

**SENECA COUNTY, OHIO**

**SINGLE AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2010**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**





# Dave Yost • Auditor of State

Board of County Commissioners  
Seneca County  
111 Madison St.  
Tiffin, Ohio 44883

We have reviewed the *Independent Auditor's Report* of Seneca County prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Seneca County is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 30, 2011

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**SENECA COUNTY, OHIO**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of County Commissioners  
Seneca County, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Seneca County, Ohio, as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Seneca County, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Seneca Re-Ad Industries, Inc., the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Seneca Re-Ad Industries, Inc., is based on the report of the other auditors.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Seneca Re-Ad Industries, Inc. were audited 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our report and the report 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Seneca County, Ohio, as of December 31, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparisons for the General, Maintenance and Repair, Public Assistance, and Seneca County Opportunity Center funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2011, on our consideration of Seneca County, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting 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 assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Seneca County, Ohio's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

  
James G. Zupka, CPA, Inc.  
Certified Public Accountants

May 13, 2011



## SENECA COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (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, 2010. 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 2010 are as follows:

- The total net assets of the County increased \$5,264,401. Net assets of governmental activities increased \$5,435,225, which represents a 6.30 percent increase over fiscal year 2009. Net assets of business-type activities decreased \$170,824 or 11.72 percent from fiscal year 2009.
- General revenues accounted for \$14,990,924 or 33.68 percent of total governmental activities revenue. Program specific revenues accounted for \$29,525,305 or 66.32 percent of total governmental activities revenue.
- The County had \$39,081,004 in expenses; \$29,525,305 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$14,990,924 were adequate to provide for these programs.
- The General fund, the County's largest major governmental fund, had revenues and other financing sources of \$17,548,920 in 2010, an increase of \$2,206,049 or 14.38 percent from 2009 revenues. The General fund had expenditures and other financing uses of \$16,539,637 in 2010, an increase of \$567,354 or 3.55 percent from 2009. The net changes in revenues and expenditures contributed to the General fund balance increase of \$1,009,283 or 32.60 percent from 2009 to 2010.
- 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, decreased in 2010 by \$170,824 or 11.72 percent. This decrease in net assets was mainly due to inadequate charges for services revenue to cover operating expenses.

#### **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 four major governmental funds. The General fund is the largest major fund.

## SENECA COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)

#### **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 2010?" 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.

The County's statement of net assets and statement of activities can be found on pages 15-17 of this report.

#### **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, Maintenance and Repair, Public Assistance 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. The analysis of the County's major governmental and proprietary funds begins on page 10.

##### *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, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)

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. The basic governmental fund financial statements can be found on pages 18-24 and the budgetary statements for the general and major special revenue funds can be found on pages 25-28 of this report.

#### ***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. The proprietary fund financial statements can be found on pages 29 - 32 of this report.

#### ***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. The basic fiduciary fund financial statement can be found on page 33 of this report.

#### ***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. These notes to the basic financial statements can be found on pages 35-74 of this report.

**SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)

**Government-Wide Financial Analysis**

The statement of net assets provides the perspective of the County as a whole. The table below provides a summary of the County's net assets for 2010 and 2009.

**Net Assets**

	Governmental Activities 2010	Business-type Activities 2010	Governmental Activities 2009	Business-type Activities 2009	2010 Total	2009 Total
<u>Assets</u>						
Current and other assets	\$ 40,488,740	\$ 180,533	\$ 40,353,538	\$ 262,196	\$ 40,669,273	\$ 40,615,734
Capital assets	<u>63,914,209</u>	<u>1,217,150</u>	<u>61,784,759</u>	<u>1,335,362</u>	<u>65,131,359</u>	<u>63,120,121</u>
Total assets	<u>104,402,949</u>	<u>1,397,683</u>	<u>102,138,297</u>	<u>1,597,558</u>	<u>105,800,632</u>	<u>103,735,855</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	6,329,051	76,259	6,746,051	101,250	6,405,310	6,847,301
Other liabilities	<u>6,297,790</u>	<u>34,297</u>	<u>9,051,363</u>	<u>38,357</u>	<u>6,332,087</u>	<u>9,089,720</u>
Total liabilities	<u>12,626,841</u>	<u>110,556</u>	<u>15,797,414</u>	<u>139,607</u>	<u>12,737,397</u>	<u>15,937,021</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	59,418,831	1,207,226	56,800,976	1,324,754	60,626,057	58,125,730
Restricted	23,963,209	-	22,364,857	-	23,963,209	22,364,857
Unrestricted	<u>8,394,068</u>	<u>79,901</u>	<u>7,175,050</u>	<u>133,197</u>	<u>8,473,969</u>	<u>7,308,247</u>
Total net assets	<u>\$ 91,776,108</u>	<u>\$ 1,287,127</u>	<u>\$ 86,340,883</u>	<u>\$ 1,457,951</u>	<u>\$ 93,063,235</u>	<u>\$ 87,798,834</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2010, the County's assets exceeded liabilities by \$93,063,235. This amounts to \$91,776,108 in governmental activities and \$1,287,127 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 61.22 percent of total governmental and business-type assets. Capital assets include land and improvements, buildings and improvements, machinery and equipment and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2010, were \$60,626,057. 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, 2010, 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, \$23,963,209 or 26.11 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 \$8,460,496 may be used to meet the government's ongoing obligations to citizens and creditors.

**SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)**

The table below shows the changes in net assets for fiscal year 2010 and 2009. Certain amounts in the governmental activities related to tangible personal property tax reimbursements have been reclassified from property tax general revenue to unrestricted grants general revenue for 2009 for consistency with 2010 reporting.

	<b>Change in Net Assets</b>					
	Governmental Activities 2010	Business-type Activities 2010	Governmental Activities 2009	Business-type Activities 2009	2010 Total	2009 Total
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 4,719,371	\$ 572,533	\$ 4,456,309	\$ 569,822	\$ 5,291,904	\$ 5,026,131
Operating grants and contributions	19,168,824	5,000	18,787,041	14,500	19,173,824	18,801,541
Capital grants and contributions	<u>5,637,110</u>	<u>-</u>	<u>5,948,886</u>	<u>-</u>	<u>5,637,110</u>	<u>5,948,886</u>
Total program revenues	<u>29,525,305</u>	<u>577,533</u>	<u>29,192,236</u>	<u>584,322</u>	<u>30,102,838</u>	<u>29,776,558</u>
General revenues:						
Property taxes	5,223,539	-	6,078,208	-	5,223,539	6,078,208
Sales tax	6,895,795	-	6,470,436	-	6,895,795	6,470,436
Unrestricted grants	1,870,248	-	1,829,837	-	1,870,248	1,829,837
Contributions and donations	21,300	4,206	22,145	-	25,506	22,145
Investment earnings	99,135	199	237,956	882	99,334	238,838
Other	<u>880,907</u>	<u>4,460</u>	<u>1,267,025</u>	<u>3,903</u>	<u>885,367</u>	<u>1,270,928</u>
Total general revenues	<u>14,990,924</u>	<u>8,865</u>	<u>15,905,607</u>	<u>4,785</u>	<u>14,999,789</u>	<u>15,910,392</u>
Total revenues	<u>44,516,229</u>	<u>586,398</u>	<u>45,097,843</u>	<u>589,107</u>	<u>45,102,627</u>	<u>45,686,950</u>
<b>Expenses</b>						
Program Expenses:						
General government						
Legislative and executive	6,607,949	-	6,012,452	-	6,607,949	6,012,452
Judicial	2,789,182	-	2,379,762	-	2,789,182	2,379,762
Public safety	7,045,536	-	6,453,529	-	7,045,536	6,453,529
Public works	5,459,357	-	6,596,148	-	5,459,357	6,596,148
Health	8,111,894	-	8,089,402	-	8,111,894	8,089,402
Human services	8,534,447	-	9,761,783	-	8,534,447	9,761,783
Conservation and recreation	311,366	-	462,395	-	311,366	462,395
Community and economic development	37,526	-	70,534	-	37,526	70,534
Interest and fiscal charges	183,747	-	281,510	-	183,747	281,510
Bascom Sewer District	-	189,122	-	348,249	189,122	348,249
Emergency Medical Services	-	406,804	-	395,943	406,804	395,943
County Sewer District	<u>-</u>	<u>161,296</u>	<u>-</u>	<u>146,635</u>	<u>161,296</u>	<u>146,635</u>
Total expenses	<u>39,081,004</u>	<u>757,222</u>	<u>40,107,515</u>	<u>890,827</u>	<u>39,838,226</u>	<u>40,998,342</u>
Change in net assets	5,435,225	(170,824)	4,990,328	(301,720)	5,264,401	4,688,608
<b>Net assets at beginning of year</b>	<u>86,340,883</u>	<u>1,457,951</u>	<u>81,350,555</u>	<u>1,759,671</u>	<u>87,798,834</u>	<u>83,110,226</u>
<b>Net assets at end of year</b>	<u>\$ 91,776,108</u>	<u>\$ 1,287,127</u>	<u>\$ 86,340,883</u>	<u>\$ 1,457,951</u>	<u>\$ 93,063,235</u>	<u>\$ 87,798,834</u>

SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)

**Governmental Activities**

Governmental net assets increased by \$5,435,225 in 2010 from 2009.

Human services, which supports the operations of the County Home, Public Assistance, Victim Assistance, Veteran Services, and the Children Services Board, accounts for \$8,534,447 of expenses, or 21.84 percent of total governmental expenses of the County. These expenses were funded by \$234,594 in charges to users of services and \$6,994,601 in operating grants and contributions in 2010. The next largest program was health, accounting for 20.76 percent of total governmental expenses. Health activities are provided mainly from the SCOC and the Dog Warden. General government expenses which includes legislative and executive and judicial programs, accounted for \$9,397,131 or 24.05 percent of total governmental expenses. General government expenses were covered by \$2,347,279 of direct charges to users in 2010.

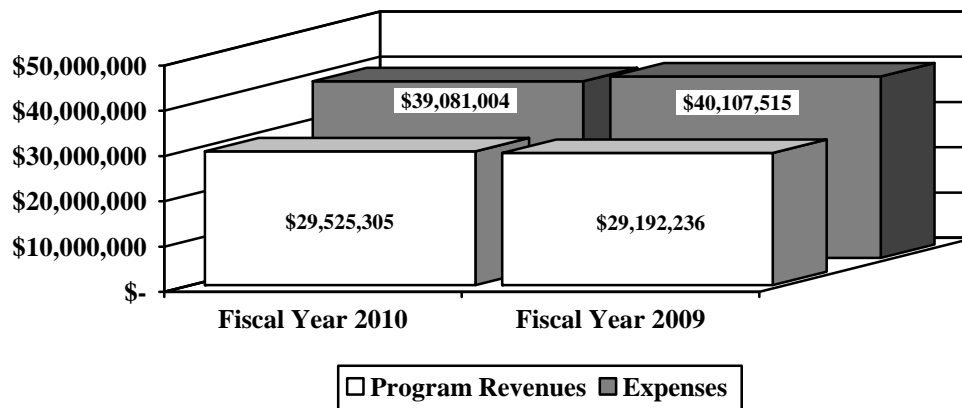
The County's direct charges to users of governmental services made up \$4,719,371 or 10.60 percent of total governmental revenues. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

The State and federal government contributed to the County revenues of \$19,168,824 in operating grants and contributions and \$5,637,110 in capital grants and contributions. During 2010, federal stimulus monies and grants and contributions received from the Ohio Department of Transportation were reported as capital grants and contributions. These revenues are restricted to a particular program or purpose.

General revenues totaled \$14,990,924, and amounted to 33.68 percent of total revenues. These revenues primarily consist of property and sales tax revenue of \$12,119,334 or 80.84 percent of total general revenues in 2010. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with local government and local government revenue assistance making up \$1,870,248, or 12.48 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 2010 and 2009. That is, it identifies the cost of these services supported by general revenues (such as tax revenue and unrestricted State grants and entitlements). As can be seen in the graph below, the County is reliant upon general revenues to finance operations as program revenues are not sufficient to cover total expenses.

**Governmental Activities - Program Revenues vs. Total Expenses**



**SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)**

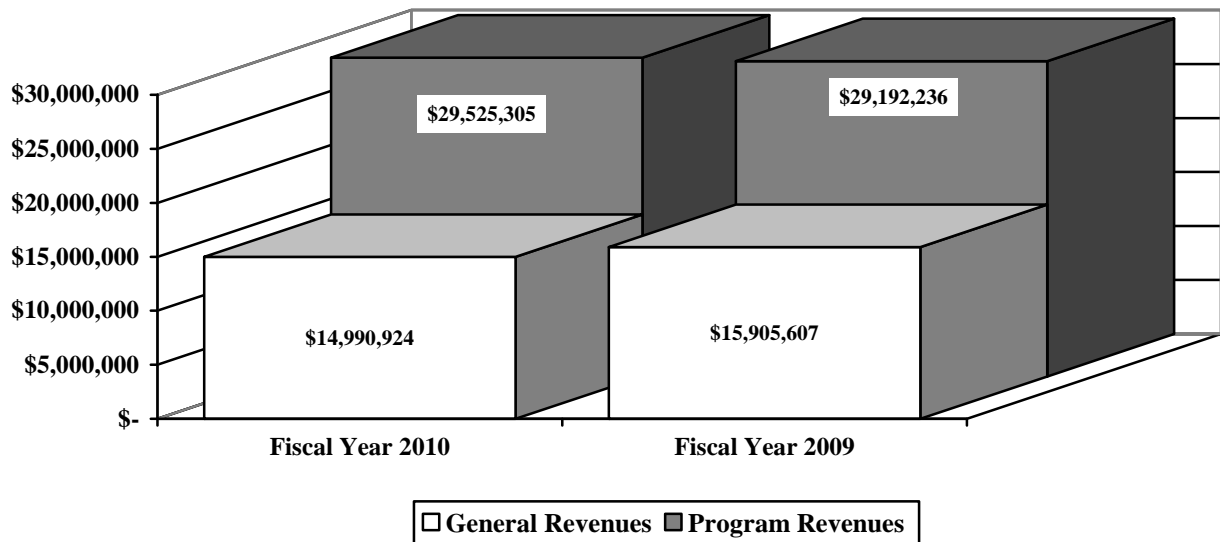
**Governmental Activities**

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Program Expenses:				
General government				
Legislative and executive	\$ 6,607,949	\$ 5,184,659	\$ 6,012,452	\$ 4,722,237
Judicial	2,789,182	1,533,588	2,379,762	1,226,555
Public safety	7,045,536	2,637,626	6,453,529	2,838,811
Public works	5,459,357	(3,986,957)	6,596,148	(2,540,126)
Health	8,111,894	3,367,646	8,089,402	4,376,189
Human services	8,534,447	1,305,252	9,761,783	1,178,960
Conservation and recreation	311,366	310,936	462,395	408,766
Community and economic development	37,526	(980,798)	70,534	(1,577,623)
Interest and fiscal charges	183,747	183,747	281,510	281,510
<b>Total</b>	<b>\$ 39,081,004</b>	<b>\$ 9,555,699</b>	<b>\$ 40,107,515</b>	<b>\$ 10,915,279</b>

Charges for services, operating and capital grants and contributions of \$29,525,305 were used to offset the general government expenses of the County. The remaining \$9,555,699 in general government expenses was funded by property taxes, sales taxes and grants and entitlements not restricted to specific programs. The dependence upon general revenues for governmental activities is apparent, with 24.45 percent of expenses supported through taxes and other general revenues during 2010.

The graph below illustrates the County's reliance upon general revenues.

**Governmental Activities - General and Program Revenues**

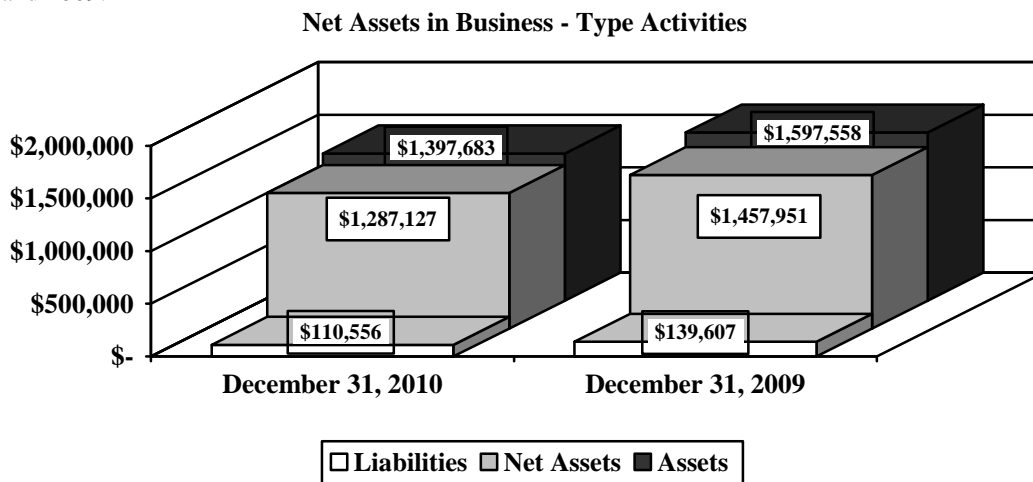


**SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)

**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 \$577,533, general revenues of \$8,865, and expenses of \$757,222 for fiscal year 2010. The net assets of the enterprise funds decreased \$170,824 or 11.72 percent during 2010. The following graph illustrates the assets, liabilities and net assets of the County's business-type activities at December 31, 2010 and 2009:



**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

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

The County's governmental funds (as reported on the balance sheet on pages 18-19) reported a combined fund balance of \$24,892,234, which is \$3,751,334 higher than last year's total of \$21,140,900. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2010 for all major and non-major governmental funds.

	Fund Balances 12/31/10	Fund Balances 12/31/09	Increase/ (Decrease)
Major funds:			
General	\$ 4,105,370	\$ 3,096,087	\$ 1,009,283
Maintenance and Repair	8,387,854	6,540,144	1,847,710
Public Assistance	210,046	194,912	15,134
SCOC	6,817,672	6,912,245	(94,573)
Other nonmajor governmental funds	<u>5,371,292</u>	<u>4,397,512</u>	<u>973,780</u>
Total	<u>\$ 24,892,234</u>	<u>\$ 21,140,900</u>	<u>\$ 3,751,334</u>



**SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)

**General Fund**

The General fund is the primary operating fund of the County. The County's General fund balance increased \$1,009,283. The table that follows assists in illustrating the revenues of the General fund.

	2010 <u>Amount</u>	2009 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 8,751,161	\$ 8,604,291	1.71 %
Charges for services	1,733,070	1,669,404	3.81 %
Licenses and permits	3,042	3,069	(0.88) %
Fines and forfeitures	182,307	149,815	21.69 %
Intergovernmental	6,399,238	3,665,539	74.58 %
Investment income	85,466	208,892	(59.09) %
Other	<u>353,008</u>	<u>262,385</u>	34.54 %
Total	<u>\$ 17,507,292</u>	<u>\$ 14,563,395</u>	20.21 %

Tax revenue, consisting of property and sales taxes, represents 49.99 percent of all General fund revenue. Tax revenue increased slightly by 1.71 percent over the prior year due to increased sales tax collections. The decrease in investment income is a result of lower interest rates. Capital grants in the amount of \$1 million received for the airport and increased jail housing and election expense revenues contributed to the significant increase in intergovernmental revenue.

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

	2010 <u>Amount</u>	2009 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Expenditures</u></b>			
General government			
Legislative and executive	\$ 5,240,360	\$ 4,990,630	5.00 %
Judicial	2,235,555	2,072,365	7.87 %
Public safety	5,372,964	5,583,432	(3.77) %
Public works	35,029	45,480	(22.98) %
Health	127,126	108,613	17.04 %
Human services	382,304	408,864	(6.50) %
Conservation and recreation	261,212	488,396	(46.52) %
Community and economic development	-	68,392	(100.00) %
Capital outlay	712,510	-	100.00 %
Debt service	<u>1,114</u>	<u>-</u>	100.00 %
Total	<u>\$ 14,368,174</u>	<u>\$ 13,766,172</u>	4.37 %

Total expenditures increased \$602,002 or 4.37 percent during 2010. The County purchased land during 2010, which is reflected in capital outlay expenditures for 2010. There was a decline in General fund conservation and recreation and community economic and development programs during 2010, which resulted in less expenditures as compared to 2009. The General fund reported debt service expenditures for new capital leases entered into in 2010.

## SENECA COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)

#### ***Maintenance and Repair Fund***

The Maintenance and Repair fund, a major governmental fund, had revenues of \$4,688,197 in 2010, an increase of \$228,047 or 5.11 percent from 2009 revenues. The Maintenance and Repair fund, had expenditures of \$2,840,487 in 2010, a decrease of \$9,524 or 0.33 percent from 2009. The fund balance of the Maintenance and Repair fund increased \$1,847,710 or 28.25 percent from 2009 to 2010.

#### ***Public Assistance Fund***

The Public Assistance fund, a major governmental fund, had revenues and other financing sources of \$4,394,578 in 2010, a decrease of \$1,297,867 or 22.80 percent from 2009 revenues. The Public Assistance fund had expenditures of \$4,379,444 in 2010, a decrease of \$1,009,468 or 18.73 percent from 2009 as a result of cutbacks made to offset reduced state funding. The Public Assistance fund balance increased \$15,134 or 7.76 percent from 2009 to 2010.

#### ***SCOC Fund***

The SCOC fund, a major governmental fund, had revenues of \$7,913,686 in 2010, a decrease of \$224,560 or 2.76 percent from 2009 revenues. The SCOC fund had expenditures of \$8,008,259 in 2010, an increase of \$274,946 or 3.56 percent from 2009. The net changes in revenues and expenditures contributed to SCOC fund balance decrease of \$94,573 or 1.37 percent from 2009 to 2010.

#### ***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, Public Assistance fund and SCOC fund.

In the General fund, final budgeted revenues and other financing sources of \$16,911,714 were \$2,770,509 higher than original budgeted revenues and other financing sources of \$14,141,205. Actual revenues and other financing sources of \$17,168,149 were higher than final budgeted revenues by \$256,435 or 1.52 percent.

General fund final budgeted expenditures and other financing uses of \$17,658,961 were \$2,409,184 higher than original budgeted expenditures and other financing uses of \$15,249,777. Actual expenditures and financing uses of \$17,487,205 were \$171,756 lower 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.

**SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of 2010, the County had \$65,131,359 (net of accumulated depreciation) invested in land and improvements, buildings and improvements, machinery and equipment and infrastructure. Of this total, \$63,914,209 was reported in governmental activities and \$1,217,150 was reported in business-type activities. The following table shows fiscal year 2010 balances compared to 2009:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land and improvements	\$ 20,719,488	\$ 19,906,298	\$ 26,243	\$ 26,243	\$ 20,745,731	\$ 19,932,541
Building and improvements	11,399,254	11,993,692	107,829	114,111	11,507,083	12,107,803
Machinery and equipment	2,444,960	2,311,574	151,131	227,050	2,596,091	2,538,624
Infrastructure	<u>29,350,507</u>	<u>27,573,195</u>	<u>931,947</u>	<u>967,958</u>	<u>30,282,454</u>	<u>28,541,153</u>
Total	<u>\$ 63,914,209</u>	<u>\$ 61,784,759</u>	<u>\$ 1,217,150</u>	<u>\$ 1,335,362</u>	<u>\$ 65,131,359</u>	<u>\$ 63,120,121</u>

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 45.92 percent of the County's total governmental capital assets.

The County's largest business-type capital asset category is 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 76.57 percent of the County's total business-type capital assets.

**SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)

***Debt Administration***

At December 31, 2010 the County had \$4,475,000 in general obligation bonds, \$20,378 in capital lease obligations, \$66,428 in OWDA loans, \$52,998 in WSOS loans payable and OPWC loans of \$9,924 outstanding. Of this total, \$470,966 is due within one year and \$4,153,762 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>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
Long-Term Obligations				
General obligation bonds	\$ 4,475,000	\$ -	\$ 4,905,000	\$ -
Capital lease obligation	20,378	-	7,041	-
OWDA loan	66,428	-	71,742	-
OPWC loan	-	9,924	-	10,608
WSOS loan	-	52,998	-	72,771
<b>Total</b>	<b><u>\$ 4,561,806</u></b>	<b><u>\$ 62,922</u></b>	<b><u>\$ 4,983,783</u></b>	<b><u>\$ 83,379</u></b>

The County's voted legal debt margin was \$18,615,828 at December 31, 2010 and the unvoted legal debt margin was \$6,759,856 at December 31, 2010. 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 current population as of the 2010 census is 56,745. The County's unemployment rate is currently 7.4 percent, compared to the 10.1 percent State average and the 9.6 percent national average.

The County is primarily a rural community with a significant agricultural and durable goods manufacturing presence. The County's \$937 million assessed real property tax base has grown approximately 4 percent over the past 6 years. The growth is based on residential real estate construction and revaluations of property within the County. The County's debt burden remains modest.

**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.

SENECA COUNTY, OHIO

STATEMENT OF NET ASSETS  
DECEMBER 31, 2010

	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 . . .	\$ 23,229,822	\$ 257,864	\$ 23,487,686	\$ -
Cash and cash equivalents in segregated accounts. . . . .	123,295	-	123,295	914,309
Cash and cash equivalents with fiscal agent . . .	-	-	-	988
Receivables:				
Sales taxes . . . . .	1,099,015	-	1,099,015	-
Property taxes . . . . .	4,616,788	-	4,616,788	-
Accounts. . . . .	243,516	129,792	373,308	143,622
Accrued interest . . . . .	5,354	20	5,374	-
Intergovernmental . . . . .	5,233,420	-	5,233,420	-
Loans . . . . .	70,003	-	70,003	-
Notes. . . . .	-	2,213	2,213	-
Materials and supplies inventory. . . . .	376,503	-	376,503	-
Prepayments . . . . .	204,746	-	204,746	-
Internal balance . . . . .	209,356	(209,356)	-	-
Deferred charges . . . . .	178,274	-	178,274	-
Investment in joint ventures. . . . .	4,898,648	-	4,898,648	-
Capital assets:				
Non-depreciable capital assets . . . . .	20,719,488	26,243	20,745,731	2,945
Depreciable capital assets, net. . . . .	43,194,721	1,190,907	44,385,628	309,367
Total capital assets, net. . . . .	63,914,209	1,217,150	65,131,359	312,312
Total assets . . . . .	104,402,949	1,397,683	105,800,632	1,371,231
<b>Liabilities:</b>				
Accounts payable. . . . .	346,104	5,928	352,032	12,162
Contracts payable. . . . .	561,892	14,393	576,285	-
Accrued wages and benefits payable . . . . .	590,327	6,849	597,176	29,415
Intergovernmental payable . . . . .	427,134	5,655	432,789	-
Accrued interest payable . . . . .	10,756	530	11,286	-
Claims payable . . . . .	29,682	-	29,682	-
Unearned revenue . . . . .	4,331,895	942	4,332,837	-
Undistributed monies. . . . .	-	-	-	11,258
Long-term liabilities:				
Due within one year . . . . .	850,804	23,086	873,890	-
Due in more than one year. . . . .	5,478,247	53,173	5,531,420	-
Total liabilities . . . . .	12,626,841	110,556	12,737,397	52,835
<b>Net assets:</b>				
Invested in capital assets, net of related debt. . . . .	59,418,831	1,207,226	60,626,057	312,312
Restricted for:				
Debt service . . . . .	217,646	-	217,646	-
Capital projects. . . . .	1,337,245	-	1,337,245	-
Unclaimed monies . . . . .	123,295	-	123,295	-
Grants and specific programs. . . . .	2,839,972	-	2,839,972	-
SCOC programs . . . . .	7,116,731	-	7,116,731	-
Human services programs . . . . .	1,967,784	-	1,967,784	-
Roads and bridges. . . . .	10,015,842	-	10,015,842	-
Community and economic development . . . .	344,694	-	344,694	-
Unrestricted . . . . .	8,394,068	79,901	8,473,969	1,006,084
Total net assets . . . . .	\$ 91,776,108	\$ 1,287,127	\$ 93,063,235	\$ 1,318,396

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental activities:</b>				
General government:				
Legislative and executive . . . . .	\$ 6,607,949	\$ 1,240,010	\$ 183,280	\$ -
Judicial . . . . .	2,789,182	1,107,269	148,325	-
Public safety . . . . .	7,045,536	695,130	3,712,780	-
Public works . . . . .	5,459,357	655,705	4,169,323	4,621,286
Health . . . . .	8,111,894	786,233	3,958,015	-
Human services . . . . .	8,534,447	234,594	6,994,601	-
Conservation and recreation . . . . .	311,366	430	-	-
Community and economic development . . . . .	37,526	-	2,500	1,015,824
Interest and fiscal charges . . . . .	183,747	-	-	-
Total governmental activities . . . . .	<u>39,081,004</u>	<u>4,719,371</u>	<u>19,168,824</u>	<u>5,637,110</u>
<b>Business-type activities:</b>				
Bascom Sewer District . . . . .	189,122	177,043	-	-
Emergency Medical Services . . . . .	406,804	261,246	5,000	-
County Sewer District . . . . .	161,296	134,244	-	-
Total business-type activities . . . . .	<u>757,222</u>	<u>572,533</u>	<u>5,000</u>	<u>-</u>
Totals . . . . .	<u>\$ 39,838,226</u>	<u>\$ 5,291,904</u>	<u>\$ 19,173,824</u>	<u>\$ 5,637,110</u>
<b>Component unit:</b>				
Seneca Re-Ad Industries, Inc . . . . .	<u>\$ 1,081,906</u>	<u>\$ 693,761</u>	<u>\$ 403,217</u>	<u>\$ -</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 . . . . .

Change in net assets . . . . .

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

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Net (Expense) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Seneca Re-Ad Industries, Inc.</b>
\$ (5,184,659)	\$ -	\$ (5,184,659)	\$ -
(1,533,588)	-	(1,533,588)	-
(2,637,626)	-	(2,637,626)	-
3,986,957	-	3,986,957	-
(3,367,646)	-	(3,367,646)	-
(1,305,252)	-	(1,305,252)	-
(310,936)	-	(310,936)	-
980,798	-	980,798	-
(183,747)	-	(183,747)	-
<u>(9,555,699)</u>	<u>-</u>	<u>(9,555,699)</u>	<u>-</u>
-	(12,079)	(12,079)	-
-	(140,558)	(140,558)	-
<u>-</u>	<u>(27,052)</u>	<u>(27,052)</u>	<u>-</u>
-	(179,689)	(179,689)	-
<u>(9,555,699)</u>	<u>(179,689)</u>	<u>(9,735,388)</u>	<u>-</u>
-	-	-	15,072
1,929,228	-	1,929,228	-
3,294,311	-	3,294,311	-
6,895,795	-	6,895,795	-
1,870,248	-	1,870,248	-
21,300	4,206	25,506	5,349
99,135	199	99,334	14,368
<u>880,907</u>	<u>4,460</u>	<u>885,367</u>	<u>6,115</u>
<u>14,990,924</u>	<u>8,865</u>	<u>14,999,789</u>	<u>25,832</u>
5,435,225	(170,824)	5,264,401	40,904
<u>86,340,883</u>	<u>1,457,951</u>	<u>87,798,834</u>	<u>1,277,492</u>
<u>\$ 91,776,108</u>	<u>\$ 1,287,127</u>	<u>\$ 93,063,235</u>	<u>\$ 1,318,396</u>

SENECA COUNTY, OHIO

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010

	<u>General</u>	<u>Maintenance and Repair</u>	<u>Public Assistance</u>	<u>Seneca County Opportunity Center</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . .	\$ 2,495,620	\$ 7,775,237	\$ 362,784	\$ 6,604,697
Cash and cash equivalents in segregated accounts. . . . .	123,295	-	-	-
Receivables:				
Sales taxes . . . . .	1,099,015	-	-	-
Property taxes . . . . .	1,444,034	-	-	3,172,754
Accounts. . . . .	94,289	56,802	434	22,419
Interfund loans. . . . .	185,000	27,069	-	540,000
Accrued interest . . . . .	4,188	525	-	-
Intergovernmental . . . . .	1,248,956	2,076,011	-	655,704
Loans . . . . .	-	-	-	-
Loans to other funds . . . . .	84,453	-	-	-
Materials and supplies inventory. . . . .	46,744	318,650	-	8,601
Prepayments . . . . .	132,505	166	7,558	42,995
Total assets . . . . .	<u>\$ 6,958,099</u>	<u>\$ 10,254,460</u>	<u>\$ 370,776</u>	<u>\$ 11,047,170</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	\$ 187,958	\$ 51,748	\$ 32,308	\$ 51,883
Contracts payable. . . . .	215,772	1,260	3,133	101,411
Accrued wages and benefits payable . . . . .	261,455	39,354	74,118	163,141
Intergovernmental payable . . . . .	199,010	26,607	50,266	112,556
Interfund loans payable. . . . .	-	-	-	-
Loans from other funds. . . . .	-	-	-	-
Deferred revenue . . . . .	648,564	1,747,637	-	854,615
Unearned revenue . . . . .	1,339,970	-	905	2,945,892
Total liabilities . . . . .	<u>2,852,729</u>	<u>1,866,606</u>	<u>160,730</u>	<u>4,229,498</u>
<b>Fund balances:</b>				
Reserved for encumbrances . . . . .	497,600	237,474	89,370	727,643
Reserved for loans . . . . .	84,453	-	-	-
Reserved for prepayments . . . . .	132,505	166	7,558	42,995
Reserved for unclaimed monies . . . . .	123,295	-	-	-
Unreserved, undesignated, reported in:				
General fund. . . . .	3,267,517	-	-	-
Special revenue funds . . . . .	-	8,150,214	113,118	6,047,034
Debt service fund . . . . .	-	-	-	-
Capital projects funds . . . . .	-	-	-	-
Total fund balances. . . . .	<u>4,105,370</u>	<u>8,387,854</u>	<u>210,046</u>	<u>6,817,672</u>
Total liabilities and fund balances . . . . .	<u>\$ 6,958,099</u>	<u>\$ 10,254,460</u>	<u>\$ 370,776</u>	<u>\$ 11,047,170</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 5,960,264	\$ 23,198,602
-	123,295
-	1,099,015
-	4,616,788
69,572	243,516
-	752,069
189	4,902
1,252,749	5,233,420
70,003	70,003
-	84,453
2,508	376,503
21,522	204,746
<u>\$ 7,376,807</u>	<u>\$ 36,007,312</u>
\$ 22,207	\$ 346,104
240,316	561,892
52,259	590,327
38,695	427,134
547,069	547,069
84,453	84,453
975,906	4,226,722
44,610	4,331,377
<u>2,005,515</u>	<u>11,115,078</u>
641,647	2,193,734
70,003	154,456
21,522	204,746
-	123,295
-	3,267,517
4,102,608	18,412,974
(230,088)	(230,088)
765,600	765,600
<u>5,371,292</u>	<u>24,892,234</u>
<u>\$ 7,376,807</u>	<u>\$ 36,007,312</u>

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**SENECA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2010

<b>Total governmental fund balances</b>	\$	24,892,234
<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.		63,914,209
The investments in joint ventures by governmental activities are not financial resources and therefore are not reported in the funds.		4,898,648
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$ 342,003	
Intergovernmental receivable	3,884,719	
Total	4,226,722	4,226,722
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.		5,828
On the statement of net assets interest is accrued on outstanding bonds payable, whereas in governmental funds, interest is accrued when due.		(10,756)
Deferred charges on bond issuances are amortized over the life of the bonds on the statement of net assets.		178,274
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(1,767,245)	
Capital lease payable	(20,378)	
General obligation bonds payable	(4,475,000)	
Loans payable	(66,428)	
Total	(6,329,051)	(6,329,051)
<b>Net assets of governmental activities</b>	<b>\$</b>	<b>91,776,108</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, 2010

	<u>General</u>	<u>Maintenance and Repair</u>	<u>Public Assistance</u>	<u>Seneca County Opportunity Center</u>
<b>Revenues:</b>				
Property taxes . . . . .	\$ 1,855,366	\$ -	\$ -	\$ 3,388,500
Sales taxes. . . . .	6,895,795	-	-	-
Special assessments . . . . .	-	-	-	-
Charges for services. . . . .	1,733,070	360,622	-	479,816
Licenses and permits . . . . .	3,042	-	-	-
Fines and forfeitures . . . . .	182,307	32,291	-	-
Intergovernmental. . . . .	6,399,238	4,278,616	4,038,010	3,544,518
Interest . . . . .	85,466	9,817	-	-
Rent. . . . .	137,291	-	-	64,368
Contributions and donations. . . . .	21,730	-	-	2,993
Other . . . . .	193,987	6,851	170,015	433,491
Total revenues . . . . .	<u>17,507,292</u>	<u>4,688,197</u>	<u>4,208,025</u>	<u>7,913,686</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	5,240,360	-	-	-
Judicial. . . . .	2,235,555	-	-	-
Public safety . . . . .	5,372,964	-	-	-
Public works . . . . .	35,029	2,840,487	-	-
Health . . . . .	127,126	-	-	8,008,259
Human services. . . . .	382,304	-	4,379,444	-
Conservation and recreation . . . . .	261,212	-	-	-
Community and economic development . . . . .	-	-	-	-
Capital outlay . . . . .	712,510	-	-	-
Debt service:				
Principal retirement. . . . .	810	-	-	-
Interest and fiscal charges . . . . .	304	-	-	-
Total expenditures . . . . .	<u>14,368,174</u>	<u>2,840,487</u>	<u>4,379,444</u>	<u>8,008,259</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>3,139,118</u>	<u>1,847,710</u>	<u>(171,419)</u>	<u>(94,573)</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets. . . . .	3,175	-	-	-
Capital lease transaction. . . . .	21,188	-	-	-
Transfers in . . . . .	17,265	-	186,553	-
Transfers (out). . . . .	(2,171,463)	-	-	-
Total other financing sources (uses) . . . . .	<u>(2,129,835)</u>	<u>-</u>	<u>186,553</u>	<u>-</u>
Net change in fund balances . . . . .	1,009,283	1,847,710	15,134	(94,573)
<b>Fund balances at beginning of year . . . . .</b>	<u>3,096,087</u>	<u>6,540,144</u>	<u>194,912</u>	<u>6,912,245</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 4,105,370</u>	<u>\$ 8,387,854</u>	<u>\$ 210,046</u>	<u>\$ 6,817,672</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 5,243,866
-	6,895,795
261,807	261,807
989,606	3,563,114
28,401	31,443
230,967	445,565
9,812,972	28,073,354
4,266	99,549
140,652	342,311
4,450	29,173
148,716	953,060
<u>11,621,837</u>	<u>45,939,037</u>
589,646	5,830,006
421,394	2,656,949
1,440,189	6,813,153
130,972	3,006,488
169,185	8,304,570
3,684,451	8,446,199
-	261,212
41,290	41,290
5,541,220	6,253,730
442,355	443,165
155,000	155,304
<u>12,615,702</u>	<u>42,212,066</u>
<u>(993,865)</u>	<u>3,726,971</u>
-	3,175
-	21,188
1,984,910	2,188,728
<u>(17,265)</u>	<u>(2,188,728)</u>
<u>1,967,645</u>	<u>24,363</u>
973,780	3,751,334
4,397,512	21,140,900
<u>\$ 5,371,292</u>	<u>\$ 24,892,234</u>

**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, 2010

<b>Net change in fund balances - total governmental funds</b>	\$	3,751,334
<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	\$ 5,215,446	
Current year depreciation	<u>(2,947,013)</u>	
Total		2,268,433
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(138,983)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(134,338)	
Intergovernmental revenues	(1,294,215)	
Investment in joint ventures	<u>768,003</u>	
Total		(660,550)
Proceeds of capital lease obligations are reported as an other financing source in the governmental funds, however, in the statement of activities they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(21,188)
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.		
		443,165
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.		
Accrued interest	3,075	
Deferred charges	<u>(31,518)</u>	
Total		(28,443)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are reported as expenditures in governmental funds.		
		(4,977)
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>(173,566)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>5,435,225</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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes . . . . .	\$ 1,652,828	\$ 1,838,666	\$ 1,850,817	\$ 12,151
Sales taxes. . . . .	6,400,000	6,880,000	6,884,665	4,665
Charges for services. . . . .	1,563,821	1,764,122	1,791,221	27,099
Licenses and permits . . . . .	2,560	3,067	3,042	(25)
Fines and forfeitures . . . . .	145,000	181,060	181,061	1
Intergovernmental. . . . .	4,002,301	5,835,059	5,972,387	137,328
Interest . . . . .	163,000	93,006	88,463	(4,543)
Rent. . . . .	109,612	110,458	133,519	23,061
Contributions and donations . . . . .	400	21,420	21,880	460
Other . . . . .	101,683	164,416	182,154	17,738
Total revenues . . . . .	<u>14,141,205</u>	<u>16,891,274</u>	<u>17,109,209</u>	<u>217,935</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	5,671,017	5,731,924	5,551,703	180,221
Judicial. . . . .	2,529,380	2,519,312	2,470,272	49,040
Public safety . . . . .	4,490,898	5,509,247	5,464,470	44,777
Public works . . . . .	42,515	48,215	40,510	7,705
Health . . . . .	148,082	178,135	178,135	-
Human services. . . . .	472,204	452,838	438,870	13,968
Conservation and recreation . . . . .	293,309	295,476	295,460	16
Capital outlay . . . . .	-	702,900	691,322	11,578
Total expenditures . . . . .	<u>13,647,405</u>	<u>15,438,047</u>	<u>15,130,742</u>	<u>307,305</u>
Excess of revenues over expenditures . . . . .	<u>493,800</u>	<u>1,453,227</u>	<u>1,978,467</u>	<u>525,240</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets. . . . .	-	3,175	3,175	-
Advances in . . . . .	-	-	38,500	38,500
Advances (out) . . . . .	-	-	(185,000)	(185,000)
Transfers in . . . . .	-	17,265	17,265	-
Transfers (out). . . . .	(1,602,372)	(2,220,914)	(2,171,463)	49,451
Total other financing sources (uses) . . . . .	<u>(1,602,372)</u>	<u>(2,200,474)</u>	<u>(2,297,523)</u>	<u>(97,049)</u>
Net change in fund balances . . . . .	(1,108,572)	(747,247)	(319,056)	428,191
<b>Fund balances at beginning of year . . . . .</b>	924,575	924,575	924,575	-
<b>Prior year encumbrances appropriated . . . . .</b>	1,112,392	1,112,392	1,112,392	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 928,395</u>	<u>\$ 1,289,720</u>	<u>\$ 1,717,911</u>	<u>\$ 428,191</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)  
 MAINTENANCE AND REPAIR FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services . . . . .	\$ 267,205	\$ 307,205	\$ 318,011	\$ 10,806
Fines and forfeitures . . . . .	31,455	32,161	32,234	73
Intergovernmental . . . . .	3,904,241	4,282,704	4,276,532	(6,172)
Interest . . . . .	35,000	10,300	10,339	39
Other . . . . .	-	4,302	6,846	2,544
Total revenues . . . . .	<u>4,237,901</u>	<u>4,636,672</u>	<u>4,643,962</u>	<u>7,290</u>
<b>Expenditures:</b>				
Current:				
Public works . . . . .	4,954,182	4,597,195	3,154,445	1,442,750
Total expenditures . . . . .	<u>4,954,182</u>	<u>4,597,195</u>	<u>3,154,445</u>	<u>1,442,750</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(716,281)</u>	<u>39,477</u>	<u>1,489,517</u>	<u>1,450,040</u>
<b>Other financing sources (uses):</b>				
Advances in . . . . .	-	-	10,000	10,000
Advances (out) . . . . .	-	-	(37,069)	(37,069)
Total other financing sources (uses) . . . . .	<u>-</u>	<u>-</u>	<u>(27,069)</u>	<u>(27,069)</u>
Net change in fund balances . . . . .	<u>(716,281)</u>	<u>39,477</u>	<u>1,462,448</u>	<u>1,422,971</u>
<b>Fund balances at beginning of year . . . . .</b>	<u>5,587,337</u>	<u>5,587,337</u>	<u>5,587,337</u>	<u>-</u>
<b>Prior year encumbrances appropriated . . .</b>	<u>435,725</u>	<u>435,725</u>	<u>435,725</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 5,306,781</u>	<u>\$ 6,062,539</u>	<u>\$ 7,485,510</u>	<u>\$ 1,422,971</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)  
 PUBLIC ASSISTANCE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental. . . . .	\$ 5,230,000	\$ 4,177,595	\$ 4,041,137	\$ (136,458)
Other . . . . .	4,000	194,685	176,448	(18,237)
Total revenues . . . . .	<u>5,234,000</u>	<u>4,372,280</u>	<u>4,217,585</u>	<u>(154,695)</u>
<b>Expenditures:</b>				
Current:				
Human services. . . . .	5,743,193	5,012,164	4,596,318	415,846
Total expenditures . . . . .	<u>5,743,193</u>	<u>5,012,164</u>	<u>4,596,318</u>	<u>415,846</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(509,193)</u>	<u>(639,884)</u>	<u>(378,733)</u>	<u>261,151</u>
<b>Other financing sources:</b>				
Transfers in . . . . .	207,055	207,055	186,553	(20,502)
Total other financing sources. . . . .	<u>207,055</u>	<u>207,055</u>	<u>186,553</u>	<u>(20,502)</u>
Net change in fund balances . . . . .	(302,138)	(432,829)	(192,180)	240,649
<b>Fund balances at beginning of year . . . . .</b>	130,054	130,054	130,054	-
<b>Prior year encumbrances appropriated . . . . .</b>	320,662	320,662	320,662	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 148,578</u>	<u>\$ 17,887</u>	<u>\$ 258,536</u>	<u>\$ 240,649</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 FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property taxes . . . . .	\$ 3,323,182	\$ 3,323,182	\$ 3,388,500	\$ 65,318
Charges for services. . . . .	575,000	480,000	486,464	6,464
Intergovernmental. . . . .	3,122,468	3,748,377	3,858,787	110,410
Rent. . . . .	76,065	63,180	66,594	3,414
Contributions and donations. . . . .	4,200	2,946	2,993	47
Other . . . . .	301,000	481,940	443,397	(38,543)
Total revenues . . . . .	<u>7,401,915</u>	<u>8,099,625</u>	<u>8,246,735</u>	<u>147,110</u>
<b>Expenditures:</b>				
Current:				
Health . . . . .	14,461,342	13,758,848	8,929,011	4,829,837
Total expenditures . . . . .	<u>14,461,342</u>	<u>13,758,848</u>	<u>8,929,011</u>	<u>4,829,837</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(7,059,427)</u>	<u>(5,659,223)</u>	<u>(682,276)</u>	<u>4,976,947</u>
<b>Other financing sources:</b>				
Transfers in . . . . .	344,400	-	-	-
Total other financing sources. . . . .	<u>344,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances . . . . .	(6,715,027)	(5,659,223)	(682,276)	4,976,947
<b>Fund balances at beginning of year . . . . .</b>	5,953,193	5,953,193	5,953,193	-
<b>Prior year encumbrances appropriated . . . . .</b>	987,105	987,105	987,105	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 225,271</u>	<u>\$ 1,281,075</u>	<u>\$ 6,258,022</u>	<u>\$ 4,976,947</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

STATEMENT OF FUND NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2010

	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 . . .	\$ 23,249	\$ 33,681	\$ 200,934	\$ 257,864	\$ 31,220
Receivables:					
Accounts. . . . .	51,214	53,145	25,433	129,792	-
Accrued interest . . . . .	-	-	20	20	452
Notes. . . . .	-	-	2,213	2,213	-
Total current assets . . . . .	<u>74,463</u>	<u>86,826</u>	<u>228,600</u>	<u>389,889</u>	<u>31,672</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. . . . .	-	151,131	1,039,776	1,190,907	-
Total capital assets, net. . . . .	<u>-</u>	<u>151,131</u>	<u>1,066,019</u>	<u>1,217,150</u>	<u>-</u>
Total noncurrent assets . . . . .	<u>-</u>	<u>151,131</u>	<u>1,166,019</u>	<u>1,317,150</u>	<u>-</u>
Total assets . . . . .	<u>74,463</u>	<u>237,957</u>	<u>1,394,619</u>	<u>1,707,039</u>	<u>31,672</u>
<b>Liabilities:</b>					
<i>Current liabilities:</i>					
Accounts payable. . . . .	62	3,928	1,938	5,928	-
Contracts payable. . . . .	2,198	8,921	3,274	14,393	-
Accrued wages and benefits payable . . . . .	196	5,140	1,513	6,849	-
Compensated absences payable - current. . . . .	-	1,830	-	1,830	-
Intergovernmental payable . . . . .	136	3,676	1,843	5,655	-
Interfund loans payable. . . . .	40,000	74,000	91,000	205,000	-
Claims payable . . . . .	-	-	-	-	29,682
Accrued interest payable . . . . .	530	-	-	530	-
Unearned revenue. . . . .	-	-	942	942	518
Other loans payable - current. . . . .	20,572	-	684	21,256	-
Total current liabilities . . . . .	<u>63,694</u>	<u>97,495</u>	<u>101,194</u>	<u>262,383</u>	<u>30,200</u>
<i>Long-term liabilities:</i>					
Compensated absences payable . . . . .	-	11,507	-	11,507	-
Other loans payable . . . . .	32,426	-	9,240	41,666	-
Loans from other funds. . . . .	100,000	-	-	100,000	-
Total long-term liabilities . . . . .	<u>132,426</u>	<u>11,507</u>	<u>9,240</u>	<u>153,173</u>	<u>-</u>
Total liabilities . . . . .	<u>196,120</u>	<u>109,002</u>	<u>110,434</u>	<u>415,556</u>	<u>30,200</u>
<b>Net assets:</b>					
Invested in capital assets, net of related debt. . . . .	-	151,131	1,056,095	1,207,226	-
Unrestricted . . . . .	<u>(121,657)</u>	<u>(22,176)</u>	<u>228,090</u>	<u>84,257</u>	<u>1,472</u>
Total net assets . . . . .	<u>\$ (121,657)</u>	<u>\$ 128,955</u>	<u>\$ 1,284,185</u>	<u>1,291,483</u>	<u>\$ 1,472</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.				<u>(4,356)</u>	
Net assets of business-type activities				<u>\$ 1,287,127</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, 2010

	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 . . . . .	\$ 177,043	\$ -	\$ 133,839	\$ 310,882	\$ 335,326
Tap-in fees. . . . .	-	-	405	405	-
Patient fees. . . . .	-	261,246	-	261,246	-
Reimbursements . . . . .	-	-	-	-	186,958
Other. . . . .	844	2,828	788	4,460	-
Total operating revenues. . . . .	<u>177,887</u>	<u>264,074</u>	<u>135,032</u>	<u>576,993</u>	<u>522,284</u>
<b>Operating expenses:</b>					
Personal services . . . . .	5,988	178,992	45,931	230,911	-
Contractual services . . . . .	135,890	89,898	45,396	271,184	6,625
Materials and supplies. . . . .	898	49,213	23,414	73,525	-
Claims . . . . .	-	-	-	-	693,242
Depreciation. . . . .	-	79,123	44,123	123,246	-
Other . . . . .	43,101	4,654	2,432	50,187	-
Total operating expenses. . . . .	<u>185,877</u>	<u>401,880</u>	<u>161,296</u>	<u>749,053</u>	<u>699,867</u>
Operating loss . . . . .	<u>(7,990)</u>	<u>(137,806)</u>	<u>(26,264)</u>	<u>(172,060)</u>	<u>(177,583)</u>
<b>Nonoperating revenues (expenses):</b>					
Interest . . . . .	-	-	199	199	-
Operating grants . . . . .	-	5,000	-	5,000	-
Interest and fiscal charges . . . . .	(3,245)	(2,344)	-	(5,589)	2,570
Loss on sale of capital assets. . . . .	-	(1,133)	-	(1,133)	-
Contributions and donations . . . . .	-	4,206	-	4,206	-
Total nonoperating revenues (expenses). . . . .	<u>(3,245)</u>	<u>5,729</u>	<u>199</u>	<u>2,683</u>	<u>2,570</u>
Loss before transfers . . . . .	<u>(11,235)</u>	<u>(132,077)</u>	<u>(26,065)</u>	<u>(169,377)</u>	<u>(175,013)</u>
Transfer in. . . . .	11,244	-	-	11,244	-
Transfer out . . . . .	-	-	(11,244)	(11,244)	-
Change in net assets . . . . .	9	(132,077)	(37,309)	(169,377)	(175,013)
<b>Net assets at beginning of year. . . . .</b>	<u>(121,666)</u>	<u>261,032</u>	<u>1,321,494</u>		<u>176,485</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ (121,657)</u>	<u>\$ 128,955</u>	<u>\$ 1,284,185</u>		<u>\$ 1,472</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.				<u>(1,447)</u>	
Change in net assets of business-type activities.				<u>\$ (170,824)</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Bascom Sewer District	Emergency Medical Services	County Sewer District	Total	
<b>Cash flows from operating activities:</b>					
Cash received from customers . . . . .	\$ 179,549	\$ 315,495	\$ 134,807	\$ 629,851	\$ 534,517
Cash received from tap-in fees . . . . .	-	-	1,112	1,112	-
Cash received from other operations . . . . .	1,443	2,928	731	5,102	551,802
Cash payments for personal services . . . . .	(5,975)	(181,935)	(45,460)	(233,370)	-
Cash payments for contract services . . . . .	(149,842)	(86,042)	(44,615)	(280,499)	(205,301)
Cash payments for materials and supplies . . . . .	(1,011)	(47,846)	(21,702)	(70,559)	-
Cash payments for claims . . . . .	-	-	-	-	(1,219,583)
Cash payments for other expenses . . . . .	(43,101)	(5,602)	(2,432)	(51,135)	-
Net cash provided by (used in) operating activities . . . . .	(18,937)	(3,002)	22,441	502	(338,565)
<b>Cash flows from noncapital financing activities:</b>					
Cash received from operating grants . . . . .	-	5,000	-	5,000	-
Cash received from contributions and donations . .	-	4,206	-	4,206	-
Cash received from transfers in . . . . .	11,244	-	-	11,244	-
Cash used in transfers out. . . . .	-	-	(11,244)	(11,244)	-
Cash received from interfund loans . . . . .	40,000	74,000	91,000	205,000	-
Cash used in repayment of interfund loans . . . . .	-	(94,000)	-	(94,000)	-
Net cash provided by (used in) noncapital financing activities . . . . .	51,244	(10,794)	79,756	120,206	-
<b>Cash flows from capital and related financing activities:</b>					
Acquisition of capital assets . . . . .	-	(6,167)	-	(6,167)	-
Principal retirement. . . . .	(19,773)	-	(684)	(20,457)	-
Interest and fiscal charges . . . . .	(2,715)	(2,344)	-	(5,059)	-
Net cash used in capital and related financing activities . . . . .	(22,488)	(8,511)	(684)	(31,683)	-
<b>Cash flows from investing activities:</b>					
Interest received . . . . .	-	-	261	261	2,519
Net cash provided by investing activities . . . . .	-	-	261	261	2,519
Net increase (decrease) in cash and cash equivalents. . . . .	9,819	(22,307)	101,774	89,286	(336,046)
<b>Cash and cash equivalents at beginning of year . .</b>	<b>13,430</b>	<b>55,988</b>	<b>99,160</b>	<b>168,578</b>	<b>367,266</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 23,249</b>	<b>\$ 33,681</b>	<b>\$ 200,934</b>	<b>\$ 257,864</b>	<b>\$ 31,220</b>

-- Continued

SENECA COUNTY, OHIO

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Bascom Sewer District	Emergency Medical Services	County Sewer District	Total	
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities:</b>					
Operating loss . . . . .	\$ (7,990)	\$ (137,806)	\$ (26,264)	\$ (172,060)	\$ (177,583)
Adjustments:					
Depreciation. . . . .	-	79,123	44,123	123,246	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable. . . . .	3,105	54,349	(7)	57,447	364,844
Decrease in notes receivable. . . . .	-	-	805	805	-
Decrease in prepayments . . . . .	-	188	-	188	-
Increase (decrease) in accounts payable . . . . .	(113)	231	(1,573)	(1,455)	(3)
Increase (decrease) in contracts payable. . . . .	(13,952)	3,856	3,274	(6,822)	-
Increase in accrued wages and benefits . . . . .	19	450	-	469	-
Increase (decrease) in intergovernmental payable. . .	(6)	1,141	1,112	2,247	-
Increase (decrease) in compensated absences payable . . . . .	-	(4,534)	151	(4,383)	-
Increase in unearned revenue . . . . .	-	-	820	820	518
Decrease in claims payable . . . . .	-	-	-	-	(526,341)
Net cash provided by (used in) operating activities. . .	<u>\$ (18,937)</u>	<u>\$ (3,002)</u>	<u>\$ 22,441</u>	<u>\$ 502</u>	<u>\$ (338,565)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 DECEMBER 31, 2010

	<b>Agency</b>
<b>Assets:</b>	
<i>Current assets:</i>	
Equity in pooled cash and cash equivalents . . . . .	\$ 8,149,689
Cash in segregated accounts . . . . .	460,128
Accrued interest . . . . .	6
Accounts . . . . .	556,876
Intergovernmental . . . . .	3,782,778
Taxes receivable . . . . .	35,593,055
Total assets . . . . .	\$ 48,542,532
<b>Liabilities:</b>	
<i>Current liabilities:</i>	
Accrued wages and benefits . . . . .	\$ 65,890
Intergovernmental payable . . . . .	41,775,924
Compensated absences . . . . .	324,205
Undistributed monies . . . . .	5,472,111
Deposits held and due to others . . . . .	904,402
Total liabilities . . . . .	\$ 48,542,532

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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## SENECA COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

#### 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, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

#### 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, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

#### 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, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

#### 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, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

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.

Public Assistance - The Public Assistance fund accounts for various federal and State grants as well as transfers from the General fund used to provide public assistance to general relief recipients, pay providers of medical assistance and for certain public social services.

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.

The other governmental funds of the County account for grants and other resources whose use is restricted for a particular purpose; the accumulation of resources for, and the payment of debt; or the acquisition or construction of major capital assets.

**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, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

#### 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.

## SENECA COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

##### *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. 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.

## SENECA COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance 2011 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, 2010, 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 2010.



## SENECA COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first 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 2010, investments were limited to STAR Ohio, U.S. Government money markets and non-negotiable certificates of deposit.

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 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2010.

Interest earnings are allocated to County funds according to State statutes and grant requirements. Interest revenue credited to the General Fund during 2010 was \$85,466, which includes approximately \$77,993 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, 2010 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.

**SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

**I. Loans Receivable**

Loans receivable represent the right to receive repayment for certain loans made by the County. These loans are based upon written agreements between the County and the various loan recipients. Reported loans receivable is offset by a fund balance reserve in the governmental fund types, which indicates that the reserved portion does not constitute available expendable resources even though it is a component of net current assets.

**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.

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".

## SENECA COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

##### 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.

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.

## SENECA COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

##### O. Fund Balance Reserves

The County reserves those portions of fund balance which are legally segregated for specific future use or which do not represent available spendable resources and, therefore, are not available for appropriation for expenditures. Fund balance reserves have been established for encumbrances, loans, prepayments and unclaimed monies.

##### 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.

##### 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 2010.

##### 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 2010, the County has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

**SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 had not have an effect on the financial statements of the County.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the County.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the County.

**B. Deficit Fund Balances/Net Assets**

The following funds had deficit fund balances/net assets as of December 31, 2010:

	<u>Deficit</u>
Bascom Sewer District enterprise fund	\$ 121,657
<u>Nonmajor governmental funds:</u>	
Help America Vote Act special revenue	38
Sheriff Highway Safety Grant special revenue	2,533
Capital Facilities Note Retirement debt service	458,490
County Road 16 Petition Ditch capital projects	59,755
County Road 31/591/592 capital projects	20,034

The deficit in the Bascom Sewer District enterprise fund is due to the reporting of loans payable as a liability. The deficit will be alleviated when the loans are repaid.

The deficits in the nonmajor governmental funds are due to outstanding accounts payable, contracts payable, loans payable, intergovernmental and interfund liabilities. These deficits will be alleviated when the liabilities are repaid.

## SENECA COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

#### 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;
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 moneys deposited by the institution.

**SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or 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, 2010, the carrying amount of the County's deposits was \$30,246,067 of which \$583,423 is held in segregated accounts. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2010, \$27,129,157 of the County's bank balance of \$30,634,076 was exposed to custodial risk as discussed below, while \$3,504,919 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.

**B. Investments**

As of December 31, 2010, the County had the following investments and maturities.

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 months or less</u>
STAR Ohio	\$ 997,227	\$ 997,227
U.S. Government money market	977,504	977,504
Total	<u>\$ 1,974,731</u>	<u>\$ 1,974,731</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 STAROhio 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.

**SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

*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, 2010 is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 997,227	50.50
U.S. Government money market	<u>977,504</u>	<u>49.50</u>
Total	<u>\$ 1,974,731</u>	<u>100.00</u>

**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, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$30,246,067
Investments	<u>1,974,731</u>
Total	<u>\$ 32,220,798</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental Activities	\$23,353,117
Business-Type Activities	257,864
Agency Funds	<u>8,609,817</u>
Total	<u>\$ 32,220,798</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Long-term interfund loans to/from other funds consisted of the following at December 31, 2010, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	<i>Nonmajor Capital Projects Fund:</i> County Road 16 Petition Ditch	\$ 84,453
County Sewer District Enterprise	Bascom Sewer District Enterprise	<u>100,000</u>
Total long-term loans to/from other funds		<u>\$ 184,453</u>



**SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

- B.** Short-term interfund loans receivable/payable consisted of the following at December 31, 2010, 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
General	Homeland Security Grant	13,000
	<i>Nonmajor Capital Projects:</i>	
General	CDBG	33,000
	<i>Major Enterprise:</i>	
General	Bascom Sewer District	40,000
General	County Sewer District enterprise	91,000
	Total General interfund receivable	<u>185,000</u>
	<i>Nonmajor Capital Projects:</i>	
Maintenance & Repair	County Road 31/591/592	23,569
Maintenance & Repair	Township Road 201 Bridge Rehab	3,500
	Total M&R interfund receivable	<u>27,069</u>
	<i>Nonmajor Debt Service:</i>	
SCOC	Capital Facilities Note Retirement	466,000
	<i>Major Enterprise:</i>	
SCOC	EMS	74,000
	Total SCOC interfund receivable	<u>540,000</u>
	Total short-term interfund loans receivable/payable	<u><u>\$ 752,069</u></u>

The \$540,000 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, 2010 and mature on November 10, 2011 at an interest rate of 1.25 percent.

**SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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, 2010, consisted of the following, as reported on the fund financial statements:

<u>Transfer from</u>	<u>Transfer to</u>				<u>Total</u>
	<u>General</u>	<u>Public Assistance</u>	<u>Nonmajor Governmental</u>	<u>Bascom Sewer District Enterprise</u>	
General	\$ -	\$ 186,553	\$ 1,984,910	\$ -	\$ 2,171,463
Nonmajor governmental	17,265	-	-	-	17,265
County Sewer District Enterprise	-	-	-	11,244	11,244
<b>Total</b>	<u>\$ 17,265</u>	<u>\$ 186,553</u>	<u>\$ 1,984,910</u>	<u>\$ 11,244</u>	<u>\$ 2,199,972</u>

Transfers are used to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfers to the General Fund of \$17,265 represents the unused local matching money contributed by General Fund to various grants and projects that have now been completed. The transfer to the Bascom Sewer Fund is a GAAP-basis transfer to properly reflect principal retirement.

**NOTE 6 - PROPERTY TAXES**

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

**SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**NOTE 6 - PROPERTY TAXES - (Continued)**

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 County due to the phasing out of the tax. In calendar years 2009-2010, the County 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 taxing districts their portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, tangible personal property taxes and outstanding delinquencies which are measurable as of December 31, 2010 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 2010 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, 2010 was \$1.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real Property	\$ 890,398,160	94.94%
Public Utility Personal Property	<u>47,434,790</u>	<u>5.06%</u>
Total Assessed Value	<u>\$ 937,832,950</u>	<u>100.00%</u>

**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 2010. 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.

**SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2010 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 more than one year are \$70,003 in the nonmajor special revenue CDBG Fund.

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**SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**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	\$667,716
	Homestead and Rollback	114,011
	Municipal Court	72
	Appointed Counsel	15,822
	Miscellaneous Grants	1,656
	Jail Housing	447,877
	Youth Center Detention Home Fees	1,802
	<u>Total General Fund</u>	
Maintenance and Repair	Motor Vehicle License	933,175
	Gasoline Tax	1,138,097
	Grant Administration	2,187
	Court Fines	2,552
<u>Total Maintenance and Repair</u>		<u>2,076,011</u>
Seneca County Opportunity Center	Homestead and Rollback	218,942
	Title VI-B Grant	17,488
	Title VI-B Grant - ARRA	8,792
	Title XX Grant	54,581
	Title XIX	830
	Title XIX - ARRA	265,530
	Target Case Management	4,452
	National School Lunch Subsidy	840
	Help Me Grow Grant	78,549
	ODH DEA Team	5,700
<u>Total Seneca County Opportunity Center</u>		<u>655,704</u>
<b>Other Governmental Funds</b>		
CDBG-Capital Projects	Federal Grant	386,461
Workforce Investment Act Grant	Federal Grant	278,494
Workforce Investment Act Grant	Federal Stimulus Grant	334,502
Children Services	Federal Grant	21,828
Emergency Management Agency	Local Services	38,736
Victims of Crime Act Grant	Federal Grant	110,762
Sheriff Highway Safety Grant	Federal Grant	28,479
County Road 31/591/592	State Grant	20,034
Homeland Security Grant	State Grant	31,266
Raised Pavement Marker	Federal Grant	2,187
<u>Total Other Governmental Funds</u>		<u>1,252,749</u>
<b>Total Governmental Funds</b>		<b><u><u>\$5,233,420</u></u></b>

**SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2010:

<b>Primary Government</b>	<u>Balance 12/31/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/10</u>
<b>Governmental Activities:</b>				
<i>Non-depreciable Capital Assets</i>				
Land and Improvements	\$ 19,906,298	\$ 813,190	\$ -	\$ 20,719,488
Total Non-depreciable Capital Assets	<u>19,906,298</u>	<u>813,190</u>	<u>-</u>	<u>20,719,488</u>
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	25,552,805	13,232	-	25,566,037
Machinery and Equipment	10,906,803	1,136,820	(684,190)	11,359,433
Infrastructure	39,374,492	3,252,204	(322,354)	42,304,342
Total Depreciable Capital Assets	<u>75,834,100</u>	<u>4,402,256</u>	<u>(1,006,544)</u>	<u>79,229,812</u>
Less: Accumulated Depreciation:				
Buildings and Building Improvements	(13,559,113)	(607,670)	-	(14,166,783)
Machinery and Equipment	(8,595,229)	(905,795)	586,551	(8,914,473)
Infrastructure	(11,801,297)	(1,433,548)	281,010	(12,953,835)
Total Accumulated Depreciation	<u>(33,955,639)</u>	<u>(2,947,013)</u>	<u>867,561</u>	<u>(36,035,091)</u>
Total Depreciable Capital Assets, Net	<u>41,878,461</u>	<u>1,455,243</u>	<u>(138,983)</u>	<u>43,194,721</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 61,784,759</u>	<u>\$ 2,268,433</u>	<u>\$ (138,983)</u>	<u>\$ 63,914,209</u>

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**SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

	Balance 12/31/09	Additions	Deletions	Balance 12/31/10
<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	1,035,465	6,167	(15,412)	1,026,220
Infrastructure	1,457,703	-	-	1,457,703
Total Depreciable Capital Assets	<u>2,711,633</u>	<u>6,167</u>	<u>(15,412)</u>	<u>2,702,388</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(104,354)	(6,282)		(110,636)
Machinery and Equipment	(808,415)	(80,953)	14,279	(875,089)
Infrastructure	(489,745)	(36,011)		(525,756)
Total Accumulated Depreciation	<u>(1,402,514)</u>	<u>(123,246)</u>	<u>14,279</u>	<u>(1,511,481)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>1,309,119</u>	<u>(117,079)</u>	<u>(1,133)</u>	<u>1,190,907</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,335,362</u>	<u>\$ (117,079)</u>	<u>\$ (1,133)</u>	<u>\$ 1,217,150</u>

Depreciation expense was charged to governmental functions as follows:

<u>Governmental activities:</u>	
General Government	
Legislative & Executive	\$751,458
Judicial	59,491
Public Safety	172,037
Public Works	1,696,780
Health	161,250
Human Services	60,746
Conservation & Recreation	45,251
Total Depreciation Expense	<u>\$2,947,013</u>

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

During 2010, the County entered into lease agreements for copier and scanning equipment. During a prior year the County entered into lease agreements for vehicles. 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.

**SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)**

General capital assets consisting of equipment been capitalized in the statement of net assets in the amount of \$21,188. The final payments on the leased vehicles were made during 2010. This amount represents the present value of the minimum lease payments at the time of the lease inception. A corresponding liability was recorded in the statement of net assets. During 2010, principal and interest payments totaled \$1,114 and \$7,459, respectively, paid by the general fund and the Ditch Maintenance nonmajor special revenue fund. As of December 31, 2010, the liability for capital lease obligation included in the long-term liabilities of governmental activities totaled \$20,378.

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, 2010:

<u>Year Ended December 31,</u>	<u>Amount</u>
2011	\$ 5,868
2012	5,868
2013	5,867
2014	5,163
2015	<u>1,228</u>
Total	23,994
Less: amount representing interest	<u>(3,616)</u>
Present value of net minimum lease payments	<u>\$ 20,378</u>

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**SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**NOTE 11 - LONG-TERM OBLIGATIONS**

Long-term obligation activity for the year ended December 31, 2010 follows:

	Outstanding 12/31/09	Additions	Deductions	Outstanding 12/31/10	Amount Due Within One Year
<b><i>Governmental Activities</i></b>					
General Obligation Bonds	\$ 4,905,000	\$ -	\$ (430,000)	\$ 4,475,000	\$ 440,000
Compensated Absences	1,762,268	68,838	(63,861)	1,767,245	401,094
OWDA On-Lot Septic Loan	71,742	-	(5,314)	66,428	5,314
Capital Lease Payable	7,041	21,188	(7,851)	20,378	4,396
Governmental Activities	<u>\$ 6,746,051</u>	<u>\$ 90,026</u>	<u>\$ (507,026)</u>	<u>\$ 6,329,051</u>	<u>\$ 850,804</u>
<b><i>Business Type Activities</i></b>					
Compensated Absences	\$ 17,871	\$ -	\$ (4,534)	\$ 13,337	\$ 1,830
OPWC Sewer Project Loan	10,608	-	(684)	9,924	684
WSOS Bascom Sewer Project Loan	72,771	-	(19,773)	52,998	20,572
Business Type Activities	<u>\$ 101,250</u>	<u>\$ -</u>	<u>\$ (24,991)</u>	<u>\$ 76,259</u>	<u>\$ 23,086</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 of 2.00-5.00 percent. At December 31, 2010, the County had \$4,475,000 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, 2010, the amount of defeased debt amounted to \$4,270,000.

***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.

**SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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.

**Capital Lease Obligation** - The capital lease obligations are from the Ditch Maintenance fund with money received from ditch assessments and from the General fund. See Note 10 for detail on the capital lease obligation.

**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 Correction Grant, Emergency Medical Services, Emergency Management Agency, CDBG, Clerk of Court's Title Administration, Delinquent Care and Custody Grant, Allen Eiry Guardianship and Victims of Crime Act Grant.

**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 \$18,615,828 at December 31, 2010 and the unvoted legal debt margin was \$6,759,856 at December 31, 2010.

**SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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	Interest	Total
2011	\$ 440,000	\$ 569,068	\$ 1,009,068	\$ 5,314	\$ -	\$ 5,314
2012	450,000	570,267	1,020,267	5,314	-	5,314
2013	460,000	571,268	1,031,268	5,314	-	5,314
2014	475,000	575,917	1,050,917	5,314	-	5,314
2015	485,000	574,043	1,059,043	5,314	-	5,314
2016 - 2020	1,765,000	1,994,788	3,759,788	26,570	-	26,570
2021 - 2023	400,000	433,408	833,408	13,288	-	13,288
Total	<u>\$ 4,475,000</u>	<u>\$ 5,288,759</u>	<u>\$ 9,763,759</u>	<u>\$ 66,428</u>	<u>\$ -</u>	<u>\$ 66,428</u>

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	Interest	Total	Principal	Interest	Total
2011	\$ 684	\$ -	\$ 684	\$ 20,572	\$ 1,916	\$ 22,488
2012	684	-	684	21,403	1,085	22,488
2013	684	-	684	11,023	220	11,243
2014	684	-	684	-	-	-
2015	684	-	684	-	-	-
2016 - 2020	3,423	-	3,423	-	-	-
2021 - 2025	3,081	-	3,081	-	-	-
Total	<u>\$ 9,924</u>	<u>\$ -</u>	<u>\$ 9,924</u>	<u>\$ 52,998</u>	<u>\$ 3,221</u>	<u>\$ 56,219</u>

**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 \$103,018,263, which includes builders risk coverage.

**SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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		
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 \$29,682 as of December 31, 2010. 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.

	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Paid</u>	<u>Ending Balance</u>
2008	\$444,827	\$2,226,950	\$2,185,474	\$486,303
2009	486,303	3,127,710	3,057,990	556,023
2010	556,023	693,242	1,219,583	29,682

**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 Comp Management, Inc., provides administrative, cost control, and actuarial services to the Program to cover the costs of administering the Program.

## SENECA COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

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.

#### **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.

## SENECA COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

#### 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 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan 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 that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, 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 2010 member contribution rates were 10.00 percent for members in State and local classifications. Public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. The County's contribution rate for 2010 was 14.00 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.87 percent of covered payroll.

The County's contribution rate for pension benefits for members in the Traditional Plan for 2010 was 8.50 percent from January 1 through February 28, 2010 and 9.00 percent from March 1 through December 31, 2010. The County's contribution rate for pension benefits for members in the Combined Plan for 2010 was 9.27 percent from January 1 through February 28, 2010 and 9.77 percent from March 1 through December 31, 2010. For those plan members in law enforcement and public safety pension contributions were 12.37 percent from January 1 through February 28, 2010 and 12.87 percent from March 1 through December 31, 2010. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$1,596,642, \$1,440,974, and \$1,263,430, respectively; 96.24 percent has been contributed for 2010 and 100 percent has been contributed for 2009 and 2008. Contributions to the member-directed plan for 2010 were \$31,815 made by the County and \$22,725 made by the plan members.

## SENECA COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

#### 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 2010, plan members were required to contribute 10.00 percent of their annual covered salaries. The County was required to contribute 14.00 percent; 13.00 percent 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, 2010, 2009, and 2008 were \$72,698, \$76,686, and \$81,975, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

## SENECA COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

#### 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 writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code 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 2010, local government employers contributed 14.00 percent of covered payroll (17.87 percent 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 2010 was 5.50 percent from January 1 through February 28, 2010 and 5.00 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2010 was 4.73 percent from January 1 through February 28, 2010 and 4.23 percent from March 1 through December 31, 2010.

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, 2010, 2009, and 2008 were \$874,963, \$1,016,184, and \$1,217,257, respectively; 96.24 percent has been contributed for 2010 and 100 percent has been contributed for 2009 and 2008.

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, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**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 2010, STRS Ohio allocated employer contributions equal to 1.00 percent of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the fiscal years ended December 31, 2010, 2009, and 2008 were \$5,592, \$5,478, and \$5,856, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget (Non-GAAP Basis) and Actual for the general and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

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

**SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

The adjustments necessary to reconcile the GAAP and budgetary basis statements are as follows:

	Net Change in Fund Balance			
	General Fund	Maintenance and Repair Fund	Public Assistance Fund	Seneca County Opportunity Center
Budget Basis	(\$319,056)	\$1,462,448	(\$192,180)	(\$682,276)
Net Adjustment for Revenue Accruals	398,083	44,235	(9,560)	(333,049)
Net Adjustment for Expenditure Accruals	(138,436)	24,231	112,626	34,077
Net Adjustment for Other Financing Sources/(Uses)	167,688	27,069	0	0
Adjustment for Encumbrances	901,004	289,727	104,248	886,675
GAAP Basis	\$1,009,283	\$1,847,710	\$15,134	(\$94,573)

**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, 2010, an estimated \$686.125 million in bond and lease obligations were outstanding.

## SENECA COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

#### 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, 2010.

**SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**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 2010 throughout 2028. Summary financial information for the year ended December 31, 2010 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, 2010.

	Joint Venture	County Share	
Total Assets	\$4,723,994	\$1,574,665	
Total Liabilities	<u>973,244</u>	<u>324,415</u>	
Net Assets	<u>\$3,750,750</u>	<u>\$1,250,250</u>	
Revenues	321,121	107,040	
Expenses	<u>200,988</u>	<u>66,996</u>	
Increase in Net Assets	<u>\$120,133</u>	<u>\$40,044</u>	

**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, 2010 is presented below:

	Joint Venture	County Share		Population	Equity Percent
Beginning Fund Balance	\$ 2,990,939	\$ 1,066,642	Ottawa	41,428	26.04%
			Sandusky	60,944	38.30%
Revenues	2,650,980	945,404	Seneca	<u>56,745</u>	<u>35.66%</u>
Expenses	<u>(1,597,997)</u>	<u>(569,885)</u>	Total	<u>159,117</u>	<u>100.00%</u>
Ending Fund Balance	<u>\$ 4,043,922</u>	<u>\$ 1,442,161</u>			

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, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**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, 2010 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, 2010.

	<u>Joint Venture</u>	<u>County Share</u>		<u>Population</u>	<u>Equity Percent</u>
Beginning Fund Balance	\$ 3,418,046	\$ 1,382,405	Sandusky	60,944	43.44%
			Seneca	56,745	40.44%
Revenues	7,064,694	2,857,268	Wyandot	<u>22,615</u>	<u>16.12%</u>
Expenses	<u>(6,312,585)</u>	<u>(2,553,082)</u>	Total	<u>140,304</u>	<u>100.00%</u>
Ending Fund Balance	<u>\$ 4,170,155</u>	<u>\$ 1,686,591</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, 2010 is presented below. Further financial information can be found in the Northland Homes and Properties, Inc. financial report as of December 31, 2010.

**SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

	Joint Venture	County Share
Total Assets	\$ 2,641,802	\$ 880,600
Total Liabilities	(1,082,862)	(360,954)
Net Assets	\$ 1,558,940	\$ 519,646
Revenues	\$ 494,152	\$ 164,718
Expenses	(370,238)	(123,413)
Increase in Net Assets	\$ 123,914	\$ 41,305

**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-Ad 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, 2010. Further financial information can be seen in the Seneca Re-Ad Industries, Inc. Financial Report as of June 30, 2010 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.

**SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

*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 have been no temporarily restricted funds for the past two years.

*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.

**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	\$73,386	Home Savings and Loan Savings	\$90,436
First Bank	88,104	Republic Bank	73,485
Fifth Third Savings	73,941	First National Bank	61,562
First Merit CD	84,756	Sutton Bank	92,423
US Bank CD	89,504	Huntington Bank	57,783
Old Fort Bank CD	66,807	Petty Cash Funds	<u>540</u>
First Ohio Credit Union	61,582	<i>Total Cash and Short-Term Investments</i>	<u>\$914,309</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, 2010 are as follows:

	<u>Balance at</u>		<u>Deletions</u>	<u>Balance at</u>
	<u>6/30/2009</u>	<u>Additions</u>		<u>6/30/2010</u>
Land	\$ 2,945	\$ -	\$ -	\$ 2,945
Building	130,590	-	-	130,590
Furniture and Fixtures	98,210	-	(16,289)	81,921
Machinery and Equipment	394,129	34,847	-	428,976
Vehicles	<u>102,353</u>	<u>-</u>	<u>(8,511)</u>	<u>93,842</u>
<i>Subtotal</i>	728,227	34,847	(24,800)	738,274
Accumulated Depreciation	<u>(419,600)</u>	<u>(6,362)</u>	<u>-</u>	<u>(425,962)</u>
<i>Net Capital Assets</i>	<u>\$ 308,627</u>	<u>\$ 28,485</u>	<u>\$ (24,800)</u>	<u>\$ 312,312</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.

**SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

- 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.
- 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 \$333,617.
- G. Accrued Vacation** - A liability for accrued vacation for \$13,013 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.
- H. Contingent Liability** - In May 2010 a charge of harassment/sexual harassment was made to the Ohio Civil Rights Commission by an employee. No monetary claim has been made and management believes that the outcome of the complaint will be in their favor.

**NOTE 22 - RELATED PARTY TRANSACTIONS**

For the year ended December 31, 2010 the County participated in the following related party transactions.

Regional Planning Commission	Membership Contribution	\$ 10,000
Soil and Water Conservation District	Local Grant Matching Funds	\$132,525



**JAMES G. ZUPKA, C.P.A., INC.**

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*5240 East 98<sup>th</sup> Street*

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of County Commissioners  
Seneca County, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Seneca County, Ohio, as of and for the year ended December 31, 2010, which collectively comprise Seneca County, Ohio's basic financial statements and have issued our report thereon dated May 13, 2011, wherein we noted that our opinion on the Seneca Re-Ad Industries, Inc. component unit was based on the report 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Seneca Re-Ad Industries, Inc., as described in our report on Seneca County, Ohio's financial statements. The financial statements of Seneca Re-Ad Industries, Inc. were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Seneca County, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Seneca County, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Seneca County, Ohio'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, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency in internal control over financial reporting and which is listed as **Item 2010-001**. 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 obtaining reasonable assurance about whether Seneca County, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Seneca County, Ohio, in a separate letter dated May 13, 2011.

Seneca County, Ohio's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Seneca County, Ohio's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, the Board of County Commissioners, members of the Audit Committee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

May 13, 2011

**JAMES G. ZUPKA, C.P.A., INC.**

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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Commissioners  
Seneca County, Ohio

**Compliance**

We have audited Seneca County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Seneca County, Ohio's major federal programs for the year ended December 31, 2010. Seneca County, Ohio's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Seneca County, Ohio's management. Our responsibility is to express an opinion on Seneca County, Ohio's compliance based on our audit.

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

In our opinion, Seneca County, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.


### **Internal Control Over Compliance**

Management of Seneca County, Ohio, 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 Seneca County, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Seneca County, Ohio'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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over 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.

This report is intended solely for the information and use of the management, the Board of County Commissioners, members of the Audit Committee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

September 29, 2011

**SENECA COUNTY, OHIO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>Federal Grantor</b>			
<u>Pass Through Grantor</u>	CFDA	Pass Through	
Program Title	Number	Entity Number	Disbursements
<b><u>U.S. Department of Homeland Security</u></b>			
<u>Passed through Ohio Department of Public Safety</u>			
<i>Homeland Security Cluster</i>			
Homeland Security Grant Program	97.067	2006-6E-77-0030	\$ 12,169
Homeland Security Grant Program	97.067	2007-6E-77-0030	<u>59,552</u>
<i>Total Homeland Security Cluster</i>			<u>71,721</u>
<b>Total U.S. Department of Homeland Security</b>			<u>71,721</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<u>Passed through Ohio Department of Development</u>			
<i>Community Development Block Grant - State Administered Small Cities Program Cluster</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants - State-Administered Small Cities Program	14.228	BF-09-069-1	32,344
		B-F-10-ICQ-1	1,030
		B-C-09-069-1&2	144,964
		B-Z-08-ICQ-1	<u>652,967</u>
<i>Total CFDA #14.228</i>			<u>831,305</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>831,305</u>
<b><u>U.S. Department of Justice</u></b>			
<u>Passed through the Ohio Attorney General's Office</u>			
Crime Victim Assistance	16.575	2010VAGENE252	92,867
		2010XSAGENE252	7,815
		2011VAGENE252	14,890
		2011-SAGENE252	<u>2,605</u>
<i>Total CFDA #16.575</i>			<u>118,177</u>
<u>Direct Grant</u>			
ARRA - Assist Rural Law Enforcement Grant	16.810	2009CWAYK006	<u>279,877</u>
<b>Total U.S. Department of Justice</b>			<u>398,054</u>
<b><u>U.S. Department of Education</u></b>			
<u>Passed through Ohio Department of Education</u>			
<i>Special Education Cluster (IDEA)</i>			
Special Education Grants to States (IDEA, Part B)	84.027	066241-6BSF-2010/2011	36,129
ARRA - Special Education Grants to States (IDEA, Part B)	84.391	0666241-6BSF	<u>22,289</u>
<i>Total Special Education Cluster (IDEA)</i>			<u>58,418</u>
<b>Total Passed through Ohio Department of Education</b>			<u>58,418</u>
<u>Passed through Seneca County Family and Children First Council</u>			
<i>Early Intervention Services (IDEA) Cluster</i>			
Special Education Grants for Infants and Families	84.181	HELP ME GROW-PART C	<u>49,509</u>
<i>Total Early Intervention Services (IDEA) Cluster</i>			<u>49,509</u>
<b>Total U.S. Department of Education</b>			<u>107,927</u>

(Continued)

**SENECA COUNTY, OHIO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

<u>Federal Grantor</u>			
<u>Pass Through Grantor</u>			
Program Title	CFDA Number	Pass Through Entity Number	Disbursements
<b><u>U.S. Department of Transportation</u></b>			
<b><u>Direct Grant</u></b>			
Airport Improvement Program	20.106		275,975
			609,455
			<u>148,635</u>
<i>Total CFDA #20.106</i>			<u>1,034,065</u>
<b><u>Passed Through Ohio Department of Transportation</u></b>			
<i>Highway Planning and Construction Cluster</i>			
Highway Planning and Construction	20.205	#22582	115,309
		#22730	204,269
		#22521	514,766
		#23259	1,798,877
		#23382	52,271
		#23388	355,487
		#23549	<u>10,643</u>
<i>Total Highway Planning and Construction Cluster</i>			<u>3,051,622</u>
<b><u>Passed through Ohio Department of Public Safety</u></b>			
<i>Highway Safety Cluster</i>			
State and Community Highway Safety	20.600	HVEO-2010-74-00-00-00215-00	1,422
		HVEO-2010-74-00-00-00619-00	<u>10,722</u>
<i>Total Highway Safety Cluster</i>			<u>12,144</u>
<b>Total U.S. Department of Transportation</b>			<u>4,097,831</u>
<b><u>U.S. Department of Agriculture</u></b>			
<b><u>Passed through Ohio Department of Education</u></b>			
Food Donation - MRDD	10.550	066241	<u>5,195</u>
<i>Nutrition Cluster</i>			
School Breakfast Program -(SBP)	10.553		9,447
National School Lunch Program - (NSLP)	10.555	1RN066241	11,973
National School Lunch Program - (NSLP)	10.555		<u>16,108</u>
<i>Total Nutrition Cluster</i>			<u>37,528</u>
<i>Supplemental Nutrition Assistance Program (SNAP) Cluster</i>			
ARRA - Supplemental Nutrition Assistance Program, Recovery Act	10.561		20,207
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>297,297</u>
<i>Total Supplemental Nutrition Assistance Program Cluster</i>			<u>317,504</u>
<b>Total U.S. Department of Agriculture</b>			<u>360,227</u>

(Continued)

**SENECA COUNTY, OHIO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

<b>Federal Grantor</b>			
<u>Pass Through Grantor</u>	CFDA	Pass Through	
Program Title	Number	Entity Number	Disbursements
<b><u>U.S. Department of Labor</u></b>			
<u>Passed through Montgomery County Department of Job and Family Services</u>			
<i>Workforce Investment Act Cluster</i>			
Workforce Investment Act - Adult Program	17.258		102,736
Workforce Investment Act - Adult Administrative	17.258		13,592
Workforce Investment Act - Youth Activities	17.259		162,972
Workforce Investment Act - Youth Administrative	17.259		4,576
Workforce Investment Act - Dislocated Workers	17.260		95,955
Workforce Investment Act - Dislocated Workers	17.260		57,576
Workforce Investment Act - Dislocated Workers	17.260		90,000
Workforce Investment Act - Dislocated Workers Administrative	17.260		9,453
<i>Total Workforce Investment Act Cluster</i>			<u>536,860</u>
<i>ARRA - Workforce Investment Act Cluster</i>			
ARRA - Workforce Investment Act - Adult Program	17.258		201,829
ARRA - Workforce Investment Act - Youth Activities	17.259		51,048
ARRA - Workforce Investment Act - Youth Administrative	17.259		5,315
ARRA - Workforce Investment Act - Dislocated Workers	17.260		9,441
ARRA - Workforce Investment Act - Dislocated Workers Admin	17.260		108,630
<i>Total ARRA - Workforce Investment Cluster</i>			<u>376,263</u>
<b>Total U.S. Department of Labor</b>			<u>913,123</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
<u>Passed through Ohio Department of Mental Retardation and Developmental Disabilities</u>			
<i>Medicaid Cluster</i>			
Medical Assistance Program - Medicaid	93.778		138,997
Medical Assistance Program - Targeted Case Management	93.778		24,339
Medical Assistance Program - Title XIX	93.778		80,354
<i>Total Medicaid Cluster</i>			<u>243,690</u>
<i>TANF Cluster</i>			
Temporary Assistance for Needy Families - MR/DD	93.558		1,679,328
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	93.714		127,917
<i>Total TANF Cluster</i>			<u>1,807,245</u>

(Continued)

**SENECA COUNTY, OHIO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

<b>Federal Grantor</b>			
<u>Pass Through Grantor</u>	CFDA	Pass Through	
Program Title	Number	Entity Number	Disbursements
<b>U.S. Department of Health and Human Services (Continued)</b>			
Passed through Ohio Department of Mental Retardation and Developmental Disabilities (Continued)			
<i>Child Care and Development Fund Cluster</i>			
Child Care and Development Block Grant	93.575		289,915
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		30,309
<i>Total Child Care and Development Fund Cluster</i>			<u>320,224</u>
Title XX - MR/DD	93.667		39,581
Title XX - Jobs and Family Services	93.667		564,134
<i>Total CFDA #93.667</i>			<u>603,715</u>
Title IV-E - Foster Care - Placement Exp Reimbursement	93.658		376,880
ARRA - Title IV-E - Foster Care - Placement Exp Reimbursement	93.658		44,781
<i>Total CFDA #93.658</i>			<u>421,661</u>
Title IV-E - Non-Recurring Adoption	93.659		5,750
Child Abuse and Neglect State Grants	93.669		2,000
Promoting Safe and Stable Families	93.556		6,186
<u>Passed Through Ohio Child Support Enforcement Agency</u>			
Child Support Enforcement	93.563		526,233
ARRA - Child Support Enforcement	93.563		60,179
<i>Total CFDA #93.563</i>			<u>586,412</u>
<u>Passed Through Ohio Secretary of State</u>			
Voting Access for Individuals with Disabilities-Grants to States	93.617	HHS Grant Funds	1,800
Help America Vote Act	90.401	HAVA Title II	630
<b>Total U.S. Department of Health and Human Services</b>			<u>3,999,313</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 10,779,501</u>



**SENECA COUNTY, OHIO**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

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**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 2: CHILD NUTRITION CLUSTER**

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

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

**NOTE 3: COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS**

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

These loans are collateralized. At December 31, 2010, the gross amount of loans outstanding under this program was \$70,003.

**NOTE 4: MATCHING REQUIREMENTS**

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

**SENECA COUNTY, OHIO**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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**NOTE 5: WORKFORCE INVESTMENT ACT (WIA)**

The Ohio Department of Job and Family Services (ODJFS) restructured the administration of the WIA program. The ODJFS named Montgomery County the fiscal agent of the Seneca County Job and Family Services WIA program. As a result, the process to account for the WIA activity changed. Starting July 1, 2004, the WIA funds flow to Seneca County through Montgomery County.

**NOTE 6: ADJUSTMENT TO 2009 FEDERAL SCHEDULE**

The Ohio Department of Jobs and Family Services (ODJFS) sub-awarded to Seneca County, Federal funding from the U.S. Department of Health and Human Services. Although these programs were administered at the County level, in July 2010, ODJFS adjusted some of the County's child care expenditures to align them with available funding sources. ODJFS' adjustments were retroactive to the beginning of the grant period (October 1, 2009). Therefore, these July 2010 adjustments affect 2009 calendar-year program expenditures previously reported as follows:

<u>Child Care Cluster</u>	<u>Federal CFDA Number</u>	<u>Pass Through #</u>	<u>2009 Federal Expenditures Reported</u>	<u>July 2010 Adjustment</u>	<u>Adjusted 2009 Federal Expenditures Reported</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G-89-20-1145/ G-89-20-G-1011-11-5112	\$ 96,984	\$ (263,301)	\$ (166,317)

**SENECA COUNTY, OHIO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 & §.505**  
**DECEMBER 31, 2010**

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

2010(i)	Type of Financial Statement Opinion	Unqualified
2010(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2010(ii)	Were there any other significant deficiencies identified not considered to be material weaknesses reported at the financial statement level (GAGAS)?	Yes
2010(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
2010(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2010(iv)	Were there any other significant internal control weaknesses reported for major federal programs?	No
2010(v)	Type of Major Programs' Compliance Opinions	Unqualified
2010(vi)	Are there any audit findings under .510?	No
2010(vii)	Major Programs (list):  Airport Improvement Program (AIP) - CFDA #20.106 ARRA - Assist Rural Law Enforcement Grant - CFDA #16.810 Title IV-E Foster Care - CFDA #93.658 ARRA - Title IV-E - Foster Care-Placement Exp. Reimbursement - CFDA #93.658 Workforce Investment Act Cluster - CFDA #17.258, 17.259, and 17.260 ARRA - Workforce Investment Act Cluster - CFDA #17.258, 17.259, and 17.260 Highway Planning and Construction - CFDA #20.205 TANF Cluster - CFDA #93.558 and 93.714	
2010(viii)	Dollar Threshold: A/B Programs	Type A: \$323,385 Type B: All Others
2010(ix)	Low Risk Auditee?	Yes

SENECA COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & §.505  
DECEMBER 31, 2010  
(CONTINUED)

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

**Item 2010-001 - Significant Deficiency - Information Technology**

Statement of Condition/Criteria

We noted that the County does not have formally documented computer policies, and procedures to provide control over the various computer activities being performed. A computer-based accounting system requires effective general and applications controls in order to ensure that assets are safeguarded and that transactions are recorded in accordance with management's authorization. We also noted that the County does not have an active Data Processing Board or a long-range information technology strategic plan. In addition, we noted that multiple individuals have system administrator level access. It does not appear that the County is aware of all parties that can access the server remotely or what software is used to gain remote access.

Cause/Effect

The County Commissioners have not formalized the IT policies and procedures for the County. The County's Automatic Data Processing Board is not active. The County does not limit the number of individuals who have system administrator level access. The County does not limit the number of individuals who have remote access to the server. The County does not limit the number of programs that can be used to gain remote access. These items have resulted in an information technology system that lacks strong controls.

Recommendation

We recommend that the County develop an Information Technology Standards, Policies, and Procedures Manual. The following items should be considered for inclusion in this manual:

1. General controls, including:
  - a. Plan of organization and operation of the Information Technology Department and computer facility.
  - b. Procedures for developing, testing, documenting, reviewing, and approving systems or programs and subsequent modifications.
  - c. Controls over access to computer equipment and data contained therein.
  - d. Disaster/recovery plans, including backup procedures, off-site storage, and contingency planning.
  - e. Procedures for implementing updates and patches for applications and anti-virus software.
  - f. Policies dictating the password requirements and the life of passwords.
  - g. Policies regarding installation of software by employees.
  - h. Procedures for removing employee access upon termination of employment.
  - I. Any other policies or procedures which may be of concern to management.

SENECA COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & §.505  
DECEMBER 31, 2010  
(CONTINUED)

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

**Item 2010-001 - Significant Deficiency - Information Technology** (Continued)

Recommendation (Continued)

2. Application controls in the following three areas:
  - a. Input controls to provide reasonable assurance that data received for processing by the computer is authorized, complete, and accurate.
  - b. Processing controls to ensure that all transactions are processed as intended and that no unauthorized transactions are processed.
  - c. Output controls to ensure the accuracy of data processing and that only authorized personnel receive the output.

The County Commissioners approved several of the policies and procedures identified above subsequent to the audit report date.

We further recommend that the County's Automatic Data Processing Board play a more active role in the development, implementation, and monitoring of the County's information technology policies and procedures. We recommend that the Automatic Data Processing Board also perform the following:

- Mitigate incompatibility issues for hardware and software.
- Reduce costs of acquiring hardware and software.
- