



Dave Yost • Auditor of State



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

## INDEPENDENT ACCOUNTANTS' REPORT

Seneca County  
111 Madison Street  
Tiffin, Ohio 44883-2824

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Seneca County, Ohio (the County), as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Seneca Re-Ad Industries, Inc., the County's discretely presented component unit. Other auditors audited those financial statements. They have furnished their reports thereon to us and we base our opinion, insofar as it relates to the amounts included for Seneca Re-Ad Industries, Inc., on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. The other auditors audited the financial statements of Seneca Re-Ad Industries, Inc. in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, based on our report and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Seneca County, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Maintenance and Repair, and Seneca County Opportunity Center funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during 2011 Seneca County, Ohio, adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2012, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



**Dave Yost**  
Auditor of State

September 11, 2012

## SENECA COUNTY

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

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

#### Financial Highlights

Key financial highlights for 2011 are as follows:

- The total net assets of the County increased \$4,210,166. Net assets of governmental activities increased \$4,092,945, which represents a 4.46 percent increase over fiscal year 2010. Net assets of business-type activities increased \$117,221 or 9.11 percent from fiscal year 2010.
- General revenues accounted for \$15,450,249 or 36.43 percent of total governmental activities revenue. Program specific revenues accounted for \$26,959,742 or 63.57 percent of total governmental activities revenue.
- The County had \$38,813,829 in expenses; \$27,551,401 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$15,472,594 were adequate to provide for these programs.
- The General fund, the County's largest major governmental fund, had revenues and other financing sources of \$15,605,547 in 2011, a decrease of \$2,207,220 or 12.39 percent from 2010 revenues and other financing sources as restated (see Note 3.B). The General fund had expenditures and other financing uses of \$16,305,269 in 2011, a decrease of \$423,549 or 2.53 percent from 2010 as restated (see Note 3.B). The net effect of changes in revenues and expenditures contributed to the General fund balance decrease of \$699,722 or 15.52 percent from 2010 to 2011.
- Net assets for the business-type activities, which are made up of the Bascom Sewer District, Emergency Medical Services and the County Sewer District enterprise funds, increased in 2011 by \$117,221 or 9.16 percent. This increase in net assets resulted primarily from a transfer from the governmental funds to the Emergency Medical Services and County Sewer District enterprise funds.

#### Using the Basic Financial Statements (BFS)

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

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

## SENECA COUNTY

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

#### Reporting the County as a Whole

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

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

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

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

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

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

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

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

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds.

The County's major governmental funds are the General fund, Maintenance and Repair fund, and the Seneca County Opportunity Center (SCOC). The County's major enterprise funds are the Bascom Sewer District, Emergency Medical Services and County Sewer District.

##### ***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 expendable resources, as well as on balances of expendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.



**SENECA COUNTY**

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

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

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

***Proprietary Funds***

The County maintains two different types of proprietary funds: enterprise funds and internal service 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 Bascom Sewer District, Emergency Medical Services and County Sewer District. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its prescription drug self-insurance program.

***Fiduciary Funds***

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

***Notes to the Financial Statements***

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

***Government-Wide Financial Analysis***

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

**SENECA COUNTY**

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

	<b>Net Assets</b>					
	Governmental	Business-type	Restated		2011 Total	Restated 2010 Total
	Activities 2011	Activities 2011	Governmental Activities 2010	Business-type Activities 2010		
<b>Assets</b>						
Current and other assets	\$ 43,064,786	\$ 378,717	\$ 40,488,740	\$ 180,533	\$ 43,443,503	\$ 40,669,273
Capital assets	<u>65,832,015</u>	<u>1,117,041</u>	<u>63,914,209</u>	<u>1,217,150</u>	<u>66,949,056</u>	<u>65,131,359</u>
<b>Total assets</b>	<u>108,896,801</u>	<u>1,495,758</u>	<u>104,402,949</u>	<u>1,397,683</u>	<u>110,392,559</u>	<u>105,800,632</u>
<b>Liabilities</b>						
Long-term liabilities outstanding	5,880,634	57,017	6,329,051	76,259	5,937,651	6,405,310
Other liabilities	<u>7,147,114</u>	<u>34,393</u>	<u>6,297,790</u>	<u>34,297</u>	<u>7,181,507</u>	<u>6,332,087</u>
<b>Total liabilities</b>	<u>13,027,748</u>	<u>91,410</u>	<u>12,626,841</u>	<u>110,556</u>	<u>13,119,158</u>	<u>12,737,397</u>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	61,944,950	1,107,801	59,418,831	1,207,226	63,052,751	60,626,057
Restricted	24,789,043		23,225,219		24,789,043	23,225,219
Unrestricted	<u>9,135,060</u>	<u>296,547</u>	<u>9,132,058</u>	<u>79,901</u>	<u>9,431,607</u>	<u>9,211,959</u>
<b>Total net assets</b>	<u>\$ 95,869,053</u>	<u>\$ 1,404,348</u>	<u>\$ 91,776,108</u>	<u>\$ 1,287,127</u>	<u>\$ 97,273,401</u>	<u>\$ 93,063,235</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2011, the County's assets exceeded liabilities by \$97,273,401. This amounts to \$95,869,053 in governmental activities and \$1,404,348 in business-type activities.

Capital assets reported on the government-wide statements represent the largest portion of the County's assets. At year-end, capital assets represented 60.65 percent of total governmental and business-type assets. Capital assets include land and improvements, buildings and improvements, machinery and equipment, infrastructure, and construction in progress. Capital assets, net of related debt to acquire the assets at December 31, 2011, were \$63,052,751. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2011, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. A portion of the County's governmental activities net assets, \$24,789,043 or 25.86 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of governmental activities unrestricted net assets of \$9,135,060 may be used to meet the government's ongoing obligations to citizens and creditors.

**SENECA COUNTY**

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

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

	<b>Change in Net Assets</b>					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	2011 Total	2010 Total
	2011	2011	2010	2010		
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 8,488,396	\$ 589,252	\$ 4,719,371	\$ 572,533	\$ 9,077,648	\$ 5,291,904
Operating grants and contributions	14,102,464	2,407	19,168,824	5,000	14,104,871	19,173,824
Capital grants and contributions	4,368,882		5,637,110		4,368,882	5,637,110
<b>Total program revenues</b>	<b>26,959,742</b>	<b>591,659</b>	<b>29,525,305</b>	<b>577,533</b>	<b>27,551,401</b>	<b>30,102,838</b>
General revenues:						
Property taxes	5,444,642		5,223,539		5,444,642	5,223,539
Sales tax	7,929,782		6,895,795		7,929,782	6,895,795
Unrestricted grants	1,336,203		1,870,248		1,336,203	1,870,248
Contributions and donations	55		21,300	4,206	55	25,506
Investment earnings	97,574	235	99,135	199	97,809	99,334
Other	641,993	22,110	880,907	4,460	664,103	885,367
<b>Total general revenues</b>	<b>15,450,249</b>	<b>22,345</b>	<b>14,990,924</b>	<b>8,865</b>	<b>15,472,594</b>	<b>14,999,789</b>
<b>Total revenues</b>	<b>42,409,991</b>	<b>614,004</b>	<b>44,516,229</b>	<b>586,398</b>	<b>43,023,995</b>	<b>45,102,627</b>
<b>Expenses</b>						
Program Expenses:						
General government						
Legislative and executive	6,467,712		6,607,949		6,467,712	6,607,949
Judicial	2,614,593		2,789,182		2,614,593	2,789,182
Public safety	6,737,359		7,045,536		6,737,359	7,045,536
Public works	5,257,965		5,459,357		5,257,965	5,459,357
Health	9,457,676		8,111,894		9,457,676	8,111,894
Human services	7,157,567		8,534,447		7,157,567	8,534,447
Conservation and recreation	213,954		311,366		213,954	311,366
Community and economic development	5,396		37,526		5,396	37,526
Interest and fiscal charges	149,962		183,747		149,962	183,747
Bascom Sewer District		104,557		189,122	104,557	189,122
Emergency Medical Services		410,312		406,804	410,312	406,804
County Sewer District		236,776		161,296	236,776	161,296
<b>Total expenses</b>	<b>38,062,184</b>	<b>751,645</b>	<b>39,081,004</b>	<b>757,222</b>	<b>38,813,829</b>	<b>39,838,226</b>
Excess revenues over expenses	4,347,807	(137,641)	5,435,225	(170,824)	4,210,166	5,264,401
Transfers	(254,862)	254,862				
<b>Change in net assets</b>	<b>4,092,945</b>	<b>117,221</b>	<b>5,435,225</b>	<b>(170,824)</b>	<b>4,210,166</b>	<b>5,264,401</b>
<b>Net assets at beginning of year</b>	<b>91,776,108</b>	<b>1,287,127</b>	<b>86,340,883</b>	<b>1,457,951</b>	<b>93,063,235</b>	<b>87,798,834</b>
<b>Net assets at end of year</b>	<b>\$ 95,869,053</b>	<b>\$ 1,404,348</b>	<b>\$ 91,776,108</b>	<b>\$ 1,287,127</b>	<b>\$ 97,273,401</b>	<b>\$ 93,063,235</b>

**SENECA COUNTY**

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

**Governmental Activities**

Governmental net assets increased by \$4,092,945 in 2011 from 2010.

The County's largest program in 2011 was health, accounting for 24.85 percent of total governmental expenses. Health activities are provided mainly from the SCOC and the Dog Warden. 53.59 percent of these expenses were funded by \$3,292,736 in operating grants and contributions and \$1,775,699 in charges for health services in 2011. The next-largest program was human services, which supports the operations of the County Home, Public Assistance, Victim Assistance, Veteran Services, and the Children Services Board. Human services expenditures accounted for \$7,157,567, or 18.80 percent of total governmental activities expenses. These expenses were funded by \$259,947 in charges to users of services and \$5,778,350 in operating grants and contributions in 2011. General government expenses, which include legislative and executive and judicial programs, accounted for \$9,082,305 or 23.86 percent of total governmental expenses. General government expenses were covered by direct charges to users and operating grants and contributions of \$2,734,344 and \$306,836, respectively, in 2011.

The County's direct charges to users of governmental services made up \$8,488,396 or 20.02 percent of total governmental revenues. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, income from the lease of property, and licenses and permits.

The State and federal government contributed to the County revenues of \$14,102,464 in operating grants and contributions and \$4,368,882 in capital grants and contributions. Operating grants and contributions are restricted to be used for programs for specific County programs, while capital grants and contributions are restricted to be used for the construction or acquisition of facilities and other capital assets.

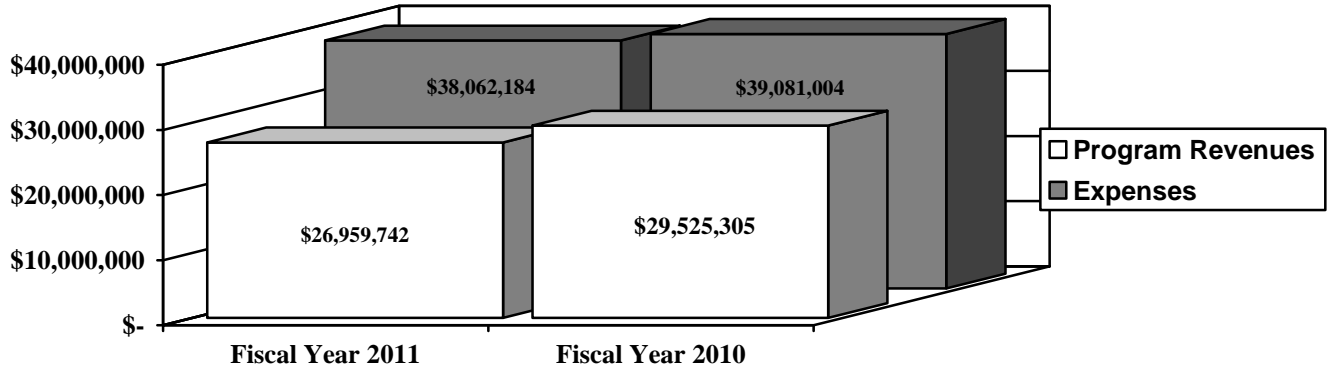
General revenues totaled \$15,450,249, and amounted to 36.43 percent of total revenues. These revenues primarily consist of property and sales tax revenue of \$13,374,424 or 86.56 percent of total general revenues in 2011. The other primary source of general revenues is unrestricted grants and entitlements of \$1,336,203, with local government and local government revenue assistance making up \$1,059,730, or 79.31 percent of the total.

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

SENECA COUNTY

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

Governmental Activities - Program Revenues vs. Total Expenses



Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Program Expenses:				
General government				
Legislative and executive	\$ 6,467,712	\$ 4,673,786	\$ 6,607,949	\$ 5,184,659
Judicial	2,614,593	1,367,339	2,789,182	1,533,588
Public safety	6,737,359	3,082,521	7,045,536	2,637,626
Public works	5,257,965	(3,462,796)	5,459,357	(3,986,957)
Health	9,457,676	4,389,241	8,111,894	3,367,646
Human services	7,157,567	1,119,270	8,534,447	1,305,252
Conservation and recreation	213,954	213,402	311,366	310,936
Community and economic development	5,396	(430,283)	37,526	(980,798)
Interest and fiscal charges	149,962	149,962	183,747	183,747
<b>Total</b>	<b>\$ 38,062,184</b>	<b>\$ 11,102,442</b>	<b>\$ 39,081,004</b>	<b>\$ 9,555,699</b>

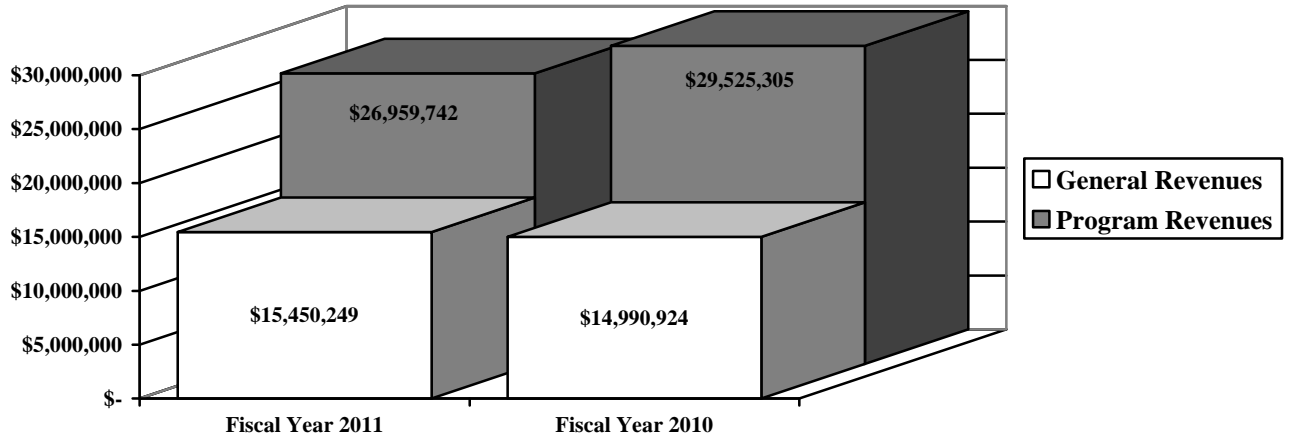
Charges for services and operating grants and contributions totaling \$3,041,180 were used to offset the general government expenses of the County. The remaining \$6,041,125 in general government expenses was funded by property taxes, sales taxes and grants and entitlements not restricted to specific programs. The County's reliance upon general revenues for governmental activities is apparent, with 29.17 percent of expenses supported through taxes and other general revenues during 2011.

