of \$315,932, OWDA loans of \$918,286, GMAC commercial mortgage of \$90,000 and closure and post-closure of \$2,777,582 outstanding. Of this total, \$258,792 is due within one year and \$7,571,508 is due within greater than one year. The following table summarizes the bonds and loans outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities 2005	Business-Type Activities 2005	Governmental Activities 2004	Business-Type Activities 2004
Long-Term Obligations				
General obligation bonds:	\$ 2,445,000	\$ 45,000	\$ 2,165,000	\$ 55,000
Special assessment bonds	1,178,500		1,218,200	
Sewer revenue bonds		60,000		
Loans payable			15,744	213,645
OPWC loans	315,932		339,335	
OWDA loans	918,286		958,781	
GMAC commercial mortgage		90,000		94,000
Closure and postclosure	-	2,777,582	-	2,586,896
Total	<u>\$ 4,857,718</u>	<u>\$ 2,972,582</u>	<u>\$ 4,697,060</u>	<u>\$ 2,949,541</u>

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

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

The County's current estimated population as of July 1, 2004 (the latest information available from the 2000 census) is 39,112.

As of December 31, 2005, as reported by the Ohio Job and Family Services Office of Workforce Development and Bureau of Labor Market Information the County's unemployment rates was 5.9%, compared to the 5.6% unadjusted state rate and the 4.9% unadjusted national rate.

These economic factors were considered in preparing the County's budget for fiscal year 2006. Budgeted revenues and other financing sources in the general fund for fiscal year 2006 budget are \$8,854,678.

**Contacting the County's Financial Management**

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



**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2005**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 22,387,955	\$ 9,478,507	\$ 31,866,462
Cash and cash equivalents in segregated accounts . . .	154,548	550	155,098
Cash and cash equivalents with fiscal agent . . . . .	2,161		2,161
Investments . . . . .		4,169,027	4,169,027
Receivables (net of allowances for uncollectibles):			
Sales taxes . . . . .	745,592		745,592
Real estate and other taxes . . . . .	5,595,148		5,595,148
Accounts . . . . .	260,874	341,188	602,062
Intergovernmental . . . . .	5,107,313		5,107,313
Special assessments . . . . .	2,411,295		2,411,295
Accrued interest . . . . .	199,303	25,549	224,852
Loans . . . . .	315,441		315,441
Internal balances . . . . .	453,452	(453,452)	
Prepayments . . . . .	299,474	39,549	339,023
Materials and supplies inventory . . . . .	386,525	15,728	402,253
Capital assets:			
Land and construction in progress . . . . .	886,031	3,266,706	4,152,737
Depreciable capital assets, net. . . . .	49,816,374	4,286,332	54,102,706
Total capital assets . . . . .	<u>50,702,405</u>	<u>7,553,038</u>	<u>58,255,443</u>
<b>Total assets . . . . .</b>	<b>89,021,486</b>	<b>21,169,684</b>	<b>110,191,170</b>
<b>Liabilities:</b>			
Accounts payable . . . . .	356,644	81,976	438,620
Accrued wages and benefits . . . . .	176,080	7,129	183,209
Due to other governments . . . . .	237,436	42,876	280,312
Accrued interest payable . . . . .	51,632	782	52,414
Notes payable . . . . .	2,859,979		2,859,979
Claims payable . . . . .	92,814		92,814
Deferred revenue . . . . .	5,296,535		5,296,535
Long-term liabilities:			
Due within one year . . . . .	628,840	39,091	667,931
Due in more than one year . . . . .	<u>5,224,227</u>	<u>3,010,654</u>	<u>8,234,881</u>
<b>Total liabilities . . . . .</b>	<b>14,924,187</b>	<b>3,182,508</b>	<b>18,106,695</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	46,518,406	7,358,038	53,876,444
Restricted for:			
Debt service . . . . .	1,736,490		1,736,490
Capital projects . . . . .	4,431,078		4,431,078
Other purposes . . . . .	3,186,115		3,186,115
Human services programs . . . . .	2,429,502		2,429,502
Public works projects . . . . .	2,082,663		2,082,663
Public safety programs . . . . .	2,701,256		2,701,256
Health Services . . . . .	2,403,649		2,403,649
Landfill closure and postclosure . . . . .		1,500,770	1,500,770
Unrestricted . . . . .	<u>8,608,140</u>	<u>9,128,368</u>	<u>17,736,508</u>
<b>Total net assets . . . . .</b>	<b>\$ 74,097,299</b>	<b>\$ 17,987,176</b>	<b>\$ 92,084,475</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General government:				
Legislative and executive . . . . .	\$ 5,828,899	\$ 3,035,454	\$ 375,000	
Judicial . . . . .	1,542,892	382,099	180,502	
Public safety . . . . .	4,421,557	405,148	364,195	
Public works . . . . .	7,369,337	316,205	4,064,417	\$ 726,449
Health . . . . .	4,216,895	92,398	2,454,468	
Human services . . . . .	5,910,202	133,724	5,431,965	
Conservation and recreation . . . . .	6,438			
Economic development . . . . .	483,702	6,000	225,100	
Interest and fiscal charges . . . . .	246,246			
Total governmental activities . . . . .	<u>30,026,168</u>	<u>4,371,028</u>	<u>13,095,647</u>	<u>726,449</u>
<b>Business-Type Activities:</b>				
Landfill . . . . .	2,345,933	2,925,045		
Sewer . . . . .	723,640	491,758		577,554
Total business-type activities . . . . .	<u>3,069,573</u>	<u>3,416,803</u>		<u>577,554</u>
Total . . . . .	<u>\$ 33,095,741</u>	<u>\$ 7,787,831</u>	<u>\$ 13,095,647</u>	<u>\$ 1,304,003</u>

**General Revenues:**

Property taxes levied for:

General fund . . . . .	
Public safety - Emergency 911 . . . . .	
Human services - County Board of MR/DD . . . . .	
Human services - Senior center . . . . .	
Sales taxes . . . . .	
Grants and entitlements not restricted to specific programs . . . . .	
Investment earnings . . . . .	
Miscellaneous . . . . .	

**Special Item:**

Gain on sale of building complex . . . . .

Total general revenues and special items . . . . .

Change in net assets . . . . .

**Net assets at beginning of year (restated - see Note 3) . . . . .**

**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
\$ (2,418,445)		\$ (2,418,445)
(980,291)		(980,291)
(3,652,214)		(3,652,214)
(2,262,266)		(2,262,266)
(1,670,029)		(1,670,029)
(344,513)		(344,513)
(6,438)		(6,438)
(252,602)		(252,602)
(246,246)		(246,246)
<u>(11,833,044)</u>		<u>(11,833,044)</u>
	\$ 579,112	579,112
	345,672	345,672
	<u>924,784</u>	<u>924,784</u>
<u>(11,833,044)</u>	<u>924,784</u>	<u>(10,908,260)</u>
1,699,633		1,699,633
762,434		762,434
2,039,384		2,039,384
713,206		713,206
4,433,635		4,433,635
1,169,979		1,169,979
1,631,377	138,515	1,769,892
1,438,794	29,951	1,468,745
1,175,551		1,175,551
<u>15,063,993</u>	<u>168,466</u>	<u>15,232,459</u>
3,230,949	1,093,250	4,324,199
70,866,350	16,893,926	87,760,276
<u>\$ 74,097,299</u>	<u>\$ 17,987,176</u>	<u>\$ 92,084,475</u>

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<u>General</u>	<u>Mental Retardation and Developmental Disabilities</u>	<u>Job and Family Services</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Emergency 911</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 6,987,153	\$ 2,244,617	\$ 272,832	\$ 508,750	\$ 229,689
Cash and cash equivalents in segregated accounts . . . . .	154,548				
Cash and cash equivalents with fiscal agent . . . . .		2,161			
Receivables (net of allowance for uncollectibles):					
Sales taxes . . . . .	745,592				
Real estate and other taxes . . . . .	1,622,941	2,400,735			798,236
Accounts . . . . .	76,803			32,105	1,595
Intergovernmental . . . . .	542,740	88,584	1,086,018	1,889,020	33,682
Special assessments . . . . .				5,597	
Accrued interest . . . . .	199,303				
Loans . . . . .					
Interfund loans . . . . .	2,394,700				
Due from other funds . . . . .	15,877				
Prepayments . . . . .	158,194	42,818	25,707	27,180	19,284
Materials and supplies inventory . . . . .	59,890	7,150	8,330	257,438	997
	<u>12,957,741</u>	<u>4,786,065</u>	<u>1,392,887</u>	<u>2,720,090</u>	<u>1,083,483</u>
<b>Total assets . . . . .</b>	<b>\$ 12,957,741</b>	<b>\$ 4,786,065</b>	<b>\$ 1,392,887</b>	<b>\$ 2,720,090</b>	<b>\$ 1,083,483</b>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 134,391	\$ 12,024	\$ 62,302	\$ 40,719	\$ 2,795
Accrued wages and benefits . . . . .	59,664	38,502	20,141	19,762	8,610
Compensated absences payable . . . . .	794	729			
Due to other funds . . . . .	3,161		15,877		
Due to other governments . . . . .	88,547	30,409	48,074	24,159	8,825
Interfund loan payable . . . . .					
Accrued interest payable . . . . .				6,115	
Notes payable . . . . .				750,000	
Deferred revenue . . . . .	2,591,314	2,488,460	1,029,020	1,479,560	831,643
	<u>2,877,871</u>	<u>2,570,124</u>	<u>1,175,414</u>	<u>2,320,315</u>	<u>851,873</u>
<b>Total liabilities . . . . .</b>	<b>2,877,871</b>	<b>2,570,124</b>	<b>1,175,414</b>	<b>2,320,315</b>	<b>851,873</b>
<b>Fund Balances:</b>					
Reserved for encumbrances . . . . .	43,536	23,248		89,043	2,402
Reserved for prepayments . . . . .	158,194	42,818	25,707	27,180	19,284
Reserved for materials and supplies inventory . . . . .	59,890	7,150	8,330	257,438	997
Reserved for interfund loans . . . . .	2,394,700				
Reserved for loans . . . . .					
Unreserved:					
Designated for retirement . . . . .					
Undesignated (deficit), reported in:					
General fund . . . . .	7,423,550				
Special revenue funds . . . . .		2,142,725	183,436	26,114	208,927
Debt service funds . . . . .					
Capital projects funds . . . . .					
	<u>10,079,870</u>	<u>2,215,941</u>	<u>217,473</u>	<u>399,775</u>	<u>231,610</u>
<b>Total fund balances . . . . .</b>	<b>10,079,870</b>	<b>2,215,941</b>	<b>217,473</b>	<b>399,775</b>	<b>231,610</b>
<b>Total liabilities and fund balances . . . . .</b>	<b>\$ 12,957,741</b>	<b>\$ 4,786,065</b>	<b>\$ 1,392,887</b>	<b>\$ 2,720,090</b>	<b>\$ 1,083,483</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Senior Center</u>	<u>County Improvement</u>	<u>County East Side Campus</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 701,542	\$ 4,074,056	\$ 205,691	\$ 6,582,255	\$ 21,806,585
				154,548
				2,161
				745,592
773,236				5,595,148
			150,272	260,775
132,712			1,334,557	5,107,313
			2,405,698	2,411,295
				199,303
			315,441	315,441
	24,000	37,000	50,548	2,506,248
			3,161	19,038
6,272		191	19,828	299,474
11,369			41,351	386,525
<u>\$ 1,625,131</u>	<u>\$ 4,098,056</u>	<u>\$ 242,882</u>	<u>\$ 10,903,111</u>	<u>\$ 39,809,446</u>
\$ 21,093		\$ 32,072	\$ 51,149	\$ 356,545
8,149			21,252	176,080
				1,523
				19,038
8,729			28,693	237,436
		205,500	1,859,171	2,064,671
		20,791	5,232	32,138
		1,700,000	409,979	2,859,979
864,817		-	3,722,653	13,007,467
<u>902,788</u>		<u>1,958,363</u>	<u>6,098,129</u>	<u>18,754,877</u>
34,515	44,614	17,289	386,639	641,286
6,272		191	19,828	299,474
11,369			41,351	386,525
	24,000	37,000	50,548	2,506,248
			218,776	218,776
			42,517	42,517
				7,423,550
670,187			4,279,456	7,510,845
			519,786	519,786
	4,029,442	(1,769,961)	(753,919)	1,505,562
<u>722,343</u>	<u>4,098,056</u>	<u>(1,715,481)</u>	<u>4,804,982</u>	<u>21,054,569</u>
<u>\$ 1,625,131</u>	<u>\$ 4,098,056</u>	<u>\$ 242,882</u>	<u>\$ 10,903,111</u>	<u>\$ 39,809,446</u>

