



**Mary Taylor, CPA**  
Auditor of State



**DEFIANCE COUNTY**  
**TABLE OF CONTENTS**

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	20
Statement of Activities .....	21
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	22
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	24
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	28
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) - General Fund .....	29
Developmental Disabilities Fund.....	30
Job and Family Services Fund.....	31
Motor Vehicle License and Gas Tax Fund.....	32
Emergency 911 Fund.....	33
Senior Center Fund.....	34
Statement of Net Assets – Proprietary Funds .....	35
Statement of Revenues, Expenses, and Changes in Net Assets .....	36
Statement of Cash Flows – Proprietary Funds.....	38
Statement of Fiduciary Net Assets - Fiduciary Funds .....	40
Notes to the Basic Financial Statements .....	41
Federal Awards Expenditures Schedule.....	87

DEFIANCE COUNTY

TABLE OF CONTENTS  
(Continued)

TITLE	PAGE
Notes to the Federal Awards Expenditures Schedule .....	90
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	93
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i> .....	95
Schedule of Findings and Questioned Costs.....	97
Corrective Action Plan.....	101
Schedule of Prior Audit Findings.....	102



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Defiance County, Ohio (the County), as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Defiance County, Ohio, as of December 31, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, Developmental Disabilities Fund, Job and Family Services Fund, Motor Vehicle License and Gas Tax Fund, Emergency 911 Fund, and Senior Center Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2010, 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 federal awards expenditure schedule 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 federal awards expenditure schedule 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.

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

**Mary Taylor, CPA**  
Auditor of State

August 19, 2010

## DEFIANCE COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009 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, 2009. 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 2009 are as follows:

- The total net assets of the County increased \$556,471. Net assets of governmental activities decreased \$134,867, which represents a 0.16% decrease from 2008. Net assets of business-type activities increased \$691,338 or 3.34% from 2008.
- General revenues accounted for \$14,294,033 or 47.61% of total governmental activities revenue. Program specific revenues accounted for \$15,727,034 or 52.39% of total governmental activities revenue.
- The County had \$30,027,762 in expenses related to governmental activities; \$15,727,034 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$14,294,033 were not adequate to provide for these programs.
- The general fund, the County's largest major governmental fund, had revenues and other financing sources of \$10,437,426 in 2009, a decrease of \$1,322,798 or 11.25% from 2008 revenues and other financing sources. The general fund had expenditures and other financing uses of \$10,160,185 in 2009, a decrease of \$1,346,917 or 11.71% from 2008. The fund balance of the general fund increased \$277,241 from 2008 to 2009.
- The developmental disabilities (DD) fund, a major governmental fund, had revenues and other financing sources of \$4,719,053 in 2009, an increase of \$386,752 or 8.93% from 2008 revenues. The DD fund had expenditures of \$4,557,739 in 2009, an increase of \$100,284 or 2.25% from 2008. The DD fund balance increased \$161,314 from 2008 to 2009.
- The job and family services fund, a major governmental fund, had revenues and other financing sources of \$2,592,450 in 2009, a decrease of \$465,947 or 15.24% from 2008 revenues and other financing sources. The job and family services fund had expenditures of \$2,645,284 in 2009, a decrease of \$836,909 or 24.03% from 2008. A decrease in intergovernmental revenues contributed to the job and family services fund balance decrease of \$52,834 from 2008 to 2009.
- The motor vehicle license and gas tax fund, a major governmental fund, had revenues and other financing sources of \$3,945,778 in 2009, a decrease of \$828,208 or 17.35% from 2008. The motor vehicle license and gas tax fund, had expenditures of \$4,053,778 in 2009, a decrease of \$101,108 or 2.43% from 2008. The decrease in revenues contributed to the motor vehicle license and gas tax fund balance decrease of \$108,000 from 2008 to 2009.
- The emergency 911 fund, a major governmental fund, had revenues of \$919,881 in 2009, an increase of \$64,558 or 7.55% from 2008 revenues. The emergency 911 fund, had expenditures of \$785,422 in 2009, an increase of \$4,911 or 0.63% from 2008. The emergency 911 fund balance increased \$134,459 from 2008 to 2009.

## DEFIANCE COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009 UNAUDITED

- The senior center fund, a major governmental fund, had revenues of \$1,336,243 in 2009, an increase of \$94,234 or 7.59% from 2008 revenues. The senior center fund, had expenditures and other financing uses of \$1,648,593 in 2009, an increase of \$469,781 or 39.85% from 2008. The senior center fund balance decreased \$312,350 from 2008 to 2009.
- The county improvement fund, a major governmental fund, had other financing sources of \$140,155 in 2009, a decrease of \$532,845 or 79.17% from 2008 revenues and other financing sources due to the decrease in transfers-in from the General Fund. The county improvement fund, had expenditures of \$840,756 in 2009, an increase of \$732,621 or 677.51% from 2008, due to the construction of the annex building. The county improvement fund balance decreased \$700,601 from 2008 to 2009.
- Net assets for the business-type activities, which are made up of the landfill and sewer enterprise funds, increased in 2009 by \$691,338. This increase is due mainly to decreased expenses in the enterprise funds.
- In the general fund, the actual revenues and other financing sources were \$2,572,935 higher than originally budgeted and actual expenditures and other financing uses were \$3,022,884 less than the amount in the original budget. These positive variances are a result of the County's conservative budgeting process.

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

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

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

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

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

The statement of net assets and the statement of activities answer the question, "How did we do financially during 2009?" These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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



## DEFIANCE COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009 UNAUDITED

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, developmental disabilities fund (DD), job and family services fund, motor vehicle license and gas tax fund, emergency 911 fund, senior center fund and county improvement fund. The County's major enterprise funds are the landfill and sewer funds.

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

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

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

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

**DEFIANCE COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**UNAUDITED**

***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 at December 31, 2009 and December 31, 2008:

**DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED**

	Governmental Activities 2009	Business-type Activities 2009	Governmental Activities 2008	Business-type Activities 2008	2009 Total	2008 Total
<u>Assets</u>						
Current and other assets	\$ 40,989,815	\$ 14,399,397	\$ 43,611,849	\$ 13,472,622	\$ 55,389,212	\$ 57,084,471
Capital assets, net	57,120,280	11,033,135	55,583,860	11,156,346	68,153,415	66,740,206
<b>Total assets</b>	<b>98,110,095</b>	<b>25,432,532</b>	<b>99,195,709</b>	<b>24,628,968</b>	<b>123,542,627</b>	<b>123,824,677</b>
<u>Liabilities</u>						
Other liabilities	6,642,728	155,352	6,170,500	177,280	6,798,080	6,347,780
Long-term liabilities outstanding	5,735,152	3,909,588	7,158,127	3,775,434	9,644,740	10,933,561
<b>Total liabilities</b>	<b>12,377,880</b>	<b>4,064,940</b>	<b>13,328,627</b>	<b>3,952,714</b>	<b>16,442,820</b>	<b>17,281,341</b>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	55,401,903	10,903,135	52,694,697	11,005,646	66,305,038	63,700,343
Restricted	23,561,755	1,687,626	26,004,001	1,578,267	25,249,381	27,582,268
Unrestricted	6,768,557	8,776,831	7,168,384	8,092,341	15,545,388	15,260,725
<b>Total net assets</b>	<b>\$ 85,732,215</b>	<b>\$ 21,367,592</b>	<b>\$ 85,867,082</b>	<b>\$ 20,676,254</b>	<b>\$ 107,099,807</b>	<b>\$ 106,543,336</b>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2009, the County's assets exceeded liabilities by \$107,099,807. This amounts to \$85,732,215 in governmental activities and \$21,367,592 in business-type activities. The County's finances continued to remain strong during 2009, despite the decline in the economy.

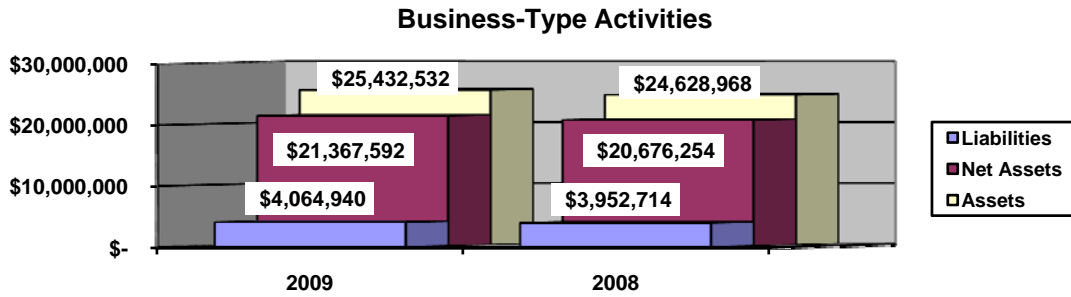
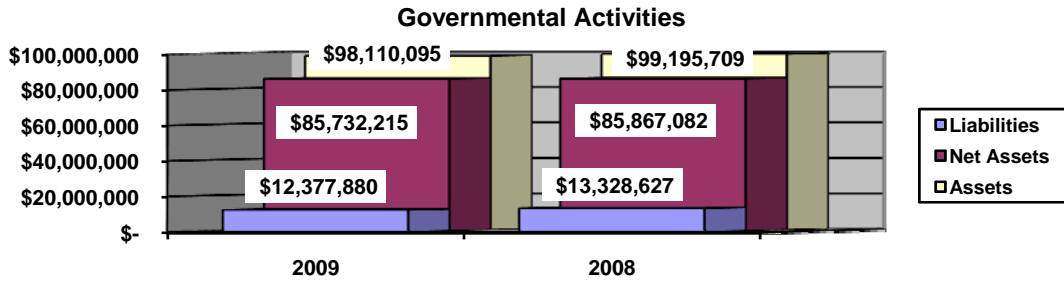
Capital assets reported on the government-wide statements represent the largest portion of the County's assets. At year-end, capital assets represented 55.17% of total governmental and business-type assets. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles, construction in progress and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2009, were \$66,305,038. 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, 2009, 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, \$25,249,381 or 23.58%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$15,545,388 or 14.51% may be used to meet the government's ongoing obligations to citizens and creditors.

**DEFIANCE COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**UNAUDITED**

The graphs below illustrate the District's assets, liabilities and net assets at December 31, 2009 and December 31, 2008 for the governmental activities and business-type activities:



**DEFIANCE COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**UNAUDITED**

| The table below shows the changes in net assets for 2009 and 2008:

	<b>Change in Net Assets</b>					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	Total	Total
	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 3,231,808	\$ 3,127,470	\$ 3,429,979	\$ 3,558,579	\$ 6,359,278	\$ 6,988,558
Operating grants and contributions	10,418,090		12,110,910		10,418,090	12,110,910
Capital grants and contributions	<u>2,077,136</u>	<u>214,538</u>	<u>550,506</u>		<u>2,291,674</u>	<u>550,506</u>
Total program revenues	<u>15,727,034</u>	<u>3,342,008</u>	<u>16,091,395</u>	<u>3,558,579</u>	<u>19,069,042</u>	<u>19,649,974</u>
General revenues:						
Property taxes	5,261,631		4,789,355		5,261,631	4,789,355
Sales tax	4,311,802		4,647,121		4,311,802	4,647,121
Unrestricted grants	2,304,073		2,215,677		2,304,073	2,215,677
Investment earnings	899,243	204,894	2,194,458	252,605	1,104,137	2,447,063
Revenue in lieu of taxes	80,000		80,000		80,000	80,000
Other	<u>1,437,284</u>	<u>6,713</u>	<u>1,536,719</u>	<u>25,030</u>	<u>1,443,997</u>	<u>1,561,749</u>
Total general revenues	<u>14,294,033</u>	<u>211,607</u>	<u>15,463,330</u>	<u>277,635</u>	<u>14,505,640</u>	<u>15,740,965</u>
Total revenues	<u>30,021,067</u>	<u>3,553,615</u>	<u>31,554,725</u>	<u>3,836,214</u>	<u>33,574,682</u>	<u>35,390,939</u>

**DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED**

	<b>Change in Net Assets</b>					
	Governmental	Business-type	Governmental	Business-type	Total	Total
	Activities	Activities	Activities	Activities	2009	2008
	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Expenses</b>						
Program Expenses:						
General government						
Legislative and executive	6,134,431		5,992,904		6,134,431	5,992,904
Judicial	1,676,423		1,650,826		1,676,423	1,650,826
Public safety	4,804,562		4,574,440		4,804,562	4,574,440
Public works	5,760,857		3,927,760		5,760,857	3,927,760
Health	4,531,498		4,690,765		4,531,498	4,690,765
Human services	6,614,127		7,030,877		6,614,127	7,030,877
Conservation and recreation	3,233		2,065		3,233	2,065
Economic development	292,702		615,590		292,702	615,590
Interest and fiscal charges	209,929		239,879		209,929	239,879
Landfill		2,294,780		2,997,037	2,294,780	2,997,037
Sewer		695,669		651,354	695,669	651,354
	<u>30,027,762</u>	<u>2,990,449</u>	<u>28,725,106</u>	<u>3,648,391</u>	<u>33,018,211</u>	<u>32,373,497</u>
Total expenses						
Increase/(decrease) in net assets before transfers	(6,695)	563,166	2,829,619	187,823	556,471	3,017,442
Transfers	<u>(128,172)</u>	<u>128,172</u>	<u>(14,929)</u>	<u>14,929</u>		
Change in net assets	(134,867)	691,338	2,814,690	202,752	556,471	3,017,442
Net assets at beginning of year	<u>85,867,082</u>	<u>20,676,254</u>	<u>83,052,392</u>	<u>20,473,502</u>	<u>106,543,336</u>	<u>103,525,894</u>
Net assets at end of year	<u>\$ 85,732,215</u>	<u>\$ 21,367,592</u>	<u>\$ 85,867,082</u>	<u>\$ 20,676,254</u>	<u>\$ 107,099,807</u>	<u>\$ 106,543,336</u>

**Governmental Activities**

Governmental net assets decreased by \$134,867 in 2009 from 2008. The decrease in net assets is mainly a result of an increase in public works expenses, which was the result of various capital acquisitions throughout 2009.

Human services expenses support the operations of family services (public assistance), veteran services, and the children services board, and accounts for \$6,614,127 of expenses, or 22.03% of total governmental expenses of the County. These expenses were funded by \$112,135 in direct charges to users and \$4,566,917 in operating grants and contributions in 2009. General government expenses, which include legislative and executive and judicial programs, accounted for \$7,810,854 or 26.01% of total governmental expenses. General government expenses were covered by \$2,418,695 of direct charges to users and \$35,921 in operating grants and contributions in 2009.

The State and federal government contributed to the County revenues of \$10,418,090 in operating grants and contributions and \$2,077,136 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Operating grants and contributions of \$4,566,917 or 43.84% subsidized human services programs.