SENECA COUNTY

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

The graph below illustrates the County's dependence on general revenues.

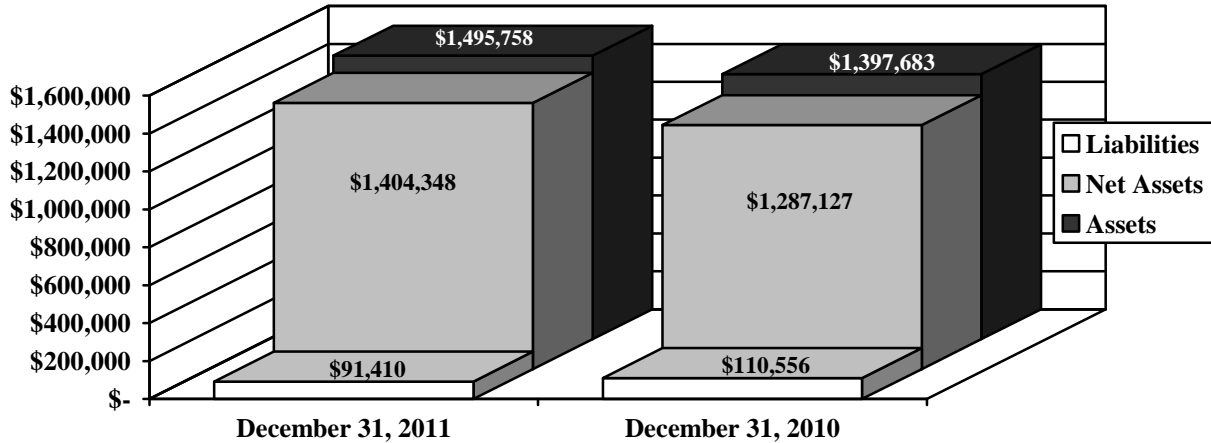
Governmental Activities - General and Program Revenues



Business-Type Activities

The Bascom Sewer District, Emergency Medical Services and County Sewer District are the County's enterprise funds. These operations had program revenues of \$591,659, general revenues of \$22,345, transfers of \$254,862 and expenses of \$751,645 for fiscal year 2011. The net assets of the business-type activities increased \$117,221 or 9.16 percent during 2011. The following graph illustrates the assets, liabilities and net assets of the County's business-type activities at December 31, 2011 and 2010:

Net Assets in Business - Type Activities



Financial Analysis of the Government's Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**SENECA COUNTY**

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

**Governmental Funds**

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

The County's governmental fund reported a combined fund balance of \$26,556,750 at December 31, 2011, which is \$1,664,516 higher than last year's restated total of \$24,892,234. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2011 for all major and non-major governmental funds. Fund balances at December 31, 2010, have been restated to reflect fund balance reclassifications which resulted from the County's implementation of GASB Statement No. 54 during 2011.

	<u>Fund Balances</u> <u>December 31, 2011</u>	<u>Restated</u> <u>Fund Balances</u> <u>December 31, 2010</u>	<u>Increase/</u> <u>(Decrease)</u>
Major funds:			
General	\$ 3,809,593	\$ 4,509,315	\$ (699,722)
Maintenance and Repair	9,921,033	8,387,854	1,533,179
Seneca County Opportunity Center	6,698,458	6,817,672	(119,214)
Other nonmajor governmental funds	<u>6,127,666</u>	<u>5,177,393</u>	<u>950,273</u>
Total	<u>\$ 26,556,750</u>	<u>\$ 24,892,234</u>	<u>\$ 1,664,516</u>

**General Fund**

The General fund is the primary operating fund of the County. During 2011, the County's General fund balance decreased \$699,722. The table that follows assists in illustrating the revenues of the General fund. Revenues for 2010 have been restated to include funds reclassified to be part of the general fund (see Note 3.B).

<u>Revenues</u>	<u>2011</u> <u>Amount</u>	<u>Restated</u> <u>2010</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Taxes	\$ 9,063,804	\$ 8,751,161	3.57 %
Charges for services	4,199,603	1,996,772	110.32 %
Licenses and permits	3,150	3,042	3.55 %
Fines and forfeitures	195,329	182,307	7.14 %
Intergovernmental	1,714,346	6,399,238	(73.21) %
Investment income	86,515	85,466	1.23 %
Other	<u>332,813</u>	<u>353,153</u>	(5.76) %
Total	<u>\$ 15,595,560</u>	<u>\$ 17,771,139</u>	(12.24) %

**SENECA COUNTY**

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

Tax revenue, consisting of property and sales taxes, represents 58.12 percent of all General fund revenue. Tax revenue increased 3.57 percent over the prior year primarily due to increased sales tax collections. Charges for services increased due to an increase on ICE collections. Grant revenues for the airport and for jail housing decreased \$787,581 and \$1,035,545, respectively, from general fund revenues for these projects in 2010, contributing to the overall 73.21 percent decrease in intergovernmental revenue, the remainder of which is attributable to decreases in reimbursements from the State of Ohio and other operating grant revenues. Fines and forfeitures increased 7.14 percent due to higher fines charged by the County judicial system.

The table that follows assists in illustrating the expenses of the General fund. Expenses for 2010 have been restated to include funds reclassified to be part of the general fund (see Note 3.B).

<b><u>Expenditures</u></b>	<u>2011 Amount</u>	<u>Restated 2010 Amount</u>	<u>Percentage Change</u>
General government			
Legislative and executive	\$ 5,305,984	\$ 5,242,139	1.22 %
Judicial	2,298,923	2,419,423	(4.98) %
Public safety	5,460,243	5,381,497	1.46 %
Public works	38,077	35,029	8.70 %
Health	102,540	127,126	(19.34) %
Human services	360,784	382,304	(5.63) %
Conservation and recreation	168,507	261,212	(35.49) %
Capital outlay	115,819	712,510	(83.74) %
Debt service	<u>5,868</u>	<u>1,114</u>	426.75 %
<b>Total</b>	<b><u>\$ 13,856,745</u></b>	<b><u>\$14,562,354</u></b>	<b>(4.85) %</b>

Total expenditures decreased \$705,609 or 4.85 percent during 2011. Capital outlay decreased 83.74% as the County purchased land with a cost of \$115,819 in 2011, compared to higher capital outlay expenditures during 2010. Debt service requirements for the Clerk of Court's capital leases paid from the general fund were \$4,754 higher in 2011 than in 2010. Additionally, conservation and recreation and health expenses incurred by the County decreased \$92,705 and \$24,586, respectively.

***Maintenance and Repair Fund***

The Maintenance and Repair fund, a major governmental fund, had revenues of \$5,020,695 in 2011, an increase of \$332,498 or 7.09 percent from 2010 revenues. The Maintenance and Repair fund, had expenditures of \$3,215,673 in 2011, an increase of \$375,186 or 13.21 percent from 2010. The fund balance of the Maintenance and Repair fund increased \$1,533,179 or 18.28 percent from 2010 to 2011.

***SCOC Fund***

The SCOC fund, a major governmental fund, had revenues of \$8,734,159 in 2011, an increase of \$820,473 or 10.37 percent from 2010 revenues. The SCOC fund had expenditures of \$8,853,373 in 2011, an increase of \$845,114 or 10.55 percent from 2010. The net changes in revenues and expenditures contributed to SCOC fund balance decrease of \$119,214 or 1.75 percent from 2010 to 2011.



**SENECA COUNTY**

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

***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, Maintenance and Repair fund, and SCOC fund.

In the General fund, final budgeted revenues and other financing sources of \$15,499,609 were \$799,609 higher than original budgeted revenues of \$14,700,000. Actual revenues and other financing sources of \$15,754,667 were higher than final budgeted revenues by \$255,058 or 1.65 percent.

General fund final budgeted expenditures and other financing uses of \$17,191,764 were \$2,491,754 higher than original budgeted expenditures and other financing uses of \$14,700,010. Actual expenditures and financing uses of \$17,217,805 were \$26,041 higher than final budgeted expenditures and financing uses.

***Proprietary Funds***

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

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2011, the County had \$66,949,056 (net of accumulated depreciation) invested in land and improvements, buildings and improvements, machinery and equipment, infrastructure, and construction in progress. Of this total, \$65,832,015 was reported in governmental activities and \$1,117,041 was reported in business-type activities.

The following table shows fiscal year 2011 balances compared to 2010:

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land and improvements	\$ 20,835,307	\$ 20,719,488	\$ 26,243	\$ 26,243	\$ 20,861,550	\$ 20,745,731
Construction in progress	299,511				299,511	
Building and improvements	10,794,081	11,399,254	101,546	107,829	10,895,627	11,507,083
Machinery and equipment	2,486,798	2,444,960	93,318	151,131	2,580,116	2,596,091
Infrastructure	31,416,318	29,350,507	895,934	931,947	32,312,252	30,282,454
<b>Total</b>	<b>\$ 65,832,015</b>	<b>\$ 63,914,209</b>	<b>\$ 1,117,041</b>	<b>\$ 1,217,150</b>	<b>\$ 66,949,056</b>	<b>\$ 65,131,359</b>

**SENECA COUNTY**

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

See Note 9 to the basic financial statements for detail on the County's capital assets.

The County's largest capital asset category is infrastructure which includes roads, bridges and culverts. These items are immovable and of value only to the County; however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 47.72 percent of the County's total governmental capital assets.

The County's largest business-type capital asset category is also infrastructure. These items play a vital role in the income producing ability of the business-type activities. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 80.21 percent of the County's total business-type capital assets.

**Debt Administration**

At December 31, 2011 the County had \$4,035,000 in general obligation bonds, \$15,982 in capital lease obligations, \$61,114 in OWDA loans, \$32,426 in WSOS loans payable and OPWC loans of \$9,240 outstanding. Of this total, \$482,162 is due within one year and \$3,671,600 is due in more than one year.

The following table summarizes the bonds, notes and loans outstanding.

	<b>Outstanding Debt, at Year End</b>			
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2010</u>
Long-Term Obligations				
General obligation bonds	\$ 4,035,000		\$ 4,475,000	
Capital lease obligation	15,982		20,378	
OWDA loan	61,114		66,428	
OPWC loan		\$ 9,240		\$ 9,924
WSOS loan		32,426		52,998
<b>Total</b>	<b><u>\$ 4,112,096</u></b>	<b><u>\$ 41,666</u></b>	<b><u>\$ 4,561,806</u></b>	<b><u>\$ 62,922</u></b>

The County's voted legal debt margin was \$19,986,788 at December 31, 2011 and the unvoted legal debt margin was \$7,423,757 at December 31, 2011. See Note 11 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 population as of the 2010 census is 56,745. The County's unemployment rate was 8.6 percent in December 2011, compared to the 8.1 percent State average and the 8.5 percent national average.

The County is primarily a rural community with a significant agricultural and durable goods manufacturing presence. The County's \$887 million assessed real property tax base has grown approximately 4 percent since 2004. The growth is based on residential real estate construction and revaluations of property within the County. The County's debt burden remains modest.

**SENECA COUNTY**

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

**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 Julie A. Adkins, Seneca County Auditor, 109 S. Washington St., Suite 2206, Tiffin, Ohio 44883-2895.

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SENECA COUNTY, OHIO

STATEMENT OF NET ASSETS  
DECEMBER 31, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Seneca Re-Ad Industries, Inc.
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . .	\$ 24,227,302	\$ 445,411	\$ 24,672,713	
Cash and cash equivalents in segregated accounts . . . . .	125,923		125,923	\$ 1,005,869
Cash and cash equivalents with fiscal agent . . .				988
Receivables:				
Sales taxes . . . . .	1,955,081		1,955,081	
Property taxes . . . . .	5,404,617		5,404,617	
Accounts . . . . .	504,020	119,610	623,630	63,143
Accrued interest . . . . .	3,740	8	3,748	
Intergovernmental . . . . .	4,671,039		4,671,039	
Loans . . . . .	60,990		60,990	
Notes . . . . .		1,721	1,721	
Materials and supplies inventory . . . . .	409,082		409,082	
Prepayments . . . . .	326,884	400	327,284	
Internal balance . . . . .	188,433	(188,433)		
Deferred charges. . . . .	163,917		163,917	
Investment in joint ventures. . . . .	5,023,758		5,023,758	
Capital assets:				
Non-depreciable capital assets . . . . .	21,134,818	26,243	21,161,061	2,945
Depreciable capital assets, net . . . . .	44,697,197	1,090,798	45,787,995	299,061
Total capital assets, net. . . . .	65,832,015	1,117,041	66,949,056	302,006
Total assets . . . . .	108,896,801	1,495,758	110,392,559	1,372,006
<b>Liabilities:</b>				
Accounts payable. . . . .	554,056	1,718	555,774	5,414
Contracts payable. . . . .	205,233	19,071	224,304	
Accrued wages and benefits payable. . . . .	650,938	6,768	657,706	34,817
Intergovernmental payable . . . . .	646,902	6,293	653,195	
Accrued interest payable . . . . .	10,022	543	10,565	
Claims payable . . . . .	10,810		10,810	
Unearned revenue . . . . .	5,069,153		5,069,153	
Undistributed monies. . . . .				15,275
Long-term liabilities:				
Due within one year. . . . .	903,480	25,097	928,577	
Due in more than one year . . . . .	4,977,154	31,920	5,009,074	
Total liabilities . . . . .	13,027,748	91,410	13,119,158	55,506
<b>Net assets:</b>				
Invested in capital assets, net of related debt . . . . .	61,944,950	1,107,801	63,052,751	
Restricted for:				
Capital projects. . . . .	1,728,632		1,728,632	
Grants and specific programs . . . . .	2,568,574		2,568,574	
SCOC programs . . . . .	6,634,685		6,634,685	
Human services programs . . . . .	2,306,848		2,306,848	
Roads and bridges . . . . .	11,198,057		11,198,057	
Community and economic development . . . .	352,247		352,247	
Unrestricted . . . . .	9,135,060	296,547	9,431,607	1,316,500
Total net assets . . . . .	\$ 95,869,053	\$ 1,404,348	\$ 97,273,401	\$ 1,316,500

SENECA COUNTY, OHIO

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				
General government:				
Legislative and executive . . . . .	\$ 6,467,712	\$ 1,689,113	\$ 104,813	
Judicial . . . . .	2,614,593	1,045,231	202,023	
Public safety . . . . .	6,737,359	3,098,523	556,315	
Public works . . . . .	5,257,965	619,331	4,156,644	\$ 3,944,786
Health . . . . .	9,457,676	1,775,699	3,292,736	
Human services . . . . .	7,157,567	259,947	5,778,350	
Conservation and recreation . . . . .	213,954	552		
Community and economic development . . . . .	5,396		11,583	424,096
Interest and fiscal charges . . . . .	149,962			
Total governmental activities . . . . .	<u>38,062,184</u>	<u>8,488,396</u>	<u>14,102,464</u>	<u>4,368,882</u>
<b>Business-type activities:</b>				
Bascom Sewer District . . . . .	104,557	179,179		
Emergency Medical Services . . . . .	410,312	290,551	2,407	
County Sewer District . . . . .	236,776	119,522		
Total business-type activities . . . . .	<u>751,645</u>	<u>589,252</u>	<u>2,407</u>	
Totals . . . . .	<u>\$ 38,813,829</u>	<u>\$ 9,077,648</u>	<u>\$ 14,104,871</u>	<u>\$ 4,368,882</u>
<b>Component Unit:</b>				
Seneca Re-Ad Industries, Inc. . . . .	<u>\$ 1,131,862</u>	<u>\$ 650,869</u>	<u>\$ 459,372</u>	

**General revenues:**

- Property taxes levied for:
  - General purposes . . . . .
  - Seneca County Opportunity Center . . . . .
- Sales taxes . . . . .
- Grants and entitlements not restricted
  - to specific programs . . . . .
- Contributions and donations . . . . .
- Investment earnings . . . . .
- Miscellaneous . . . . .