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2005

<b>Total governmental fund balances</b>		<b>\$ 21,054,569</b>
<i>Amounts reported for governmental activities in 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.		50,702,405
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$ 352,107	
Sales tax receivable	381,358	
Intergovernmental receivable	4,380,108	
Accounts Receivable	100,716	
Special assessments receivable	2,411,295	
Accrued interest receivable	85,348	
Total		7,710,932
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. The net assets of the internal service fund are:		488,556
An interfund receivable is recorded in governmental activities to reflect underpayments to the internal service fund by the business-type activities.		11,875
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	(2,445,000)	
Special assessment bonds	(1,178,500)	
OPWC loan	(315,932)	
OWDA loans	(918,286)	
Compensated absences	(993,826)	
Accrued interest payable	(19,494)	
Total		(5,871,038)
<b>Net assets of governmental activities</b>		<b>\$ 74,097,299</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**FINANCIAL CONDITION  
DEFIANCE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	General	Mental Retardation and Developmental Disabilities	Job and Family Services	Motor Vehicle and Gas Tax
<b>Revenues:</b>				
Property taxes . . . . .	\$ 1,714,892	\$ 2,051,369		
Sales taxes . . . . .	4,479,950			
Special assessments . . . . .				
Charges for services . . . . .	1,494,945			\$ 1,853
Licenses and permits . . . . .	3,703			
Fines and forfeitures . . . . .	72,933			27,467
Intergovernmental . . . . .	1,168,161	2,498,517	\$ 1,965,325	4,011,891
Investment income . . . . .	1,487,362			48,478
Other . . . . .	532,996	33,773	16,513	41,943
Total revenues . . . . .	10,954,942	4,583,659	1,981,838	4,131,632
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	2,953,467			
Judicial . . . . .	1,231,737			
Public safety . . . . .	1,900,464			
Public works . . . . .	205,534			5,346,712
Health . . . . .	41,977	4,184,204		
Human services . . . . .	311,610		2,364,855	
Economic development . . . . .				
Other . . . . .	1,898,485			
Capital outlay . . . . .				
Debt service:				
Principal retirement . . . . .				12,915
Interest and fiscal charges . . . . .				
Total expenditures . . . . .	8,543,274	4,184,204	2,364,855	5,359,627
Excess (deficiency) of revenues over (under) expenditures . . . . .	2,411,668	399,455	(383,017)	(1,227,995)
<b>Other financing sources (uses):</b>				
Sale of capital assets . . . . .	8,953			
Premium on issuance of notes . . . . .				5,260
Issuance of bonds . . . . .				
Issuance OWDA loans . . . . .				
Transfers in . . . . .			117,918	9,999
Transfers out . . . . .	(1,869,617)			
Total other financing sources (uses) . . . . .	(1,860,664)		117,918	15,259
<b>Special item:</b>				
Sale of building complex . . . . .	1,282,801			
Net change in fund balances . . . . .	1,833,805	399,455	(265,099)	(1,212,736)
<b>Fund balances at beginning of year (restated) . . . . .</b>	8,246,065	1,816,486	482,572	1,612,511
<b>Fund balances at end of year . . . . .</b>	\$ 10,079,870	\$ 2,215,941	\$ 217,473	\$ 399,775

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



<u>Emergency 911</u>	<u>Senior Center</u>	<u>County Improvement</u>	<u>County East Side Campus</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 745,220	\$ 718,078				\$ 5,229,559
					4,479,950
				\$ 510,079	510,079
				1,390,773	2,887,571
					3,703
				25,890	126,290
92,715	463,151			4,186,367	14,386,127
			\$ 3,691	27,975	1,567,506
3,357	58,772			705,837	1,393,191
<u>841,292</u>	<u>1,240,001</u>		<u>3,691</u>	<u>6,846,921</u>	<u>30,583,976</u>
				932,312	3,885,779
				204,198	1,435,935
682,241				1,758,912	4,341,617
				113,058	5,665,304
				99,885	4,326,066
	1,145,402			1,981,517	5,803,384
				483,702	483,702
		\$ 66,919	2,888,020	2,574,080	1,898,485
					5,529,019
				234,236	234,236
			42,116	211,698	266,729
<u>682,241</u>	<u>1,145,402</u>	<u>66,919</u>	<u>2,930,136</u>	<u>8,593,598</u>	<u>33,870,256</u>
159,051	94,599	(66,919)	(2,926,445)	(1,746,677)	(3,286,280)
			17,862	1,671	8,953
				375,000	24,793
				19,894	375,000
		300,000	2,518,926	1,474,670	19,894
		(2,500,000)		(251,896)	4,421,513
		(2,200,000)	2,536,788	1,619,339	(4,621,513)
					228,640
					1,282,801
159,051	94,599	(2,266,919)	(389,657)	(127,338)	(1,774,839)
72,559	627,744	6,364,975	(1,325,824)	4,932,320	22,829,408
<u>\$ 231,610</u>	<u>\$ 722,343</u>	<u>\$ 4,098,056</u>	<u>\$ (1,715,481)</u>	<u>\$ 4,804,982</u>	<u>\$ 21,054,569</u>

**FINANCIAL CONDITION  
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, 2005**

<b>Net change in fund balances - total governmental funds</b>		<b>\$ (1,774,839)</b>
<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 cost 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	\$ 5,521,704	
Depreciation expense	<u>(1,506,998)</u>	4,014,706
The effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		
		(239,371)
Issuance of loans and notes are other financing sources in the governmental funds, but they increase long-term liabilities on the statement of net assets:		
Loans	(19,894)	
Notes	(375,000)	(394,894)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Property taxes	(14,902)	
Sales taxes	(46,315)	
Intergovernmental	605,923	
Special assessments	787,875	
Interest	63,871	
Charges for services	53,704	
Other	<u>45,181</u>	1,495,337
Principal payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets:		
General obligation bonds	95,000	
Special assessment bonds	39,700	
Loans payable	<u>99,536</u>	234,236
In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.		
		(4,310)
Some expenses reported in the statement of activities do not use or require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Compensated absences		(84,280)
The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund (less the \$11,875 internal balance) is allocated among the governmental activities.		
		<u>(15,636)</u>
<b>Change in net assets of governmental activities</b>		<b>\$ 3,230,949</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes . . . . .	\$ 1,462,000	\$ 1,734,141	\$ 1,734,141	
Sales taxes. . . . .	3,200,000	4,082,960	4,426,194	\$ 343,234
Charges for services. . . . .	958,900	1,473,552	1,517,616	44,064
Licenses and permits . . . . .	2,900	3,578	3,703	125
Fines and forfeitures . . . . .	46,100	66,396	66,447	51
Intergovernmental. . . . .	1,012,426	1,165,945	1,165,945	
Investment income . . . . .	800,000	1,363,212	1,391,760	28,548
Other . . . . .	170,852	476,620	497,245	20,625
<b>Total revenues.</b> . . . . .	<u>7,653,178</u>	<u>10,366,404</u>	<u>10,803,051</u>	<u>436,647</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	3,034,993	3,170,732	3,074,125	96,607
Judicial. . . . .	1,246,978	1,268,671	1,246,930	21,741
Public safety . . . . .	2,361,250	2,366,141	1,870,233	495,908
Public works . . . . .	702,498	586,923	248,093	338,830
Health . . . . .	72,952	72,228	52,360	19,868
Human services . . . . .	435,414	320,414	306,971	13,443
Conservation and recreation . . . . .	13,000			
Other . . . . .	3,778,237	2,827,616	2,024,224	803,392
<b>Total expenditures</b> . . . . .	<u>11,645,322</u>	<u>10,612,725</u>	<u>8,822,936</u>	<u>1,789,789</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(3,992,144)</u>	<u>(246,321)</u>	<u>1,980,115</u>	<u>2,226,436</u>
<b>Other financing sources (uses):</b>				
Advances in . . . . .		273,247	276,747	3,500
Advances out . . . . .		(672,450)	(672,450)	
Transfers out . . . . .		(1,969,617)	(1,869,617)	100,000
Sale of capital assets. . . . .	10,000	8,953	8,953	
Contingencies. . . . .	(1,771,203)	(4,429,960)		4,429,960
<b>Total other financing sources (uses)</b> . . . . .	<u>(1,761,203)</u>	<u>(6,789,827)</u>	<u>(2,256,367)</u>	<u>4,533,460</u>
<b>Special item:</b>				
Sale of building complex . . . . .		1,282,801	1,282,801	
Net change in fund balance. . . . .	(5,753,347)	(5,753,347)	1,006,549	6,759,896
<b>Fund balance at beginning of year</b> . . . . .	5,623,829	5,623,829	5,623,829	
<b>Prior year encumbrances appropriated</b> . . . . .	<u>129,518</u>	<u>129,518</u>	<u>129,518</u>	
<b>Fund balance at end of year</b> . . . . .			<u>\$ 6,759,896</u>	<u>\$ 6,759,896</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues:</b>				
Property taxes . . . . .	\$ 1,944,454	\$ 1,944,454	\$ 2,078,650	\$ 134,196
Intergovernmental . . . . .	1,930,206	2,359,542	2,498,517	138,975
Other . . . . .	60,000	75,632	62,967	(12,665)
<b>Total revenues . . . . .</b>	<u>3,934,660</u>	<u>4,379,628</u>	<u>4,640,134</u>	<u>260,506</u>
<b>Expenditures:</b>				
Current:				
Health . . . . .	4,659,041	6,175,233	4,288,740	1,886,493
<b>Total expenditures . . . . .</b>	<u>4,659,041</u>	<u>6,175,233</u>	<u>4,288,740</u>	<u>1,886,493</u>
 Net change in fund balance. . . . .	 (724,381)	 (1,795,605)	 351,394	 2,146,999
 <b>Fund balance at beginning of year . . . . .</b>	 1,690,384	 1,690,384	 1,690,384	
<b>Prior year encumbrances appropriated . . . . .</b>	<u>105,301</u>	<u>105,301</u>	<u>105,301</u>	
 <b>Fund balance at end of year . . . . .</b>	 <u>\$ 1,071,304</u>	 <u>\$ 80</u>	 <u>\$ 2,147,079</u>	 <u>\$ 2,146,999</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for services . . . . .	\$ 1,000	\$ 1,116	\$ 1,149	\$ 33
Fines and forfeitures . . . . .	10,000	31,575	31,575	
Intergovernmental . . . . .	3,735,000	3,846,266	3,866,286	20,020
Investment income . . . . .	12,000	48,478	48,478	
Other . . . . .	13,000	325,419	26,032	(299,387)
<b>Total revenues . . . . .</b>	<u>3,771,000</u>	<u>4,252,854</u>	<u>3,973,520</u>	<u>(279,334)</u>
<b>Expenditures:</b>				
Current:				
Public works . . . . .	5,496,870	6,189,004	5,531,487	657,517
Debt service:				
Principal retirement . . . . .	552,000	540,305	539,500	805
Interest and fiscal charges . . . . .		11,675	11,675	
<b>Total expenditures . . . . .</b>	<u>6,048,870</u>	<u>6,740,984</u>	<u>6,082,662</u>	<u>658,322</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(2,277,870)</u>	<u>(2,488,130)</u>	<u>(2,109,142)</u>	<u>378,988</u>
<b>Other financing sources:</b>				
Issuance of notes . . . . .	500,000	755,260	755,260	
Transfers in . . . . .	54,999	9,999	9,999	
<b>Total other financing sources. . . . .</b>	<u>554,999</u>	<u>765,259</u>	<u>765,259</u>	
Net change in fund balance. . . . .	(1,722,871)	(1,722,871)	(1,343,883)	378,988
<b>Fund balance at beginning of year . . . . .</b>	952,928	952,928	952,928	
<b>Prior year encumbrances appropriated . . . . .</b>	<u>769,943</u>	<u>769,943</u>	<u>769,943</u>	
<b>Fund balance at end of year . . . . .</b>			<u>\$ 378,988</u>	<u>\$ 378,988</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental . . . . .	\$ 4,007,007	\$ 2,826,910	\$ 2,927,774	\$ 100,864
Other . . . . .	12,120	17,751	17,778	27
<b>Total revenues . . . . .</b>	<b><u>4,019,127</u></b>	<b><u>2,844,661</u></b>	<b><u>2,945,552</u></b>	<b><u>100,891</u></b>
<b>Expenditures:</b>				
Current:				
Human services . . . . .	4,464,224	3,284,143	3,161,107	123,036
<b>Total expenditures . . . . .</b>	<b><u>4,464,224</u></b>	<b><u>3,284,143</u></b>	<b><u>3,161,107</u></b>	<b><u>123,036</u></b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(445,097)</u>	<u>(439,482)</u>	<u>(215,555)</u>	<u>223,927</u>
<b>Other financing sources:</b>				
Transfers in. . . . .	123,533	117,918	117,918	
Net change in fund balance. . . . .	(321,564)	(321,564)	(97,637)	223,927
<b>Fund balance at beginning of year . . . . .</b>	<b>239,402</b>	<b>239,402</b>	<b>239,402</b>	
<b>Prior year encumbrances appropriated . . . . .</b>	<b><u>82,162</u></b>	<b><u>82,162</u></b>	<b><u>82,162</u></b>	
<b>Fund balance at end of year . . . . .</b>			<b><u>\$ 223,927</u></b>	<b><u>\$ 223,927</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes . . . . .	\$ 743,000	\$ 753,970	\$ 753,970	
Intergovernmental . . . . .	77,000	92,716	92,716	
Other . . . . .		1,762	1,762	
<b>Total revenues . . . . .</b>	<u>820,000</u>	<u>848,448</u>	<u>848,448</u>	
<b>Expenditures:</b>				
Current:				
Public safety . . . . .	1,015,551	893,999	691,257	\$ 202,742
<b>Total expenditures . . . . .</b>	<u>1,015,551</u>	<u>893,999</u>	<u>691,257</u>	<u>202,742</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(195,551)</u>	<u>(45,551)</u>	<u>157,191</u>	<u>202,742</u>
<b>Other financing uses:</b>				
Advances out . . . . .		(150,000)	(150,000)	
Net change in fund balance . . . . .	(195,551)	(195,551)	7,191	202,742
<b>Fund balance at beginning of year . . . . .</b>	187,021	187,021	187,021	
<b>Prior year encumbrances appropriated . . . . .</b>	<u>8,530</u>	<u>8,530</u>	<u>8,530</u>	
<b>Fund balance at end of year . . . . .</b>			<u>\$ 202,742</u>	<u>\$ 202,742</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes . . . . .	\$ 718,000	\$ 727,946	\$ 727,946	
Intergovernmental . . . . .	475,814	435,068	435,068	
Other . . . . .	11,500	59,199	59,199	
Total revenues . . . . .	<u>1,205,314</u>	<u>1,222,213</u>	<u>1,222,213</u>	
<b>Expenditures:</b>				
Current:				
Human services . . . . .	1,831,767	1,848,666	1,225,185	\$ 623,481
Total expenditures . . . . .	<u>1,831,767</u>	<u>1,848,666</u>	<u>1,225,185</u>	<u>623,481</u>
Net change in fund balance. . . . .	(626,453)	(626,453)	(2,972)	623,481
<b>Fund balance at beginning of year . . . . .</b>	578,596	578,596	578,596	
<b>Prior year encumbrances appropriated . . . . .</b>	<u>47,857</u>	<u>47,857</u>	<u>47,857</u>	
<b>Fund balance at end of year . . . . .</b>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>\$ 623,481</u></u>	<u><u>\$ 623,481</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2005**

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activity - Internal Service Fund</u>
	<u>Landfill</u>	<u>Sewer</u>	<u>Total</u>	
<b>Assets:</b>				
Current assets:				
Equity in pooled cash and cash equivalents. . . . .	\$ 8,430,561	\$ 964,170	\$ 9,394,731	\$ 581,370
Cash and in segregated accounts . . . . .	450	100	550	
Receivables (net of allowance for uncollectibles):				
Accounts . . . . .	272,461	68,727	341,188	
Prepayments. . . . .	35,354	4,195	39,549	
Materials and supplies inventory . . . . .	14,341	1,387	15,728	
Total current assets . . . . .	<u>8,753,167</u>	<u>1,038,579</u>	<u>9,791,746</u>	<u>581,370</u>
Noncurrent assets:				
Restricted assets:				
Equity in pooled cash and cash equivalents. . . . .	83,776		83,776	
Investments . . . . .	4,169,027		4,169,027	
Accrued interest receivable . . . . .	25,549		25,549	
Capital assets:				
Land and construction in progress . . . . .	991,731	2,274,976	3,266,707	
Depreciable capital assets, net . . . . .	1,318,562	2,967,769	4,286,331	
Total noncurrent assets . . . . .	<u>6,588,645</u>	<u>5,242,745</u>	<u>11,831,390</u>	
Total assets . . . . .	<u>15,341,812</u>	<u>6,281,324</u>	<u>21,623,136</u>	<u>581,370</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable. . . . .	62,553	19,423	81,976	
Accrued wages and benefits . . . . .	5,577	1,552	7,129	
Compensated absences payable. . . . .	16,211	8,880	25,091	
Due to other governments . . . . .	41,054	1,822	42,876	
Interfund payable. . . . .		441,577	441,577	
Accrued interest payable. . . . .		782	782	
Claims payable . . . . .				92,814
General obligation bonds payable . . . . .		10,000	10,000	
GMAC commercial mortgage payable. . . . .		4,000	4,000	
Total current liabilities . . . . .	<u>125,395</u>	<u>488,036</u>	<u>613,431</u>	<u>92,814</u>
Long-term liabilities:				
Liabilities payable from restricted assets:				
Closure and postclosure payable . . . . .	2,777,582		2,777,582	
General obligation bonds payable . . . . .		35,000	35,000	
Revenue bonds . . . . .		60,000	60,000	
GMAC commercial mortgage payable. . . . .		86,000	86,000	
Compensated absences . . . . .	51,368	704	52,072	
Total long-term liabilities. . . . .	<u>2,828,950</u>	<u>181,704</u>	<u>3,010,654</u>	
Total liabilities . . . . .	<u>2,954,345</u>	<u>669,740</u>	<u>3,624,085</u>	<u>92,814</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt. . . . .	2,310,293	5,047,745	7,358,038	
Restricted for closure and postclosure . . . . .	1,500,770		1,500,770	
Unrestricted . . . . .	8,576,404	563,839	9,140,243	488,556
Total net assets . . . . .	<u>\$ 12,387,467</u>	<u>\$ 5,611,584</u>	<u>\$ 17,999,051</u>	<u>\$ 488,556</u>
Net assets reported for business-type activities on the statement of net assets is different because it includes a proportionate share of the balance of the internal service fund.			<u>(11,875)</u>	
Net assets of business-type activities.			<u>\$ 17,987,176</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Business-Type Activities - Enterprise Funds</u>			<b>Governmental Activity - Internal Service Fund</b>
	<u>Landfill</u>	<u>Sewer</u>	<u>Total</u>	
<b>Operating revenues:</b>				
Charges for services . . . . .	\$ 2,925,045	\$ 491,758	\$ 3,416,803	\$ 1,891,760
Other . . . . .	8,203	13,344	21,547	
Total operating revenues . . . . .	<u>2,933,248</u>	<u>505,102</u>	<u>3,438,350</u>	<u>1,891,760</u>
<b>Operating expenses:</b>				
Personal services . . . . .	865,352	136,390	1,001,742	
Contract services . . . . .	785,152	208,333	993,485	
Materials and supplies . . . . .	15,489	195,593	211,082	
Other . . . . .	227,790	76,628	304,418	
Claims . . . . .				2,119,271
Closure and postclosure . . . . .	190,686		190,686	
Depreciation . . . . .	247,462	94,595	342,057	
Total operating expenses . . . . .	<u>2,331,931</u>	<u>711,539</u>	<u>3,043,470</u>	<u>2,119,271</u>
Operating income (loss) . . . . .	<u>601,317</u>	<u>(206,437)</u>	<u>394,880</u>	<u>(227,511)</u>
<b>Nonoperating revenues (expenses):</b>				
Intergovernmental . . . . .		92,099	92,099	
Interest revenue . . . . .	138,515		138,515	
Other non-operating revenue . . . . .	450	7,954	8,404	
Interest expense and fiscal charges . . . . .	(8,012)	(8,047)	(16,059)	
Total nonoperating revenues (expenses) . . . . .	<u>130,953</u>	<u>92,006</u>	<u>222,959</u>	
Net income (loss) before contributions and transfers . . . . .	732,270	(114,431)	617,839	(227,511)
Capital contributions . . . . .		485,455	485,455	
Transfers in . . . . .				200,000
Change in net assets . . . . .	732,270	371,024	1,103,294	(27,511)
<b>Net assets at beginning of year (restated) . . . . .</b>	<u>11,655,197</u>	<u>5,240,560</u>		<u>516,067</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 12,387,467</u>	<u>\$ 5,611,584</u>		<u>\$ 488,556</u>

The change in net assets reported for business-type activities on the statement of activities is different because it includes a proportionate share of the net loss of the internal service fund.

(10,044)

Change in net assets of business-type activities.

\$ 1,093,250

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Business-Type Activities - Enterprise Funds</b>			<b>Governmental Activity - Internal Service Fund</b>
	<b>Landfill</b>	<b>Sewer</b>	<b>Total</b>	
<b>Cash flows from operating activities:</b>				
Cash received from sales/service charges . . . . .	\$ 2,900,796	\$ 496,769	\$ 3,397,565	\$ 1,891,760
Cash received from other operating revenue . . . . .	8,203	13,344	21,547	
Cash payments for personal services . . . . .	(844,653)	(140,915)	(985,568)	
Cash payments for contract services . . . . .	(811,914)	(225,090)	(1,037,004)	
Cash payments for materials and supplies . . . . .	(24,280)	(1,835)	(26,115)	
Cash payments for claims . . . . .				(2,258,478)
Cash payments for other expenses . . . . .	(229,092)	(282,172)	(511,264)	
	<u>999,060</u>	<u>(139,899)</u>	<u>859,161</u>	<u>(366,718)</u>
Net cash provided by (used for) operating activities . . . . .				
<b>Cash flows from noncapital financing activities:</b>				
Cash received from governments . . . . .				
Cash received from other nonoperating activities . . . . .		7,854	7,854	
Cash received from transfers in . . . . .				200,000
Net cash provided by noncapital financing activities . . . . .		<u>7,854</u>	<u>7,854</u>	<u>200,000</u>
<b>Cash flows from capital and related financing activities:</b>				
Cash received from capital grants . . . . .		92,099	92,099	
Cash received from issuance of bonds . . . . .		60,000	60,000	
Acquisition of capital assets . . . . .	(118,569)	(6,866)	(125,435)	
Principal payments on loans . . . . .	(213,645)		(213,645)	
Interest payments on loans . . . . .	(8,012)		(8,012)	
Principal payments on bonds . . . . .		(10,000)	(10,000)	
Interest payments on bonds . . . . .		(2,795)	(2,795)	
Principal payments on GMAC commercial mortgage . . . . .		(4,000)	(4,000)	
Interest payments on GMAC commercial mortgage . . . . .		(4,700)	(4,700)	
Net cash provided by (used in) capital and related financing activities . . . . .	<u>(340,226)</u>	<u>123,738</u>	<u>(216,488)</u>	
<b>Cash flows from investing activities:</b>				
Cash received from interest . . . . .	167,500		167,500	
Net cash provided by purchases and maturities of investments . . . . .	2,260,975		2,260,975	
Net cash payments for purchases and maturities of investments . . . . .	<u>(2,589,229)</u>		<u>(2,589,229)</u>	
Net cash (used in) investing activities . . . . .	<u>(160,754)</u>		<u>(160,754)</u>	
Net increase (decrease) in cash and cash equivalents . . . . .	498,080	(8,307)	489,773	(166,718)
Cash and cash equivalents at beginning of year (restated) . . . . .	8,016,257	972,477	8,988,734	748,088
Cash and cash equivalents at end of year . . . . .	<u>\$ 8,514,337</u>	<u>\$ 964,170</u>	<u>\$ 9,478,507</u>	<u>\$ 581,370</u>

- - continued

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activity - Internal Service Fund</u>
	<u>Landfill</u>	<u>Sewer</u>	<u>Total</u>	
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss) . . . . .	\$ 601,317	\$ (206,437)	\$ 394,880	\$ (227,511)
Adjustments:				
Depreciation . . . . .	247,462	94,595	342,057	
Changes in assets and liabilities:				
(Increase) in accounts receivable . . . . .	(24,249)	(14,883)	(39,132)	
(Increase) in prepayments . . . . .	(2,294)	(981)	(3,275)	
(Increase) decrease in inventories . . . . .	(3,891)	118	(3,773)	
(Decrease) in accounts payable . . . . .	(36,281)	(7,786)	(44,067)	
Increase(decrease) in accrued wages and benefits . . . . .	769	(240)	529	
Increase in landfill closure and postclosure care liability . . . . .	190,686		190,686	
(Decrease) in claims payable . . . . .				(139,207)
Increase (decrease) in due to other governments. . . . .	4,152	(442)	3,710	
Increase (decrease) in compensated absences payable . . . . .	21,389	(3,843)	17,546	
Net cash provided by (used in) operating activities. . . . .	<u>\$ 999,060</u>	<u>\$ (139,899)</u>	<u>\$ 859,161</u>	<u>\$ (366,718)</u>

**Non-Cash Investing Activity:**

In 2005, there was an increase in the fair value of investments in the Landfill enterprise fund, in the amount of \$29,868.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2005

		<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . .	\$	6,763,713
Cash in segregated accounts . . . . .		224,973
Receivables:		
Real estate and other taxes . . . . .		29,870,778
Due from other governments . . . . .		2,079,697
Accounts . . . . .		23,450
Special assessments. . . . .		402,809
		402,809
Total assets . . . . .	\$	39,365,420
 <b>Liabilities:</b>		
Due to other governments. . . . .	\$	31,278,752
Undistributed monies . . . . .		8,023,189
Accounts payable . . . . .		6,448
Due to other funds . . . . .		57,031
		57,031
Total liabilities . . . . .	\$	39,365,420

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 1 - DESCRIPTION OF DEFIANCE COUNTY AND THE REPORTING ENTITY**

**A. The County**

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

**B. Reporting Entity**

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

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

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

The County participates in eight 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; and the Community Improvement Corporation of Defiance County (See Note 19).

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 20).

The County is associated with one related organization, the Defiance County Regional Airport Authority (See Note 21).

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(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) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. The County has elected not to apply FASB Statements and Interpretations 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.



**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**B. Fund Accounting**

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

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

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

*Mental Retardation and Developmental Disabilities Fund* - This fund accounts for state monies and tax levy monies used to support Good Samaritan School and help the mentally disabled within the County in a residential and group home environment. It also provides aid to families who have mentally 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, 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.

*County East Side Campus Fund* - This fund accounts for note proceeds, interest and local money for the purchase and renovations of the East Side Campus building.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

Other governmental funds of the County are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) for the accumulation of resources for, and the repayment of, general long-term debt principal, interest and related costs and (c) for grants and other resources, the use of which is restricted to a particular purpose.

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

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

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

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

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

**Fiduciary Funds** - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. The County did not have any trust funds in 2005. 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.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

***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.

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.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

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.

**Deferred Revenues** - Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim at December 31, 2005, but were levied to finance 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

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

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

**E. Budgetary Process**

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

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

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(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 2005, the County invested in nonnegotiable certificates of deposit, federal agency securities, U. S. Treasury notes, and STAR Ohio. Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

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 2005 was \$1,487,362, which includes \$1,262,542 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, 2005, 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.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**H. Inventory**

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

**I. Loans Receivable**

Loans receivable represent the right to receive repayment for certain loans made by the County. These loans are based upon written agreements between the County and the various loan recipients. Reported loans receivable is offset by a fund balance reserve in the governmental fund types for the long-term portion. 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 asset 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 reductions 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 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:

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(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	50 - 150 years	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 Receivables/Payables”. 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.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**O. Net Assets**

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

**P. Fund Balance Reserves and Designations**

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

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

**Q. Operating Revenues and Expenses**

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

**R. Capital Contributions**

Capital contributions on the proprietary fund financial statements arise from contributions from governmental activities, from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction.

**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.



**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

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. In 2005, the County sold the Island Parkway building complex for \$1,282,801. The net book value of the building complex was \$107,250 resulting in a gain on the sale of \$1,175,551. This transaction has been reflected as a special item in the financial statements.

**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.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2005, the City has implemented GASB Statement No. 40 "Deposit and Investment Risk Disclosures", and GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries".

GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits.

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

The implementation of GASB Statement No. 40 and GASB Statement No. 42 did not have an effect on the financial statements of the City, however additional note disclosure can be found in Note 5.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**B. Restatement of Governmental Fund Balances and Net Assets of Governmental Activities**

The County reclassified the Green Acres Sewer Fund, a capital projects fund to an enterprise fund to properly reflect the intended purpose of the fund under GASB Statement No. 34. This fund reclassification had the following effect on governmental fund balances as previously reported:

	<u>General</u>	Major Special <u>Funds</u>	Major Capital <u>Funds</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balances, December 31, 2004	\$8,246,065	\$ 4,611,872	\$ 5,039,151	\$ 4,894,955	\$ 22,792,043
Fund reclassification				37,365	37,365
Restated fund balances, December 31, 2004	<u>\$8,246,065</u>	<u>\$ 4,611,872</u>	<u>\$ 5,039,151</u>	<u>\$ 4,932,320</u>	<u>\$ 22,829,408</u>

In addition, the fund reclassification had the following effect on net assets of governmental activities as previously reported:

	<u>Governmental Activities</u>
Net assets, December 31, 2004	\$ 70,828,985
Fund reclassification	<u>37,365</u>
Restated net assets, December 31, 2004	<u>\$ 70,866,350</u>

**C. Restatement of Enterprise Net Assets and Net Assets of Business-Type Activities**

The beginning net assets of the Sewer fund have been restated due the reclassification of the capital projects fund mentioned above. In addition, a prior period adjustment is being posted to the beginning net assets of the Landfill fund for an accounting change in capital asset balances at December 31, 2004. The fund reclassification and prior period adjustment had the following effect on net assets of the enterprise funds as previously reported:

	<u>Landfill Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Net assets, December 31, 2004	\$ 12,447,874	\$ 5,277,925	\$ 17,725,799
Fund reclassification		(37,365)	(37,365)
Adjustment for capital assets	(792,677)		(792,677)
Restated net assets, December 31, 2004	<u>\$ 11,655,197</u>	<u>\$ 5,240,560</u>	<u>\$ 16,895,757</u>

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

In addition, the fund reclassification and prior period adjustment for capital assets had the following effect on net assets of the business-type activities as previously reported:

	Business-Type Activities
Net assets, December 31, 2004	\$17,723,968
Fund reclassification	(37,365)
Adjustment for capital assets	(792,677)
Restated net assets, December 31, 2004	\$16,893,926

**D. Deficit Fund Balances**

<u>Major Funds</u>	
County East Side Camp Fund	\$1,715,481
<u>Nonmajor Governmental Funds</u>	
State Route 24/Elliot Road capital projects fund	20,978
Auglaize Sewer capital projects fund	69,920
Airport capital projects fund	107,451
DMP Sewer capital projects fund	14,739
Dowe Ditch capital projects fund	33,157
Express Sewer capital projects fund	348,987
Peterson Ditch capital projects fund	51,208
Enterprise Industrial Park capital projects fund	222,515
Rail spur Interchange capital projects fund	92,235
Carryall Ditch capital projects fund	95,710
Hardy Tile debt service fund	10,347
Auglaize Sewer debt service fund	239,482
DMP Sewer debt service fund	166,139
Airport Hanger debt service fund	113,517
Defiance County East debt service fund	18,926
Ditches debt service fund	175,166
Economic Development special revenue fund	690
Concealed Weapon special revenue fund	4,012
Forensic Storage Drive special revenue fund	21

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

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - for the General Fund, Mental Retardation and Development Disabilities, Job and Family Services, Motor Vehicle and Gas Tax, Emergency 911, and Senior Center special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

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

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

	Change in Fund Balance					
	<u>General</u>	Mental Retardation and Developmental <u>Disabilities</u>	Job and Family <u>Services</u>	Motor Vehicle and <u>Gas Tax</u>	Emergency <u>911</u>	Senior <u>Center</u>
Budget basis	\$ 1,006,549	\$ 351,394	\$ (97,637)	\$ (1,343,883)	\$ 7,191	\$ (2,972)
Net adjustment for revenue accruals	151,891	(56,475)	(963,714)	158,112	(7,156)	17,788
Net adjustment for expenditure accruals	82,711	69,264	747,347	593,273	5,414	24,175
Net adjustment for other sources/(uses)	395,703			(750,000)	150,000	
Adjustment for encumbrances	<u>196,951</u>	<u>35,272</u>	<u>48,905</u>	<u>129,762</u>	<u>3,602</u>	<u>55,608</u>
GAAP basis	<u>\$ 1,833,805</u>	<u>\$ 399,455</u>	<u>\$ (265,099)</u>	<u>\$ (1,212,736)</u>	<u>\$159,051</u>	<u>\$ 94,599</u>

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(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;
5. Time certificates of deposits including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool 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.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

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

**A. Cash on Hand**

At year-end, the County had \$150,023 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 \$380,071 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, 2005, the carrying amount of all County deposits, including cash in segregated accounts, was \$37,704,245. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2005, \$38,379,047 of the County's bank balance of \$39,584,905 was exposed to custodial risk as discussed below, while \$1,205,858 was covered by Federal Deposit Insurance Corporation.