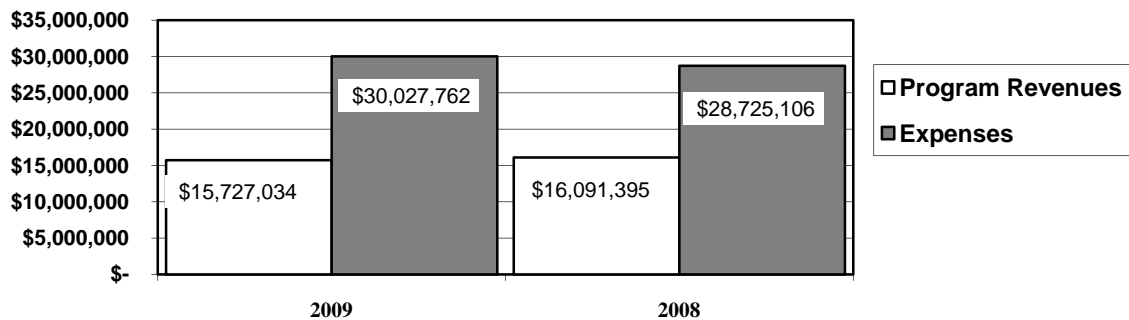
**DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED**

General revenues totaled \$14,294,033, and amounted to 47.61% of the total revenues of \$30,021,067. These revenues primarily consist of property and sales tax revenue of \$9,573,433, or 66.98% of total general revenues in 2009. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with operating grants consisting of local government and local government revenue assistance making up \$2,304,073, or 16.12% of the total general revenues.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2009 and 2008. 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**



**Governmental Activities**

	<u>Total Cost of Services 2009</u>	<u>Net Cost of Services 2009</u>	<u>Total Cost of Services 2008</u>	<u>Net Cost of Services 2008</u>
Program Expenses:				
General government				
Legislative and executive	\$ 6,134,431	\$ 4,107,202	\$ 5,992,904	\$ 3,935,536
Judicial	1,676,423	1,249,036	1,650,826	898,955
Public safety	4,804,562	4,447,627	4,574,440	4,344,963
Public works	5,760,857	(414,503)	3,927,760	(2,067,448)
Health	4,531,498	2,553,527	4,690,765	2,592,272
Human services	6,614,127	1,935,075	7,030,877	2,629,614
Conservation and recreation	3,233	3,233	2,065	2,065
Economic development	292,702	209,602	615,590	57,875
Interest and fiscal charges	209,929	209,929	239,879	239,879
<b>Total</b>	<b>\$ 30,027,762</b>	<b>\$ 14,300,728</b>	<b>\$ 28,725,106</b>	<b>\$ 12,633,711</b>

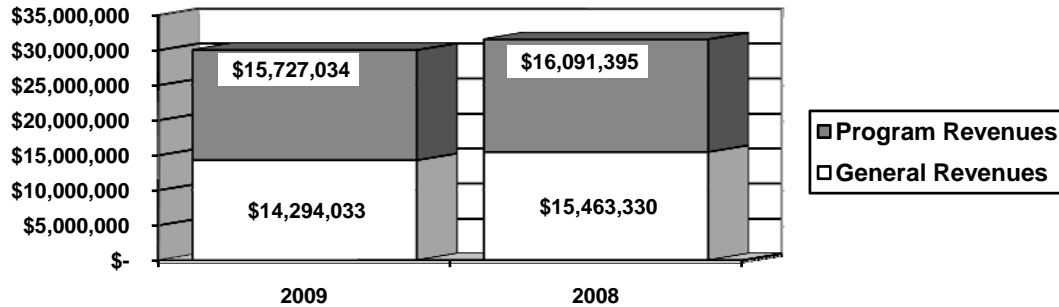
**DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED**

The dependence upon general revenues for governmental activities is apparent, with 47.63% of expenses supported through taxes and other general revenues during 2009.

The graph below illustrates the County's reliance upon general revenues for 2009 and 2008:

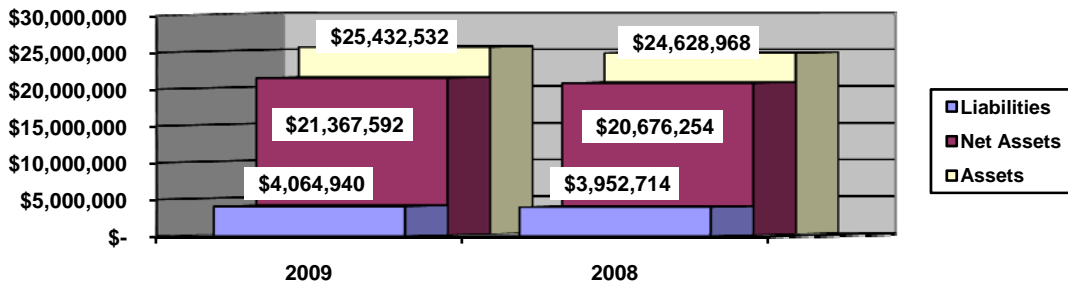
**Governmental Activities – General and Program Revenues**



**Business-Type Activities**

The landfill and sewer funds are the County's enterprise funds. These operations had program revenues of \$3,342,008, general revenues of \$211,607, expenses of \$2,990,449 and a transfer in of \$128,172 for 2009. The net assets of the enterprise funds increased \$691,338 or 3.34% during 2009. The following graph illustrates the assets, liabilities and net assets of the County's business-type activities at December 31, 2009 and December 31, 2008:

**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.



**DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED**

The County's governmental funds reported a combined fund balance of \$26,424,721, which is \$1,902,306 below last year's total of \$28,327,027. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2009 and December 31, 2008 for all major and nonmajor governmental funds:

	<u>Fund Balance</u> <u>December 31, 2009</u>	<u>Fund Balance</u> <u>December 31, 2008</u>	<u>Increase/</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 9,005,100	\$ 8,727,859	\$ 277,241
Mental Retardation and Developmental Disabilities	3,224,954	3,063,640	161,314
Job and Family Services	241,184	294,018	(52,834)
Motor Vehicle License and Gas Tax	1,326,466	1,434,466	(108,000)
Emergency 911	732,998	598,539	134,459
Senior Center	486,287	798,637	(312,350)
County Improvement	3,910,144	4,610,745	(700,601)
Other Nonmajor Governmental Funds	<u>7,497,588</u>	<u>8,799,123</u>	<u>(1,301,535)</u>
 Total	 <u>\$ 26,424,721</u>	 <u>\$ 28,327,027</u>	 <u>\$ (1,902,306)</u>

**General Fund**

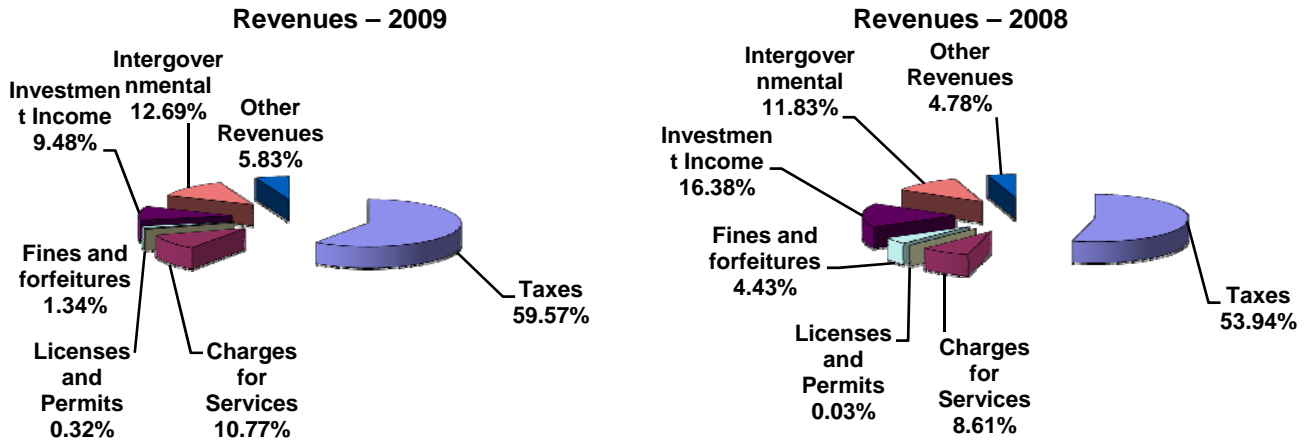
The County's general fund balance increased \$277,241. Although fund balance increased, the County had lower revenues in 2009 versus 2008. The primary reason for the increase in fund balance was that the County made \$956,881 less in transfers out to other funds in 2009 versus 2008. The table that follows assists in illustrating the revenues of the general fund:

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 6,168,232	\$ 6,338,591	\$ (170,359)	-2.69%
Charges for services	1,115,616	1,011,855	103,761	10.25%
Licenses and permits	33,325	2,945	30,380	1031.58%
Fines and forfeitures	138,357	520,508	(382,151)	-73.42%
Intergovernmental	1,313,573	1,390,161	(76,588)	-5.51%
Investment income	982,080	1,924,199	(942,119)	-48.96%
Rent income and other	603,456	562,118	41,338	7.35%
 Total	 <u>\$ 10,354,639</u>	 <u>\$ 11,750,377</u>	 <u>\$ (1,395,738)</u>	 -11.88%

Tax revenue represents 59.57% of all general fund revenue. Tax revenue decreased slightly by \$170,359 or 2.69% from the prior year due to a decrease in sales tax received by the County during 2009. The decrease in investment income of \$942,119 or 48.96% is primarily due to a decrease in interest rates. Although fines and forfeitures decreased by \$382,151 or 73.42%, the amount reported in 2009 is more consistent with amounts reported by the County in years prior to 2008. All other general fund revenue in 2009 remained comparable to 2008.

**DEFIANCE COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**UNAUDITED**

The graphs below illustrate the revenue of the general fund for 2009 and 2008:



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

	2009 Amount	2008 Amount	Increase/ (Decrease)	Percentage Change
<b>Expenditures</b>				
General government				
Legislative and executive	\$ 4,332,478	\$ 4,381,737	\$ (49,259)	-1.12%
Judicial	1,240,279	1,328,173	(87,894)	-6.62%
Public safety	2,204,813	2,122,775	82,038	3.86%
Public works	54,005	408,443	(354,438)	-86.78%
Health	73,702	48,313	25,389	52.55%
Human services	294,141	323,609	(29,468)	-9.11%
Economic development	72,765	72,765	-	0.00%
Other	596,835	645,730	(48,895)	-7.57%
Capital outlay	68,334		68,334	100.00%
Debt service	4,157		4,157	100.00%
<b>Total</b>	<b>\$ 8,941,509</b>	<b>\$ 9,331,545</b>	<b>\$ (390,036)</b>	<b>-4.18%</b>

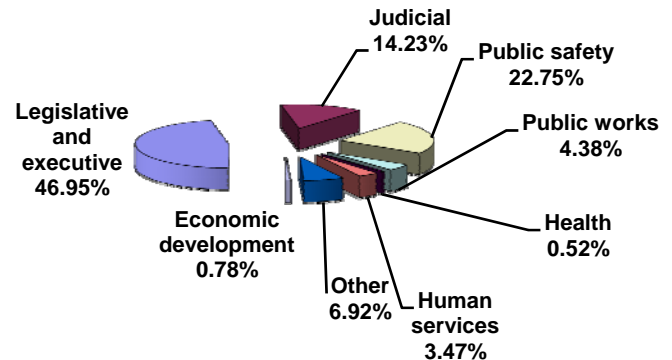
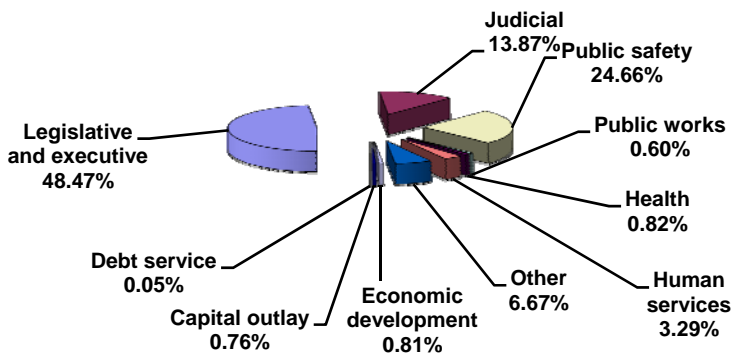
Overall expenditures of the general fund in 2009 decreased \$390,036 or 4.18% from 2008. The reason for this decrease is primarily attributable to a significant decrease in the public works expenditures in the amount of \$354,438 or 86.78%. These expenditures are mainly composed of money spent by the County Engineer's department. All other general fund expenditures in 2009 remained comparable to 2008.

**DEFIANCE COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**UNAUDITED**

The graphs below illustrate the expenditures of the general fund for 2009 and 2008:

**Expenditures - 2009**

**Expenditures - 2008**



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

The developmental disabilities (DD) fund, a major governmental fund, had revenues and other financing sources of \$4,719,053 in 2009, an increase of \$386,752 or 8.93% from 2008 revenues. The DD fund had expenditures of \$4,557,739 in 2009, an increase of \$100,284 or 2.25% from 2008. The DD fund balance increased \$161,314 from 2008 to 2009.

***Job and Family Services Fund***

The job and family services fund, a major governmental fund, had revenues and other financing sources of \$2,592,450 in 2009, a decrease of \$465,947 or 15.24% from 2008 revenues and other financing sources. The job and family services fund had expenditures of \$2,645,284 in 2009, a decrease of \$836,909 or 24.03% from 2008. A decrease in intergovernmental revenues contributed to the job and family services fund balance decrease of \$52,834 from 2008 to 2009.

***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 \$3,945,778 in 2009, a decrease of \$828,208 or 17.35% from 2008. The motor vehicle license and gas tax fund, had expenditures of \$4,053,778 in 2009, a decrease of \$101,108 or 2.43% from 2008. The decrease in revenues contributed to the motor vehicle license and gas tax fund balance decrease of \$108,000 from 2008 to 2009.

***Emergency 911 Fund***

The emergency 911 fund, a major governmental fund, had revenues of \$919,881 in 2009, an increase of \$64,558 or 7.55% from 2008 revenues. The emergency 911 fund, had expenditures of \$785,422 in 2009, an increase of \$4,911 or 0.63% from 2008. The emergency 911 fund balance increased \$134,459 from 2008 to 2009.

**DEFIANCE COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**UNAUDITED**

***Senior Center Fund***

The senior center fund, a major governmental fund, had revenues of \$1,336,243 in 2009, an increase of \$94,234 or 7.59% from 2008 revenues. The senior center fund, had expenditures and other financing uses of \$1,648,593 in 2009, an increase of \$469,781 or 39.85% from 2008. The senior center fund balance decreased \$312,350 from 2008 to 2009.

***County Improvement Fund***

The county improvement fund, a major governmental fund, had other financing sources of \$140,155 in 2009, a decrease of \$532,845 or 79.17% from 2008 revenues and other financing sources, due to the decrease in the transfers-in from the General Fund. The county improvement fund, had expenditures of \$840,756 in 2009, an increase of \$732,621 or 677.51% from 2008, due to the county annex construction project that started in 2009. The county improvement fund balance decreased \$700,601 from 2008 to 2009.

***Budgeting Highlights - General Fund***

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

Budgetary information is presented for the general fund, DD fund, job and family services fund, motor vehicle license and gas tax fund, emergency 911 fund, senior center fund. In the general fund, the original budgeted revenues and other financing sources were \$8,894,875 and were increased to \$11,653,986 in the final budget. Actual revenues and other financing sources of \$11,467,810 were less than the final budgeted revenues and other financing sources by \$186,176 or 1.60%. This decrease is primarily due to less than anticipated receipts in interest revenue and other revenue. In the general fund, the original budgeted appropriations were \$14,205,905. These were increased to \$16,965,016 in the final budget. Actual expenditures and other financing uses of \$11,183,021 were less than final budgeted appropriations by \$5,781,995 or 34.08%. Actual expenditures and other financing uses being lower than final budgeted expenditures and other financing uses is a result of the County's conservative budgeting practices.

***Proprietary Funds***

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

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2009, the County had \$68,153,415 (net of accumulated depreciation) invested in land, buildings and improvements, machinery and equipment, vehicles, construction in progress, sewer lines and infrastructure. Of this total, \$57,120,280 was reported in governmental activities and \$11,033,135 was reported in business-type activities.