Total general revenues . . . . .

Transfers . . . . .

Total transfers and general revenues . . . . .

Change in net assets . . . . .

**Net assets at beginning of year . . . . .**

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Seneca Re-Ad Industries, Inc.
\$ (4,673,786)		\$ (4,673,786)	
(1,367,339)		(1,367,339)	
(3,082,521)		(3,082,521)	
3,462,796		3,462,796	
(4,389,241)		(4,389,241)	
(1,119,270)		(1,119,270)	
(213,402)		(213,402)	
430,283		430,283	
(149,962)		(149,962)	
(11,102,442)		(11,102,442)	
	\$ 74,622	74,622	
	(117,354)	(117,354)	
	(117,254)	(117,254)	
	(159,986)	(159,986)	
(11,102,442)	(159,986)	(11,262,428)	
			\$ (21,621)
1,965,476		1,965,476	
3,479,166		3,479,166	
7,929,782		7,929,782	
1,336,203		1,336,203	
55		55	6,041
97,574	235	97,809	7,074
641,993	22,110	664,103	6,610
15,450,249	22,345	15,472,594	19,725
(254,862)	254,862		
15,195,387	277,207	15,472,594	19,725
4,092,945	117,221	4,210,166	(1,896)
91,776,108	1,287,127	93,063,235	1,318,396
\$ 95,869,053	\$ 1,404,348	\$ 97,273,401	\$ 1,316,500

SENECA COUNTY, OHIO

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

	General	Maintenance and Repair	Seneca County Opportunity Center	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . .	\$ 2,385,326	\$ 9,089,993	\$ 6,126,236	\$ 6,508,945	\$ 24,110,500
Cash and cash equivalents in segregated accounts . . . . .	125,923				125,923
Receivables:					
Sales taxes . . . . .	1,955,081				1,955,081
Property taxes . . . . .	1,740,743		3,663,874		5,404,617
Accounts . . . . .	72,976	33,084	338,632	48,226	492,918
Interfund loans . . . . .	158,000		480,000		638,000
Accrued interest . . . . .	3,165	407		47	3,619
Intergovernmental . . . . .	795,807	2,078,386	401,807	1,395,039	4,671,039
Loans . . . . .	-			60,990	60,990
Loans to other funds . . . . .	178,000				178,000
Materials and supplies inventory . . . . .	50,042	347,494	7,837	3,709	409,082
Prepayments . . . . .	174,494	166	129,819	22,405	326,884
<b>Total assets . . . . .</b>	<b>\$ 7,639,557</b>	<b>\$ 11,549,530</b>	<b>\$ 11,148,205</b>	<b>\$ 8,039,361</b>	<b>\$ 38,376,653</b>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 174,369	\$ 156,889	\$ 55,663	\$ 167,135	\$ 554,056
Contracts payable . . . . .	83,200	9,074	45,247	67,712	205,233
Accrued wages and benefits payable . . . . .	272,223	46,551	211,095	120,684	650,553
Matured compensated absences payable . . . . .	16,953	-	36,336		53,289
Intergovernmental payable . . . . .	310,207	26,339	156,241	153,872	646,659
Interfund loans payable . . . . .				584,000	584,000
Loans from other funds . . . . .				47,000	47,000
Deferred revenue . . . . .	1,351,666	1,389,644	548,685	719,965	4,009,960
Unearned revenue . . . . .	1,621,346		3,396,480	51,327	5,069,153
<b>Total liabilities . . . . .</b>	<b>3,829,964</b>	<b>1,628,497</b>	<b>4,449,747</b>	<b>1,911,695</b>	<b>11,819,903</b>
<b>Fund balances:</b>					
Nonspendable . . . . .	350,459	347,660	137,656	26,114	861,889
Restricted . . . . .		9,573,373	6,560,802	6,428,822	22,562,997
Committed . . . . .	11,855				11,855
Assigned . . . . .	515,728			176,275	692,003
Unassigned (deficit) . . . . .	2,931,551			(503,545)	2,428,006
<b>Total fund balances . . . . .</b>	<b>3,809,593</b>	<b>9,921,033</b>	<b>6,698,458</b>	<b>6,127,666</b>	<b>26,556,750</b>
<b>Total liabilities and fund balances . . . . .</b>	<b>\$ 7,639,557</b>	<b>\$ 11,549,530</b>	<b>\$ 11,148,205</b>	<b>\$ 8,039,361</b>	<b>\$ 38,376,653</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**SENECA COUNTY, OHIO**

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

<b>Total governmental fund balances</b>	\$	26,556,750
<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.		65,832,015
The investments in joint ventures by governmental activities are not financial resources and therefore are not reported in the funds.		5,023,758
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Sales taxes receivable	\$ 815,792	
Real and other taxes receivable	398,198	
Intergovernmental receivable	2,795,970	
Total	4,009,960	4,009,960
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		120,020
On the statement of net assets interest is accrued on outstanding bonds payable, whereas in the governmental funds, interest is accrued when due.		(10,022)
Deferred charges on bond issuances are amortized over the life of the bonds on the statement of net assets.		163,917
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
in the funds.		
Compensated absences	(1,715,249)	
Capital lease payable	(15,982)	
General obligation bonds payable	(4,035,000)	
Loans payable	(61,114)	
Total	(5,827,345)	(5,827,345)
<b>Net assets of governmental activities</b>	<b>\$</b>	<b>95,869,053</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

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

	General	Maintenance and Repair	Seneca County Opportunity Center	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property taxes . . . . .	\$ 1,949,814		\$ 3,438,633		\$ 5,388,447
Sales taxes . . . . .	7,113,990				7,113,990
Special assessments . . . . .				\$ 142,446	142,446
Charges for services . . . . .	4,199,603	\$ 444,908	1,511,716	1,154,348	7,310,575
Licenses and permits . . . . .	3,150			187,222	190,372
Fines and forfeitures . . . . .	195,329	31,567		315,369	542,265
Intergovernmental . . . . .	1,714,346	4,514,637	3,628,147	11,031,950	20,889,080
Interest . . . . .	86,515	6,063		1,890	94,468
Rent . . . . .	126,750		59,868	103,251	289,869
Contributions and donations . . . . .	607		3,975	3,272	7,854
Other . . . . .	205,456	23,520	91,820	333,485	654,281
<b>Total revenues . . . . .</b>	<b>15,595,560</b>	<b>5,020,695</b>	<b>8,734,159</b>	<b>13,273,233</b>	<b>42,623,647</b>
<b>Expenditures:</b>					
Current:					
General government:					
Legislative and executive . . . . .	5,305,984			613,454	5,919,438
Judicial . . . . .	2,298,923			300,754	2,599,677
Public safety . . . . .	5,460,243			1,065,936	6,526,179
Public works . . . . .	38,077	3,215,673		128,091	3,381,841
Health . . . . .	102,540		8,853,373	199,450	9,155,363
Human services . . . . .	360,784			6,797,820	7,158,604
Conservation and recreation . . . . .	168,507				168,507
Community and economic development . . . . .	-			5,396	5,396
Capital outlay . . . . .	115,819			5,129,096	5,244,915
Debt service:					
Principal retirement . . . . .	4,396			445,314	449,710
Interest and fiscal charges . . . . .	1,472			134,867	136,339
<b>Total expenditures . . . . .</b>	<b>13,856,745</b>	<b>3,215,673</b>	<b>8,853,373</b>	<b>14,820,178</b>	<b>40,745,969</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	1,738,815	1,805,022	(119,214)	(1,546,945)	1,877,678
<b>Other financing sources (uses):</b>					
Sale of capital assets . . . . .		41,700			41,700
Transfers in . . . . .	9,987	10,109		2,521,220	2,541,316
Transfers (out) . . . . .	(2,448,524)	(323,652)		(24,002)	(2,796,178)
<b>Total other financing sources (uses) . . . . .</b>	<b>(2,438,537)</b>	<b>(271,843)</b>		<b>2,497,218</b>	<b>(213,162)</b>
Net change in fund balances . . . . .	(699,722)	1,533,179	(119,214)	950,273	1,664,516
<b>Fund balances at beginning of year (restated) . . . . .</b>	<b>4,509,315</b>	<b>8,387,854</b>	<b>6,817,672</b>	<b>5,177,393</b>	<b>24,892,234</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 3,809,593</b>	<b>\$ 9,921,033</b>	<b>\$ 6,698,458</b>	<b>\$ 6,127,666</b>	<b>\$ 26,556,750</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA COUNTY, OHIO**

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

<b>Net change in fund balances - total governmental funds</b>	\$	1,664,516
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.		
Capital asset additions	\$ 5,061,921	
Current year depreciation	<u>(2,984,361)</u>	
Total		2,077,560
 The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(159,754)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Sales taxes	815,792	
Property taxes	56,195	
Intergovernmental revenues	(1,088,749)	
Investment in joint ventures	<u>125,110</u>	
Total		(91,652)
 Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		449,710
 In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, interest is expensed when due.		
Accrued interest	734	
Deferred charges	<u>(14,357)</u>	
Total		(13,623)
 Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		51,996
 The internal service fund used by management to charge the costs 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 is allocated among the governmental activities.		
		<u>114,192</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>4,092,945</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Property taxes . . . . .	\$ 2,190,950	\$ 1,947,674	\$ 1,953,007	\$ 5,333
Sales taxes . . . . .	6,400,000	6,995,780	7,073,716	77,936
Charges for services . . . . .	3,976,736	3,937,870	3,945,688	7,818
Licenses and permits. . . . .	4,860	3,125	3,150	25
Fines and forfeitures . . . . .	150,000	195,421	195,421	
Intergovernmental . . . . .	1,662,627	1,961,572	2,039,132	77,560
Interest. . . . .	2,037	86,337	87,538	1,201
Rent . . . . .	121,490	123,923	127,100	3,177
Contributions and donations . . . . .	400	607	607	
Other . . . . .	190,900	237,313	227,868	(9,445)
<b>Total revenues . . . . .</b>	<b>14,700,000</b>	<b>15,489,622</b>	<b>15,653,227</b>	<b>163,605</b>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	5,296,830	5,969,069	5,720,512	248,557
Judicial. . . . .	2,118,870	2,250,817	2,424,671	(173,854)
Public safety . . . . .	5,142,204	5,562,091	5,574,829	(12,738)
Public works . . . . .	42,026	42,026	39,630	2,396
Health . . . . .	108,372	132,157	141,169	(9,012)
Human services . . . . .	487,768	487,768	428,530	59,238
Conservation and recreation . . . . .	166,044	161,960	161,940	20
Capital outlay. . . . .		120,000	120,000	
<b>Total expenditures. . . . .</b>	<b>13,362,114</b>	<b>14,725,888</b>	<b>14,611,281</b>	<b>114,607</b>
<b>Excess of revenues over expenditures . . . . .</b>	<b>1,337,886</b>	<b>763,734</b>	<b>1,041,946</b>	<b>278,212</b>
<b>Other financing sources (uses):</b>				
Advances in . . . . .			91,453	91,453
Advances (out). . . . .			(158,000)	(158,000)
Transfers in . . . . .		9,987	9,987	
Transfers (out) . . . . .	(1,337,896)	(2,465,876)	(2,448,524)	17,352
<b>Total other financing sources (uses) . . . . .</b>	<b>(1,337,896)</b>	<b>(2,455,889)</b>	<b>(2,505,084)</b>	<b>(49,195)</b>
<b>Net change in fund balances . . . . .</b>	<b>(10)</b>	<b>(1,692,155)</b>	<b>(1,463,138)</b>	<b>229,017</b>
<b>Fund balances at beginning of year (restated) . . . . .</b>	<b>1,591,740</b>	<b>1,591,740</b>	<b>1,591,740</b>	
<b>Prior year encumbrances appropriated . . . . .</b>	<b>900,800</b>	<b>900,800</b>	<b>900,800</b>	
<b>Fund balance at end of year. . . . .</b>	<b>\$ 2,492,530</b>	<b>\$ 800,385</b>	<b>\$ 1,029,402</b>	<b>\$ 229,017</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Charges for services. . . . .	\$ 300,000	\$ 358,265	\$ 471,595	\$ 113,330
Fines and forfeitures. . . . .	30,000	30,000	31,436	1,436
Intergovernmental. . . . .	4,225,000	4,154,070	4,154,400	330
Interest . . . . .	10,000	4,000	6,181	2,181
Other . . . . .	-	-	20,551	20,551
Total revenues. . . . .	<u>4,565,000</u>	<u>4,546,335</u>	<u>4,684,163</u>	<u>137,828</u>
<b>Expenditures:</b>				
Current:				
Public works. . . . .	3,963,457	4,097,490	3,553,159	544,331
Total expenditures . . . . .	<u>3,963,457</u>	<u>4,097,490</u>	<u>3,553,159</u>	<u>544,331</u>
Excess of revenues over expenditures . . . . .	<u>601,543</u>	<u>448,845</u>	<u>1,131,004</u>	<u>682,159</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets. . . . .		-	41,700	41,700
Advances in . . . . .		-	27,069	27,069
Transfers in . . . . .		-	10,109	10,109
Transfers (out). . . . .	(555,000)	(420,967)	(323,652)	97,315
Total other financing sources (uses). . . . .	<u>(555,000)</u>	<u>(420,967)</u>	<u>(244,774)</u>	<u>176,193</u>
Net change in fund balances. . . . .	46,543	27,878	886,230	858,352
Fund balances at beginning of year . . . . .	7,485,510	7,485,510	7,485,510	
Prior year encumbrances appropriated. . . . .	289,727	289,727	289,727	
Fund balance at end of year . . . . .	<u>\$ 7,821,780</u>	<u>\$ 7,803,115</u>	<u>\$ 8,661,467</u>	<u>\$ 858,352</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Property taxes . . . . .	\$ 4,279,386	\$ 3,438,633	\$ 3,438,633	
Charges for services. . . . .	1,178,794	1,090,794	1,194,990	\$ 104,196
Intergovernmental. . . . .	2,197,937	3,075,678	3,530,722	455,044
Rental income. . . . .	57,165	57,165	59,868	2,703
Contributions and donations . . . . .	4,200	4,200	3,975	(225)
.	124,177	86,221	92,333	6,112
Total revenues . . . . .	<u>7,841,659</u>	<u>7,752,691</u>	<u>8,320,521</u>	<u>567,830</u>
<b>Expenditures:</b>				
Current:				
Health . . . . .	13,911,577	13,658,643	9,519,336	4,139,307
Total expenditures . . . . .	<u>13,911,577</u>	<u>13,658,643</u>	<u>9,519,336</u>	<u>4,139,307</u>
Net change in fund balances . . . . .	(6,069,918)	(5,905,952)	(1,198,815)	4,707,137
Fund balances at beginning of year . . . . .	6,258,022	6,258,022	6,258,022	
Prior year encumbrances appropriated . . . . .	886,675	886,675	886,675	
Fund balance at end of year . . . . .	<u>\$ 1,074,779</u>	<u>\$ 1,238,745</u>	<u>\$ 5,945,882</u>	<u>\$ 4,707,137</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Bascom Sewer District	Emergency Medical Services	County Sewer District	Total	
<b>Assets:</b>					
<i>Current assets:</i>					
Equity in pooled cash and cash equivalents . . .	\$ 84,616	\$ 130,364	\$ 230,431	\$ 445,411	\$ 116,802
Receivables:					
Accounts . . . . .	50,950	43,863	24,797	119,610	11,102
Accrued interest . . . . .			8	8	121
Notes receivable . . . . .			1,721	1,721	
Prepayments . . . . .		344	56	400	
Total current assets . . . . .	<u>135,566</u>	<u>174,571</u>	<u>257,013</u>	<u>567,150</u>	<u>128,025</u>
<i>Noncurrent assets:</i>					
Loans to Other Funds . . . . .			100,000	100,000	
Capital assets:					
Non-depreciable capital assets . . . . .			26,243	26,243	
Depreciable capital assets, net . . . . .		91,612	999,186	1,090,798	
Total capital assets, net . . . . .		<u>91,612</u>	<u>1,025,429</u>	<u>1,117,041</u>	
Total noncurrent assets . . . . .		<u>91,612</u>	<u>1,125,429</u>	<u>1,217,041</u>	
Total assets . . . . .	<u>135,566</u>	<u>266,183</u>	<u>1,382,442</u>	<u>1,784,191</u>	<u>128,025</u>
<b>Liabilities:</b>					
<i>Current liabilities:</i>					
Accounts payable . . . . .		1,707	11	1,718	
Contracts payable . . . . .	8,555	6,419	4,097	19,071	
Accrued wages and benefits payable . . . . .	196	5,059	1,513	6,768	385
Compensated absences payable - current . . . . .		3,010		3,010	
Intergovernmental payable . . . . .	258	3,897	2,138	6,293	243
Interfund loans payable . . . . .		54,000		54,000	
Claims payable . . . . .					10,810
Accrued interest payable . . . . .	543			543	
Other loans payable . . . . .	21,403		684	22,087	
Total current liabilities . . . . .	<u>30,955</u>	<u>74,092</u>	<u>8,443</u>	<u>113,490</u>	<u>11,438</u>
<i>Long-term liabilities:</i>					
Compensated absences payable . . . . .		12,341		12,341	
Other loans payable . . . . .	11,023		8,556	19,579	
Loans from other funds . . . . .	140,000		91,000	231,000	
Total long-term liabilities . . . . .	<u>151,023</u>	<u>12,341</u>	<u>99,556</u>	<u>262,920</u>	
Total liabilities . . . . .	<u>181,978</u>	<u>86,433</u>	<u>107,999</u>	<u>376,410</u>	<u>11,438</u>
<b>Net assets:</b>					
Invested in capital assets, net of related debt . . . . .		91,612	1,016,189	1,107,801	
Unrestricted (deficit) . . . . .	(46,412)	88,138	258,254	299,980	116,587
Total net assets (deficit) . . . . .	<u>\$ (46,412)</u>	<u>\$ 179,750</u>	<u>\$ 1,274,443</u>	<u>1,407,781</u>	<u>\$ 116,587</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.				(3,433)	
Net assets of business-type activities				<u>\$ 1,404,348</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