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.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**E. Investments**

As of December 31, 2005, 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>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>
Federal Home Loan Bank	\$ 1,972,203	\$ 993,633	\$ 978,570		
Federal Home Loan Bank - CL	347,423		244,642	\$ 102,781	
Federal Home Loan Mortgage Corp	400,472	400,472			
Federal Home Loan Mortgage Corp - DN	296,452	296,452			
Federal Home Loan Mortgage Corp - CL	99,039	99,039			
Treasury Note	125,641				\$ 125,641
STAR Ohio	2,083,775	2,083,775			
<b>Total Investments</b>	<b>\$ 5,325,005</b>	<b>\$ 3,873,371</b>	<b>\$ 1,223,212</b>	<b>\$ 102,781</b>	<b>\$ 125,641</b>

The weighted average maturity of investments is .58 years.

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

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

*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 National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, and the Federal Home Loan Bank Notes are exposed to custodial credit risk in that they are uninsured and unregistered. The County has no investment policy dealing with investments custodial risk beyond the requirement in state statute that prohibits payments for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

*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, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Federal Home Loan Bank	\$ 1,972,203	37.04%
Federal Home Loan Bank - CL	347,423	6.52%
Federal Home Loan Mortgage Corp	400,472	7.52%
Federal Home Loan Mortgage Corp - DN	296,452	5.57%
Federal Home Loan Mortgage Corp - CL	99,039	1.86%
Treasury Note	125,641	2.36%
STAR Ohio	<u>2,083,775</u>	<u>39.13%</u>
Total Investments	<u>\$ 5,325,005</u>	<u>100.00%</u>

**NOTE 6 - RECEIVABLES**

Receivables at December 31, 2005, 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 \$1,957,002, will not be received within one year.

Loans receivable represent low interest loans for housing and development projects granted to eligible County property owners and businesses under the Federal Community Block Grant program. The loans have an annual interest rate of 0 to 8.5 % and are to be repaid over periods ranging from five to ten years. During 2005, principal in the amount of \$78,160 was repaid. Loans outstanding at December 31, 2005, were \$315,441. Loans receivable, in the amount of \$218,776 will not be received within one year.



**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 6 – RECEIVABLES – (Continued)**

A summary of the principal items of intergovernmental receivables follows:

**Governmental Activities:**

**Major Funds**

General Fund	
Local government	\$ 446,721
Homestead and rollback	83,924
Indigent defense	<u>12,095</u>
Total general fund	<u>542,740</u>
Mental Retardation and Developmental Disabilities	
Homestead and rollback	<u>88,584</u>
Job and Family Services	
Grants	<u>1,086,018</u>
Motor Vehicle and Gas Tax	
Grants	39,705
Reimbursements	6,757
Permissive motor vehicle license	210,221
Motor vehicle license tax	637,526
Gasoline tax	<u>994,811</u>
Total motor vehicle and gas tax	<u>1,889,020</u>
Emergency 911	
Homestead and rollback	<u>33,682</u>
Senior Center	
Homestead and rollback	32,488
Grants	<u>100,224</u>
Total senior center	<u>132,712</u>
Total major funds	<u>3,772,756</u>

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 6 – RECEIVABLES – (Continued)**

<u>Nonmajor Funds</u>	
Children services	\$ 167,040
Community development block grant	571,161
Sarah's house	39,974
FEMA certification	23,274
Child support enforcement	11,603
WIA	384,570
Engineer's construction	62,135
Terrorism planning	<u>74,800</u>
Total nonmajor funds	<u>1,334,557</u>
Total governmental activities	<u>\$ 5,107,313</u>
<u>Agency Funds</u>	
Library local government	\$ 744,730
Local government	437,192
Local governmental revenue assistance	167,196
Permissive motor vehicle license	108,633
Motor vehicle license tax	182,565
Gasoline tax	<u>439,381</u>
Total agency funds	<u>\$ 2,079,697</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 State Auditor 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.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 8 – PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax revenues received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 % of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 % of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 % of true value for capital assets and 23 % for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2005, and for which there was an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2006 operations.

On the full accrual basis, collectible delinquent real property taxes have been recorded as a receivable and revenue. On the modified accrual basis, the revenue is deferred.

The full tax rate for all County operations for the year ended December 31, 2005, was \$8.91 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

<u>Category</u>	<u>Amount</u>
Real Property	\$ 536,865,280
Public Utility Property	59,220,950
Tangible Personal Property	<u>91,813,851</u>
Total Assessed Value	<u>\$ 687,900,081</u>

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 9 - CAPITAL ASSETS**

A. The capital asset balances of the business-type activities have been restated due to the capitalization of landfill closure costs in prior years. (See Note 3.C for detail).

<u><b>Business-Type Activities:</b></u>	Balance <u>12/31/04</u>	<u>Adjustments</u>	Restated Balance <u>12/31/04</u>
Land	\$ 1,671,207	\$ (792,677)	\$ 878,530
Construction in progress	1,784,153		1,784,153
Buildings and improvements	859,488	(270,620)	588,868
Machinery and equipment	2,686,173		2,686,173
Vehicles	139,226		139,226
Sewer lines	3,886,971		3,886,971
Less: accumulated depreciation	<u>(2,950,335)</u>	<u>270,620</u>	<u>(2,679,715)</u>
Total	<u>\$ 8,076,883</u>	<u>\$ (792,677)</u>	<u>\$ 7,284,206</u>

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

B. Capital asset activity for the year ended December 31, 2005, was as follows:

<b>Governmental Activities:</b>	<u>Balance 12/31/04</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/05</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 811,071	\$ 90,456	\$ (15,496)	\$ 886,031
Construction in progress	<u>1,855,373</u>	<u>-</u>	<u>(1,855,373)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>2,666,444</u>	<u>90,456</u>	<u>(1,870,869)</u>	<u>886,031</u>
<i>Capital assets, being depreciated:</i>				
Buildings & improvements	11,770,039	2,217,685	(473,951)	13,513,773
Roads and bridges	46,208,564	4,535,790		50,744,354
Machinery and equipment	4,710,299	291,364	(94,534)	4,907,129
Vehicles	<u>3,034,985</u>	<u>241,781</u>	<u>(287,051)</u>	<u>2,989,715</u>
Total capital assets, being depreciated	<u>65,723,887</u>	<u>7,286,620</u>	<u>(855,536)</u>	<u>72,154,971</u>
<i>Less: accumulated depreciation:</i>				
Buildings & improvements	(2,296,721)	(137,534)	366,701	(2,067,554)
Roads and bridges	(13,806,093)	(902,038)		(14,708,131)
Machinery and equipment	(3,677,834)	(246,829)	88,724	(3,835,939)
Vehicles	<u>(1,682,613)</u>	<u>(220,597)</u>	<u>176,237</u>	<u>(1,726,973)</u>
Total accumulated depreciation	<u>(21,463,261)</u>	<u>(1,506,998)</u>	<u>631,662</u>	<u>(22,338,597)</u>
Total capital assets being depreciated, net	<u>44,260,626</u>	<u>5,779,622</u>	<u>(223,874)</u>	<u>49,816,374</u>
Governmental activities capital assets, net	<u>\$ 46,927,070</u>	<u>\$ 5,870,078</u>	<u>\$ (2,094,743)</u>	<u>\$ 50,702,405</u>

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

<b><u>Business-Type Activities:</u></b>	Restated Balance 12/31/04	Additions	Deductions	Balance 12/31/05
<i>Capital assets, not being depreciated:</i>				
Land	\$ 878,530	\$ 118,569	\$ -	\$ 997,099
Construction in progress	<u>1,784,153</u>	<u>485,454</u>	<u>-</u>	<u>2,269,607</u>
Total capital assets, not being depreciated	<u>2,662,683</u>	<u>604,023</u>	<u>-</u>	<u>3,266,706</u>
<i>Capital assets, being depreciated:</i>				
Buildings	588,868			588,868
Sewer lines	3,886,971			3,886,971
Machinery and equipment	2,686,173			2,686,173
Vehicles	<u>139,226</u>	<u>6,866</u>	<u>-</u>	<u>146,092</u>
Total capital assets, being depreciated	<u>7,301,238</u>	<u>6,866</u>	<u>-</u>	<u>7,308,104</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(330,921)	(6,322)		(337,243)
Sewer lines	(1,151,254)	(77,739)		(1,228,993)
Machinery and equipment	(1,129,965)	(247,770)		(1,377,735)
Vehicles	<u>(67,575)</u>	<u>(10,226)</u>	<u>-</u>	<u>(77,801)</u>
Total accumulated depreciation	<u>(2,679,715)</u>	<u>(342,057)</u>	<u>-</u>	<u>(3,021,772)</u>
Total capital assets, being depreciated net	<u>4,621,523</u>	<u>(335,191)</u>	<u>-</u>	<u>4,286,332</u>
Business-type activities capital assets, net	<u>\$ 7,284,206</u>	<u>\$ 268,832</u>	<u>\$ -</u>	<u>\$ 7,553,038</u>

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

**Governmental activities:**

Legislative and executive	\$ 114,366
Conservation and recreation	6,196
Health	59,379
Human services	103,771
Judicial	8,584
Public safety	139,675
Public works	<u>1,075,027</u>

Total depreciation expense - governmental activities \$ 1,506,998

**Business-type activities:**

Landfill	\$ 247,462
Sewer	<u>94,595</u>

Total depreciation expense - business-type activities \$ 342,057

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 10 - INTERFUND TRANSACTIONS**

- A. Interfund transfers for the year ended December 31, 2005, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers from general fund to:	
Nonmajor governmental funds	\$1,241,700
Jobs and Family Services fund	117,918
Motor vehicle and gas tax fund	9,999
County improvement fund	300,000
Internal service fund	200,000
 Transfer from County Improvements to:	
County Side East Camp	2,500,000
 Transfers from nonmajor governmental funds to:	
County Side East Camp	18,926
Nonmajor governmental funds	232,970
Total	<u>\$4,621,513</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, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

- B. Due from/to other funds consisted of the following at December 31, 2005, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Job and Family Services	\$ 15,877
Nonmajor governmental funds	General	3,161
Total		<u>\$ 19,038</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.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

C. Interfund loans payable/receivable consisted of the following at December 31, 2005:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$1,747,623
General	Sewer	441,577
General	County East Side Camp	205,500
County improvement	Nonmajor governmental funds	24,000
County East Side Camp	Nonmajor governmental funds	37,000
Nonmajor governmental fund	Nonmajor governmental funds	<u>50,548</u>
Total		<u>\$2,506,248</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. At December 31, 2005, the general fund had an interfund receivable of \$2,394,700.

The County Improvement capital projects fund had an interfund receivable, in the amount of \$24,000, to provide cash flow resources until the receipt of special assessments in the Green Acres capital projects fund, which is part of the Sewer enterprise fund.

The East Side Campus capital projects fund had an interfund receivable, in the amount of \$37,000 to provide cash flow resources until other receipts are available to provide debt service in the East Side Campus debt service fund.

Other governmental funds had an interfund receivable, in the amount of \$50,548 to provide cash flow resources until the receipt of special assessments in other governmental funds.

The entire balance of interfund receivables is reported as reserve fund balances as they are not expected to be received within one year.

**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	\$ 50,198,247
Equipment Breakdown	100,000
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



**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

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

**B. Health Benefits**

The County has established a limited risk management program for employee health care benefits. A third party administrator processes the claims which the County pays. The Health 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 Health internal service fund. Claims are paid from the Health internal service fund.

Under the health insurance program, the Health 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 two 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, 2005, is estimated by a third party administrator at \$92,814. The changes in the claims liability for 2004 and 2005 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2005	\$ 232,021	\$2,119,271	\$ (2,258,478)	\$ 92,814
2004	261,292	1,687,848	(1,717,119)	232,021

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**C. Workers' Compensation**

For 2005, the County participated in the County Commissioners Association Service Corporation (Plan), a workers' compensation insurance purchasing pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, annually the Plan's executive committee calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants.

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

**NOTE 12 - SIGNIFICANT CONTRACTUAL COMMITMENTS**

The County has outstanding contracts for professional services and construction. The following amounts remain on these contracts as of December 31, 2005:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid as of 12/31/05</u>	<u>Outstanding Balance</u>
RG Zachrich	\$ 160,940	\$ (147,901)	\$ 13,039
Mannik and Smith Group, Inc.	532,913	(242,215)	290,698
George Gradel Co.	1,060,707	(1,040,592)	20,115
Ward Construction	310,559	(296,401)	14,158
Poggemeyer Design Group	200,000	(2,243)	197,757
Eagon & Associates	127,776	(101,399)	26,377
Appraisal Research	112,910	(75,273)	37,637
Anderzack-Pitzen Construction	819,256		819,256
Mel Lanzer	1,211,061	(1,165,836)	45,225
Fitzenriders	313,183	(311,701)	1,482
Rosengarten Construction	126,957	(88,315)	38,642
Shininger/Zimmerman	168,615	(94,624)	73,991

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

All County full-time employees, other than teachers, participate in the Ohio Public Employees Retirement System (OPERS), a cost sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS administers three separate pension plans as described below:

1. The Traditional Pension Plan - a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Direct Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% a year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan - a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested in OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members, other than those engaged in law enforcement, are required to contribute 8.5% of their annual covered salary to fund pension obligations and the County is required to contribute 13.55%; 9.55% was the portion used to fund pension obligations for 2004. For law enforcement employees, the employee contribution is 10.1 percent of their annual covered salary for sheriffs and deputy sheriffs and 9 percent for all other members of the law enforcement program. (In January 2001, HB416 split the law enforcement program into two divisions; (1) sheriffs, deputy sheriffs, and township police, and (2) the public safety division made up of all other members of the law enforcement program.) The employer contribution is 16.70 percent of which 12.7 percent was the portion used to fund pension obligations. Contributions are authorized by state statute. The contribution rates are determined actuarially. The County's actual contributions for 2005, 2004, and 2003, which were used to fund pension obligations were \$1,059,394, \$1,015,169, and \$875,637, respectively. 93.7% has been contributed for 2005 and 100% has been contributed for 2004 and 2003. The unpaid contribution to fund pension obligations for 2005, in the amount of \$66,777 is recorded as a liability.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS – (Continued)**

**B. State Teachers Retirement Systems**

The County participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43212-3371.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of 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 fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, 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 DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years of 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 DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the County is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations for 2005. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's actual contributions for 2005, 2004, and 2003, were \$94,841, \$104,515, and \$99,279 respectively. 100% has been contributed for fiscal years 2005, 2004, and 2003. There were no contributions required through December 31, 2005.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Post Employment Benefits Other Than Pension Benefits by State and Local Governmental Employees." A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate for 2005 was 13.55% of covered payroll for employees not engaged in law enforcement; 4% was the portion that was used to fund health care. The employer contribution rate for law enforcement employees for 2005 was 16.70%; 4% was used to fund health care.

Benefits are advanced funded using the entry age normal cost method. Significant actuarial assumptions include a rate of return on investments of 8%, an annual increase in active employee total payroll of 4% compounded annually, and an additional increase in total payroll of .50% to 6.3% based on additional pay increases. Health care premiums were assumed to increase 4 percent annually.

OPEB are financed through employer contributions and investment earnings. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets.

As of December 31, 2005, the total number of benefit recipients eligible for OPEB through the system was 376,109. As of December 31, 2004 (the latest information available), the actuarial value of net assets available for future OPEB payments was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial liability were \$29.5 billion and \$18.7 billion, respectively. The County's actual contributions for 2005 which were used to fund OPEB were \$431,339.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the costs of the options selected the excess is deposited into a Retiree medical Account that can be used to fund future health care expenses.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 14 - POSTEMPLOYMENT BENEFITS – (Continued)**

**B. State Teachers Retirement System**

The County provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS.

Benefits are funded on a pay-as-you-go basis. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, healthcare benefits are not guaranteed and the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. 13 percent was the portion used to fund pension obligations for 2005. The Board allocated employer contributions equal to one-percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$7,295 during 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund at June 30, 2005, was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS were \$254.780 million and there were 115,395 eligible benefit recipients.

**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 Mental Retardation and Developmental Disabilities special revenue fund are provided health care, vision, and dental benefits through the Northern Buckeye Education Council Employee Insurance Benefits Program.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 16 - NOTES PAYABLE**

The County's notes activity for the year ended December 31, 2005, was as follows:

	<u>Interest Rate</u>	<u>Balance 12/31/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/05</u>
Short-Term Notes					
Bend Road Improvement	3.13%		\$ 250,000		\$ 250,000
Doty Run Ditch Improvement	2.00%	\$ 365,000		\$ (365,000)	
DMP Sewer	2.17%	184,940		(184,940)	
Bridge Repair	2.17%	539,500		(539,500)	
Bridge Repair	4.00%		500,000		500,000
Airport Improvement	3.00%	160,000		(160,000)	
Airport Improvement	4.20%		139,000		139,000
Carryall Tile	3.30%		180,000		180,000
Unity East Side Campus	2.17%	1,700,000		(1,700,000)	
Unity East Side Campus	4.00%		1,700,000		1,700,000
Peterson Ditch	2.15%	110,000		(110,000)	
Peterson Ditch	3.52%		58,176		58,176
Dowe Ditch	2.35%		70,000	(70,000)	
Dowe Ditch	3.52%		32,803		32,803
Total Short-Term Notes		<u>3,059,440</u>	<u>2,929,979</u>	<u>(3,129,440)</u>	<u>2,859,979</u>

All of the various purpose notes, Doty Run notes, Peterson notes, and Dowe Ditch were issued for ditch improvements. The Airport Improvement notes were issued for various improvements at the airport. The remaining short-term notes issued in 2005 were to finance the East Side Campus and various sewer, road, and bridge repairs.

All of the County's bond anticipation notes are backed by the full faith and credit of the Defiance County and have a maturity of one year.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 17 - LONG-TERM OBLIGATIONS**

The original issue date, interest rate, original issue amount and balance at December 31, 2005, for the County's long-term obligations are as follows:

	<u>Original Issue Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Balance 12/31/05</u>
General Obligation Bonds:				
Various Purpose Improvement	1999	3.9 - 5.6%	\$2,675,000	\$2,115,000
Various Purpose Improvement	2005	5.25	375,000	375,000
Special Assessment Bonds:				
Brunersburg Sewer	2002	4.75	837,531	763,500
Platter Creek	2004	2.25 - 5.0	425,000	415,000
Revenue Bonds:				
Sewer	2005	4.1	60,000	60,000
OPWC Loans:				
Evansport Water	1999	0.0	468,050	315,932
OWDA Loans:				
Express Sewer	2002	1.5	1,096,740	918,286
GMAC Commercial Mortgage:				
Sewer	1980	5.0	146,300	90,000

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



**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

The County's long-term obligations activity for the year ended December 31, 2005, was as follows:

<b>Governmental Activities:</b>	<u>Balance 12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/05</u>	<u>Due Within One Year</u>
<u>General obligation bonds:</u>					
Varous purpose improvement	\$ 2,165,000	\$ 375,000	\$ (95,000)	\$ 2,445,000	\$ 115,000
Total general obligation bonds	<u>2,165,000</u>	<u>375,000</u>	<u>(95,000)</u>	<u>2,445,000</u>	<u>115,000</u>
<u>Special assessment bonds:</u>					
Brunersburg sewer	793,200		(29,700)	763,500	31,000
Platter creek	<u>425,000</u>	<u>-</u>	<u>(10,000)</u>	<u>415,000</u>	<u>15,000</u>
Total special assessment bonds	<u>1,218,200</u>	<u>-</u>	<u>(39,700)</u>	<u>1,178,500</u>	<u>46,000</u>
<u>Other long-term obligations:</u>					
Loans payable	15,744		(15,744)		
OPWC loans payable	339,335		(23,403)	315,932	23,403
OWDA loans payable	958,781	19,894	(60,389)	918,286	60,389
Compensated absences	<u>922,339</u>	<u>492,133</u>	<u>(419,123)</u>	<u>995,349</u>	<u>384,048</u>
Total other long-term obligations	<u>2,236,199</u>	<u>512,027</u>	<u>(518,659)</u>	<u>2,229,567</u>	<u>467,840</u>
Total governmental activities long-term obligations	<u>\$ 5,619,399</u>	<u>\$ 887,027</u>	<u>\$ (653,359)</u>	<u>\$ 5,853,067</u>	<u>\$ 628,840</u>

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

<b>Business-Type Activities:</b>	<u>Balance 12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/05</u>	<u>Due Within One Year</u>
<u>General obligation bonds:</u>					
Varous purpose improvement	\$ 55,000	\$ -	\$ (10,000)	\$ 45,000	\$ 10,000
Total general obligation bonds	<u>55,000</u>	<u>-</u>	<u>(10,000)</u>	<u>45,000</u>	<u>10,000</u>
<u>Revenue Bonds:</u>					
Sewer Revenue Bonds	-	60,000	-	60,000	-
Total revenue bonds	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>60,000</u>	<u>-</u>
<u>Other long-term obligations:</u>					
Loans payable	213,645		(213,645)		
GMAC commercial mortgage	94,000		(4,000)	90,000	4,000
Closure and postclosure liability	2,586,896	190,686		2,777,582	
Compensated absences	59,617	47,310	(29,764)	77,163	25,091
Total other					
long-term obligations	<u>2,954,158</u>	<u>237,996</u>	<u>(247,409)</u>	<u>2,944,745</u>	<u>29,091</u>
Total business-type activities					
long-term obligations	<u>\$ 3,009,158</u>	<u>\$ 297,996</u>	<u>\$ (257,409)</u>	<u>\$ 3,049,745</u>	<u>\$ 39,091</u>

General Obligation Bonds:

A. Various Purpose General Obligation Bonds, Series 1999

These general obligation bonds were issued in 1999 to provide funds for the renovation of County buildings, improvement of the sanitary sewer system, and construction of the Evansport water lines. General obligation bonds are direct obligations of the County for which its full faith and credit are pledged for repayment. The general obligation bonds reported as governmental activities obligations are payable from rental charges, sewer charges, and special assessments to the extent these resources are available. The general obligation bonds reported as business-type activities obligations are payable from unvoted property tax revenues to the extent operating resources of the Sewer enterprise fund are not available to meet the annual debt service requirements. The County expects that all of the debt service on the Sewer enterprise fund bonds will be paid from the revenues of that fund.

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.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

The term bonds maturing on December 1, 2019, are subject to mandatory sinking fund redemption, in part by lot, 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 2018 (with the balance of \$120,000 to be paid at stated maturity on December 1, 2019), at a redemption price equal to 100 % of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

Year	Amount	Year	Amount
2010	\$75,000	2015	\$100,000
2011	80,000	2016	105,000
2012	85,000	2017	110,000
2013	90,000	2018	115,000
2014	90,000		

The term bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, in part by lot, 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 2020 through 2023 (with the balance of \$140,000 to be paid at stated maturity on December 1, 2024), at a redemption price equal to 100 % of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

Year	Amount
2020	\$115,000
2021	120,000
2022	125,000
2023	135,000

The general obligation bonds are also subject to prior redemption on or after December 1, by and at the sole option of the County, either in whole or in part on any date, in integral multiples of \$5,000 plus accrued interest to the redemption date. The date each bond may be called and the redemption prices, expressed as percentages of the principal amount redeemed, are set forth below:

Redemption Dates	Various Purpose Improvements
December 1, 2009 to November 30, 2010	101%
December 1, 2010 to November 30, 2011	100.5
December 1, 2011 and thereafter	100

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

B. Various Purpose General Obligation Bonds, Series 2005

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

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

The term bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption, pursuant to the terms of the mandatory sinking fund redemption requirements of the County. The mandatory redemption is to occur on December 1 in each of the years 2006 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:

Year	Amount	Year	Amount
2006	\$5,000	2014	\$15,000
2007	10,000	2015	15,000
2008	10,000	2016	15,000
2009	10,000	2017	15,000
2010	10,000	2018	15,000
2011	10,000	2019	15,000
2012	10,000	2020	20,000
2013	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 2007 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:

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

Year	Amount	Year	Amount
2007	\$5,000	2017	\$10,000
2008	5,000	2018	10,000
2009	5,000	2019	10,000
2010	5,000	2020	10,000
2011	5,000	2021	10,000
2012	10,000	2022	15,000
2013	10,000	2023	15,000
2014	10,000	2024	15,000
2015	10,000	2025	15,000
2016	10,000		

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

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. Special assessment bonds are paid from Brunersburg Sewer debt service fund (a nonmajor governmental fund).

Revenue Bonds

In 2005, the county was issued sewer revenue bonds in the amount of \$60,000 for the Green Acres sewer system. The bonds will be repaid from the Sewer enterprise fund with charges for sewer service.

Loans Payable:

The County entered into loan agreements in 2001 and 2003 for the purchase of heavy equipment, in the amount of \$78,528 and \$433,674, respectively. In 2005, the loans were retired from the Ditch Maintenance special revenue fund (a nonmajor governmental fund) and Landfill enterprise fund, respectively.

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).

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

*OWDA Loans Payable:*

The County has authorized Ohio Water Development Authority loans, in the amount of \$1,356,000, for the construction of wastewater facilities. The County has drawn down \$1,096,740 as of December 31, 2005. The County has made principal payments totaling \$178,492 and interest has been capitalized in the amount of \$38 resulting in a loan payable amount of \$918,286 at December 31, 2005. The remaining available balance to be drawn down, in the amount of \$259,260, is still authorized but not issued. An amortization schedule for future debt service payments is not available due to the project not being finalized; however, the County has made semi-annual payments on these loans and an estimate was determined on the amount the County will pay within one year on these loans. The loans will be repaid from the Express Sewer debt service fund (a nonmajor governmental fund).

*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. The loan will be repaid from the Sewer enterprise fund with charges for sewer service.

*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, Mental Retardation and Developmental Disabilities, Job and Family Services, Real Estate Assessment, Motor Vehicle and Gas Tax, DARE, Economic Development, Child Support Enforcement Agency, Emergency 911, Joint Solid Waste, Senior Center, Certificate of Administration, Sarah's House, and Felony Delinquent Care and Custody special revenue funds; and the Landfill and Sewer enterprise funds.

*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 \$12,404,002 at December 31, 2005.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

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

Governmental Activities						
<u>Year Ended</u>	General Obligation Bonds			Special Assessment Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 115,000	\$ 141,130	\$ 256,130	\$ 46,000	\$ 54,839	\$ 100,839
2007	125,000	128,205	253,205	47,500	52,973	100,473
2008	135,000	120,707	255,707	49,000	51,054	100,054
2009	140,000	113,980	253,980	50,700	48,816	99,516
2010	90,000	106,943	196,943	52,800	46,542	99,342
2011 - 2015	555,000	452,218	1,007,218	318,200	192,300	510,500
2016 - 2020	695,000	281,575	976,575	397,400	109,083	506,483
2021 - 2025	590,000	86,310	676,310	216,900	19,634	236,534
Total	\$ 2,445,000	\$ 1,431,068	\$3,876,068	\$ 1,178,500	\$ 575,241	\$ 1,753,741

Governmental Activities	
OPWC	
Loans	
<u>Year Ended</u>	<u>Principal</u>
2006	\$ 23,403
2007	23,403
2008	23,403
2009	23,403
2010	23,403
2011 - 2015	117,015
2016 - 2019	81,902
Total	\$ 315,932

**FINANCIAL CONDITION  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(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:

Business-Type Activities									
Year Ended	General Obligation Bonds			Revenue Bonds			GMAC Commercial Mortgage		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 10,000	\$ 2,300	\$ 12,300	\$ -	\$ 2,317	\$ 2,317	\$ 4,000	\$ 4,500	\$ 8,500
2007	10,000	1,855	11,855	600	2,475	3,075	4,000	4,300	8,300
2008	10,000	1,245	11,245	700	2,450	3,150	5,000	4,100	9,100
2009	15,000	780	15,780	700	2,421	3,121	5,000	3,850	8,850
2010				700	2,393	3,093	5,000	3,600	8,600
2011 - 2015				4,200	11,486	15,686	29,000	13,950	42,950
2016 - 2020				5,000	10,556	15,556	38,000	5,850	43,850
2021 - 2025				6,200	9,438	15,638			
2026 - 2030				7,500	8,048	15,548			
2031 - 2035				9,300	6,361	15,661			
2036 - 2040				11,300	4,288	15,588			
2041 - 2045	-	-	-	13,800	1,758	15,558	-	-	-
<b>Total</b>	<u>\$45,000</u>	<u>\$6,180</u>	<u>\$51,180</u>	<u>\$ 60,000</u>	<u>\$ 63,991</u>	<u>\$ 123,991</u>	<u>\$ 90,000</u>	<u>\$40,150</u>	<u>\$130,150</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, 2005, \$2,325,000 of these bonds was outstanding.

In 2002, the County entered into a lease-purchase agreement, in the amount of \$2,000,000, for the purchase of a CT scanner, MR system, and related medical equipment. The County is not obligated in any way to pay the debt charges on the lease-purchase agreement from any of its funds, and therefore, the debt has been excluded entirely from the County's debt presentation. As of December 31, 2005, \$904,877 of this debt 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, 2005, \$688,399 of these bonds was outstanding.



**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(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 \$2,777,582 reported as landfill closure and postclosure costs payable at December 31, 2005, represents the cumulative amount reported to date based on the use of 90.07% of the estimated capacity of the landfill. The County will recognize the remaining estimated costs of closure and postclosure care of \$306,310 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2005. 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 2005, these costs total \$3,083,892. The County expects to close the landfill in 2007. 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 2005, 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 - JOINTLY GOVERNED ORGANIZATIONS**

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

The Northwest Ohio Juvenile Detention, Training, and Rehabilitation Center (Center) is a jointly governed organization among Defiance, Fulton, Henry, and Williams Counties. The Center's board of trustees consists of thirteen members; three from each County and one at-large member. The board of trustees exercises total control over the operation of the Center including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the Center. In 2005, Defiance County contributed \$305,890 for the Center's operations which represents 20% of total contributions. Information can be obtained from Nancy J. Yackee, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS – (Continued)**

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

The Four County Board of Alcohol, Drug Addiction, and Mental Health Services (ADAMHS) is a jointly governed organization among Defiance, Fulton, Henry, and Williams Counties to provide alcohol, drug addiction, and mental health services to individuals in the four counties. The governing board of ADAMHS consists of eighteen members; four members appointed by the Ohio Director of Alcohol and Drug Addition 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 2005, Defiance County contributed \$699,998 in property taxes for the ADAMHS's operations which represents 8.1% of total contributions. Information can be obtained from Marlene J. Goodwin, Defiance County Auditor, 221 Clinton Street, Defiance, Ohio 43512.

**C. Corrections Commission of Northwest Ohio**

The Corrections Commission of Northwest Ohio (CCNO) is a jointly governed organization among Defiance, Fulton, Henry, Lucas, and Williams Counties and the City of Toledo. The CCNO was established to provide jail space for convicted criminals in the five counties and the County of Toledo and to provide a correctional center for the inmates. The 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 the CCNO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the CCNO. In 2005, Defiance County contributed \$1,314,721 for the CCNO's operations which represents 9.2% of total contributions. Information can be obtained from Tonya Justus, Fiscal Manager, Corrections Commission of Northwest Ohio, 03151 County Road 2425, Stryker, Ohio 43557.

**D. Four County Solid Waste District**

The Four County Solid Waste District (District) is a jointly governed organization among Defiance, Fulton, Paulding, and Williams Counties to make disposal of waste in the four-county area more comprehensive in terms of recycling, incinerating, and landfilling. The District was created in 1989. The board of directors consists of twelve members; the three commissioners from each county. The board of directors exercises total control over the operation of the District including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the District. In 2005, Defiance County contributed \$109,502 for the District's operations which represents 22% of total contributions. Information can be obtained from Deborah Nester, Williams County Auditor, One Courthouse Square, Bryan, Ohio 43506.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS – (Continued)**

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

The Multi-Area Narcotics Task Force (Task Force) is a jointly governed organization among Defiance, Paulding, 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 Task Force exercises total control over the operation of the Task Force including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the Task Force. In 2005, Defiance County did not contribute any funds for the Task Force's operations. Information can be obtained from the Defiance County Sheriff's office, 113 Beide Street, Defiance, Ohio 43512.

**F. Quadco Rehabilitation Center**

The Quadco Rehabilitation Center (Quadco) is a jointly governed organization among Defiance, Fulton, Henry, and Williams Counties. Quadco Rehabilitation Center is a nonprofit corporation which provides services and facilities for training physically and mentally disabled persons. Quadco is responsible for contracting with various agencies to obtain funding to operate the organization. Quadco is governed by an eight-member board composed of two appointees made by each of the four County Boards of Mental Retardation and Developmental Disabilities (County Boards of MRDD). This board, in conjunction with the County Boards of MRDD, assesses the needs of adult mentally challenged 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 2005, Defiance County contributed \$527,665 for Quadco's operations which represents 14.3% of total contributions. Information can be obtained from Terry Fruth, CFO, Quadco Rehabilitation Center, 427 North Defiance Street, Stryker, Ohio 43557.

**G. Maumee Valley Planning Organization**

The Maumee Valley Planning Organization (MVPO) is a jointly governed organization among Defiance, Fulton, Henry, Paulding, and Williams Counties. The MVPO is an organization established to improve the social and economic conditions of the region through development and conservation. The 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. The 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 the MVPO. In 2005, Defiance County contributed \$78,822 for the MVPO's operations which represents 9% of total contributions. Information can be obtained from Nancy J. Yackee, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS – (Continued)**

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

The Community Improvement Corporation of Defiance County (CIC) is a jointly governed organization among Defiance County, the County 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. The 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 County 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. The 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 2005, Defiance County contributed \$29,744 for the CIC's operations which represents 15% of total contributions. Information can be obtained from the Jerry Hayes, Executive Director, 197-2B-1 Island Park Avenue, Defiance, Ohio 43512.

**NOTE 20 - 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**

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

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 21 - RELATED ORGANIZATION**

The Defiance County Regional 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, the County Commissioners have in prior years allocated certain funds to the Airport Authority. In 2005, the County contributed \$25,200 to the Airport Authority.

**NOTE 22 - 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, 2005, to December 31, 2005, 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.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<i>Direct Assistance</i>		
Water and Waste Disposal Systems for Rural Communities - Grant		10.760
Water and Waste Disposal Systems for Rural Communities - Loan		10.760
Total Water and Waste Disposal Systems for Rural Communities		
<i>Passed Through Ohio Department of Education</i>		
Food Donation Program	N/A	10.550
National School Lunch Program	065946-03-PU-02	10.555
Total U.S. Department of Agriculture		
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<i>Passed Through Ohio Department of Education</i>		
<i>Special Education Cluster:</i>		
Special Education - Grants to States	065946-6B-8F-05	84.027
Special Education - Preschool Grant	065946-PG-51-2005	84.173
Total Special Education Cluster		
State Grants for Innovative Programs	065946-C2-S1-2005	84.298
Total U.S. Department of Education		
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>		
<i>Passed Through Ohio Emergency Management Agency</i>		
State Domestic Preparedness Equipment Support Program	S04-SHSP-20-0378	97.004
State Homeland Security Program	S05-SHSP5-20-0220	97.073
Citizens Corp Program Grant	S05-HCC04-20-0009	97.053
Total U.S. Department of Homeland Security		
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
<i>Passed Through The Area Office of Aging</i>		
<i>Aging Cluster:</i>		
Grants for Supportive Services and Senior Centers		93.044
Special Programs for the Aging - Title III Part C- Nutrition Services		93.045
Total Aging Cluster		
Special Programs for the Aging - Title III Part D - Disease Prevention and Health Promotion		93.043
Alzheimer Disease Demonstration Grants to States		93.051
Total Area Office of Aging		
<i>Passed Through Ohio Department of Health</i>		
Social Services Block Grant		93.667
<i>Passed Through the Ohio Department of Mental Retardation and Development Disabilities</i>		
Medical Assistance Program (Medicaid: Title XIX )		93.778
Medical Assistance Program (CAFS)		93.778
Medical Assistance Program (TCM)		93.778
Total Medical Assistance Program		
State Children's Insurance Program		93.767
Total Passed Through the Ohio Department of Mental Retardation and Development Disabilities		

Disbursements	Non-Cash Disbursements
\$ 67,000	
<u>60,000</u>	
127,000	
	\$ 2,482
<u>11,102</u>	
<u>138,102</u>	<u>2,482</u>
51,010	
<u>21,382</u>	
<u>72,392</u>	
<u>972</u>	
<u>73,364</u>	
165,802	
33,075	
<u>16,418</u>	
<u>215,295</u>	
29,969	
<u>208,920</u>	
<u>238,889</u>	
7,252	
<u>39,402</u>	
<u>285,543</u>	
42,367	
401,726	
90,095	
<u>51,150</u>	
<u>542,971</u>	
<u>2,171</u>	
<u>545,142</u>	

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i>	Pass Through Entity	Federal CFDA
Program Title	Number	Number
<b>Passed Through the Ohio Department of Job and Family Services</b>		
Chaffee Foster Care Independence Program	86-6018-05	93.674
Child Abuse and Neglect -State Grant	86-6020-06	93.669
Child Welfare Services State Grants	86-6010-06 86-6035-05 86-6036-06	93.645 93.645 93.645
Total Child Welfare Services State Grants		
Grants to States for Access and Visitation Programs	G-04-09-0792	93.597
Total Passed Through the Ohio Department of Jobs and Family Services		
Total U.S. Department of Health and Human Services		
<b>U.S. DEPARTMENT OF LABOR</b>		
<i>Passed Through Montgomery County WIA Area 7</i>		
Workforce Investment Act Cluster:		
Workforce Investment Act - Adult	N/A	17.258
Workforce Investment Act - Adult Administration	N/A	17.258
Total Workforce Investment Act - Adult		
Workforce Investment Act - Youth	N/A	17.259
Workforce Investment Act - Youth Administration	N/A	17.259
Total Workforce Investment Act - Youth		
Workforce Investment Act - Dislocated Worker	N/A	17.260
Workforce Investment Act - Dislocated Worker Administration	N/A	17.260
Total Workforce Investment Act - Dislocated Worker		
Total U.S. Department of Labor Workforce Investment Act Cluster		
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
<i>Passed Through Ohio Department of Development:</i>		
Community Development Block Grant (Formula Grant)	B-F-03-019-1	14.228
Community Development Block Grant (Emergency Shelter)	B-L-04-019-1	14.228
Community Development Block Grant (Water and Sewer)	B-W-03-019-1	14.228
Community Development Block Grant (Chip)	B-C-04-019-1	14.228
Total Community Development Block Grant		
Home Investment Partnerships Program (Chip)	B-C-04-019-2	14.239
Total U.S. Department of Housing and Urban Development		



<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
879	
1,500	
25,412	
897	
23	
<u>28,478</u>	<u>          </u>
<u>23,226</u>	<u>          </u>
<u>54,083</u>	<u>          </u>
<u>927,135</u>	<u>          </u>
30,144	
<u>6,157</u>	<u>          </u>
36,301	
123,443	
<u>11,766</u>	<u>          </u>
135,209	
60,366	
<u>394</u>	<u>          </u>
<u>60,760</u>	<u>          </u>
<u>232,270</u>	<u>          </u>
39,750	
41,007	
32,099	
<u>28,703</u>	<u>          </u>
237,559	
<u>37,935</u>	<u>          </u>
<u>275,494</u>	<u>          </u>

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>		
<i>Passed Through Ohio Department of Transportation</i>		
Highway Planning and Construction	03N021	20.205
	03N049	20.205
	04N089	20.205
	05N019	20.205
	05N112	20.205
	05N119	20.205
Total U.S. Department of Transportation		
<i>Passed Through the Office of Criminal Justice Services</i>		
Crime Victims Assistance	2005 VAGENE061	16.575
	2006 VAGENE061	16.575
Total Crime Victims Assistance		
Edward Byrne Memorial Formula Grant - Forensic Storage Drives, DCSO	2001-DG-BOV-7497	16.579
Edward Bryne Memorial Formula Grant - Drug Control and Systems	2004-DG-A01-7014	16.579
Edward Bryne Memorial Formula Grant - Rape Crisis Advocate	2003-DG-GOV-7514	16.579
Total Edward Bryne Memorial Formula Grant		
Local Law Enforcement Block Grant	2004-LE-LEB-36279	16.592
Local Law Enforcement Block Grant - Multi Area Narcotics Unit	2004-LE-LEV-3550	16.592
Total Local Law Enforcement Block Grant		
Community Prosecution and Project Safe Neighborhoods	2003-PS-PSN-307A	16.609
Total U.S. Department of Justice		
<b>U.S. GENERAL SERVICES ADMINISTRATION</b>		
<i>Passed Through the Office of the Ohio Secretary of State</i>		
Election Reform Payments		39.011
Total U.S. General Services Administration		
<b>U.S. ELECTION COMMISSION ASSISTANCE</b>		
<i>Passed Through the Office of the Ohio Secretary of State</i>		
Help America Vote Act		90.401
Total U.S. Election Commission Assistance		
<b>Total</b>		

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

<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
217,807	
25,255	
4,586	
389,111	
67,694	
<u>106,944</u>	
811,397	
32,916	
18,676	
<u>51,592</u>	
2,115	
175,901	
1,180	
<u>179,196</u>	
20,000	
1,463	
<u>21,463</u>	
23,606	
<u>275,857</u>	
9,920	
9,920	
356,360	
<u>356,360</u>	
<u>\$ 3,315,194</u>	<u>\$ 2,482</u>

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED DECEMBER 31, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

Program regulations do not require the County to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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

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

These loans are collateralized at December 31, 2005. The gross amount of loans outstanding under this program was \$315,441.

**NOTE D – U.S DEPARTMENT OF AGRICULTURAL RURAL DEVELOPMENT LOAN PROGRAM**

The County obtained a low interest Waste or Water System loan through the United States Department of Agriculture Rural Utilities Service. The total loan amount awarded to the County was \$202,774. The County is using the proceeds of the loan towards the construction cost related to the ongoing Indian Bridge Lane Project. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). The balance in this loan was \$60,000 at December 31, 2005. The County anticipates drawing additional funds from this loan in the future until the construction of the Indian Bridge Lane Project is completed.

**NOTE E - MATCHING REQUIREMENTS**

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



**Auditor of State  
Betty Montgomery**

**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 (the County) as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 29, 2006, wherein we noted the County reclassified its presentation of the Green Acres Sewer fund and restated the beginning net assets of the Landfill fund for an accounting change in the capital asset balances. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the County's management dated June 29, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**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*. In a separate letter to the County's management dated June 29, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

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

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

**Betty Montgomery**  
Auditor of State

June 29, 2006



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH 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 (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 apply to each of its major federal programs for the year ended December 31, 2005. 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 express an opinion on the County's compliance based on our audit.

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

In our opinion, Defiance County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2005. In a separate letter to the County's management dated June 29, 2006, we reported a matter related to federal noncompliance not requiring inclusion in this report.

### **Internal Control Over Compliance**

The County's management is responsible for establishing and maintaining effective internal control over compliance with 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 expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated June 29, 2006.

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



**Betty Montgomery**  
Auditor of State

June 29, 2006



**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2005**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction, CFDA #20.205 Medical Assistance Program CFDA #93.778 Help America Vote Act, CFDA #90.401 State Domestic Preparedness Equipment Support Program, CFDA #97.004
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	Special Programs for the Aging – Title III Part C – Nutrition Services Program, 93.045 – Aging Cluster – Reportable Condition for lack of controls over disbursements and reporting	Yes	





**Auditor of State  
Betty Montgomery**

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800-282-0370

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## **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  
JULY 25, 2006**