**DEFIANCE COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**UNAUDITED**

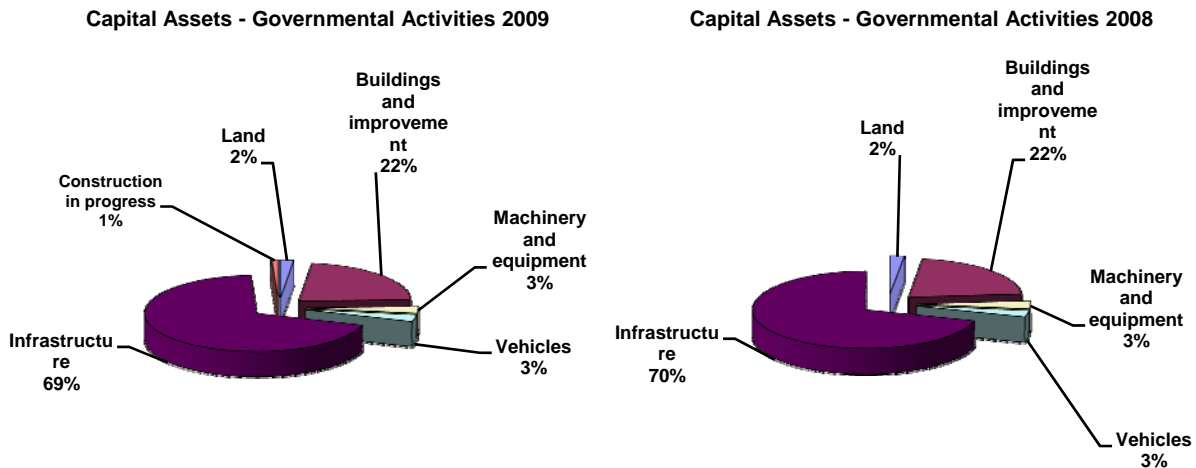
The following table shows December 31, 2009 balances compared to December 31, 2008:

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 1,084,684	\$ 1,084,684	\$ 997,099	\$ 997,099	\$ 2,081,783	\$ 2,081,783
Land improvements			3,759,554	3,825,431	3,759,554	3,825,431
Building and improvements	12,853,786	12,143,505	396,482	387,629	13,250,268	12,531,134
Machinery and equipment	1,612,847	1,762,964	491,771	679,563	2,104,618	2,442,527
Vehicles	1,600,399	1,537,830	52,503	60,309	1,652,902	1,598,139
Infrastructure	39,462,967	39,054,877			39,462,967	39,054,877
Sewer lines			4,409,987	4,408,748	4,409,987	4,408,748
Construction in progress	505,597		925,739	797,567	1,431,336	797,567
<b>Total</b>	<b>\$ 57,120,280</b>	<b>\$ 55,583,860</b>	<b>\$ 11,033,135</b>	<b>\$ 11,156,346</b>	<b>\$ 68,153,415</b>	<b>\$ 66,740,206</b>

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

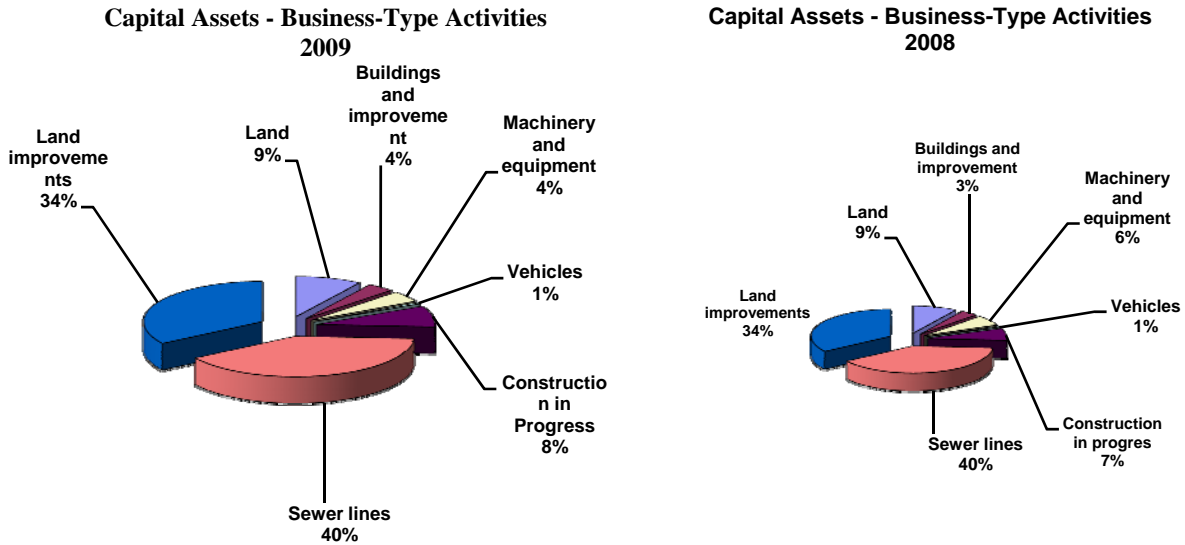
The following graphs show the breakdown of governmental capital assets by category at December 31, 2009 and December 31, 2008:



The County's largest capital asset category is infrastructure, which includes roads and bridges. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 68% of the County's total governmental capital assets.

**DEFIANCE COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**UNAUDITED**

The following graphs show the breakdown of business-type capital assets by category at December 31, 2009 and December 31, 2008:



The County's largest business-type capital asset category is sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the County's sewer lines (cost less accumulated depreciation) represents approximately 40% of the County's total business-type capital assets.

***Debt Administration***

At December 31, 2009 the County had \$1,930,000 in general obligation bonds, \$985,300 in special assessment bonds, \$58,000 in sewer revenue bonds, OPWC loans of \$234,025, OWDA loans of \$926,762, Capmark commercial mortgage of \$72,000, bond anticipation notes of \$225,460, capital lease obligations of \$238,377 and closure and postclosure liability outstanding of \$3,672,850. Of this total, \$551,131 is due within one year and \$7,791,643 is due within greater than one year.

**DEFIANCE COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**UNAUDITED**

The following table summarizes the bonds and loans outstanding at December 31, 2009 and December 31, 2008:

	<b>Outstanding Debt, at Year End</b>			
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
Long-Term Obligations				
General obligation bonds	\$ 1,930,000		\$ 2,070,000	\$ 15,000
Special assessment bonds	985,300		1,036,000	
Sewer revenue bonds		\$ 58,000		58,700
Bond anticipation notes	225,460		1,428,325	
OPWC loans	234,025		245,726	
OWDA loans	926,762		990,870	
Capmark commercial mortgage		72,000		77,000
Capital lease obligations	238,377		92,083	
Closure and postclosure		<u>3,672,850</u>		<u>3,527,314</u>
<b>Total</b>	<u><b>\$ 4,539,924</b></u>	<u><b>\$ 3,802,850</b></u>	<u><b>\$ 5,863,004</b></u>	<u><b>\$ 3,678,014</b></u>

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

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

The County's estimated population for 2009 (the latest information available from the U.S. Census Bureau) was approximately 38,432.

As of December 31, 2009, as reported by the Ohio Job and Family Services Office of Workforce Development and Bureau of Labor Market Information the County's unemployment rate was 13.5%, compared to the 10.9% unadjusted state rate and the 10.0% unadjusted national rate.

**Contacting the County's Financial Management**

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

**DEFIANCE COUNTY**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2009

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 25,889,841	\$ 8,828,810	\$ 34,718,651
Cash and cash equivalents in segregated accounts . . . . .	3,773	325	4,098
Cash and cash equivalents with fiscal agent . . . . .		2,161	2,161
Investments . . . . .		5,121,334	5,121,334
Receivables (net of allowances for uncollectibles):			
Sales taxes . . . . .	707,164		707,164
Real estate and other taxes . . . . .	5,099,748		5,099,748
Accounts . . . . .	84,735	285,802	370,537
Intergovernmental . . . . .	5,233,700		5,233,700
Special assessments . . . . .	1,968,817		1,968,817
Accrued interest . . . . .	301,101	122,652	423,753
Loans . . . . .	235,462		235,462
Internal balances . . . . .	31,343	(31,343)	
Prepayments . . . . .	920,214	67,331	987,545
Materials and supplies inventory . . . . .	513,917	2,325	516,242
Capital assets:			
Land and construction in progress . . . . .	1,590,281	1,922,838	3,513,119
Depreciable capital assets, net. . . . .	55,529,999	9,110,297	64,640,296
Total capital assets. . . . .	57,120,280	11,033,135	68,153,415
 Total assets. . . . .	98,110,095	25,432,532	123,542,627
 <b>Liabilities:</b>			
Accounts payable. . . . .	310,574	92,403	402,977
Contracts payable. . . . .	257,716		257,716
Accrued wages and benefits . . . . .	343,207	13,111	356,318
Due to other governments . . . . .	399,218	49,045	448,263
Accrued interest payable . . . . .	16,218	793	17,011
Notes payable . . . . .	150,000		150,000
Claims payable. . . . .	194,795		194,795
Unearned revenue . . . . .	4,971,000		4,971,000
Long-term liabilities:			
Due within one year . . . . .	1,086,905	36,124	1,123,029
Due in more than one year. . . . .	4,648,247	3,873,464	8,521,711
 Total liabilities. . . . .	12,377,880	4,064,940	16,442,820
 <b>Net assets:</b>			
Invested in capital assets, net of related debt. . . . .	55,401,903	10,903,135	66,305,038
Restricted for:			
Debt service. . . . .	2,607,667		2,607,667
Capital projects . . . . .	5,264,006		5,264,006
Other purposes . . . . .	2,766,737		2,766,737
Human services programs. . . . .	2,192,758		2,192,758
Public works projects . . . . .	3,319,906		3,319,906
Public safety programs . . . . .	4,168,594		4,168,594
Health services . . . . .	3,242,087		3,242,087
Landfill closure and postclosure . . . . .		1,687,626	1,687,626
Unrestricted . . . . .	6,768,557	8,776,831	15,545,388
 Total net assets . . . . .	\$ 85,732,215	\$ 21,367,592	\$ 107,099,807

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



DEFIANCE COUNTY

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General government:							
Legislative and executive . . . . .	\$ 6,134,431	\$ 2,015,290	\$ 11,939		\$ (4,107,202)		\$ (4,107,202)
Judicial . . . . .	1,676,423	403,405	23,982		(1,249,036)		(1,249,036)
Public safety . . . . .	4,804,562	114,055	242,880		(4,447,627)		(4,447,627)
Public works . . . . .	5,760,857	414,682	3,683,542	\$ 2,077,136	414,503		414,503
Health . . . . .	4,531,498	168,141	1,809,830		(2,553,527)		(2,553,527)
Human services . . . . .	6,614,127	112,135	4,566,917		(1,935,075)		(1,935,075)
Conservation and recreation . . . . .	3,233				(3,233)		(3,233)
Economic development . . . . .	292,702	4,100	79,000		(209,602)		(209,602)
Interest and fiscal charges . . . . .	209,929				(209,929)		(209,929)
<b>Total governmental activities . . . . .</b>	<b>30,027,762</b>	<b>3,231,808</b>	<b>10,418,090</b>	<b>2,077,136</b>	<b>(14,300,728)</b>		<b>(14,300,728)</b>
<b>Business-Type Activities:</b>							
Landfill . . . . .	2,294,780	2,558,901				\$ 264,121	264,121
Sewer . . . . .	695,669	568,569		214,538		87,438	87,438
<b>Total business-type activities . . . . .</b>	<b>2,990,449</b>	<b>3,127,470</b>		<b>214,538</b>		<b>351,559</b>	<b>351,559</b>
<b>Total . . . . .</b>	<b>\$ 33,018,211</b>	<b>\$ 6,359,278</b>	<b>\$ 10,418,090</b>	<b>\$ 2,291,674</b>	<b>(14,300,728)</b>	<b>351,559</b>	<b>(13,949,169)</b>
<b>General Revenues:</b>							
Property taxes levied for:							
General fund . . . . .					1,848,753		1,848,753
Public safety - Emergency 911 . . . . .					708,576		708,576
Human services - County Board of MR/DD . . . . .					2,023,361		2,023,361
Human services - Senior center . . . . .					680,941		680,941
Sales taxes . . . . .					4,311,802		4,311,802
Grants and entitlements not restricted to specific programs . . . . .					2,304,073		2,304,073
Investment income . . . . .					899,243	204,894	1,104,137
Miscellaneous . . . . .					1,437,284	6,713	1,443,997
Revenue in lieu of taxes . . . . .					80,000		80,000
<b>Total general revenues . . . . .</b>					<b>14,294,033</b>	<b>211,607</b>	<b>14,505,640</b>
Transfers . . . . .					(128,172)	128,172	
<b>Total general revenues and transfers . . . . .</b>					<b>14,165,861</b>	<b>339,779</b>	<b>14,505,640</b>
Change in net assets . . . . .					(134,867)	691,338	556,471
<b>Net assets at beginning of year . . . . .</b>					<b>85,867,082</b>	<b>20,676,254</b>	<b>106,543,336</b>
<b>Net assets at end of year . . . . .</b>					<b>\$ 85,732,215</b>	<b>\$ 21,367,592</b>	<b>\$ 107,099,807</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009

	<u>General</u>	<u>Developmental Disabilities</u>	<u>Job and Family Services</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 6,073,900	\$ 3,064,443	\$ 178,188
Cash and cash equivalents in segregated accounts. . . . .	3,742		
Receivables (net of allowance for uncollectibles):			
Sales taxes . . . . .	707,164		
Real estate and other taxes . . . . .	1,595,881	2,169,187	
Accounts . . . . .	51,071		2,678
Intergovernmental. . . . .	537,507	132,787	577,265
Special assessments. . . . .			
Accrued interest . . . . .	301,101		
Loans . . . . .			
Interfund loans . . . . .	2,527,607		
Due from other funds . . . . .	8,294		112,142
Prepayments. . . . .	178,163	292,093	3,991
Materials and supplies inventory . . . . .	65,083	13,298	6,435
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets . . . . .	<u>\$ 12,049,513</u>	<u>\$ 5,671,808</u>	<u>\$ 880,699</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 102,287	\$ 9,922	\$ 65,822
Contracts payable . . . . .			
Accrued wages and benefits. . . . .	112,846	76,466	48,284
Compensated absences payable . . . . .	27,083		12,408
Due to other funds. . . . .	12,308		1,360
Due to other governments. . . . .	163,208	62,014	36,826
Interfund loan payable. . . . .			
Accrued interest payable . . . . .			
Notes payable . . . . .			
Deferred revenue . . . . .	1,070,681	183,452	474,815
Unearned revenue. . . . .	1,556,000	2,115,000	
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities . . . . .	<u>3,044,413</u>	<u>2,446,854</u>	<u>639,515</u>
<b>Fund Balances:</b>			
Reserved for encumbrances. . . . .	68,860	31,735	21,135
Reserved for unclaimed monies. . . . .	95,869		
Reserved for prepayments. . . . .	178,163	292,093	3,991
Reserved for materials and supplies inventory . . . . .	65,083	13,298	6,435
Reserved for interfund loans . . . . .	2,527,607		
Reserved for loans receivable. . . . .			
Reserved for debt service . . . . .			
Unreserved:			
Designated for retirement. . . . .			
Undesignated (deficit), reported in:			
General fund . . . . .	6,069,518		
Special revenue funds. . . . .		2,887,828	209,623
Debt service funds . . . . .			
Capital projects funds. . . . .			
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances. . . . .	<u>9,005,100</u>	<u>3,224,954</u>	<u>241,184</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balances . . . . .	<u>\$ 12,049,513</u>	<u>\$ 5,671,808</u>	<u>\$ 880,699</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Motor Vehicle License and Gas Tax</b>	<b>Emergency 911</b>	<b>Senior Center</b>	<b>County Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 678,086	\$ 764,650	\$ 501,878	\$ 3,936,072	\$ 9,461,232 31	\$ 24,658,449 3,773
	667,340	667,340			707,164
846		153		29,987	5,099,748
2,282,859	45,532	112,773		1,544,977	84,735
				1,968,817	5,233,700
					1,968,817
					301,101
				235,462	235,462
					2,527,607
11,200				1,199	132,835
5,183	3,546	1,628		435,610	920,214
393,197	1,338	2,833		31,733	513,917
<u>\$ 3,371,371</u>	<u>\$ 1,482,406</u>	<u>\$ 1,286,605</u>	<u>\$ 3,936,072</u>	<u>\$ 13,709,048</u>	<u>\$ 42,387,522</u>
\$ 19,223	\$ 1,765	\$ 23,734		\$ 87,821	\$ 310,574
37,813	16,718	14,110	\$ 25,928	231,788	257,716
				36,970	343,207
					39,491
				119,076	132,744
35,798	19,180	14,342		67,850	399,218
				2,527,607	2,527,607
				727	727
				150,000	150,000
1,952,071	61,745	98,132		2,989,621	6,830,517
	650,000	650,000			4,971,000
<u>2,044,905</u>	<u>749,408</u>	<u>800,318</u>	<u>25,928</u>	<u>6,211,460</u>	<u>15,962,801</u>
45,650	8,237	12,672	121,795	683,361	993,445
					95,869
5,183	3,546	1,628		435,610	920,214
393,197	1,338	2,833		31,733	513,917
					2,527,607
				206,497	206,497
				1,014,510	1,014,510
				37,450	37,450
					6,069,518
882,436	719,877	469,154		5,025,522	10,194,440
				(239,489)	(239,489)
			3,788,349	302,394	4,090,743
<u>1,326,466</u>	<u>732,998</u>	<u>486,287</u>	<u>3,910,144</u>	<u>7,497,588</u>	<u>26,424,721</u>
<u>\$ 3,371,371</u>	<u>\$ 1,482,406</u>	<u>\$ 1,286,605</u>	<u>\$ 3,936,072</u>	<u>\$ 13,709,048</u>	<u>\$ 42,387,522</u>

**DEFIANCE COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2009

<b>Total governmental fund balances</b>		\$ 26,424,721
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		57,120,280
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Sales taxes receivable	\$ 358,543	
Real estate and other taxes receivable	120,380	
Intergovernmental receivable	4,160,620	
Special assessments receivable	1,968,817	
Accrued interest receivable	219,488	
Other receivable	<u>2,669</u>	
Total		6,830,517
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:		1,036,597
An interfund receivable is recorded in governmental activities to reflect underpayments to the internal service fund by the business-type activities.		31,252
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(15,491)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable	(1,930,000)	
Special assessment bonds payable	(985,300)	
Notes payable	(225,460)	
OPWC loan payable	(234,025)	
OWDA loans payable	(926,762)	
Compensated absences payable	(1,155,737)	
Capital leases payable	<u>(238,377)</u>	
Total		<u>(5,695,661)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 85,732,215</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**This page intentionally left blank.**

**DEFIANCE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>General</u>	<u>Developmental Disabilities</u>	<u>Job and Family Services</u>	<u>Motor Vehicle License and Gas Tax</u>
<b>Revenues:</b>				
Property taxes . . . . .	\$ 1,851,062	\$ 2,026,498		
Sales taxes . . . . .	4,317,170			
Special assessments . . . . .				
Charges for services . . . . .	1,115,616	51,028		
Licenses and permits . . . . .	33,325			
Fines and forfeitures . . . . .	138,357			\$ 14,537
Intergovernmental . . . . .	1,313,573	2,439,849	\$ 2,213,457	3,909,666
Investment income . . . . .	982,080			2,482
Rental income . . . . .	268,277			
Contributions and donations . . . . .				
Revenue in lieu of taxes . . . . .				
Other . . . . .	335,179	59,418	255,363	9,094
Total revenues . . . . .	<u>10,354,639</u>	<u>4,576,793</u>	<u>2,468,820</u>	<u>3,935,779</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	4,332,478			
Judicial . . . . .	1,240,279			
Public safety . . . . .	2,204,813			
Public works . . . . .	54,005			3,848,792
Health . . . . .	73,702	4,377,512		
Human services . . . . .	294,141		2,645,284	
Economic development . . . . .	72,765			
Other . . . . .	596,835			
Capital outlay . . . . .	68,334	142,260		
Debt service:				
Principal retirement . . . . .	2,809	37,967		200,000
Interest and fiscal charges . . . . .	1,348			4,986
Total expenditures . . . . .	<u>8,941,509</u>	<u>4,557,739</u>	<u>2,645,284</u>	<u>4,053,778</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>1,413,130</u>	<u>19,054</u>	<u>(176,464)</u>	<u>(117,999)</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets . . . . .	14,453			
Issuance of notes . . . . .				
Capital lease transaction . . . . .	68,334	142,260		
Transfers in . . . . .			123,630	9,999
Transfers out . . . . .	(1,218,676)			
Total other financing sources (uses) . . . . .	<u>(1,135,889)</u>	<u>142,260</u>	<u>123,630</u>	<u>9,999</u>
Net change in fund balances . . . . .	277,241	161,314	(52,834)	(108,000)
Fund balances at beginning of year . . . . .	8,727,859	3,063,640	294,018	1,434,466
Fund balances at end of year . . . . .	<u>\$ 9,005,100</u>	<u>\$ 3,224,954</u>	<u>\$ 241,184</u>	<u>\$ 1,326,466</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Emergency 911</u>	<u>Senior Center</u>	<u>County Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 709,579	\$ 681,944			\$ 5,269,083
			\$ 681,441	4,317,170
			862,778	681,441
				2,029,422
			139,101	33,325
210,302	630,160		3,980,160	291,995
			27,546	14,697,167
			114,051	1,012,108
	153		529,870	382,328
			80,000	530,023
	23,986		751,575	80,000
<u>919,881</u>	<u>1,336,243</u>		<u>7,166,522</u>	<u>1,434,615</u>
				<u>30,758,677</u>
			767,882	5,100,360
			433,764	1,674,043
785,422			1,695,151	4,685,386
			459,608	4,362,405
			109,210	4,560,424
	1,198,593		2,156,540	6,294,558
			220,594	293,359
			5,259	602,094
		\$ 840,756	2,503,048	3,554,398
			1,524,057	1,764,833
			218,995	225,329
<u>785,422</u>	<u>1,198,593</u>	<u>840,756</u>	<u>10,094,108</u>	<u>33,117,189</u>
<u>134,459</u>	<u>137,650</u>	<u>(840,756)</u>	<u>(2,927,586)</u>	<u>(2,358,512)</u>
				14,453
			225,460	225,460
			5,699	216,293
		140,155	1,399,764	1,673,548
	(450,000)		(4,872)	(1,673,548)
	<u>(450,000)</u>	<u>140,155</u>	<u>1,626,051</u>	<u>456,206</u>
134,459	(312,350)	(700,601)	(1,301,535)	(1,902,306)
598,539	798,637	4,610,745	8,799,123	28,327,027
<u>\$ 732,998</u>	<u>\$ 486,287</u>	<u>\$ 3,910,144</u>	<u>\$ 7,497,588</u>	<u>\$ 26,424,721</u>

**DEFIANCE COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009

<b>Net change in fund balances - total governmental funds</b>		\$ (1,902,306)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period:		
Capital outlay	\$ 4,040,414	
Depreciation expense	<u>(2,476,315)</u>	
Total		1,564,099
The effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		
		(27,679)
Note issuances and capital lease transactions are other financing sources in the funds, but they increase long-term liabilities on the statement of net assets:		
Notes	(225,460)	
Capital leases	<u>(216,293)</u>	
Total		(441,753)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Property taxes	(7,452)	
Sales taxes	(5,368)	
Special assessments	(186,703)	
Intergovernmental	(427,891)	
Investment income	(112,865)	
Other	<u>2,669</u>	
Total		(737,610)
Principal payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets:		
General obligation bonds payable	140,000	
Special assessment bonds payable	50,700	
Loans payable	75,809	
Capital leases payable	69,999	
Notes payable	<u>1,428,325</u>	
Total		1,764,833
In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.		
		15,400
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Compensated absences		116,446
The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund (plus the \$21,715 internal activity) is allocated among the governmental activities.		
		<u>(486,297)</u>
<b>Change in net assets of governmental activities</b>		<u>\$ (134,867)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**DEFIANCE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Property taxes . . . . .	\$ 1,507,000	\$ 1,696,276	\$ 1,696,276	
Sales taxes . . . . .	3,700,000	4,303,730	4,303,730	
Charges for services . . . . .	917,775	1,109,682	1,123,632	\$ 13,950
Licenses and permits . . . . .	2,300	33,250	33,325	75
Fines and forfeitures . . . . .	102,400	150,733	151,497	764
Intergovernmental . . . . .	1,170,000	1,329,031	1,332,938	3,907
Investment income . . . . .	1,200,000	1,351,593	1,221,142	(130,451)
Rental income . . . . .	175,000	258,794	268,277	9,483
Other . . . . .	116,400	464,726	380,708	(84,018)
<b>Total revenues . . . . .</b>	<b>8,890,875</b>	<b>10,697,815</b>	<b>10,511,525</b>	<b>(186,290)</b>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	4,718,721	4,768,038	4,418,877	349,161
Judicial . . . . .	1,833,461	1,836,461	1,220,994	615,467
Public safety . . . . .	2,334,646	2,424,863	2,193,548	231,315
Public works . . . . .	977,404	837,404	135,763	701,641
Health . . . . .	78,221	79,227	78,708	519
Human services . . . . .	842,459	529,459	294,579	234,880
Economic development . . . . .	73,000	73,000	72,765	235
Other . . . . .	1,816,468	1,794,688	633,939	1,160,749
<b>Total expenditures . . . . .</b>	<b>12,674,380</b>	<b>12,343,140</b>	<b>9,049,173</b>	<b>3,293,967</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	(3,783,505)	(1,645,325)	1,462,352	3,107,677
<b>Other financing sources (uses):</b>				
Advances in . . . . .		941,832	941,832	
Advances out . . . . .		(915,172)	(915,172)	
Transfers out . . . . .		(1,220,420)	(1,218,676)	1,744
Sale of capital assets . . . . .	4,000	14,339	14,453	114
Contingencies . . . . .	(1,531,525)	(2,486,284)		2,486,284
<b>Total other financing sources (uses) . . . . .</b>	<b>(1,527,525)</b>	<b>(3,665,705)</b>	<b>(1,177,563)</b>	<b>2,488,142</b>
Net change in fund balance . . . . .	(5,311,030)	(5,311,030)	284,789	5,595,819
<b>Fund balance at beginning of year . . . . .</b>	<b>4,913,236</b>	<b>4,913,236</b>	<b>4,913,236</b>	
<b>Prior year encumbrances appropriated . . . . .</b>	<b>\$ 397,794</b>	<b>\$ 397,794</b>	<b>397,794</b>	
<b>Fund balance at end of year . . . . .</b>			<b>\$ 5,595,819</b>	<b>\$ 5,595,819</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 DEVELOPMENTAL DISABILITIES FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes . . . . .	\$ 1,866,000	\$ 1,866,000	\$ 1,878,396	\$ 12,396
Charges for services . . . . .	377,500	377,500	51,030	(326,470)
Intergovernmental . . . . .	2,200,162	2,135,060	2,439,849	304,789
Other . . . . .	30,000	30,000	59,418	29,418
<b>Total revenues . . . . .</b>	<u>4,473,662</u>	<u>4,408,560</u>	<u>4,428,693</u>	<u>20,133</u>
<b>Expenditures:</b>				
Current:				
Health . . . . .	5,762,445	5,697,445	4,482,469	1,214,976
<b>Net change in fund balance. . . . .</b>	<u>(1,288,783)</u>	<u>(1,288,885)</u>	<u>(53,776)</u>	<u>1,235,109</u>
<b>Fund balance at beginning of year . . . . .</b>	<u>2,784,123</u>	<u>2,784,123</u>	<u>2,784,123</u>	
<b>Prior year encumbrances appropriated. . . . .</b>	<u>62,250</u>	<u>62,250</u>	<u>62,250</u>	
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,557,590</u>	<u>\$ 1,557,488</u>	<u>\$ 2,792,597</u>	<u>\$ 1,235,109</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 JOB AND FAMILY SERVICES FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental . . . . .	\$ 4,344,895	\$ 2,300,315	\$ 2,402,415	\$ 102,100
Other . . . . .	448,240	520,606	254,005	(266,601)
Total revenues . . . . .	4,793,135	2,820,921	2,656,420	(164,501)
<b>Expenditures:</b>				
Current:				
Human services . . . . .	4,993,906	3,032,060	2,716,126	315,934
Excess of expenditures over revenues . . . . .	(200,771)	(211,139)	(59,706)	151,433
<b>Other financing sources:</b>				
Transfers in. . . . .	113,262	123,630	123,630	
Net change in fund balance . . . . .	(87,509)	(87,509)	63,924	151,433
<b>Fund balance at beginning of year . . . . .</b>	82,795	82,795	82,795	
<b>Prior year encumbrances appropriated . . . . .</b>	\$ 4,714	\$ 4,714	4,714	
<b>Fund balance at end of year . . . . .</b>			\$ 151,433	\$ 151,433

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 MOTOR VEHICLE LICENSE AND GAS TAX FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<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	\$ 332	\$ 349	\$ 17
Fines and forfeitures . . . . .	10,000	14,935	14,985	50
Intergovernmental . . . . .	4,165,000	4,014,328	4,027,728	13,400
Investment income . . . . .	12,000	2,482	2,482	
Other . . . . .	13,000	64,496	22,535	(41,961)
<b>Total revenues . . . . .</b>	<u>4,201,000</u>	<u>4,096,573</u>	<u>4,068,079</u>	<u>(28,494)</u>
<b>Expenditures:</b>				
Current:				
Public works . . . . .	4,618,842	4,514,415	3,871,698	642,717
Debt service:				
Principal retirement . . . . .	200,000	200,000	200,000	
Interest and fiscal charges. . . . .	5,000	5,000	4,986	14
<b>Total expenditures . . . . .</b>	<u>4,823,842</u>	<u>4,719,415</u>	<u>4,076,684</u>	<u>642,731</u>
<b>Excess of expenditures over revenues . . . . .</b>	<u>(622,842)</u>	<u>(622,842)</u>	<u>(8,605)</u>	<u>614,237</u>
<b>Other financing sources:</b>				
Transfers in. . . . .	9,999	9,999	9,999	
<b>Net change in fund balance. . . . .</b>	<u>(612,843)</u>	<u>(612,843)</u>	<u>1,394</u>	<u>614,237</u>
<b>Fund balance at beginning of year . . . . .</b>	522,469	522,469	522,469	
<b>Prior year encumbrances appropriated . . . . .</b>	<u>\$ 90,374</u>	<u>\$ 90,374</u>	<u>90,374</u>	
<b>Fund balance at end of year . . . . .</b>			<u>\$ 614,237</u>	<u>\$ 614,237</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 EMERGENCY 911 FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<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 . . . . .	\$ 655,000	\$ 657,669	\$ 657,669	
Intergovernmental . . . . .	184,000	210,301	210,301	
Total revenues . . . . .	<u>839,000</u>	<u>867,970</u>	<u>867,970</u>	
<b>Expenditures:</b>				
Current:				
Public safety . . . . .	<u>1,421,667</u>	<u>1,450,637</u>	<u>774,217</u>	\$ 676,420
Net change in fund balance. . . . .	(582,667)	(582,667)	93,753	676,420
<b>Fund balance at beginning of year . . . . .</b>	569,689	569,689	569,689	
<b>Prior year encumbrances appropriated . . . . .</b>	<u>\$ 12,978</u>	<u>\$ 12,978</u>	<u>12,978</u>	
<b>Fund balance at end of year . . . . .</b>	<u><u>          </u></u>	<u><u>          </u></u>	<u>\$ 676,420</u>	<u>\$ 676,420</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 SENIOR CENTER FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property taxes . . . . .	\$ 626,000	\$ 629,797	\$ 629,797	
Intergovernmental . . . . .	582,772	630,789	630,789	
Other . . . . .	23,000	23,914	23,986	\$ 72
Total revenues . . . . .	<u>1,231,772</u>	<u>1,284,500</u>	<u>1,284,572</u>	<u>72</u>
<b>Expenditures:</b>				
Current:				
Human services . . . . .	<u>2,000,647</u>	<u>1,603,375</u>	<u>1,215,637</u>	<u>387,738</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(768,875)</u>	<u>(318,875)</u>	<u>68,935</u>	<u>387,810</u>
<b>Other financing uses:</b>				
Transfers out . . . . .		<u>(450,000)</u>	<u>(450,000)</u>	
Net change in fund balance. . . . .	<u>(768,875)</u>	<u>(768,875)</u>	<u>(381,065)</u>	<u>387,810</u>
<b>Fund balance at beginning of year . . . . .</b>	723,879	723,879	723,879	
<b>Prior year encumbrances appropriated . . . . .</b>	<u>\$ 44,996</u>	<u>\$ 44,996</u>	<u>44,996</u>	
<b>Fund balance at end of year . . . . .</b>			<u>\$ 387,810</u>	<u>\$ 387,810</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE COUNTY**

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2009

	Business-Type Activities - Enterprise Funds			Governmental
	Landfill	Sewer	Total	Activity - Internal Service Fund
<b>Assets:</b>				
Current assets:				
Equity in pooled cash and cash equivalents. . . . .	\$ 8,094,421	\$ 617,899	\$ 8,712,320	\$ 1,231,392
Cash with fiscal agent. . . . .		2,161	2,161	
Cash and cash equivalents in segregated accounts. . . . .	225	100	325	
Receivables (net of allowance for uncollectibles):				
Accounts . . . . .	188,467	97,335	285,802	
Prepayments. . . . .	63,248	4,083	67,331	
Materials and supplies inventory . . . . .	2,206	119	2,325	
Total current assets. . . . .	<u>8,348,567</u>	<u>721,697</u>	<u>9,070,264</u>	<u>1,231,392</u>
Noncurrent assets:				
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	116,490		116,490	
Investments. . . . .	5,121,334		5,121,334	
Accrued interest receivable. . . . .	122,652		122,652	
Capital assets:				
Land and construction in progress . . . . .	991,731	931,107	1,922,838	
Depreciable capital assets, net . . . . .	4,284,883	4,825,414	9,110,297	
Total noncurrent assets . . . . .	<u>10,637,090</u>	<u>5,756,521</u>	<u>16,393,611</u>	
Total assets . . . . .	<u>18,985,657</u>	<u>6,478,218</u>	<u>25,463,875</u>	<u>1,231,392</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable. . . . .	51,746	40,657	92,403	
Accrued wages and benefits . . . . .	9,828	3,283	13,111	
Compensated absences payable . . . . .	24,886	5,538	30,424	
Due to other funds . . . . .	91		91	
Due to other governments . . . . .	45,994	3,051	49,045	
Accrued interest payable . . . . .		793	793	
Claims payable. . . . .				194,795
Revenue bonds . . . . .		700	700	
Capmark commercial mortgage payable. . . . .		5,000	5,000	
Total current liabilities . . . . .	<u>132,545</u>	<u>59,022</u>	<u>191,567</u>	<u>194,795</u>
Long-term liabilities:				
Liabilities payable from restricted assets:				
Closure and postclosure payable. . . . .	3,672,850		3,672,850	
Revenue bonds. . . . .		57,300	57,300	
Capmark commercial mortgage payable . . . . .		67,000	67,000	
Compensated absences . . . . .	46,981	29,333	76,314	
Total long-term liabilities . . . . .	<u>3,719,831</u>	<u>153,633</u>	<u>3,873,464</u>	
Total liabilities . . . . .	<u>3,852,376</u>	<u>212,655</u>	<u>4,065,031</u>	<u>194,795</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt. . . . .	5,276,614	5,626,521	10,903,135	
Restricted for closure and postclosure . . . . .	1,687,626		1,687,626	
Unrestricted . . . . .	8,169,041	639,042	8,808,083	1,036,597
Total net assets . . . . .	<u>\$ 15,133,281</u>	<u>\$ 6,265,563</u>	<u>\$ 21,398,844</u>	<u>\$ 1,036,597</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.				
			(31,252)	
Net assets of business-type activities.			<u>\$ 21,367,592</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE COUNTY**

STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-Type Activities - Enterprise Funds			Governmental Activity - Internal Service Fund
	Landfill	Sewer	Total	
<b>Operating revenues:</b>				
Charges for services . . . . .	\$ 2,558,901	\$ 568,569	\$ 3,127,470	\$ 2,064,713
Other. . . . .	3,801	2,912	6,713	
Total operating revenues . . . . .	2,562,702	571,481	3,134,183	2,064,713
<b>Operating expenses:</b>				
Personal services . . . . .	460,456	130,902	591,358	
Contract services . . . . .	803,329	292,530	1,095,859	
Materials and supplies . . . . .	212,516	12,794	225,310	
Other. . . . .	392,137	18,705	410,842	
Claims. . . . .				2,572,725
Closure and postclosure . . . . .	145,536		145,536	
Depreciation . . . . .	267,669	128,465	396,134	
Total operating expenses. . . . .	2,281,643	583,396	2,865,039	2,572,725
Operating income (loss) . . . . .	281,059	(11,915)	269,144	(508,012)
<b>Nonoperating revenues (expenses):</b>				
Interest revenue . . . . .	204,894		204,894	
Loss on disposal of capital assets . . . . .		(96,645)	(96,645)	
Interest expense and fiscal charges . . . . .		(6,950)	(6,950)	
Other nonoperating expenses . . . . .		(100)	(100)	
Total nonoperating revenues (expenses) . . . . .	204,894	(103,695)	101,199	
Net income (loss) before capital contributions . . . . .	485,953	(115,610)	370,343	(508,012)
Capital contributions . . . . .		342,710	342,710	
Change in net assets. . . . .	485,953	227,100	713,053	(508,012)
<b>Net assets at beginning of year . . . . .</b>	<b>14,647,328</b>	<b>6,038,463</b>		<b>1,544,609</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 15,133,281</b>	<b>\$ 6,265,563</b>		<b>\$ 1,036,597</b>
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 income of the internal service fund.			(21,715)	
Change in net assets of business-type activities.			\$ 691,338	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**This page intentionally left blank.**

**DEFIANCE COUNTY**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-Type Activities - Enterprise Funds			Governmental
	Landfill	Sewer	Total	Activity - Internal Service Fund
<b>Cash flows from operating activities:</b>				
Cash received from sales/service charges . . . . .	\$ 2,623,445	\$ 559,266	\$ 3,182,711	\$ 2,064,713
Cash received from other operating revenue . . . . .	3,576	2,812	6,388	
Cash payments for personal services . . . . .	(452,701)	(129,500)	(582,201)	
Cash payments for contract services. . . . .	(873,839)	(307,475)	(1,181,314)	
Cash payments for materials and supplies. . . . .	(213,225)	(12,838)	(226,063)	
Cash payments for claims . . . . .				(2,607,695)
Cash payments for other expenses. . . . .	(392,137)	(18,705)	(410,842)	
Net cash provided by (used in) operating activities. . .	695,119	93,560	788,679	(542,982)
<b>Cash flows from noncapital financing activities:</b>				
Cash payments for other nonoperating expenses . . . . .		(100)	(100)	
Net cash used in noncapital financing activities . . . . .		(100)	(100)	
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets . . . . .	(26,858)		(26,858)	
Principal payments on bonds. . . . .		(15,700)	(15,700)	
Interest payments on bonds. . . . .		(3,171)	(3,171)	
Principal payments on Capmark commercial mortgage . . . .		(5,000)	(5,000)	
Interest payments on Capmark commercial mortgage . . . .		(3,850)	(3,850)	
Net cash used in capital and related financing activities . . . . .	(26,858)	(27,721)	(54,579)	
<b>Cash flows from investing activities:</b>				
Cash received from interest . . . . .	149,193		149,193	
Net cash provided by maturities of investments . . . . .	2,600,000		2,600,000	
Net cash payments for purchases of investments . . . . .	(2,810,000)		(2,810,000)	
Net cash used in investing activities . . . . .	(60,807)		(60,807)	
Net increase (decrease) in cash and cash equivalents . . . . .	607,454	65,739	673,193	(542,982)
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>7,603,682</b>	<b>554,421</b>	<b>8,158,103</b>	<b>1,774,374</b>
<b>Cash and cash equivalents at end of year. . . . .</b>	<b>\$ 8,211,136</b>	<b>\$ 620,160</b>	<b>\$ 8,831,296</b>	<b>\$ 1,231,392</b>

- - continued

**DEFIANCE COUNTY**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-Type Activities - Enterprise Funds			Governmental
	Landfill	Sewer	Total	Activity - Internal Service Fund
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss) . . . . .	\$ 281,059	\$ (11,915)	\$ 269,144	\$ (508,012)
Adjustments:				
Depreciation . . . . .	267,669	128,465	396,134	
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable . . . . .	64,319	(9,403)	54,916	
(Increase) in prepayments . . . . .	(60,051)	(2,197)	(62,248)	
(Increase) in inventories . . . . .	(709)	(44)	(753)	
(Decrease) in accounts payable. . . . .	(13,872)	(11,146)	(25,018)	
Increase in accrued wages and benefits . . . . .	660	392	1,052	
Increase in landfill closure and postclosure care liability. . . . .	145,536		145,536	
Increase (decrease) in due to other funds. . . . .	91	(1,602)	(1,511)	
(Decrease) in claims payable. . . . .				(34,970)
Increase in due to other governments. . . . .	2,107	2	2,109	
Increase in compensated absences payable. . . . .	8,310	1,008	9,318	
Net cash provided by (used in) operating activities . . . . .	<u>\$ 695,119</u>	<u>\$ 93,560</u>	<u>\$ 788,679</u>	<u>\$ (542,982)</u>

**Non-Cash Investing Activity:**

In 2009, there was an increase in the fair value of investments in the Landfill fund, in the amount of \$29,226.  
 In 2009, the Sewer fund received capital contributions in the amount of \$128,172 from governmental funds and \$214,538 donated from other entities.  
 In 2009, capital assets in the amount of \$12,836 and \$5,400 were transferred from governmental activities to the Landfill fund and Sewer fund, respectively. These capital assets were fully depreciated.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2009

		<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$	7,451,955
Cash in segregated accounts . . . . .		924,858
Receivables:		
Real estate and other taxes . . . . .		26,447,546
Due from other governments . . . . .		1,921,470
Special assessments. . . . .		315,701
Prepayments. . . . .		2,430
		37,063,960
Total assets . . . . .	\$	37,063,960
 <b>Liabilities:</b>		
Due to other governments. . . . .	\$	30,620,554
Undistributed monies . . . . .		6,432,419
Accounts payable . . . . .		10,987
		37,063,960
Total liabilities . . . . .	\$	37,063,960

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## DEFIANCE COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009 (Continued)

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

##### A. The County

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

##### B. Reporting Entity

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

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

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

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

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

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

## DEFIANCE COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009 (Continued)

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

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

##### A. Basis of Presentation

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

##### Government-Wide Financial Statements

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

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

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

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. Fund Accounting**

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

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

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

Developmental disabilities fund - This fund accounts for State monies and tax levy monies used to support Good Samaritan School and help the mentally 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, and federal, State and local monies used for senior citizen programs.

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

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(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) accumulation of resources for and the repayment of, general long-term debt principal, interest and related costs and (c) grants and other resources, the use of which is restricted to a particular purpose.

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

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

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

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

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

**Fiduciary Funds** - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. The County did not have any trust funds in 2009. 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.



**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(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.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(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), grant and interest.

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

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance 2010 operations and other revenues received in advance of the year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2009 are recorded as deferred revenue on the governmental fund financial statements.

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

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

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

**E. Budgetary Process**

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

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

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(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 2009, the County invested in nonnegotiable certificates of deposit, federal agency securities, U.S. Treasury notes, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, except for nonnegotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on December 31, 2009.

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 2009 was \$982,080 which includes \$864,939 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, 2009, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

**H. Inventory**

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

**I. Loans Receivable**

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

**J. Restricted Assets**

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

**K. Capital Assets**

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

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

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

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:

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

**L. Interfund Receivables/Payables**

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

**M. Compensated Absences**

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

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

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

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

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

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.

**O. Net Assets**

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

**P. Fund Balance Reserves and Designations**

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

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

**Q. Operating Revenues and Expenses**

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

**R. Capital Contributions**

Capital contributions on the proprietary fund financial statements arise from contributions from governmental activities, from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction. During 2009, the sewer enterprise fund received capital contributions of \$128,172 and \$214,538 from governmental funds and outside sources, respectively.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

**S. Interfund Transactions**

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

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

**T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither one of these types of events occurred during 2009.

**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 2009, the County has implemented GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", and GASB Statement No. 57 "Other Postemployment Benefit (OPEB) Measurements by Agent Employers and Agent Multiple-Employers".

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the County.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the County.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the County.

GASB Statement No. 57 establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the County.

**B. Deficit Fund Balances**

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Economic development special revenue fund	\$ 1,264
Auglaize sewer debt service fund	239,489
Auglaize sewer capital projects fund	157,685
Airport capital projects fund	219,621
Elliott Road W and S capital projects fund	98,922
Lick Creek capital projects fund	17,524
Black ditch capital projects fund	147,300
Courtesy docks capital projects fund	1,980

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.

**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 developmental disabilities fund, job and family services fund, motor vehicle and gas tax fund, emergency 911 fund and senior center fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

1. Revenues 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);



**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis);
4. Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
5. Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

	Change in Fund Balance					
	General	Developmental Disabilities	Job and Family Services	Motor Vehicle and Gas Tax	Emergency 911	Senior Center
Budget basis	\$ 284,789	\$ (53,776)	\$ 63,924	\$ 1,394	\$ 93,753	\$ (381,065)
Net adjustment for revenue accruals	(156,886)	148,100	(187,600)	(132,300)	51,911	51,671
Net adjustment for expenditure accruals	(16,530)	(116,927)	44,087	(40,943)	(21,207)	(18,578)
Net adjustment for other sources/(uses)	41,674	142,260				
Adjustment for encumbrances	124,194	41,657	26,755	63,849	10,002	35,622
GAAP basis	\$ 277,241	\$ 161,314	\$ (52,834)	\$ (108,000)	\$ 134,459	\$ (312,350)

**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;

## DEFIANCE COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009 (Continued)

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

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

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

#### A. Cash on Hand

At year end, the County had \$113,711 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".

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

**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 \$928,956 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, 2009, the carrying amount of all County deposits, including cash in segregated accounts, was \$43,715,100. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2009, \$28,003,686 of the County's bank balance of \$44,409,335 was exposed to custodial risk as discussed below, while \$16,405,649 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

**E. Investments**

As of December 31, 2009, the County had the following investments and maturities:

Investment type	Fair Value	Investment Maturities		
		6 months or less	7 to 12 months	Greater than 24 months
Federal Home Loan Bank	\$ 4,144,650	\$ 2,028,900	\$ 1,025,020	\$ 1,090,730
U.S. Treasury Note	125,945			125,945
STAR Ohio	121,490	121,490		
<b>Total</b>	<b>\$ 4,392,085</b>	<b>\$ 2,150,390</b>	<b>\$ 1,025,020</b>	<b>\$ 1,216,675</b>

The weighted average maturity of investments is 1.23 years.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

*Concentration of Credit Risk:* The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Federal Home Loan Bank	\$ 4,144,650	94.36
U.S. Treasury Note	125,945	2.87
STAR Ohio	121,490	2.77
Total	<u>\$ 4,392,085</u>	<u>100.00</u>

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2009.

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 43,715,100
Investments	4,392,085
Cash with fiscal agent	2,161
Cash on hand	113,711
Total	<u>\$ 48,223,057</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 25,893,614
Business-type activities	13,952,630
Agency funds	8,376,813
Total	<u>\$ 48,223,057</u>

**NOTE 6 - RECEIVABLES**

Receivables at December 31, 2009, consisted of accounts (billings for user charged services); sales taxes; accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; interfund loans; 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 \$1,968,817, will not be received within one year.

Loans receivable represent low interest loans for housing and development projects granted to eligible County property owners and businesses under the Federal Community Block Grant program. During 2009, new loans for housing and development projects were issued to the County in the amount of \$125,643. The loans outstanding at December 31, 2009 have an annual interest rate of 0 to 8.5 % and are to be repaid over periods ranging from five to ten years. During 2009, principal in the amount of \$23,403 was repaid. Loans outstanding at December 31, 2009, were \$235,462, net of allowance for doubtful accounts in the amount of \$92,067. Loans receivable, in the amount of \$206,497 will not be received within one year.

DEFIANCE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)

NOTE 6 - RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

**Governmental activities:**

Major funds

General fund	
Local government	\$ 382,693
Homestead and rollback	125,668
Other intergovernmental receivables	<u>29,146</u>
Total general fund	<u>537,507</u>
Developmental disabilities fund	
Homestead and rollback	<u>132,787</u>
Job and family services fund	
Grants	<u>577,265</u>
Motor vehicle and gas tax fund	
Motor vehicle license tax	842,173
Gasoline tax	1,165,852
Grants	<u>274,834</u>
Total motor vehicle license and gas tax fund	<u>2,282,859</u>
Emergency 911 fund	
Homestead and rollback	<u>45,532</u>
Senior center fund	
Homestead and rollback	45,502
Grants	<u>67,271</u>
Total senior center fund	<u>112,773</u>
Total major funds	<u>\$ 3,688,723</u>

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 6 - RECEIVABLES (Continued)**

<u>Nonmajor funds</u>	
Children services fund	\$ 115,899
Community development block grant fund	467,214
Sarah's house fund	3,852
WIA fund	532,091
Terrorism planning fund	9,605
Airport fund	162,060
Regional jail fund	107,721
Wireless 911 fund	7,708
Child support enforcement agency fund	<u>138,827</u>
Total nonmajor funds	<u>1,544,977</u>
Total governmental activities	<u>\$ 5,233,700</u>
 <u>Agency funds</u>	
Library local government fund	\$ 602,275
Local government and local government revenue assistance fund	517,761
Permissive motor vehicle license fund	107,447
Motor vehicle license tax fund	174,196
Gasoline tax fund	<u>519,791</u>
Total agency funds	<u>\$ 1,921,470</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.

## DEFIANCE COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009 (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. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, were levied after October 1, 2009, and are collected in 2010 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Beginning in calendar year 2009 tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property tax collections in calendar year 2009 represent delinquent collections.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2009 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.



**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

The full tax rate for all County operations for the year ended December 31, 2009 was \$8.91 per \$1,000 of assessed value. The assessed values of real property, public utility property and tangible personal property upon which 2009 property tax receipts were based are as follows:

<u>Real Property</u>		
Residential/Agricultural	\$	543,144,640
Commercial/Industrial/Mineral		110,068,220
<u>Public Utility</u>		
Real		386,470
Personal		<u>47,001,060</u>
Total Assessed Value	\$	<u>700,600,390</u>

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2009, was as follows:

	<u>Balance 12/31/08</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/09</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,084,684			\$ 1,084,684
Construction in progress		\$ 505,597		505,597
Total capital assets, not being depreciated	<u>1,084,684</u>	<u>505,597</u>		<u>1,590,281</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	15,016,648	1,314,612		16,331,260
Roads and bridges	56,962,656	1,717,334		58,679,990
Machinery and equipment	5,656,689	137,713	\$ (244,929)	5,549,473
Vehicles	3,525,046	365,158	(97,461)	3,792,743
Total capital assets, being depreciated	<u>81,161,039</u>	<u>3,534,817</u>	<u>(342,390)</u>	<u>84,353,466</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(2,873,143)	(604,331)		(3,477,474)
Roads and bridges	(17,907,779)	(1,309,244)		(19,217,023)
Machinery and equipment	(3,893,725)	(283,454)	240,553	(3,936,626)
Vehicles	(1,987,216)	(279,286)	74,158	(2,192,344)
Total accumulated depreciation	<u>(26,661,863)</u>	<u>(2,476,315)</u>	<u>314,711</u>	<u>(28,823,467)</u>
Total capital assets being depreciated, net	<u>54,499,176</u>	<u>1,058,502</u>	<u>(27,679)</u>	<u>55,529,999</u>
Governmental activities capital assets, net	<u>\$55,583,860</u>	<u>\$1,564,099</u>	<u>\$ (27,679)</u>	<u>\$ 57,120,280</u>

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

<b><u>Business-type activities:</u></b>	<u>Balance</u> 12/31/08	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> 12/31/09
<i>Capital assets, not being depreciated:</i>				
Land	\$ 997,099			\$ 997,099
Construction in progress	797,567	\$ 128,172		925,739
<b>Total capital assets, not being depreciated</b>	<b>1,794,666</b>	<b>128,172</b>		<b>1,922,838</b>
<i>Capital assets, being depreciated:</i>				
Land Improvements	3,851,105	11,258		3,862,363
Buildings	594,204	15,600		609,804
Sewer lines	5,955,553	214,538	\$ (230,107)	5,939,984
Machinery and equipment	2,663,998	18,236		2,682,234
Vehicles	169,881			169,881
<b>Total capital assets, being depreciated</b>	<b>13,234,741</b>	<b>259,632</b>	<b>(230,107)</b>	<b>13,264,266</b>
<i>Less: accumulated depreciation:</i>				
Land Improvements	(25,674)	(77,135)		(102,809)
Buildings	(206,575)	(6,747)		(213,322)
Sewer lines	(1,546,805)	(116,654)	133,462	(1,529,997)
Machinery and equipment	(1,984,435)	(206,028)		(2,190,463)
Vehicles	(109,572)	(7,806)		(117,378)
<b>Total accumulated depreciation</b>	<b>(3,873,061)</b>	<b>(414,370)</b>	<b>133,462</b>	<b>(4,153,969)</b>
<b>Total capital assets, being depreciated net</b>	<b>9,361,680</b>	<b>(154,738)</b>	<b>(96,645)</b>	<b>9,110,297</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 11,156,346</b>	<b>\$ (26,566)</b>	<b>\$ (96,645)</b>	<b>\$ 11,033,135</b>

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

**Governmental activities:**

Legislative and executive	\$ 317,417
Conservation and recreation	3,233
Health	81,203
Human services	316,124
Judicial	6,178
Public safety	149,949
Public works	<u>1,602,211</u>
<b>Total depreciation expense - governmental activities</b>	<b>\$ 2,476,315</b>

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

**Business-type activities:**

Landfill	\$ 267,669
Sewer	<u>128,465</u>
Total depreciation expense - business-type activities	<u>\$ 396,134</u>

Depreciation expense for business-type activities differs from additions to accumulated depreciation during 2009 due to the transfer of fully depreciated assets in the amount of \$18,236 from governmental activities to business-type activities.

**NOTE 10 - INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the year ended December 31, 2009, consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	<u>Amount</u>
Nonmajor governmental funds	\$ 945,047
Job and family services fund	123,630
Motor vehicle license and gas tax fund	9,999
County improvement fund	140,000
Transfers from senior center fund to:	
Nonmajor governmental fund	450,000
Transfers from nonmajor governmental funds to:	
County improvement fund	155
Nonmajor governmental fund	<u>4,717</u>
Total	<u>\$1,673,548</u>

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

The transfer of \$450,000 from the senior center fund to the senior center building fund (a nonmajor governmental fund) was intended to help finance capital improvements related to the senior center building. The transfer of \$155 from the enterprise industrial park fund (a nonmajor governmental fund) to the county improvement fund was necessary to close out the fund. The transfer of \$4,717 from the DETDITCH fund (a nonmajor governmental fund) to the Black ditch fund (a nonmajor governmental fund) was necessary to record interest expense related to notes payable in the appropriate fund.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

- B.** Due from/to other funds consisted of the following at December 31, 2009, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Job and family services fund	\$ 1,360
General fund	Nonmajor governmental fund	6,934
Motor vehicle license and gas tax fund	General fund	11,109
Motor vehicle license and gas tax fund	Landfill fund	91
Job and family services fund	Nonmajor governmental funds	112,142
Nonmajor governmental fund	General fund	<u>1,199</u>
Total		<u>\$ 132,835</u>

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

- C.** Interfund loans payable/receivable consisted of the following at December 31, 2009:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$2,527,607</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, 2009, the general fund had an interfund receivable of \$2,527,607.

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

**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.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

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

Property	\$ 64,826,670
Equipment Breakdown	100,000,000
General Liability	1,000,000
Commercial Crime	1,000,000
Excess Liability	7,000,000
Automobile Liability	1,000,000
Law Enforcement Liability	1,000,000
Errors and Omission Liability	1,000,000

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

**B. Health Benefits**

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

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

Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at December 31, 2009 is estimated by a third party administrator at \$194,795. The changes in the claims liability for 2009 and 2008 were:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Year
2009	\$ 229,765	\$ 2,572,725	\$ (2,607,695)	\$ 194,795
2008	210,300	2,228,547	(2,209,082)	229,765

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

**C. Workers' Compensation**

For 2009, 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, 2009:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid as of 12/31/09</u>	<u>Outstanding Balance</u>
Mannik and Smith Group, Inc.	\$ 534,600	\$ (421,631)	\$ 112,969
Appraisal Research Corporation	405,081	(185,066)	220,015
L-A Electric	53,871	(49,561)	4,310
Schooley Caldwell Associates	264,225	(170,000)	94,225
Crestline Paving and Excavating	277,996	(219,250)	58,746
Dunbar Mechanical, Inc.	79,645	(73,272)	6,373
Fort Defiance Construction	61,691	(56,617)	5,074
Harbor Behavioral	100,000	(99,789)	211
Poggemeyer Design Group	<u>478,704</u>	<u>(150,585)</u>	<u>328,119</u>
Total	<u>\$ 2,255,813</u>	<u>\$(1,425,771)</u>	<u>\$ 830,042</u>

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 13 - PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. The 2009 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%. The County's contribution rate for 2009 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.63% of covered payroll.

The County's contribution rate for pension benefits for 2009 was 7.00% from January 1 through March 31, 2009 and 8.50% from April 1 through December 31, 2009, except for those plan members in law enforcement and public safety. For those classifications, pension contributions were 10.63% from January 1 through March 31, 2009 and 12.13% from April 1 through December 31, 2009. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008 and 2007 were \$978,577, \$876,505 and \$999,219, respectively; 92.52% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

**B. State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.50% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For 2009, plan members were required to contribute 10.00% of their annual covered salaries. The County was required to contribute 14.00%; 13.00% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10.00% for members and 14.00% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2009, 2008, and 2007 were \$103,992, \$108,853 and \$112,757, respectively; 100% has been contributed for 2009, 2008 and 2007.



**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 14 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14.00% of covered payroll (17.63% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for 2009 was 7.00% from January 1 through March 31, 2009 and 5.50% from April 1 through December 31, 2009.

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008 and 2007 were \$689,707, \$844,077 and \$638,802, respectively; 92.52% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

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

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

**B. State Teachers Retirement System**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1.00% of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2009, 2008 and 2007 were \$7,999, \$8,373 and \$8,054, respectively; 100% has been contributed for 2009, 2008 and 2007.

**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.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 16 - NOTES PAYABLE**

The County's short-term note activity for the year ended December 31, 2009, was as follows:

	<u>Issue</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>12/31/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/09</u>
<b>Governmental activities:</b>						
Black ditch - 2008	10/8/08	3.11%	\$ 150,000		\$ (150,000)	
Black ditch - 2009	10/9/09	2.13%	<u>                    </u>	<u>\$ 150,000</u>	<u>                    </u>	<u>\$ 150,000</u>
			<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ (150,000)</u>	<u>\$ 150,000</u>

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

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 17 - LONG-TERM OBLIGATIONS**

The original issue date, interest rate, original issue amount and balance at December 31, 2009 for the County's long-term obligations are as follows:

	Original <u>Date</u>	Interest <u>Rate</u>	Original <u>Amount</u>	Balance <u>12/31/09</u>
<u>General obligation bonds:</u>				
Health services	1999	3.9 - 5.6%	\$ 1,970,000	\$ 1,480,000
Evansport	1999	3.9 - 5.6%	195,000	125,000
Various purpose improvement	2005	5.25%	375,000	325,000
<u>Special assessment bonds:</u>				
Brunersburg sewer	2002	4.75%	837,531	630,300
Platter creek	2004	2.25 - 5.0%	425,000	355,000
<u>Bond anticipation notes:</u>				
Carryall tile - 2009	2009	2.50%	18,825	18,825
Lost Creek ditch - 2009	2009	2.85%	55,330	55,330
Peterson ditch - 2009	2009	2.50%	30,550	30,550
Dowe ditch - 2009	2009	2.50%	8,175	8,175
Highland ditch - 2009	2009	2.85%	11,580	11,580
Beetree ditch - 2009	2009	2.50%	43,000	43,000
Kinner ditch - 2009	2009	2.65%	58,000	58,000
<u>Revenue bonds:</u>				
Sewer	2005	4.10%	60,000	58,000
<u>OPWC loans:</u>				
Evansport water	1999	0%	468,050	234,025
<u>OWDA loans:</u>				
Express sewer	2002	1.50%	1,356,038	926,762
<u>Capmark Commercial Mortgage:</u>				
Sewer	1980	5.00%	146,300	72,000

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

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

The County's long-term obligations activity for the year ended December 31, 2009, was as follows:

<b>Governmental activities:</b>	<u>Balance 12/31/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/09</u>	<u>Due Within One Year</u>
<u>General obligation bonds:</u>					
Various purpose improvement	\$ 2,070,000		\$ (140,000)	\$ 1,930,000	\$ 90,000
<u>Special assessment bonds:</u>					
Brunersburg sewer	666,000		(35,700)	630,300	37,800
Platter creek	370,000		(15,000)	355,000	15,000
Total special assessment bonds	<u>1,036,000</u>		<u>(50,700)</u>	<u>985,300</u>	<u>52,800</u>
<u>Other long-term obligations:</u>					
Bond anticipation notes payable	1,428,325	225,460	(1,428,325)	225,460	225,460
OPWC loans payable	245,726		(11,701)	234,025	35,104
OWDA loans payable	990,870		(64,108)	926,762	65,074
Capital lease obligations	92,083	216,293	(69,999)	238,377	76,993
Compensated absences	1,295,123	497,693	(597,588)	1,195,228	541,474
Total other long-term obligations	<u>4,052,127</u>	<u>939,446</u>	<u>(2,171,721)</u>	<u>2,819,852</u>	<u>944,105</u>
Total governmental activities long-term obligations	<u>\$ 7,158,127</u>	<u>\$ 939,446</u>	<u>\$ (2,362,421)</u>	<u>\$ 5,735,152</u>	<u>\$ 1,086,905</u>
<b>Business-type activities:</b>	<u>Balance 12/31/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/09</u>	<u>Due Within One Year</u>
<u>General obligation bonds:</u>					
Various purpose improvement	\$ 15,000		\$ (15,000)		
<u>Revenue bonds:</u>					
Sewer revenue bonds	58,700		(700)	\$ 58,000	\$ 700
<u>Other long-term obligations:</u>					
Capmark commercial mortgage	77,000		(5,000)	72,000	5,000
Closure and postclosure liability	3,527,314	\$ 145,536		3,672,850	
Compensated absences	97,420	39,806	(30,488)	106,738	30,424
Total other long-term obligations	<u>3,701,734</u>	<u>185,342</u>	<u>(35,488)</u>	<u>3,851,588</u>	<u>35,424</u>
Total business-type activities long-term obligations	<u>\$ 3,775,434</u>	<u>\$ 185,342</u>	<u>\$ (51,188)</u>	<u>\$ 3,909,588</u>	<u>\$ 36,124</u>

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

General Obligation Bonds:

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

The general obligation bonds were issued to provide funds for the renovation of County buildings, improvement of the sanitary sewer system, and construction of the Evansport water lines. 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.

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:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
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:

<u>Year</u>	<u>Amount</u>
2020	\$ 115,000
2021	120,000
2022	125,000
2023	135,000

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

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	101.0%
December 1, 2010 to November 30, 2011	100.5
December 1, 2011 and thereafter	100.0

**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 2010 through 2020 (with the balance of \$190,000 to be paid at stated maturity on December 1, 2020), at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

Year	Amount	Year	Amount
2010	\$ 10,000	2017	\$ 15,000
2011	10,000	2018	15,000
2012	10,000	2019	15,000
2013	15,000	2020	20,000
2014	15,000		
2015	15,000		
2016	15,000		

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

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

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2010	\$ 5,000	2019	\$ 10,000
2011	5,000	2020	10,000
2012	10,000	2021	10,000
2013	10,000	2022	15,000
2014	10,000	2023	15,000
2015	10,000	2024	15,000
2016	10,000	2025	15,000
2017	10,000		
2018	10,000		

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

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 the Brunersburg sewer debt service fund (a nonmajor governmental fund).

Revenue Bonds:

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

OPWC Loans Payable:

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



**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

*OWDA Loans Payable:*

The County has entered into debt financing arrangements through the Ohio Water Development Authority (OWDA) to fund construction of wastewater facilities. The amounts due to the OWDA are payable solely from the express sewer debt service fund. The loan agreements function similar to a line-of-credit agreement. At December 31, 2009, the County has outstanding borrowings of \$926,762. The loan agreement requires semi-annual payments based on the actual amount owed.

*Capmark Financial Group Incorporated Commercial Mortgage Payable:*

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

*Bond Anticipation Notes Payable:*

In 2009, the County entered into bond anticipation notes for \$225,460 to finance ditch improvements. The bond anticipation notes are backed by the full faith and credit of the County. In accordance with FASB Statement No. 6, "Classification of Short-Term Obligations Expected to Be Refinanced", the County's bond anticipation notes are reported as long-term obligations as the County has consummated refinancing on a long-term basis prior to the issuance of the financial statements.

*Compensated Absences Payable:*

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

*Capital lease obligation:*

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

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

*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 \$13,886,432 at December 31, 2009.

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

Year Ended	Governmental Activities					
	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 90,000	\$ 106,943	\$ 196,943	\$ 52,800	\$ 46,542	\$ 99,342
2011	95,000	101,917	196,917	59,300	44,142	103,442
2012	105,000	96,334	201,334	61,600	41,501	103,101
2013	115,000	90,447	205,447	63,600	38,570	102,170
2014	115,000	84,528	199,528	65,700	35,595	101,295
2015 - 2019	675,000	320,390	995,390	379,600	127,530	507,130
2020 - 2024	720,000	125,440	845,440	302,700	33,679	336,379
2025	15,000	1,047	16,047			
<b>Total</b>	<b><u>\$ 1,930,000</u></b>	<b><u>\$ 927,046</u></b>	<b><u>\$2,857,046</u></b>	<b><u>\$ 985,300</u></b>	<b><u>\$ 367,559</u></b>	<b><u>\$1,352,859</u></b>

Year Ended	Governmental Activities						
	Bond Anticipation Notes Payable			OPWC Loans		OWDA Loans	
	Principal	Interest	Total	Principal	Principal	Interest	Total
2010	\$ 225,460	\$ 5,958	\$ 231,418	\$ 35,104	\$ 65,074	\$ 13,659	\$ 78,733
2011				23,402	66,053	12,679	78,732
2012				23,403	67,048	11,684	78,732
2013				23,402	68,058	10,674	78,732
2014				23,403	69,082	9,650	78,732
2015 - 2019				105,311	361,330	32,330	393,660
2020 - 2022					230,117	6,089	236,206
<b>Total</b>	<b><u>\$ 225,460</u></b>	<b><u>\$ 5,958</u></b>	<b><u>\$ 231,418</u></b>	<b><u>\$ 234,025</u></b>	<b><u>\$ 926,762</u></b>	<b><u>\$ 96,765</u></b>	<b><u>\$ 1,023,527</u></b>

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(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:

Year Ended	Business-Type Activities					
	Revenue Bonds			Capmark Commercial Mortgage		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 700	\$ 2,393	\$ 3,093	\$ 5,000	\$ 3,600	\$ 8,600
2011	800	2,364	3,164	5,000	3,350	8,350
2012	800	2,331	3,131	6,000	3,100	9,100
2013	800	2,298	3,098	6,000	2,800	8,800
2014	900	2,265	3,165	6,000	2,500	8,500
2015 - 2019	4,800	10,754	15,554	36,000	7,650	43,650
2020 - 2024	5,900	9,682	15,582	8,000	400	8,400
2025 - 2029	7,300	8,349	15,649			
2030 - 2034	8,900	6,728	15,628			
2035 - 2039	10,800	4,734	15,534			
2040 - 2044	13,300	2,306	15,606			
2045	3,000	220	3,220			
<b>Total</b>	<b>\$58,000</b>	<b>\$54,424</b>	<b>\$112,424</b>	<b>\$72,000</b>	<b>\$23,400</b>	<b>\$95,400</b>

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, 2009, \$2,325,000 of these bonds was outstanding.

In 2005, the County issued \$700,000 in Ohio Economic Development Revenue Bonds for the purpose of making a loan to assist the Defiance Area YMCA in financing a portion of the cost of acquiring, constructing, improving, installing, and equipping gymnasiums and related facilities. The County is not obligated in any way to pay the debt charges on the bonds from any of its funds, and therefore, the debt has been excluded entirely from the County's debt presentation. As of December 31, 2009, \$622,195 of these bonds was outstanding.

In 2007, the County issued \$1,407,600 in Health Care Facilities Revenue Bonds. The proceeds were used to provide Hospital Facilities at the lowest possible cost to service the residents of the Public Hospital Agencies, which hospital facilities will be available for the service of the general public. The County is not obligated in any way to pay the debt charges on the bonds from any of its funds, and therefore, the debt has been excluded entirely from the County's debt presentation. As of December 31, 2009, \$1,318,486 of these bonds were outstanding.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

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

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

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

The \$3,672,850 reported as landfill closure and postclosure costs payable at December 31, 2009, represents the cumulative amount reported to date based on the use of 22% of the estimated capacity of the landfill. The County will recognize the remaining estimated costs of closure and post closure of \$4,730,850 as the remaining estimated capacity is filled. This amount is based on what it would cost to perform all closure and postclosure care in 2009. 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 2009, the liabilities total \$1,802,531 for closure and \$1,870,319 for postclosure costs. The County expects the landfill to have a remaining life of 91 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to either make annual contributions to an EPA controlled trust fund or demonstrate financial assurance through the "Local Government Financial Test". For 2009, the County met the Local Government Financial Test requirements.

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

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

In 2009 and in a prior year, the County entered into capitalized leases for two buses, a copier, a telephone system and an excavator. These lease agreements meet the criteria of capital leases as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

Capital assets consisting of equipment and vehicles have been capitalized in the statement of net assets. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in 2009 totaled \$2,809 paid by the general fund, \$37,967 paid by the mental retardation and developmental disabilities fund, \$409 paid by the child support enforcement agency fund (a nonmajor governmental fund) and \$28,814 paid by the ditch maintenance fund (a nonmajor governmental fund).

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of December 31, 2009:

<u>Year Ending December 31,</u>	<u>Amount</u>
2010	\$ 90,962
2011	90,960
2012	56,264
2013	17,740
2014	<u>12,469</u>
Total minimum lease payments	268,395
Less amount representing interest	<u>(30,018)</u>
Total	<u>\$ 238,377</u>

**NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS**

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

The Northwest Ohio Juvenile Detention, Training, and Rehabilitation Center (Center) is a jointly governed organization among Defiance, Fulton, Henry, and Williams Counties. The Center's Board of Trustees consists of thirteen members; three from each County and one at-large member. The Board of Trustees exercises total control over the operation of the Center including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the Center. In 2009, Defiance County contributed \$344,632 for the Center's operations which represents 22.80% of total contributions. Information can be obtained from Nancy J. Yackee, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

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

Four County Board of Alcohol, Drug Addiction, and Mental Health Services (ADAMHS) is a jointly governed organization among Defiance, Fulton, Henry, and Williams Counties to provide alcohol, drug addition, 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 2009, Defiance County contributed \$1,260,464 in property taxes for the ADAMHS's operation which represents 12.00% of total contributions. Information can be obtained from Marlene J. Goodwin, Defiance County Auditor, 221 Clinton Street, Defiance, Ohio 43512.

**C. Corrections Commission of Northwest Ohio**

Corrections Commission of Northwest Ohio (CCNO) is a jointly governed organization among Defiance, Fulton, Henry, Lucas, and Williams Counties and the City of Toledo. CCNO was established to provide jail space for convicted criminals in the five counties and the City of Toledo and to provide a correctional center for the inmates. CCNO was created in 1986 and occupancy started in 1991. The commission team consists of eighteen members; one judge, one chief law enforcement officer, and one county commissioner or administrative official from each entity. The commission team exercises total control over the operation of CCNO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for CCNO. In 2009, Defiance County contributed \$1,438,407 for CCNO's operations which represents 9.10% of total contributions. Information can be obtained from Tonya Justus, Fiscal Manager, Corrections Commission of Northwest Ohio, 03151 County Road 2425, Route 1, Box 100-A, Stryker, Ohio 43557.

**D. Four County Solid Waste District**

The Four County Solid Waste District (District) is a jointly governed organization among Defiance, Fulton, Paulding, and Williams Counties to make disposal of waste in the four-county area more comprehensive in terms of recycling, incinerating, and landfilling. The District was created in 1989. The Board of Directors consists of twelve members who are 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 2009, Defiance County contributed \$85,244 for the District's operations which represents 30.27% of total contributions. Information can be obtained from Deborah Nester, Williams County Auditor, One Courthouse Square, Bryan, Ohio 43506.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

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

Multi-Area Narcotics Task Force (Task Force) is a jointly governed organization among Defiance, William, Fulton, and Putnam Counties and the Cities of Defiance and Bryan. The Task Force is jointly controlled by the chief law enforcement officer of each respective entity. The main source of revenue for the Task Force is from federal grants and local matching funds from the entities. The County has no ongoing financial interest or responsibility for the Task Force. In 2009, Defiance County contributed \$25,000 for the Task Force's operations which represents 25.00% of total contributions. Information can be obtained from the Defiance County Sheriff's office, 113 Beide Street, Defiance, Ohio 43512.

**F. Quadco Rehabilitation Center**

Quadco Rehabilitation Center (Quadco) is a jointly governed organization among Defiance, Fulton, Henry, and Williams Counties. Quadco Rehabilitation Center is a nonprofit corporation which provides services and facilities for training physically and mentally disabled persons. Quadco is responsible for contracting with various agencies to obtain funding to operate the organization. Quadco is governed by an eight-member board composed of two appointees made by each of the four County Boards of Developmental Disabilities (County Boards of DD). This Board, in conjunction with the County Boards of DD, assesses the needs of adult mentally 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 2009, Defiance County contributed \$867,061 for Quadco's operations which represents 14.73% 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**

Maumee Valley Planning Organization (MVPO) is a jointly governed organization among Defiance, Fulton, Henry, Paulding, and Williams Counties. MVPO is an organization established to improve the social and economic conditions of the region through development and conservation. MVPO is governed by a fifteen member executive council composed of the three county commissioners, the mayor of the largest municipality, three mayors selected by the committee of mayors that represent the incorporated cities and villages, the township trustee association president, the regional planning commission chairman, and two members at large to represent business, industry, labor, agricultural, low income, minority groups, education, and consumer protection activities. The County provides resources to the executive council based on a membership fee and services provided to the County. MVPO exercises total control over the operation of MVPO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for MVPO. In 2009, Defiance County contributed \$61,752 for MVPO's operations which represents 9.50% of total contributions. Information can be obtained from Nancy J. Yackee, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

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

Community Improvement Corporation of Defiance County (CIC) is a jointly governed organization among Defiance County, the City of Defiance, and the respective villages and townships of Defiance County. The purpose of the CIC is to promote and encourage the establishment and growth of industrial, commercial, distribution, and research facilities within member subdivisions. CIC is governed by a Board of Trustees consisting of fifteen self-appointed members. Not less than two-fifths of the members are to be composed of elected officials. Five of these trustees include: a member of the Board of County Commissioners of Defiance County, the Auditor of Defiance County, the Mayor or his/her designated elected official of the City of Defiance, the Mayor or his/her designated elected official of the Village of Hicksville, and the President of the Defiance County Trustees. The remaining members represent private residents of Defiance County or employees of Defiance County businesses or firms. The County provides resources to the Board of Trustees based on a membership fee. CIC exercises total control over the operation of CIC including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the CIC. In 2009, Defiance County contributed \$50,000 for CIC's operations which represents 18.00% of total contributions. Information can be obtained from Jerry Hayes, Executive Director, 1300 East Second Street, Suite 201, Defiance, Ohio 43512.

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

Northwest Ohio Waiver Administration Council (NOWAC) is a jointly governed organization created under the provisions of Chapter 167 of the Ohio Revised Code. NOWAC is organized as a voluntary organization of local County Boards of Developmental Disabilities in Defiance County, Williams County, Allen County, Henry County, Fulton County, Van Wert County and Paulding County. Each of the participating counties has equal representation and no financial responsibility. NOWAC's purpose is to foster a cooperative effort in regional planning, programming, and the implementation of regional plans and programs. Its primary function is to oversee and obtain contracted services for its clientele in member counties. These services include various types of assistance provided by outside individuals or health care organizations for living maintenance of disabled clients so they can remain in their homes. Defiance County contributed \$1,120,991 towards NOWAC's operation in 2009. Complete financial statements can be obtained from the Northwest Ohio Waiver Administration Council, 1804 Elmwood Drive, Defiance, Ohio 43512-2511.

**NOTE 21 - INSURANCE POOLS**

**A. County Commissioners Association Service Corporation**

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



## DEFIANCE COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009 (Continued)

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

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

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

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

#### NOTE 22 - RELATED ORGANIZATION

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

Although the County has no obligation to provide financial resources to the Airport Authority, the County Commissioners have in prior years allocated certain funds to the Airport Authority. In 2009, the County contributed \$25,700 to the Airport Authority.

#### NOTE 23 - CONTINGENT LIABILITIES

##### A. Litigation

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

**DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 23 - CONTINGENT LIABILITIES (Continued)**

**B. Federal and State Grants**

For the period January 1, 2009, to December 31, 2009, the County received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the County believes such disallowances, if any, would be immaterial.

**NOTE 24 - SIGNIFICANT SUBSEQUENT EVENTS**

**A. Series 2010 Refunding Bonds**

On February 25, 2010, the County issued \$2,325,000 in refunding bonds with various interest rates between 2.00% and 4.00% with a maturity date of December 1, 2024. A portion of the issuance, \$1,680,000, was for the purpose of retiring the various purpose general obligation bonds, series 1999, which had an outstanding balance of \$1,605,000 at December 31, 2009. The remaining portion of the issuance, \$645,000, was for the purpose of retiring the Brunersburg sewer special assessment bonds, which had an outstanding balance of \$630,300 at December 31, 2009.

**B. Series 2010 VP New Money Improvement Bonds**

On March 11, 2010, the County issued \$2,385,000 in bonds related to capital improvements with various interest rates between 1.25% and 6.10% with a maturity date of December 1, 2029.

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Pass Through Entity	Federal CFDA	Disbursements
Program Title	Number	Number	
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
National School Lunch Program			
Noncash Assistance		10.555	1,552
Cash Assistance	065946-LLP4-2009	10.555	\$ 7,608
Cash Assistance	065946-LLP4-2010	10.555	4,976
Total U.S. Department of Agriculture			<u>14,136</u>
<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	065946-6BSF-2009	84.027	50,092
Special Education - Preschool Grant	065946-PGS1-2009	84.173	22,028
Total Special Education Cluster			<u>72,120</u>
State Grants for Innovative Programs	065946-C2S1-2009	84.298	223
Total U.S. Department of Education			<u>72,343</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Passed Through Ohio Department of Public Safety Emergency Management Agency</i>			
<i>Homeland Security Cluster:</i>			
State Homeland Security Program	2007-GE-T7-0030	97.067	49,970
	2008-GE-T7-0025	97.067	1,715
Citizens Corp Program Grant	2007-GE-T7-0030	97.067	6,487
Total Homeland Security Cluster			<u>58,172</u>
Emergency Management Performance Grant	2008-EM-E8-0002	97.042	3,363
	2009-EP-E9-0061	97.042	29,546
Total Emergency Management Performance			<u>32,909</u>
Total U.S. Department of Homeland Security			<u>91,081</u>
<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	33,372
Nutrition Services Incentive Program		93.053	41,342
Special Programs for the Aging - Title III Part C- Nutrition Services		93.045	107,354
Total Aging Cluster			<u>182,068</u>
Special Programs for the Aging - Title III Part D - Disease Prevention and Health Promotion		93.043	6,195
Alzheimer Disease Demonstration Grants to States FY 08		93.051	15,955
Alzheimer Disease Demonstration Grants to States FY 09		93.051	8,840
Total Alzheimers Disease Demonstration Grant			<u>24,795</u>
Total Area Office of Aging			<u>213,058</u>
<i>Passed Through Ohio Department of Health</i>			
Social Services Block Grant		93.667	4,887
<i>Passed Through the Ohio Department of Developmental Disabilities:</i>			
ARRA Medical Assistance Program (Medicaid: Title XIX)		93.778	67,570
ARRA Medical Assistance Program (TCM)		93.778	11,067
Total Passed Through the Ohio Department of Development Disabilities			<u>78,637</u>

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i>	Pass Through Entity	Federal CFDA	
Program Title	Number	Number	Disbursements
<i>Passed Through the Ohio Department of Job and Family Services</i>			
State Administrative Matching Grants for the Supplemental Assistance Program	JFSFF108	10.561	872
	JFSFF109	10.561	3,602
	JFSFF110	10.561	6,968
	JFSFFB09	10.561	90,433
	JFSFFB10	10.561	32,662
ARRA State Administrative Matching Grants for the Supplemental Assistance Program	JFSFFB09S	10.561	14,912
Total State Administrative Matching Grants for the Supplemental Assistance Program			<u>149,449</u>
Promoting Safe and Stable Families	JFSFMC09	93.556	1,400
	JFSFMC10	93.556	640
	JFSFPF09	93.556	3,349
	JFSFPF10	93.556	431
Total Promoting Safe and Stable Families			<u>5,820</u>
Temporary Assistance for Needy Families	JFSFTF08	93.558	210,353
	JFSFTF09	93.558	778,628
	JFSFTF10	93.558	134,188
Total Temporary Assistance for Needy Families			<u>1,123,169</u>
Child Support Enforcement	JFSFCS09	93.563	304,900
ARRA Child Support Enforcement	JFSFCS09S	93.563	93,538
Child Support Enforcement	JFSFCS10	93.563	69,999
Total Child Support Enforcement			<u>468,437</u>
Child Care and Development Cluster:			
Child Care and Development Block Grant	JFSFCD08	93.575	47
	JFSFCD09	93.575	151,911
	JFSFCD10	93.575	462
Total Child Care and Development Block Grant			<u>152,420</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	JFSFCD09	93.596	13,947
	JFSFCM09	93.596	99,586
	JFSFCM10	93.596	195,130
Total Child Care Mandatory and Matching Funds of the Child Care and Development Fund			<u>308,663</u>
Total Child Care and Development Cluster			<u>461,083</u>
Child Welfare Services-State Grants	JFSFCW09	93.645	32,398
	JFSFCW10	93.645	15,626
Total Child Welfare Services-State Grants			<u>48,024</u>
Social Services Block Grant	JFSFSS09	93.667	66,783
	JFSFTX09	93.667	67,000
	JFSFTX10	93.667	44,243
Total Social Services Block Grant			<u>178,026</u>
Chafee Foster Care Independence Program	JFSFIL09	93.674	232
Children's Health Insurance Program (CHIP)	JFSFMT10	93.767	6,178
Medical Assistance Program	JFSFMT09	93.778	168,917
	JFSFMT10	93.778	47,415
Total Medical Assistance Program			<u>216,332</u>
Foster Care Title IV-E	JFSFCC09	93.658	151,779
Foster Care Title IV-E Administration	JFSFCC09	93.658	22,672
ARRA Foster Care Title IV-E	JFSFCC09S	93.658	13,834
Total Foster Care Title IV-E			<u>188,285</u>
Adoption Assistance	JFSFAA09	93.659	8,963
Adoption Assistance Administration	JFSFAA09	93.659	76,914
Total Adoption Assistance			<u>85,877</u>
Total Passed Through the Ohio Job and Family Services			<u>2,930,912</u>
Total Social Services Block Grant		93.667	182,913
Total Medical Assistance Program		93.778	294,969
Total U.S. Department of Health and Human Services			<u>3,227,494</u>

**FINANCIAL CONDITION  
DEFIANCE COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>U.S. DEPARTMENT OF LABOR</b>			
<i>Passed Through Montgomery County WIA Area 7</i>			
Workforce Investment Act Cluster:			
Workforce Investment Act - Adult	JFSFAF09	17.258	54,551
	JFSFAF07	17.258	8,209
ARRA Workforce Investment Act - Adult	JFSFAF09S	17.258	11,149
Workforce Investment Act - Adult Administration	JFSFAF08	17.258	250
ARRA Workforce Investment Act - Adult Administration	JFSFAF09S	17.258	8,278
Total Workforce Investment Act - Adult			<u>82,437</u>
Workforce Investment Act - Youth Activities	JFSFYP09	17.259	13,126
	JFSFYP08	17.259	27,134
	JFSFYP07	17.259	30,654
ARRA Workforce Investment Act - Youth Activities	JFSFYP09S	17.259	143,332
ARRA Workforce Investment Act - Youth Administration	JFSFYP09S	17.259	14,331
Total Workforce Investment Act - Youth			<u>228,577</u>
Workforce Investment Act - Dislocated Worker	JFSFDP09	17.260	39,448
	JFSFDP08	17.260	40,789
	JFSFDP07	17.260	12,025
ARRA Workforce Investment Act - Dislocated Worker	JFSFDP09S	17.260	107,375
ARRA Workforce Investment Act - Dislocated Worker Administration	JFSFDP09S	17.260	5,000
Total Workforce Investment Act - Dislocated Worker			<u>204,637</u>
Total Workforce Investment Act Cluster			<u>515,651</u>
Total U.S. Department of Labor			<u>515,651</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant (Formula Grant)	B-F-08-019-1	14.228	63,000
	B-F-07-019-1	14.228	4,920
Community Development Block Grant (Chip)	B-C-08-019-1	14.228	45,200
Community Development Block Grant Revolving Loans		14.228	3,348
Total Community Development Block Grant			<u>116,468</u>
Home Investment Partnerships Program (Chip)	B-C-08-019-2	14.239	125,867
Total U.S. Department of Housing and Urban Development			<u>242,335</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	08N018	20.205	77,117
	08N048-1	20.205	7,555
	08N048-2	20.205	5,175
	08N141	20.205	250,000
	08NO48-1	20.205	5,222
Total Highway Planning and Construction			<u>345,069</u>
<b>Federal Aviation Administration</b>			
<i>Direct Assistance</i>			
Airport Improvement Program		20.106	189,765
		20.106	150,535
Total Airport Improvement Program			<u>340,360</u>
Total U.S. Department of Transportation			<u>685,429</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<i>Passed Through the Office of Criminal Justice Services</i>			
Crime Victims Assistance	2008 VAGENE061T	16.575	47,585
	2010 VAGENE061T	16.575	5,234
Total Crime Victims Assistance			<u>52,819</u>
Edward Byrne Memorial Justice Assistance Grant Formula Program	2008-JG-A01-6407	16.738	58,200
ARRA Edward Byrne Memorial Justice Assistance Grant Formula Program	2009-RA-A01-2065	16.803	11,789
Total Edward Byrne Memorial Justice Assistance Cluster			<u>69,989</u>
Total U.S. Department of Justice			<u>122,808</u>
<b>Total</b>			<u><u>\$ 4,971,277</u></u>

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

**DEFIANCE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED DECEMBER 31, 2009**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - SUBRECIPIENTS**

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

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

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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

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

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

These loans are collateralized by mortgages on the property and by uniform commercial codes on equipment.

Activity in the CDBG revolving loan fund during 2009 is as follows:

Beginning loans receivable balance as of January 1, 2009	\$ 225,289
Loans made	125,643
Loan principal repaid	(23,403)
Loans written off	(92,067)
Ending loans receivable balance as of December 31, 2009	<u>\$ 235,462</u>
Cash balance on hand in the revolving loan fund as of December 31, 2009	\$ 271,969
Administrative costs expended during 2009	3,572

**DEFIANCE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE F - MATCHING REQUIREMENTS**

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

**NOTE G - TRANSFERS BETWEEN FEDERAL PROGRAMS**

During fiscal year 2009, the County made allowable transfers of \$111,243 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County spent approximately \$1,123,169 on the TANF program. The amount reported for the TANF program on the Schedule excludes the amount transferred to the SSBG program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2009 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$ 1,234,412
Transfer to Social Services Block Grant	<u>(111,243)</u>
Total Temporary Assistance for Needy Families	<u>\$ 1,123,169</u>

**NOTE H – HIGHWAY PLANNING AND CONSTRUCTION GRANT**

During 2008, the County expended \$34,516 for the Highway Planning and Construction grant, CFDA 20.205 that was inadvertently not included on the federal awards expenditure schedule for the year ended December 31, 2008.

**This page intentionally left blank.**





# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Defiance County, Ohio, (the County) as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider a significant deficiency in internal control over financial reporting. We consider finding 2009-001 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

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

We did note certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated August 19, 2010.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

August 19, 2010



# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Commissioners:

#### Compliance

We have audited the compliance of Defiance County, Ohio (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2009. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

As described in finding 2009-002 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding reporting applicable to its Workforce Investment Act Cluster. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, Defiance County complied, in all material respects, with the requirements referred to above applicable to each of its major federal programs for the year ended December 31, 2009.

### Internal Control Over Compliance

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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-002 to be a material weakness.

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

We also noted matters involving federal compliance not requiring inclusion in this report that we reported to the County's management in a separate letter dated August 19, 2010.

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



**Mary Taylor, CPA**  
Auditor of State

August 19, 2010

**DEFIANCE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2009**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified Opinion for the Workforce Investment Act Cluster - CFDA 17.258, 17.259, and 17.260 Unqualified Opinion on all other major programs
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Temporary Assistance for Needy Families - CFDA 93.558 Workforce Investment Act Cluster - CFDA 17.258, 17.259, and 17.260 Child Support Enforcement - CFDA 93.563 Highway Planning and Construction - CFDA 20.205 Airport Improvement Program - CFDA 20.106 Child Care Cluster - CFDA 93.575 and 93.596
<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**

**FINDING NUMBER 2009-001**

**Significant Deficiency**

**Monitoring Financial Statements**

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

The 2009 financial statements contained errors, such as the following:

- Other revenues were overstated and beginning balance was understated in the Job and Family Services Fund by \$151,173. This was caused by reimbursements for prior year expenses by Other Governmental Funds which were not properly reported in the financial statements. This also resulted in Human Services expenses and beginning balance being overstated in the Other Governmental Funds by \$151,173.
- Charges for Services were overstated and Fines and Forfeitures were understated by \$170,746 in the General Fund.
- Due from Other Governments and Deferred Revenue were overstated by \$251,852 in the Other Governmental Funds.
- Cash and Cash Equivalents in Segregated Accounts and Undistributed Monies in the Agency Funds were understated by \$257,324.

In addition, there were other errors which ranged from \$2,145 to \$135,105 for the misclassification of judicial expenditures and licenses and permits revenues, the understatement of intergovernmental revenues and public works expenditures, the overstatement of human services expenditures, and errors in the calculation of accounts receivables.

The occurrence of these errors increases the possibility the financial statements accounting records could be materially misstated.

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

**Officials' Response:**

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

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

**1. Reporting – Workforce Investment Act (WIA) Cluster – Noncompliance/Questioned Cost/Material Weakness**

<b>Finding Number</b>	2009-002
<b>CDFA Title and Number</b>	Workforce Investment Act (WIA) Cluster, #17.258 (Adult Program), #17.259 (Youth Activities), and #17.260 (Dislocated Workers)
<b>Federal Award Number/Year</b>	JFSFAF09; JFSFAF07; JFSFAF09S; JFSFAP08; JFSFYP09; JFSFYP08; JFSFYP07; JFSFYPOS; JFSFDP09; JFSFDP08; JFSFDP07; JFSFDP09S
<b>Federal Agency</b>	U.S. Department of Labor
<b>Pass-Through Agency</b>	Ohio Department of Job and Family Services; Montgomery County Area 7 Workforce Investment Board

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

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

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

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

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

The Defiance County Department of Job and Family Services (DCDJFS) did not properly report expenses on the JFS 01992 "Workforce Investment Act (WIA) Fund Certification Sheet Monthly Financial Statement." This was caused by the DCDJFS not maintaining adequate supporting documentation for the accruals reported on the monthly statements as well as not properly reconciling Random Moment Sample (RMS) charges to RMS charges reported on the monthly statements. This resulted in total WIA expenditures being improperly reported for 2009. Total questioned costs for unsubstantiated and improper reporting of expenditures are \$196,828 (calculated as follows) of the \$515,651 the County spent on programs in the WIA cluster during 2009.

Total Accumulative Month End Unsubstantiated Accrual Expenditures Reported to Area 7 for Calendar Year 2009	\$248,647
Less: Indirect Shared Costs (RMS Subset Charges) Under-Reported for Calendar Year 2009	<u>(51,819)</u>
Total Questioned Costs	<u><u>\$196,828</u></u>

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

We recommend the DCDJFS properly calculate accrual expenses and maintain supporting documentation of accrual amounts reported on the JFS 01992 "Workforce Investment Act (WIA) Fund Certification Sheet Monthly Financial Statement" each month. These records should be available as evidence that expenditures charged to the WIA grant cluster are complete and accurate program expenditures. In addition, RMS charges (indirect shared costs) from quarterly County Finance Information System (CFIS) Matching Report - Schedule 1.C, Statement of Cost Pool Mapping should be properly reconciled to RMS charges reported on the monthly statements and in the DCDJFS and County financial ledgers. We further recommend the DCDJFS Director review and approve the monthly reports.

**Officials' Response:**

See corrective action plan on the following page.



**DEFIANCE COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
DECEMBER 31, 2009**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2009-002	<p>We now follow the procedure for the JFS form 1992 on how to report the accruals each month by backing out the entire months accruals and proceeding through the process of the completing the 1992. We also went back and verified that by backing out the monthly accruals, we agreed with the auditor on the amount of the overpayments.</p> <p>The second part of the issue was the RMS transfers. To correct this problem we have created a spreadsheet that will calculate each month's RMS amount which should be reported on the 1992. It will then be reconciled to the I.C. report which is a quarterly report. If adjustments are needed they will be made the following month.</p> <p>We are confident that these changes will be effective and successful in eliminating this problem. We are in communication with Area 7 fiscal office to determine how they want the overpayment handled. As of August 23, 2010 all corrective measures are in place. We will be reviewing and correcting the 1992 for each month in calendar year 2010 from January through August.</p>	8/23/2010	Jack Graf, Director – Defiance County Job and Family Services

DEFIANCE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
 OMB CIRCULAR A -133 § .315 (b)  
 DECEMBER 31, 2009

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>
2008-001	Significant deficiency regarding monitoring of financial statements.	No	Repeated in this report as finding 2009-001.



**Mary Taylor, CPA**  
Auditor of State

**DEFIANCE COUNTY FINANCIAL CONDITION**

**DEFIANCE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 21, 2010**