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

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Bascom Sewer District	Emergency Medical Services	County Sewer District	Total	
<b>Operating revenues:</b>					
Charges for services . . . . .	\$ 179,179		\$ 119,250	\$ 298,429	\$ 568,413
Tap-in fees . . . . .			272	272	
Patient fees . . . . .		\$ 290,551		290,551	
Other operating revenues . . . . .	623	8,845	1,942	11,410	
Reimbursements . . . . .					176,233
Total operating revenues . . . . .	<u>179,802</u>	<u>299,396</u>	<u>121,464</u>	<u>600,662</u>	<u>744,646</u>
<b>Operating expenses:</b>					
Personal services . . . . .	5,985	181,160	45,903	233,048	12,050
Contract services . . . . .	91,092	108,713	143,361	343,166	8,019
Materials and supplies . . . . .	481	53,018	3,388	56,887	
Claims expense . . . . .					612,568
Depreciation . . . . .		59,519	42,359	101,878	
Other . . . . .	5,070	7,875	1,765	14,710	
Total operating expenses . . . . .	<u>102,628</u>	<u>410,285</u>	<u>236,776</u>	<u>749,689</u>	<u>632,637</u>
Operating income (loss) . . . . .	<u>77,174</u>	<u>(110,889)</u>	<u>(115,312)</u>	<u>(149,027)</u>	<u>112,009</u>
<b>Nonoperating revenues (expenses):</b>					
Interest income . . . . .			235	235	3,106
Interest and fiscal charges . . . . .	(1,929)	(950)		(2,879)	
Gain on sale of capital assets . . . . .		10,200		10,200	
Operating grants . . . . .	-	2,407		2,407	
Contributions and donations . . . . .		500		500	
Total nonoperating revenues (expenses) . . . . .	<u>(1,929)</u>	<u>12,157</u>	<u>235</u>	<u>10,463</u>	<u>3,106</u>
Income (loss) before transfers . . . . .	<u>75,245</u>	<u>(98,732)</u>	<u>(115,077)</u>	<u>(138,564)</u>	<u>115,115</u>
Transfer in . . . . .		149,527	105,335	254,862	
Change in net assets . . . . .	75,245	50,795	(9,742)	116,298	115,115
<b>Net assets at beginning of year (deficit) . . . . .</b>	<u>(121,657)</u>	<u>128,955</u>	<u>1,284,185</u>		<u>1,472</u>
<b>Net assets at end of year (deficit) . . . . .</b>	<u>\$ (46,412)</u>	<u>\$ 179,750</u>	<u>\$ 1,274,443</u>		<u>\$ 116,587</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.				923	
Change in net assets of business-type activities.				<u>\$ 117,221</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



SENECA COUNTY, OHIO

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

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Bascom Sewer District	Emergency		Total	
		Medical Services	County Sewer District		
<b>Cash flows from operating activities:</b>					
Cash received from customers. . . . .	\$ 179,459	\$ 300,033	\$ 119,661	\$ 599,153	\$ 567,895
Cash received from tap-in fees . . . . .			813	813	
Cash received from other operations . . . . .	607	8,645	1,176	10,428	165,131
Cash payments for personal services . . . . .	(5,997)	(179,884)	(45,994)	(231,875)	(11,422)
Cash payments for contract services . . . . .	(84,673)	(110,650)	(142,256)	(337,579)	(8,019)
Cash payments for materials and supplies . . . . .	(471)	(54,664)	(5,267)	(60,402)	
Cash payments for claims. . . . .					(631,440)
Cash payments for other expenses . . . . .	(5,070)	(8,481)	(1,765)	(15,316)	
Net cash provided by (used in) operating activities . . . . .	83,855	(45,001)	(73,632)	(34,778)	82,145
<b>Cash flows from noncapital financing activities:</b>					
Cash received from operating grants . . . . .		2,407		2,407	
Cash received from contributions and donations . . . . .		500		500	
Cash received from transfers in . . . . .		149,527	105,335	254,862	
Cash received from interfund loans . . . . .		54,000		54,000	
Cash used in repayment of interfund loans . . . . .		(74,000)		(74,000)	
Net cash provided by noncapital financing activities. . . . .		132,434	105,335	237,769	
<b>Cash flows from capital and related financing activities:</b>					
Acquisition of capital assets. . . . .			(1,769)	(1,769)	
Gain on sale of capital assets . . . . .		10,200		10,200	
Principal retirement . . . . .	(20,572)		(684)	(21,256)	
Interest and fiscal charges. . . . .	(1,916)	(950)		(2,866)	
Net cash provided by (used in) financing activities . . . . .	(22,488)	9,250	(2,453)	(15,691)	
<b>Cash flows from investing activities:</b>					
Interest received. . . . .			247	247	3,437
Net cash provided by investing activities . . . . .			247	247	3,437
Net increase in cash and cash equivalents . . . . .	61,367	96,683	29,497	187,547	85,582
<b>Cash and cash equivalents at beginning of year . . . . .</b>	23,249	33,681	200,934	257,864	31,220
<b>Cash and cash equivalents at end of year . . . . .</b>	<u>\$ 84,616</u>	<u>\$ 130,364</u>	<u>\$ 230,431</u>	<u>\$ 445,411</u>	<u>\$ 116,802</u>

-- Continued

SENECA COUNTY, OHIO

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

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Bascom Sewer District	Emergency Medical Services	County Sewer District	Total	
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>					
Operating income (loss) . . . . .	\$ 77,174	\$ (110,889)	\$ (115,312)	\$ (149,027)	\$ 112,009
Adjustments:					
Depreciation . . . . .		59,519	42,359	101,878	
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable . . . . .	264	9,282	636	10,182	(11,102)
Decrease in notes receivable . . . . .			492	492	
(Increase) in prepayments . . . . .		(344)	(56)	(400)	
Decrease in accounts payable . . . . .	(62)	(2,221)	(1,927)	(4,210)	
Increase (decrease) in contracts payable . . . . .	6,357	(2,502)	823	4,678	
Increase (decrease) in accrued wages and benefits . . . . .		(81)		(81)	385
Increase in intergovernmental payable . . . . .	122	221	295	638	243
Increase in compensated absences payable . . . . .		2,014		2,014	
Decrease in unearned revenue . . . . .			(942)	(942)	(518)
Decrease in claims payable . . . . .					(18,872)
Net cash provided by (used in) operating activities. . . . .	<u>\$ 83,855</u>	<u>\$ (45,001)</u>	<u>\$ (73,632)</u>	<u>\$ (34,778)</u>	<u>\$ 82,145</u>

**Non-Cash Transactions**

During 2011, the Emergency Medical Services fund received fully-depreciated capital assets of \$36,000 from the governmental funds.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 DECEMBER 31, 2011

	<b>Agency</b>
<b>Assets:</b>	
<i>Current assets:</i>	
Equity in pooled cash and cash equivalents . . . . .	\$ 7,431,213
Cash in segregated accounts. . . . .	350,141
Receivables:	
Accrued interest. . . . .	2
Accounts . . . . .	914,361
Intergovernmental. . . . .	2,958,339
Taxes receivable. . . . .	35,825,444
Total assets . . . . .	\$ 47,479,500
 <b>Liabilities:</b>	
<i>Current liabilities:</i>	
Accrued wages and benefits . . . . .	\$ 75,051
Intergovernmental payable. . . . .	41,120,591
Compensated absences. . . . .	157,811
Undistributed monies . . . . .	5,266,648
Deposits held and due to others . . . . .	859,399
Total liabilities . . . . .	\$ 47,479,500

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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## SENECA COUNTY

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

#### NOTE 1 - REPORTING ENTITY

Seneca County, Ohio (the "County") was created in 1824. The County is governed by a Board of three commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, two Common Pleas Court Judges and a Probate/Juvenile Court Judge. The County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body, and the chief administrators of public services for the County, although the elected officials manage the internal operations of their respective departments.

The reporting entity is comprised of the primary government, component units and other organizations that are included to insure that 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. Seneca County boards include the Board of Developmental Disabilities (Board of DD), the Job and Family Services Department and all departments and activities that are operated directly by the elected County officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable if it appoints a voting majority of the organization's governing body and 1) the County is able to impose its will on that organization or 2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County. Component units also include organizations that are fiscally dependent on the County in that the County approves the organization's budget, the issuance of the organization's debt or the levying of the organization's taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. The City has one component unit.

**Component Unit** - The component unit column on the entity-wide financial statements includes the financial data of the County's discretely presented component unit Seneca Re-Ad Industries, Inc. This is reported in a separate column to emphasize that it is legally separate from the County. Information in the following notes is applicable to the primary government. Information relative to the component unit is presented in Note 21.

*Seneca Re-Ad Industries, Inc.*

Seneca Re-Ad Industries Inc., is a not-for-profit corporation duly organized under Chapter 1702 O.R.C., and classified as a 501(c)(3) non-profit corporation. It has contracted with the Seneca County Board of DD to provide sheltered employment for developmentally disabled or handicapped adults in Seneca County. Responsibility for the provision of sheltered employment is with the Board of Trustees of Seneca Re-Ad Industries Inc., an eight member self appointing board that operates within the defined duties and stated rules of the Seneca County Board of DD. The Seneca Re-Ad Industries, Inc. receives all reasonable and just utility costs for the basic operation of this program from the Seneca County Board of DD. The staff, facilities, equipment, supplies and materials necessary for basic operation and care of the ground and facility for the Seneca Re-Ad program are also provided by the Seneca County Board of DD. In the event of dissolution of the non-profit corporation or the cancellation of the contract between the Seneca County Board of DD and Seneca Re-Ads, all materials and equipment purchased by the Seneca Re-Ads Industries, Inc. Board would become the property of the Seneca County Board of DD.

Separately issued financial statements for Seneca Re-Ad Industries, Inc. can be obtained from Reichert and Associates, CPAs, 206 West Hardin Street, Findlay, OH 45840.

SENECA COUNTY

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

NOTE 1 - REPORTING ENTITY (Continued)

**Related Organizations** - Seneca County officials are responsible for appointing a voting majority of the board members of the Seneca County Emergency Planning Commission, Tiffin Seneca Public Library, Seneca County Museum Advisory Board, Seneca County Convention and Visitors' Bureau and Seneca Metropolitan Housing Authority. However, Seneca County is not financially accountable because it cannot impose its will on any of these organizations and a financial benefit/burden relationship does not exist.

The County Treasurer, as the custodian of public funds, invests all public monies held on deposit in the county treasury. In the case of the separate agencies, boards and commissions listed below the County serves as fiscal agent, but is not financially accountable. Accordingly, the activity of the following districts and agencies are presented as agency funds within Seneca County's financial statements:

Seneca County General Health District  
Seneca County Emergency Planning Commission  
Seneca County Soil and Water Conservation District  
Seneca, Sandusky, Wyandot Mental Health & Recovery Services Board  
Seneca County Regional Planning Commission  
Seneca County Park District

The following organizations are joint ventures and pools in which the County participates. The financial information for these organizations is presented in Notes 19 and 20.

Sandusky County-Seneca County-City of Tiffin Port Authority

The Port Authority, a joint venture of Sandusky and Seneca Counties and the City of Tiffin, is established under the authority of Sections 4582.21 et. seq., of the Revised Code, with territorial limits co-terminus with the boundaries of the Counties, with Tiffin being within the boundaries of Seneca County. The Port Authority is governed by a seven member Board of Directors, consisting of two members from each of the counties and the city, with the seventh member being rotated between the three entities every four years. The members are appointed by the County Commissioners in the Counties, and by the Mayor of Tiffin in the City. Appointed members may hold no other public office or public employment except Notary Public, member of the State Militia, or member of a reserve component of the United States Armed Forces. Initial funding for organizational expenses, including purchase of real or personal property by the Port Authority, were contributed by each subdivision with no obligation of future contributions or financial support. The contributions were equal and simultaneous. The Port Authority may be dissolved at any time upon the enactment of an ordinance by the City and resolutions by the Counties. Any real or personal property will be returned to the subdivision from which it was received.

Upon dissolution of the Port Authority, any balance remaining in the Port Authority's funds or any real or personal property belonging to the Port Authority will be distributed equally to the City and the Counties after paying all expenses and debts.

SENECA COUNTY

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

NOTE 1 - REPORTING ENTITY (Continued)

Ottawa-Sandusky-Seneca County Solid Waste District

The Solid Waste District is a joint venture of Ottawa, Sandusky, and Seneca Counties and is established under the authority of Section 3734.54 of the Ohio Revised Code. The cost of operations and expenses is to be funded by fees collected by the District. In the event that fees are not sufficient for the purpose, the Counties shall share all operating costs and expenses incurred in the same proportions as the populations of the respective Counties bear to the total population of all the Counties. Upon the withdrawal of a county from the District, the Board of

Directors shall ascertain, apportion, and order a division of the funds on hand, credits and real personal property of the District, either in money or in kind, on any equitable basis between the District and the withdrawing county. Should the District be dissolved, the Boards of County Commissioners shall continue to levy and collect taxes for the payment of any outstanding indebtedness. The Solid Waste District is governed by the three commissioners of each county involved.

Mental Health and Recovery Services (MHRS)

The Mental Health and Recovery Services Board is a joint venture between Seneca, Sandusky and Wyandot counties. The headquarters for the Mental Health Board is in Seneca County. The Board provides community services to mentally ill and emotionally disturbed persons. Statutorily created, the Mental Health Board is made of 18 members; 10 of the members are appointed by the county commissioners of each respective county, 4 are appointed by the State Department of Mental Health, and 4 are appointed by the State of Ohio Department of Alcohol and Drug Addiction Services. Revenues to provide mental health services are generated through state and federal grants. The Mental Health Board adopts its own budget, hires and fires staff and does not rely on the County to finance deficits. Seneca County is acting as fiscal agent to the Mental Health Board.

Northland Homes and Properties, Inc.

Northland Homes and Properties, Inc. is a not-for-profit corporation organized for charitable purposes under Section 501(c)(3) of the Internal Revenue Code of 1986. The corporation is a joint venture of the Board of DD of Seneca, Sandusky, and Marion counties to provide a lifetime of affordable housing and residential services to citizens with developmental disabilities. The corporation is governed by a board of at least ten trustees with each participating county board of developmental disabilities appointing two. The trustees shall serve a maximum of three consecutive three-year terms.

County Risk Sharing Authority, Inc. (CORSA)

The County is a member of CORSA, which is a risk sharing pool among thirty-six counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. This coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance. Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees.

**SENECA COUNTY**

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

**NOTE 1 - REPORTING ENTITY (Continued)**

County Commissioners' Association of Ohio Service Corporation (CCAOSC)

The CCAOSC is an Ohio corporation established to create an employer group workers compensation-rating plan as regulated by Section 4123.29 of the Ohio Revised Code. The CCAOSC is intended to achieve lower workers' compensation rates for the Group and establish safer working conditions and environments for each participant. The corporation is administered by a Group Executive Committee, which consists of seven members. Two of the members are the President and Treasurer of CCAOSC and five members, who must be County Commissioners, are elected by the participants as their representatives.

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

The preparation of the Seneca County financial statements conforms to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The County also applies the pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989, for its governmental and business-type activities and for its enterprise funds unless those pronouncements contradict or conflict with GASB pronouncements. The County has elected not to apply FASB statements and interpretations after November 30, 1989, to its business-type activities and enterprise funds. The more significant of the County's accounting policies are described below.

**A. Basis of Presentation**

The County's basic financial statements consist of government-wide statements, including the 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 activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities.

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 earned on grants that is required to be used to support a particular program. Revenues that 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.



SENECA COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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 proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary statements. Fiduciary funds are presented by type.

**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. There are three categories of funds: governmental, proprietary and fiduciary.

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

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

Maintenance and Repair - The Maintenance and Repair fund accounts for revenue derived from motor vehicle licenses, gasoline taxes, and investment revenue. Expenditures in this fund are restricted by State law to County road and bridge repair/improvement programs.

Seneca County Opportunity Center Fund (SCOC) - The SCOC fund accounts for a county-wide property tax levy and federal and state grants and entitlements for operating the SCOC, and providing additional support services for handicapped individuals.

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

**Proprietary Funds** - Proprietary fund accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. Internal service funds account for services provided to other departments or agencies of the government on a cost reimbursement basis.

The following are the County's proprietary funds:

SENECA COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Enterprise Funds***

Bascom Sewer District - The Bascom Sewer District fund accounts for money received from user fees and various grant and loan activities for the construction of a sewer system in the unincorporated community of Bascom in Hopewell Township. Following the construction the fund will be used for the administration of the sewer system and be funded through user and tap-in fees of the residents of Bascom.

Emergency Medical Services (EMS) - The EMS fund accounts for revenue received from charges for transporting people to the hospital in emergency situations and money received from transfers from the General fund.

County Sewer District - The County Sewer District fund accounts for money received from user and tap-in fees for sewer services provided to residents in various development areas of the County.

***Internal Service Fund***

Seneca County Self-Insurance Fund - The Seneca County Self-Insurance fund accounts for revenue and expenses to fund self-insured prescription drug insurance for the employees of Seneca County.

***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. Currently the County does not have any trust funds. The County's agency funds account for assets held by the County for political subdivisions for which the County acts as fiscal agent and for taxes, State-levied shared revenues, and fines and forfeitures collected for 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 (revenues) and decreases (expenses) in total net assets.

***Fund Financial Statements***

All governmental funds are accounted for using a 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.

SENECA COUNTY

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

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

Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide 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 net assets. The statement of changes in 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 presentation of expenses versus expenditures.

***Revenues-Exchange and Non-exchange 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 sixty days after year-end.

Non-exchange 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 period 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 non-exchange transactions must also be available before it can be recognized.

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

***Unearned Revenue and Deferred Revenue***

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

SENECA COUNTY

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance 2012 operations and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Sales taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2011, are recorded as deferred revenue in the fund financial statements.

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

***Expenses/Expenditures***

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

**E. Budgetary Process**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates the need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, program, department, and object level.

The certificate of estimated resources may be amended during the year if there are projected increases or the County Auditor identifies decreases in revenue. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2011.

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 appropriations 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 the County's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". During 2011, investments were limited to STAR Ohio, U.S. Government money markets and non-negotiable certificates of deposit.

**SENECA COUNTY**

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

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

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" and "Investments in Segregated Accounts". Investments are reported at fair value, except for non-negotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices. Any increase or decrease in fair value is reported as a component of investment earnings.

The County has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on December 31, 2011.

Interest earnings are allocated to County funds according to State statutes and grant requirements. Interest revenue credited to the General Fund during 2011 was \$86,515, which includes approximately \$78,493 assigned from the other County funds.

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

**G. Prepayments**

Payments made to vendors for services that will benefit periods beyond December 31, 2011 are recorded as prepayments using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**H. Inventory**

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

**I. Loans Receivable**

Loans receivable represent the right to receive repayment for certain loans made by the County. These loans are based upon written agreements between the County and the various loan recipients. Reported loans receivable is offset by a nonspendable, restricted, or committed fund balance in the governmental fund types.

**J. 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 of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net assets and in the respective funds.

SENECA COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The County maintains a capitalization threshold of \$5,000 for all assets except infrastructure. The capitalization threshold for infrastructure is \$10,000. The County's infrastructure consists of roads, bridges, culverts and sewers. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

All capital assets are depreciated, except for land and land improvement 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>ESTIMATED LIVES</u>
Buildings and Building Improvements .....	31.5
Improvements other than Buildings.....	15
Furniture and Fixtures .....	7
Equipment.....	5
Infrastructure .....	5-50

**K. Interfund Receivables/Payables**

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables" and receivables and payables resulting from long-term interfund loans are classified as "Loans to/from Other Funds". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances".

**L. 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 liabilities 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 termination policy. The County records a liability for sick leave for employees with seven or more years of service at varying rates depending on County policy.

The entire compensated absences liability is reported on the government-wide financial statements.

SENECA COUNTY

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

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated leave is paid. The noncurrent portion of the liability is not reported. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences 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. Bonds, loans and capital lease obligations are recognized as a liability on the fund financial statements when due.

**N. 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 by the County 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.

**O. Fund Balance**

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

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

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

SENECA COUNTY

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

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

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

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

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

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

**P. 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 of the EMS, sewer districts and self-insurance programs. Operating expenses are the necessary costs incurred to

provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as non-operating.

**Q. 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 non-operating revenues/expense 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.



SENECA COUNTY

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

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

**R. 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. No events of this nature occurred in the County during 2011.

**S. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles 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 2011, the County has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

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

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

**B. Fund Reclassifications**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the County's governmental fund balances as previously reported:

**SENECA COUNTY**

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

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

	General	Maintenance and Repair	Seneca County Opportunity Center	Nonmajor Governmental	Total Governmental
Fund balance as previously reported	\$ 4,105,370	\$ 8,387,854	\$ 6,817,672	\$ 5,581,338	\$ 24,892,234
Fund reclassifications:					
Public safety building rental	12			(12)	
Hazardous materials	33,173			(33,173)	
Clerk of Courts title administration	185,871			(185,871)	
Recorder equipment	173,034			(173,034)	
Underground storage tank	11,855			(11,855)	
Total fund reclassifications	403,945			(403,945)	
Restated fund balance at January 1, 2011	\$ 4,509,315	\$ 8,387,854	\$ 6,817,672	\$ 5,177,393	\$ 24,892,234

The fund reclassifications did not have an effect on net assets as previously reported.

**C. Budgetary Prior Period Adjustment**

In prior years the general fund included certain funds that are legally budgeted in separate funds on a budgetary basis. The County has elected to report only the legally budgeted general fund in the budgetary statements; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at December 31, 2010 is as follows:

**Budgetary Basis**

	General Fund
Balance at December 31, 2010	\$ 1,717,911
Funds budgeted elsewhere	(126,171)
Restated balance at January 1, 2011	\$ 1,591,740

SENECA COUNTY

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

D. Deficit Fund Balances

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

	<u>Deficit</u>
Bascom Sewer District enterprise fund	\$ 46,412

Nonmajor governmental funds:

Capital Facilities Note Retirement debt service	418,465
County Road 16 Petition Ditch capital projects	43,157
CDBG capital projects	24,752
Raised Pavement Marker capital projects	10,069
Township Road 201 Rehab Bridge capital projects	7,077

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - 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 demands upon the County treasury and must be maintained as cash in the County Treasury, or 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 and can be deposited or invested in the following securities:

1. United States treasury bills, bonds, notes or any other obligations or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, provided that such political subdivisions are located wholly or partly with the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited, to passbook accounts;

SENECA COUNTY

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

**NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)**

6. No load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions:
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in 1 or 2 above, or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed 5 percent of the County's total average portfolio; and,
10. Bankers acceptances for a period not to exceed two-hundred-seventy days and in an amount not to exceed 10 percent of the County's total average portfolio.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited by the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Deposits with Financial Institutions**

At December 31, 2011, the carrying amount of the County's deposits was \$30,605,071 of which \$476,064 is held in segregated accounts. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2011, \$19,846,302 of the County's bank balance of \$30,990,463 was exposed to custodial risk as discussed below, while \$11,144,161 was covered by the Federal Deposit Insurance Corporation.

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 percent 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. The County has no deposit policy for custodial credit risk beyond the requirements of State statute.

**SENECA COUNTY**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)**

**B. Investments**

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 997,227	\$ 997,227
U.S. Government money market	<u>977,692</u>	<u>977,692</u>
Total	<u>\$ 1,974,919</u>	<u>\$ 1,974,919</u>

*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 maturities only to matching anticipated cash flow requirements.

*Credit Risk:* STAR Ohio was assigned an AAAM rating from Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least on nationally recognized standard rating service. The County has no investment policy that addresses credit risk. The U.S. Government money market was not rated.

*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 investment or collateral securities that are in the possession of an outside party. The County is not currently subject to any custodial credit risk. The County's investment policy addresses custodial credit risk.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 997,227	50.49
U.S. Government money market	<u>977,692</u>	<u>49.51</u>
Total	<u>\$ 1,974,919</u>	<u>100.00</u>

**SENECA COUNTY**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)**

**C. Reconciliation of Cash and Investments to the Statement of Net Assets**

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

<u>Cash and investments</u>	
Carrying amount of deposits	\$ 30,605,071
Investments	<u>1,974,919</u>
Total	<u>\$ 32,579,990</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 24,353,225
Business-type activities	445,411
Agency funds	<u>7,781,354</u>
Total	<u>\$ 32,579,990</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Long-term interfund loans to/from other funds consisted of the following at December 31, 2011, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
	<i>Nonmajor Capital Projects:</i>	
General	County Road 16 Petition Ditch	\$ 44,000
	CDBG	3,000
	<i>Major Enterprise:</i>	
General	Bascom Sewer District enterprise	40,000
	County Sewer District enterprise	91,000
County Sewer District Enterprise	Bascom Sewer District enterprise	<u>100,000</u>
Total		<u>\$ 278,000</u>

The long-term loans were necessitated to cover costs in the County Road 16 Petition Ditch and CDBG nonmajor capital projects funds, the Bascom Sewer District enterprise fund, and the County Sewer District enterprise fund. These loans will be repaid once the anticipated revenues are received.

**SENECA COUNTY**

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

**NOTE 5 - INTERFUND TRANSACTIONS (Continued)**

- B.** Short-term interfund loans receivable/payable consisted of the following at December 31, 2011, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
	<i>Nonmajor Special Revenue:</i>	
General	Sheriff Highway Safety Grant	\$ 8,000
	<i>Nonmajor Capital Projects:</i>	
General	CDBG	50,000
	SCAT Building Construction	<u>100,000</u>
	Total General interfund receivable	<u>158,000</u>
	<i>Nonmajor Debt Service:</i>	
SCOC	Capital Facilities Note Retirement	426,000
	<i>Major Enterprise:</i>	
SCOC	EMS	<u>54,000</u>
	Total SCOC interfund receivable	<u>480,000</u>
Total short-term interfund loans receivable/payable		<u>\$ 638,000</u>

The \$480,000 interfund loan receivable in the SCOC fund is from an internal borrowing consisting of notes issued by the SCOC fund to finance projects internally rather than through outside parties. The internal note is identified as to which funds are liable for repayment. However, the actual borrowing comes from a pool of funds rather than specific funds. The borrowings pay interest to specified funds based on the percentage of fund balances. The internal notes were issued on November 10, 2011 and mature on November 10, 2012 at an interest rate of 1.25 percent.

The other short-term interfund loan balances resulted from loans made to provide working capital for operations or projects. All advances were authorized per resolution by the County Commissioners.

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

<u>Transfer to:</u>	<u>Transfer from:</u>			<u>Total</u>
	<u>General</u>	<u>Maintenance and Repair</u>	<u>Nonmajor governmental</u>	
General			\$ 9,987	\$ 9,987
Maintenance and Repair	\$ 5,621		4,488	10,109
Nonmajor governmental	2,197,568	\$ 323,652		2,521,220
EMS enterprise	140,000		9,527	149,527
County Sewer District enterprise	105,335			105,335
<b>Total</b>	<u>\$ 2,448,524</u>	<u>\$ 323,652</u>	<u>\$ 24,002</u>	<u>\$ 2,796,178</u>

SENECA COUNTY

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

NOTE 6 - PROPERTY TAXES

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

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

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

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

The full tax rate for all County operations for the year ended December 31, 2011 was \$1.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real Property	\$ 887,121,200	94.62%
Public Utility Personal Property	<u>50,414,250</u>	<u>5.38%</u>
Total Assessed Value	<u>\$ 937,535,450</u>	<u>100.00%</u>



**SENECA COUNTY**

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

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

In November, 1988, the Citizens of Seneca County passed a one percent sales and use tax on all retail sales except sales of motor vehicles made in the County and on the storage, use or consumption in the County of tangible personal property. On January 1, 2004 the Commissioners imposed a four-year temporary one-half of one percent sales tax effective January 1, 2004 through December 31, 2007. On February 6, 2007 the Commissioners passed a resolution to make the one-half of one percent sales tax permanent. Proceeds of the tax are 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 tax to be returned to the County. The Tax Commissioner's certification must be made within the forty-five days after the end of each month. The Office of Budget and Management then has five days in which to draw the warrant payable to the County.

A receivable is recognized at year-end for amounts that will be received from sales, which occurred during 2011. On the full accrual basis, the full amount of the receivable is recognized as revenue. On the modified accrual basis, the amount of the receivable not collected within the available period is recorded as deferred revenue.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2011 consisted of taxes, interest, accounts (billings for user charged services including unbilled utility services), loans (community development block grant monies loaned to local businesses) and intergovernmental receivables arising from grants, entitlements and shared revenues. All intergovernmental revenues are considered collectible in full. Sewer enterprise fund receivables are considered collectible in full. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

Receivables recorded on the County's financial statements are recorded to the extent the amounts are determined material and substantiated, not only by supporting documentation, but also by a reasonable systematic method of determining their existence, completeness, valuations and collectibility. Using these criteria, the County has elected to not record child support arrearages in the agency funds. These amounts, while potentially significant, are not considered measurable and, because collections are often significantly in arrears, the County is unable to determine a reasonable value.

Loans receivable to be collected in the nonmajor special revenue CDBG fund amount to \$60,990, of which \$55,956 is expected to be collected in more than one year.

**SENECA COUNTY**

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

**NOTE 8 – RECEIVABLES (Continued)**

A summary of the principal items of intergovernmental receivables follows:

<i>Fund Type/Fund</i>	<i>Description</i>	<i>Amount</i>
<b>Major Funds</b>		
General Fund	Local Government	\$ 476,367
	Homestead and Rollback	117,087
	Municipal Court	19
	Appointed Counsel	38,287
	Miscellaneous Grants	17,623
	Jail Housing	137,695
	Youth Center Detention Home Fees	8,712
	Reimbursements	17
<u>Total General Fund</u>		<u>795,807</u>
Maintenance and Repair	Motor Vehicle License	927,119
	Gasoline Tax	1,146,629
	Grant Administration	1,955
	Court Fines	2,683
<u>Total Maintenance and Repair</u>		<u>2,078,386</u>
Seneca County Opportunity Center	Homestead and Rollback	215,565
	Title VI-B Grant	13,985
	Title XX Grant	45,377
	Title XIX	77,807
	National School Lunch Subsidy	957
	Help Me Grow Grant	45,716
	ODH DEA Team	2,400
<u>Total Seneca County Opportunity Center</u>		<u>401,807</u>
<b>Other Governmental Funds</b>		
CDBG-Capital Projects	Federal Grant	90,261
Workforce Investment Act Grant	Federal Grant	516,358
Workforce Investment Act Grant	Federal Stimulus Grant	11,066
Children Services	Federal Grant	980
Emergency Management Agency	Local Services	1,982
Victims of Crime Act Grant	Federal Grant	110,034
Sheriff Highway Safety Grant	Federal Grant	3,574
Child Support Enforcement Grant	Federal Grant	474,359
Community Corrections Grant	State Grant	61,092
Wireless 911 Grant	State Grant	25,914
County Road 34 Bridge Project	State Grant	23,324
Homeland Security Grant	State Grant	34,152
Raised Pavement Marker	Federal Grant	41,943
<u>Total Other Governmental Funds</u>		<u>1,395,039</u>
<b>Total Governmental Funds</b>		<b><u>\$ 4,671,039</u></b>

SENECA COUNTY

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

NOTE 9 - CAPITAL ASSETS

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

<b>Primary Government</b>	Balance 12/31/10	Additions	Deletions	Balance 12/31/11
<b>Governmental Activities:</b>				
<i>Non-depreciable Capital Assets</i>				
Land and Improvements	\$ 20,719,488	\$ 115,819		\$ 20,835,307
Construction in Progress		299,511		299,511
Total Non-depreciable Capital Assets	<u>20,719,488</u>	<u>415,330</u>		<u>21,134,818</u>
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	25,566,037	3,064		25,569,101
Machinery and Equipment	11,359,433	970,273	\$ (662,458)	11,667,248
Infrastructure	42,304,342	3,673,254	(346,528)	45,631,068
Total Depreciable Capital Assets	<u>79,229,812</u>	<u>4,646,591</u>	<u>(1,008,986)</u>	<u>82,867,417</u>
Less: Accumulated Depreciation:				
Buildings and Building Improvements	(14,166,783)	(608,237)		(14,775,020)
Machinery and Equipment	(8,914,473)	(802,997)	537,020	(9,180,450)
Infrastructure	(12,953,835)	(1,573,127)	312,212	(14,214,750)
Total Accumulated Depreciation	<u>(36,035,091)</u>	<u>(2,984,361)</u>	<u>849,232</u>	<u>(38,170,220)</u>
Total Depreciable Capital Assets, Net	<u>43,194,721</u>	<u>1,662,230</u>	<u>(159,754)</u>	<u>44,697,197</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 63,914,209</u>	<u>\$ 2,077,560</u>	<u>\$ (159,754)</u>	<u>\$ 65,832,015</u>
	Balance 12/31/10	Additions	Deletions	Balance 12/31/11
<b>Business Type Activities:</b>				
<i>Non-depreciable Capital Assets</i>				
Land and Improvements	\$ 26,243			\$ 26,243
<i>Depreciable Capital Assets</i>				
Buildings and Improvements	218,465			218,465
Machinery and Equipment	1,026,220	\$ 37,769	\$ (34,604)	1,029,385
Infrastructure	1,457,703			1,457,703
Total Depreciable Capital Assets	<u>2,702,388</u>	<u>37,769</u>	<u>(34,604)</u>	<u>2,705,553</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(110,636)	(6,283)		(116,919)
Machinery and Equipment	(875,089)	(95,582) *	\$ 34,604	(936,067)
Infrastructure	(525,756)	(36,013)		(561,769)
Total Accumulated Depreciation	<u>(1,511,481)</u>	<u>(137,878)</u>	<u>34,604</u>	<u>(1,614,755)</u>
Total Depreciable Capital Assets, Net	<u>1,190,907</u>	<u>(100,109)</u>		<u>1,090,798</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,217,150</u>	<u>\$ (100,109)</u>		<u>\$ 1,117,041</u>

**SENECA COUNTY**

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

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

Depreciation expense was charged to governmental functions as follows:

<u>Governmental Activities:</u>	
General government:	
Legislative and executive	\$ 650,048
Judicial	66,273
Public safety	207,409
Public works	1,807,920
Health	159,307
Human services	48,153
Conservation and recreation	<u>45,251</u>
Total Depreciation Expense	<u><u>\$2,984,361</u></u>

\* The Emergency Medical Services fund received fully depreciated machinery and equipment in the amount of \$36,000 from the governmental funds.

**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE**

During a prior year, the County entered into lease agreements for copier and scanning equipment. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures in the budgetary statements.

During 2011, principal and interest payments totaled \$5,868 and were paid by the general fund. As of December 31, 2011, the liability for capital lease obligation included in the long-term liabilities of governmental activities totaled \$15,982.

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

<u>Year Ended December 31,</u>	<u>Amount</u>
2012	\$ 5,868
2013	5,867
2014	5,163
2015	<u>1,228</u>
Total	18,126
Less: amount representing interest	<u>(2,144)</u>
Present value of net minimum lease payments	<u><u>\$ 15,982</u></u>

**SENECA COUNTY**

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

**NOTE 11 - LONG-TERM OBLIGATIONS**

Long-term obligation activity for the year ended December 31, 2011 follows:

	Outstanding 12/31/10	Additions	Deductions	Outstanding 12/31/11	Amount Due Within One Year
<b>Governmental Activities</b>					
General Obligation Bonds	\$ 4,475,000		\$ (440,000)	\$ 4,035,000	\$ 450,000
Compensated Absences	1,767,245	\$ 213,666	(212,373)	1,768,538	443,405
OWDA On-Lot Septic Loan	66,428		(5,314)	61,114	5,314
Capital Lease Payable	20,378		(4,396)	15,982	4,761
	<u>\$ 6,329,051</u>	<u>\$ 213,666</u>	<u>\$ (662,083)</u>	<u>\$ 5,880,634</u>	<u>\$ 903,480</u>
<b>Business Type Activities</b>					
Compensated Absences	\$ 13,337	\$ 2,014		\$ 15,351	\$ 3,010
OPWC Sewer Project Loan	9,924		\$ (684)	9,240	684
WSOS Bascom Sewer Project	52,998		(20,572)	32,426	21,403
	<u>\$ 76,259</u>	<u>\$ 2,014</u>	<u>\$ (21,256)</u>	<u>\$ 57,017</u>	<u>\$ 25,097</u>

**General Obligation Bonds**

On June 9, 2009, the County issued \$5,285,000 in general obligation refunding bonds to refund other general obligation bonds. General obligation bonds pledge the full faith and credit of the government. The general obligation bonds mature on December 1, 2023, and bear an annual interest rate of 2.00-5.00 percent. At December 31, 2011, the County had \$4,035,000 outstanding in general obligation bonds. The general obligation refunding bonds are paid from the Bond Retirement debt service fund by money received from the leases to the various departments and other offices that also occupy the building and the balance from the General Fund.

The County issued general obligation refunding bonds to provide resources to purchase U. S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$5,070,000 of general obligation bonds. The investments and fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the County's government-wide financial statements. As of December 31, 2011, the amount of defeased debt amounted to \$3,885,000.

**Loans Payable**

The County has a loan with WSOS Community Action Commission for the Bascom Sewer Project bearing interest of 4 percent. The loan is reported as a liability of the Bascom Sewer District enterprise fund and is paid from user fees charges to residents of the sewer district.

The County has an interest-free OWDA loan which is paid directly from the EPA On-Lot Septic Grant capital projects fund with money received from repayment of loans to individuals.

The County's OPWC loan for the Honey Creek Sewer Separation Project is reported as a liability of the County Sewer District enterprise fund and is paid directly from the user fees charged to residents of the sewer district.

**SENECA COUNTY**

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

**NOTE 11 - LONG-TERM OBLIGATIONS (Continued)**

**Capital Lease Obligation** - Capital lease payments are made from the General fund. See Note 10 for detail on capital lease obligations.

**Compensated Absences** - Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include General fund and the following special revenue funds: Real Estate Assessment, Ditch Maintenance, CSEA, Maintenance and Repair, DRETAC, Public Assistance, Dog and Kennel, Seneca County Opportunity Center, Community Corrections Grant, Emergency Medical Services, Emergency Management Agency, Delinquent Care and Custody Grant, Allen Eiry Guardianship, Victims of Crime Act Grant, Probate Court Programs, and Juvenile Court Programs.

**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 shall never exceed one percent of the total assessed valuation of the County.

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The assessed valuation used in determining the County's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the County's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. Based on this calculation, the County's voted legal debt margin was \$19,986,788 at December 31, 2011 and the unvoted legal debt margin was \$7,423,757 at December 31, 2011.

The following is a summary of the County's future annual debt service principal and interest requirements for governmental activities long-term obligations:

Year Ended	General Obligation Bonds			OWDA On-Lot Septic Loan	
	Principal	Interest	Total	Principal	Total
2012	\$ 450,000	\$ 120,267	\$ 570,267	\$ 5,314	\$ 5,314
2013	460,000	111,268	571,268	5,314	5,314
2014	475,000	100,917	575,917	5,314	5,314
2015	485,000	89,043	574,043	5,314	5,314
2016	485,000	75,705	560,705	5,314	5,314
2017 - 2021	1,410,000	170,683	1,580,683	26,570	26,570
2022 - 2023	270,000	16,808	286,808	7,974	7,974
Total	<u>\$ 4,035,000</u>	<u>\$ 684,691</u>	<u>\$ 4,719,691</u>	<u>\$ 61,114</u>	<u>\$ 61,114</u>

**SENECA COUNTY**

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

**NOTE 11 - LONG-TERM OBLIGATIONS (Continued)**

The following is a summary of the County's future annual debt service requirements for business-type activities obligations:

Year Ended	OPWC Sewer Project Loan		WSOS Bascom Sewer Project Loan		
	Principal	Total	Principal	Interest	Total
2012	\$ 684	\$ 684	\$ 21,403	\$ 1,085	\$ 22,488
2013	684	684	11,023	220	11,243
2014	684	684			
2015	684	684			
2016	684	684			
2017 - 2021	3,423	3,423			
2022 - 2025	2,397	2,397			
<b>Total</b>	<b>\$ 9,240</b>	<b>\$ 9,240</b>	<b>\$ 32,426</b>	<b>\$ 1,305</b>	<b>\$ 33,731</b>

**NOTE 12 - RISK MANAGEMENT**

**A. Property and Liability**

The County is exposed to various risks of loss related to torts; damage to and theft or destruction of assets; errors and omissions; injuries to employees and natural disasters. The County maintains liability insurance in the amount of \$1,000,000 general aggregate. In addition, the County maintains replacement cost insurance on all buildings and their contents, with a \$2,500 deductible on contents. Blanket building and personal property insurance are in the amount of \$105,364,069, which includes builders risk coverage.

The County has additional insurance coverage in the following amounts for various items:

General Liability .....	\$1,000,000	Foster Parents .....	\$5,000,000
Crime Coverage .....	\$1,000,000	Jail Doctor Coverage .....	\$1,000,000
Errors and Omissions Liability .....	\$1,000,000	Prosecuting Attorney Defense .....	\$25,000
Employee Dishonesty .....	\$1,000,000	Fleet Insurance:	
Law Enforcement Liability .....	\$1,000,000	Deductible .....	\$2,500
Equipment Breakdown Coverage .....	\$100,000,000	Liability .....	\$1,000,000
Stop Gap Liability .....	\$1,000,000	Uninsured/Underinsured Motorist .....	\$250,000
Medical Professional Liability .....	\$5,000,000	Excess Liability .....	\$4,000,000

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

**B. Medical and Prescription Drug Insurance**

Prior to December 31, 2009, the County was self-insured for employee medical and prescription drug insurance. Effective January 1, 2010, the County became fully insured for employee medical insurance and prescription drug insurance remained on a self-insured plan. Claims incurred but not reported within the County's Self-Insurance Internal Service Fund were estimated based on historic claims data and generally accepted actuarial principles to be \$10,810 as of December 31, 2011. The County has adopted Governmental Accounting Standards Board Statement No. 30 "Risk Financing Omnibus" and the claims liabilities and the claims incurred, but not reported have been calculated in accordance with the criteria contained therein.

**SENECA COUNTY**

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

**NOTE 12 - RISK MANAGEMENT (Continued)**

	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Paid</u>	<u>Ending Balance</u>
2009	\$486,303	\$3,127,710	\$3,057,990	\$556,023
2010	556,023	693,242	1,219,583	29,682
2011	29,682	612,568	631,440	10,810

**C. Worker's Compensation**

The County participates in the County Commissioners Association of Ohio Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool. The Program is intended to achieve lower workers' compensation rates while establishing safe 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 of the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. In order to allocate the savings derived by formation of the Program, and to maximize the number of participants in the Program, the Program's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Program is limited to counties that can meet the Plan's selection criteria. The firm of CompManagement, Inc., provides administrative, cost control, and actuarial services to the Program to cover the costs of administering the Program.

The County may withdraw from the Program 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 program prior to withdrawal, and any participant leaving the Program allows representatives of the Program to access loss experience for three years following the last year of participation.

**D. Natural Gas**

The County participates in the County Commissioners Association of Ohio Service Corporation Natural Gas Program (the Program), a natural gas cost savings pool. In 1999 the CCAO Service Corporation (CCAOSC) Board of Trustees authorized the establishment of a Natural Gas Program for CCAO members. The 31 counties that enrolled in the program save money in two ways: 1) Pre-payment - 1 bcf of gas was purchased from CMS, a Michigan corporation, for the next ten years. Members save \$.07 per mcf below the FERC index. 2) Aggregation - buying as a group.

CCAOSC Natural Gas Program currently has 31 member counties enrolled in the program. The program was designed by Seasongood and Mayer. Taxable bonds in the amount of \$29,890,000 were issued by Hamilton County on October 31, 2000 to assist the CCAOSC and the CCAOSC Natural Gas Program member counties. The program began on November 1, 2000. Huntington Bank is the trustee for the program.

Counties sign up for the program through CCAO, who also receives payments and handles administrative duties. The gas commodity is managed by Exelon Energy. CCAO earns approximately \$20,000 to defray expenses. No staff salaries are paid from the program. CCAO established the program as a service to the Counties.



**SENECA COUNTY**

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

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. All accumulated, unused vacation time, not to exceed vacation earned in three years, is paid upon separation if the employee has at least one year of service with the County. Sick leave time may be accrued without limit. Accumulated, unused sick leave is paid at varying rates depending on length of service to employees who retire.

**NOTE 14 - PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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

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

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

The County's contribution rate for pension benefits for members in the Traditional Plan for 2011 was 10.00%. The County's contribution rate for pension benefits for members in the Combined Plan for 2010 was 7.95%. For those plan members in law enforcement and public safety pension contributions were 14.10%. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$1,704,382, \$1,596,642, and \$1,440,974, respectively; 95.50% has been contributed for 2011 and 100% has been contributed for 2010 and 2009. Contributions to the Member-Directed Plan for 2011 were \$34,038 made by the County and \$24,313 made by the plan members.

SENECA COUNTY

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

NOTE 14 - 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 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

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

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

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2011, 2010, and 2009 were \$74,025, \$72,698, and \$76,686, respectively; 100% has been contributed for years 2011, 2010 and 2009.

SENECA COUNTY

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

**NOTE 15 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement**

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

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

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

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

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

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$665,686, \$874,963, and \$1,016,184, respectively; 95.50% has been contributed for 2011 and 100% has been contributed for 2010 and 2009.

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

SENECA COUNTY

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

**NOTE 15 - 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 2011, STRS Ohio allocated employer contributions equal to 1.00% of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2011, 2010, and 2009 were \$5,694, \$5,592, and \$5,478, respectively; 100% has been contributed for 2011, 2010 and 2009.

**NOTE 16 - 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 and disbursements. The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund, maintenance and repair fund and Seneca County Opportunity Center fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

**SENECA COUNTY**

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

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

**Net Change in Fund Balance**

	<u>General Fund</u>	<u>Maintenance and Repair Fund</u>	<u>Seneca County Opportunity Center</u>
Budget basis	\$ (1,463,138)	\$ 886,230	\$ (1,198,815)
Net adjustment for revenue accruals	(325,202)	336,532	413,638
Net adjustment for expenditure accruals	60,359	(91,040)	5,609
Net adjustment for other sources/uses	66,547	(27,069)	
Funds budgeted elsewhere	61,748		
Adjustment for encumbrances	<u>899,964</u>	<u>428,526</u>	<u>660,354</u>
GAAP basis	<u>\$ (699,722)</u>	<u>\$ 1,533,179</u>	<u>\$ (119,214)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. These include the Metal Expense Rotary fund, Sheriff Rotary fund, Unclaimed Monies fund, Hazardous Materials fund, Clerk of Courts Title Administration fund, Public Safety Rental fund, Recorder Equipment fund, and Underground Storage Tank fund..

**NOTE 17 - CONTINGENT LIABILITIES**

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

Several claims and lawsuits are pending against the County. Although the eventual outcome of these matters cannot be predicted, it is the opinion of the County Prosecuting Attorney that the ultimate liability is not expected to have a material effect on the financial statements.

**NOTE 18 - CONDUIT DEBT OBLIGATIONS**

Seneca County has issued Hospital and Healthcare Facilities Revenue Refunding Bonds to provide financial assistance to the Flat Rock Homes, Good Shepherd Home, St. Francis Home, Inc., Project and Catholic Healthcare Partners. Multifamily Housing Revenue Bonds have also been issued to KB Portfolio, LLC Projects (Willow Creek Apartments). The bonds and lease are secured by the property financed and are payable solely from the payments received on the underlying leases. Upon repayment of the bonds and lease, ownership of the acquired facilities transfers to the entities served by the issuances. Neither Seneca County, the State of Ohio, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds or lease. Therefore, these obligations are not reported as liabilities in the accompanying financial statements. As of December 31, 2011, an estimated \$685,775,000 million in bond and lease obligations were outstanding.

**SENECA COUNTY**

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

**NOTE 19 - PUBLIC ENTITY RISK POOLS**

**A. County Risk Sharing Authority (CORSA)**

The County is a member of CORSA, which is a public entity risk sharing pool of thirty-nine counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. This coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance. Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. Financial statements may be obtained by contacting the County Commissioners Association of Ohio in Columbus, Ohio.

**B. County Commissioners Association of Ohio Service Corporation (CCAOSC)**

The County is participating in a pool established under the rules of Ohio Revised Code Section 4123.29, which permits the establishment of employer group rating plans. The County Commissioners Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) in order to group the experience of employers for workers' compensation rating purposes. CCAOSC retains the services of a third party administrator (TPA) in the administration of workers' compensation claims. A Group Executive Committee consists of seven members. Two of the members are president and treasurer, the remaining five members, who must be county commissioners, are elected by the participants. The Group Executive Committee calculates annual rate contributions and rebates, approves the selection of a TPA, approves proposed TPA fees and determines eligibility of participants. The County may withdraw from the group with sixty days written notice and is responsible for payment of its workers' compensation with no further responsibilities or equity. Further financial information for the County Commissioner Association of Ohio Service Corporation can be seen in the CCAO Treasurer's Report as of December 31, 2011.

**SENECA COUNTY**

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

**NOTE 20 - JOINT VENTURES**

**A. Sandusky County-Seneca County-City of Tiffin Port Authority**

Seneca County joined Sandusky County and the City of Tiffin in a joint venture, as described in Note 1, to purchase a railroad line from Tiffin to Woodville. The Port Authority may be dissolved at any time upon the enactment of an ordinance by the City and resolutions by the Counties. Any real or personal property will be returned to the subdivision from which it was received. Upon dissolution of the Port Authority, any personal property belonging to the Port Authority will be distributed equally to the City and the Counties after paying all expenses and debts. Non-interest revenue bonds were issued by the Port Authority to purchase 25.1 miles of railroad in May 1990. Debt service requirements are secured by future revenue from shippers who will utilize the railroad. The bonds come due in the years 2011 through 2028. Summary financial information for the year ended December 31, 2011 is presented below. Further financial information is in the Sandusky County-Seneca County-City of Tiffin Port Authority financial report for the year ending December 31, 2011.

	Joint Venture	County Share	
Total Assets	\$ 4,838,474	\$ 1,612,825	
Total Liabilities	(921,272)	(307,091)	
Net Assets	\$ 3,917,202	\$ 1,305,734	
Revenues	\$ 353,641	\$ 117,880	
Expenses	(187,189)	(62,396)	
Increase in Net Assets	\$ 166,452	\$ 55,484	

**B. Ottawa, Sandusky, Seneca Solid Waste District**

Seneca County has also entered into a joint venture with Ottawa and Sandusky Counties to form the Ottawa, Sandusky, Seneca County Solid Waste District. The Counties contributed no initial funding and the District is funded entirely by fees. In the event that fees are not sufficient for the operations, the counties shall share all operating costs and expenses incurred in the same proportions as the populations of the respective counties bears to the total population of all counties. Seneca County's share of the total is 35.66 percent. Summary financial information as of, and for the fiscal year ended December 31, 2011 is presented below:

	Joint Venture	County Share		Population	Equity Percent
Beginning Fund Balance	\$ 4,043,922	\$ 1,442,161	Ottawa	41,428	26.04%
			Sandusky	60,944	38.30%
Revenues	1,909,738	681,059	Seneca	56,745	35.66%
Expenses	(1,493,833)	(532,737)	Total	159,117	100.00%
Ending Fund Balance	\$ 4,459,827	\$ 1,590,483			

Summary financial information on the Ottawa, Sandusky, Seneca County Solid Waste District is unaudited cash basis financial data. Further information was not available at this time. Additional financial information can be obtained from the Sandusky County, Ohio Auditor.

**SENECA COUNTY**

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

**NOTE 20 - JOINT VENTURES (Continued)**

**C. Mental Health and Recovery Services (MHRS)**

The Mental Health and Recovery Services Board (MHRS) is a governmental joint venture between Seneca, Sandusky and Wyandot counties. The MHRS Board provides mental health education, consultation, training and referral services to the public. Seneca County serves as the fiscal agent of the MHRS Board. The counties share in the equity of the MHRS Board based on the percentages of population within the three counties.

Summary financial information as of, and for the year ended December 31, 2011 is presented below. Further financial information can be found in the Seneca, Sandusky and Wyandot Counties Mental Health and Recovery Services Annual Financial Report as of December 31, 2011.

	<u>Joint Venture</u>	<u>County Share</u>		<u>Population</u>	<u>Equity Percent</u>
Beginning Fund Balance	\$ 4,170,155	\$ 1,686,591	Sandusky	60,944	43.44%
			Seneca	56,745	40.44%
Revenues	6,857,658	2,773,533	Wyandot	<u>22,615</u>	<u>16.12%</u>
Expenses	<u>(7,192,127)</u>	<u>(2,908,807)</u>	Total	<u>140,304</u>	<u>100.00%</u>
Ending Fund Balance	<u>\$ 3,835,686</u>	<u>\$ 1,551,317</u>			

**D. Northland Homes and Properties, Inc.**

Northland Homes and Properties, Inc. is a not-for-profit corporation organized for charitable purposes under Section 501(c)(3) of the Internal Revenue Code of 1986. The corporation is a joint effort of the DD Boards of Seneca, Sandusky and Marion counties to provide a lifetime of affordable housing and residential services to citizens with developmental disabilities. The corporation is governed by a board of at least ten Trustees with each participating county board of developmental disabilities appointing two. The Trustees shall serve a maximum of three consecutive three-year terms. The housing purchases are financed by State grants that are distributed to each Board of DD and then to the Corporation. The Boards of DD also fund the operational costs of the Corporation.

Upon dissolution of the corporation, the Board of Trustees shall distribute all remaining assets of the corporation to the participating county boards of developmental disabilities.

Summary financial information as of, and for the fiscal year ended December 31, 2011 is presented below. Further financial information can be found in the Northland Homes and Properties, Inc. financial report as of December 31, 2011.

	<u>Joint Venture</u>	<u>County Share</u>
Total Assets	\$ 2,918,486	\$ 972,829
Total Liabilities	<u>(1,189,815)</u>	<u>(396,605)</u>
Net Assets	<u>\$ 1,728,671</u>	<u>\$ 576,224</u>
Revenues	\$ 494,595	\$ 164,865
Expenses	<u>(324,864)</u>	<u>(108,287)</u>
Increase in Net Assets	<u>\$ 169,731</u>	<u>\$ 56,578</u>



SENECA COUNTY

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

**NOTE 21 - SENECA RE-AD INDUSTRIES, INC. - COMPONENT UNIT**

Seneca Re-Ad Industries, Inc. is a not-for-profit corporation duly organized under Chapter 1702 O.R.C., and classified as a 501(c)(3) nonprofit corporation. It has contracted with the Seneca County Board of DD to provide sheltered employment for developmentally disabled or handicapped adults in Seneca County. Responsibility for the provision of sheltered employment is with the Board of Trustees of Seneca Re-Ad Industries, Inc., an eight member self-appointing board that operates within the defined duties and stated rules of Seneca County Board of DD. The Seneca Re-Ad Industries, Inc. receives all reasonable and just utility costs for the basic operation of this program from Seneca County Board of DD. The staff, facilities, equipment, supplies and materials necessary for basic operation and care of the grounds and facility for the Seneca Re-Ad Industries, Inc. program are also provided by Seneca County Board of DD. In the event of dissolution of the non-profit corporation or the cancellation of the contract between Seneca County Board of DD and Seneca Re-Ads Industries, Inc., all materials and equipment purchased by the Seneca Re-Ad Industries, Inc. Board would become the property of the Seneca County Board of DD.

Seneca Re-Ad Industries, Inc. has a June 30 reporting year-end; therefore, all information pertaining to the industries will be presented as of and for the year ended June 30, 2011. Further financial information can be seen in the Seneca Re-Ad Industries, Inc. Financial Report as of June 30, 2011 available from Reichert & Associates, CPA's, 206 West Hardin Street, Findlay, OH 45840.

Seneca Re-Ad Industries, Inc., a not for profit corporation, provides therapeutic activities, vocational training, and sheltered employment for developmentally disabled persons of Seneca County, Ohio. Seneca Re-Ad Industries, Inc. also fosters the development of integrated programs and promotes the general welfare of the developmentally disabled without regard to race, color, creed, sex or national origin.

- A. Significant Accounting Policies - Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting in accordance with Financial Accounting Standards Board (FASB) Statement 117. The accounts of the entity are organized on the basis of one operating fund.

*Unrestricted Funds* represent amounts received from service charges from industry, interest income and donations. Unrestricted funds represent the portion of expendable funds that are available for the budgeted operations of the entity.

*Temporarily Restricted Funds* consist of program revenues received from varying funding sources. Satisfaction of the temporary restriction is made when the revenue is applied to the cost of a project or when authorization is received from the grantor for special purchases. Temporarily restricted funds must be used in accordance with grant agreements with the funding sources. There are no temporarily restricted funds.

*Capital Assets:* Equipment values, purchased and donated, are assigned original acquisition costs. Donated capital assets are capitalized at fair value on the date donated.

*Estimates:* The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**SENECA COUNTY**

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

**NOTE 21 - SENECA RE-AD INDUSTRIES, INC. - COMPONENT UNIT (Continued)**

**B. Cash and Cash Equivalents** - Cash and cash equivalents are made up of the following:

	<u>Fair Value</u>		<u>Fair Value</u>
PNC Bank	\$82,938	Home Savings and Loan Savings	91,444
First Bank	89,654	Republic Bank	74,159
Fifth Third Savings	74,281	First National Bank	136,908
First Merit CD	85,857	Sutton Bank	93,259
US Bank CD	89,653	Huntington Bank	58,010
Old Fort Bank CD	67,522	Petty Cash Funds	<u>540</u>
First Ohio Credit Union	61,644	<i>Total Cash and Short-Term Investments</i>	<u><u>\$1,005,869</u></u>

FDIC Insurance insures all funds except for \$540 of Petty Cash Funds.

Cash and Cash Equivalents with Fiscal Agent in the amount of \$988 is deposits for Deferred Compensation.

**C. Capital Assets** - A summary of changes in capital assets by class during the fiscal year ended June 30, 2011 are as follows:

	<u>Balance at 6/30/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/2011</u>
Land	\$ 2,945			\$ 2,945
Building	130,590			130,590
Furniture and Fixtures	81,921	\$ 1,713		83,634
Machinery and Equipment	428,976	7,398		436,374
Vehicles	93,842	10,055		103,897
<i>Subtotal</i>	<u>738,274</u>	<u>19,166</u>	<u></u>	<u>757,440</u>
Accumulated Depreciation	(425,962)	(29,472)		(455,434)
<i>Net Capital Assets</i>	<u>\$ 312,312</u>	<u>\$ (10,306)</u>	<u></u>	<u>\$ 302,006</u>

Depreciation is provided using the straight-line basis over the estimated useful lives of the assets. Depreciable lives used for the building is forty years and for vehicles, machinery and equipment is five or ten years.

**D. Federal Taxes** - The entity has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Internal Revenue Code and is exempt from federal income tax under Section 501(c)(3).

**E. Lease Agreements** - Seneca Re-Ad Industries, Inc. has a lease agreement with the Seneca County Board of DD. The Seneca County Board of DD is to provide the workshop with a facility, staff and other expenses at the SCOC for \$1 per year. In return, the workshop is to provide the equipment and operating expenses. The lease agreement is renewed annually. Roppe Rubber has entered into an agreement with the Seneca County Commissioners. Roppe Rubber is providing building space to carry on workshop activities including maintenance, insurance, and taxes. As long as the workshop performs work, assembles parts and products for Roppe Rubber, no rent will be charged for the use of the building. An in-kind contribution has been added to the financial statement totaling \$69,600 calculated at \$5,800 per month for 21,600 square feet.

SENECA COUNTY

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

**NOTE 21 - SENECA RE-AD INDUSTRIES, INC. - COMPONENT UNIT (Continued)**

- F. Board of DD In-Kind Contributions - The Seneca Board of DD provides salaries, benefits, workshop space and other costs to Seneca Re-Ad Industries. The value of the in-kind contribution has been determined in accordance with the formula developed by the Ohio Association of Adult Services. In-kind contributions from the Seneca Board of DD amounted to \$389,772.
- G. Accrued Vacation - A liability for accrued vacation for \$14,299 has been recognized. Vacation is accumulated based on length of service. Employees are eligible for five days paid vacation after one year of employment and ten days paid vacation after five years of employment.

**NOTE 22 - RELATED PARTY TRANSACTIONS**

For the year ended December 31, 2011 the County participated in the following related party transactions:

Soil and Water Conservation District	Local Grant Matching Funds	\$ 142,525
Seneca County Law Library	Law Library Resources	<u>1,032</u>
Total		<u>\$ 143,557</u>

**NOTE 23 - FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of resources in the governmental funds.

Constraints placed on fund balances for the governmental funds are presented below:

**SENECA COUNTY**

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

**NOTE 23 - FUND BALANCE (Continued)**

Fund balance	General	Maintenance and Repair	Opportunity Center	Governmental Funds	Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 50,042	\$ 347,494	\$ 7,837	\$ 3,709	\$ 409,082
Prepayments	174,494	166	129,819	22,405	326,884
Unclaimed monies	125,923				125,923
Total nonspendable	<u>350,459</u>	<u>347,660</u>	<u>137,656</u>	<u>26,114</u>	<u>861,889</u>
Restricted:					
Capital projects				1,663,123	1,663,123
Grants and specific programs				2,639,282	2,639,282
SCOC programs			6,560,802		6,560,802
Human services programs				1,774,170	1,774,170
Roads and bridges		9,573,373			9,573,373
Community and economic development				352,247	352,247
Total restricted		<u>9,573,373</u>	<u>6,560,802</u>	<u>6,428,822</u>	<u>22,562,997</u>
Committed:					
Underground storage tank	11,855				11,855
Total committed	<u>11,855</u>				<u>11,855</u>
Assigned:					
Debt service				170,266	170,266
Capital projects				6,009	6,009
Grants and specific programs	22,296				22,296
General government	359,935				359,935
Public safety	39,930				39,930
Capital outlay	4,181				4,181
Conservation and recreation	12				12
Health	29,737				29,737
Human services	59,637				59,637
Total assigned	<u>515,728</u>			<u>176,275</u>	<u>692,003</u>
Unassigned (deficit)	<u>2,931,551</u>			<u>(503,545)</u>	<u>2,428,006</u>
Total fund balances	<u>\$ 3,809,593</u>	<u>\$ 9,921,033</u>	<u>\$ 6,698,458</u>	<u>\$ 6,127,666</u>	<u>\$ 26,556,750</u>

**SENECA COUNTY**

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

**NOTE 24 - CONTRACTUAL COMMITMENTS**

As a result of construction in progress, the County had outstanding contractual commitments of \$3,249,290 at December 31, 2011.

Vendor	Contract Amount	Costs Incurred	Contract Outstanding
MKC Associates	\$ 373,000	\$ (5,363)	\$ 367,637
B&B Wrecking	373,000		373,000
Warner Mechanical	284,400		284,400
Clause Electric	531,890		531,890
Studer-Obringer	2,060,000		2,060,000
			\$ 3,249,290

**NOTE 25 - OTHER COMMITMENTS**

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

Fund	Year-End Encumbrances
General fund	\$ 501,338
Maintenance and repair fund	263,135
Seneca County Opportunity Center	509,859
Other governmental funds	548,998
Total	\$ 1,823,330

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SENECA COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2011

<b>FEDERAL GRANTOR</b>	Federal CFDA Number	Project Number	Disbursements
<b>Pass Through Grantor</b>			
Program Title			
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Passed Through Ohio Department of Job and Family Services</b>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 312,655
<b>Passed Through Ohio Department of Education</b>			
<b>Child Nutrition Cluster</b>			
School Breakfast Program	10.553	IRN93286	9,967
National School Lunch Program	10.555	IRN93286	18,541
National School Lunch- Food Distribution Program	10.555	IRN66241	5,029
National School Lunch Program	10.555	IRN66241	12,739
Total CFDA # 10.555			<u>36,309</u>
<b>Total Child Nutrition Cluster</b>			46,276
Total U.S. Department of Agriculture			<u>358,931</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<b>Passed Through Ohio Department of Development</b>			
Community Development Block Grants/State's Program	14.228	B-Z-08-1CQ-1	397,258
Community Development Block Grants/State's Program	14.228	B-C-09-1CQ-1	313,958
Community Development Block Grants/State's Program	14.228	B-F-09-1CQ-1	61,313
Community Development Block Grants/State's Program	14.228	B-F-10-1CQ-1	13,900
CDBG Revolving Loan Fund	14.228		1,346
Total U.S. Department of Housing and Urban Development			<u>787,775</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<b>Direct</b>			
ARRA- Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	16.810	2009-SD--B9-0102	89,180
<b>Passed Through the Ohio Attorney General</b>			
Crime Victim Assistance	16.575	2011VAGENE252	87,410
Crime Victim Assistance	16.575	2011SAGENE252	8,040
Crime Victim Assistance	16.575	2012VAGENE252	22,079
Crime Victim Assistance	16.575	2012SAGENE252	1,463
Total CFDA # 16.575			<u>118,992</u>
Total U.S. Department of Justice			<u>208,172</u>
<b>U.S. DEPARTMENT OF LABOR</b>			
<b>Passed Through Montgomery County WIA Area 7</b>			
Employment Service/Wagner-Peyser Funded Activities	17.207		12,662
<b>WIA Cluster</b>			
Workforce Investment Act - Adult	17.258		247,844
Workforce Investment Act - Youth Activities	17.259		184,138
Workforce Investment Act Dislocated Worker Formula Grants	17.278		205,645
<b>Total WIA Cluster</b>			<u>637,627</u>
ARRA - National Emergency Grant	17.277		9,019
Total U.S. Department of Labor			<u>659,308</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<b>Direct</b>			
Airport Improvement Program	20.106	3-39-0076-0911	222,262
<b>Passed Through Ohio Department of Transportation</b>			
Highway Planning and Construction	20.205	86919	1,663
Highway Planning and Construction	20.205	85074	7,126
Highway Planning and Construction	20.205	85072	9,773
Highway Planning and Construction	20.205	89455	2,567
Highway Planning and Construction	20.205	76274	2,393,580
Highway Planning and Construction	20.205	85081	8,172
Highway Planning and Construction	20.205	87895	16,535
Total CFDA # 20.205			<u>2,439,416</u>
ARRA - Rural Capital Projects	20.509	074-004-094	108,359
State and Community Highway Safety	20.600	HVEO-2011-74	25,061
State and Community Highway Safety	20.600	HVEO-2012-74	1,192
Total CFDA # 20.600			<u>26,253</u>

(Continued)

SENECA COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Project Number	Disbursements
<b><i>Passed Through Ohio Emergency Management Agency</i></b>			
Hazardous Materials Public Sector - Training	20.703		3,088
Hazardous Materials Public Sector - Planning	20.703		9,744
<b><i>Passed Through Ohio Environmental Protection Agency</i></b>			
Hazardous Materials Public Sector - Facility Inspections	20.703		1,440
Total CFDA # 20.703			<u>14,272</u>
Total U.S. Department of Transportation			<u><b>2,810,562</b></u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b><i>Passed Through Ohio Department of Job and Family Services</i></b>			
Temporary Assistance for Needy Families (TANF)	93.558	G-1011-11-5112	1,033,578
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G-1011-11-5112	39,318
Children's Health Insurance Program	93.767	G-1011-11-5112	802
Child Support Enforcement	93.563	G-1011-11-5112	551,038
Grants to States for Access and Visitation Programs	93.597	G-1011-11-5112	49,428
Foster Care Title IV-E	93.658	G-1011-11-5112	193,830
ARRA - Foster Care Title IVE	93.658	G-1011-11-5112	6,902
Total CFDA # 93.658			<u>200,732</u>
Adoption Assistance	93.659	G-1011-11-5112	6,917
Chafee Foster Care Independence Program	93.674	G-1011-11-5112	665
Promoting Safe and Stable Families	93.556	G-1011-11-5112	7,040
Communities Based Child Abuse Prevention Grant	93.590	G-1011-11-5112	1,773
<b><i>Passed Through Ohio Secretary of State</i></b>			
Voting Access for Individuals with Disabilities_Grants to States	93.617		840
Voting Access for Individuals with Disabilities_Grants to States	93.617		670
Total CFDA # 93.617			<u>1,510</u>
<b><i>Passed Through Ohio Department of Developmental Disabilities</i></b>			
Social Services Block Grant	93.667		54,865
<b><i>Passed Through Ohio Department of Job and Family Services</i></b>			
Social Services Block Grant	93.667	G-1011-11-5112	853,169
Total CFDA # 93.667			<u>908,034</u>
<b><i>Passed Through Ohio Department of Job and Family Services</i></b>			
Medical Assistance Program	93.778	G-1011-11-5112	159,947
<b><i>Passed Through Ohio Department of Developmental Disabilities</i></b>			
Medical Assistance Program	93.778		757,182
Total CFDA # 93.778			<u>917,129</u>
Total U.S. Department of Health and Human Services			<u><b>3,717,964</b></u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<b><i>Passed Through Ohio Emergency Management Agency</i></b>			
Emergency Management Performance Grant	97.042		58,941
Citizens Corps	97.053		6,061
State Homeland Security Program	97.067		35,403
State Homeland Security Program	97.067		25,170
State Homeland Security Program	97.067		26,102
Total CFDA # 97.067			<u>86,675</u>
Total U.S. Department of Homeland Security			<u><b>151,677</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b><i>Passed Through Ohio Department of Education</i></b>			
Special Education Cluster			
Special Education Grants to States	84.027	IDEA-B-2010/2011	32,506
ARRA -Special Education Grants to States	84.391	IDEA-B-ARRA-2010/2011	2,466
Total U.S. Department of Education			<u><b>34,972</b></u>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<u><b>\$ 8,729,361</b></u>

The accompanying notes are an integral part of this schedule.



**SENECA COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - SUBRECIPIENTS**

The County passes certain federal awards received from U.S. Department of Labor and the U. S. Department of Health and Human 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. The amount passed through to subrecipients was \$233,566.

**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 - 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. Loans repaid, including interest, are used to make additional funds. 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.

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

Beginning loans receivable balance as of January 1, 2011	\$70,003
Loans made	
Loan principal repaid	9,013
Ending loans receivable balance as of December 31, 2011	<u>\$60,990</u>
Cash balance on hand in the revolving loan fund as of December 31, 2011	\$291,313
Administrative costs expended during 2011	1,346
Other grant expenditures administrated through the 14.228	786,429
Total Federal Expenditures	<u>\$ 787,775</u>

Of the loans receivable as of December 31, 2011, the County estimate 100% to be collectible.

**NOTE E - 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 F - TRANSFERS BETWEEN FEDERAL PROGRAMS**

During fiscal year 2011, the County made allowable transfers of \$516,264 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 \$1,033,578 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	\$ 1,549,842
Transfer to Social Services Block Grant	<u>(516,264)</u>
<b>Total Temporary Assistance for Needy Families</b>	<b><u>\$ 1,033,578</u></b>

**NOTE G – MEDICAID – MAC AND WAC EXPENSES**

During the calendar year, the County received a deferred payment from the Ohio Department of Developmental Disabilities (DODD) for the Medicaid program (CFDA # 93.778) in the amount of \$185,255. The deferred payment was for Medicaid Administrative Claiming (MAC) and Waiver Administrative Claiming (WAC) expenses the County incurred in prior reporting periods due to an increase of federal funding received by DODD to reimburse these expenses and also due to changes in the County's Medicaid Eligibility Rate (MER) for certain activity codes within MAC/WAC. This is not listed on the County's Schedule of Federal Awards since the underlying expenses occurred in prior reporting periods.



# Dave Yost • Auditor of State

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

Seneca County  
111 Madison Street  
Tiffin, Ohio 44883-2824

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Seneca County, Ohio (the County), as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 11, 2012, wherein we noted the financial statements of the Seneca Re-Ad Industries, Inc. were audited by other auditors. We also noted the County implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of the Seneca Re-Ad Industries, Inc., the discretely presented component unit, in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards* and accordingly this report does not extend to that component unit.

### 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 that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-001 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 also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 11, 2012.

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

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

**Dave Yost**  
Auditor of State

September 11, 2012



# Dave Yost • Auditor of State

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

Seneca County  
111 Madison Street  
Tiffin, Ohio 44883-2824

To the Board of County Commissioners:

### Compliance

We have audited the compliance of Seneca County, Ohio (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011.

### Internal Control Over Compliance

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

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

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

We noted a matter involving federal internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated September 11, 2012.

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



**Dave Yost**  
Auditor of State

September 11, 2012

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

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	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?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	No
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA - #10.561 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program; CFDA - #20.205 - Highway Planning and Construction; CFDA - #20.509 - ARRA-Rural Capital Projects
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

**FINDING NUMBER 2011-001**

**Significant Deficiency**

**Financial Reporting**

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 accurately reflects the County's activity. Charges for jail housing in the amount of \$2,391,336 were incorrectly recorded as intergovernmental revenue instead of charges for services. The accompanying financial statements have been adjusted to correct this error.

To ensure the County's financial statements and notes to the statements are complete and accurate, the County should adopt policies and procedures, including a final review of the annual report by the audit committee to identify and correct errors and omissions.

**Officials' Response:**

We did not receive a response from Officials to this finding.

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

None



SENECA COUNTY

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	Failure to establish policies and procedures related to the computer system	No	Partially corrected, reducing this to a management letter comment.

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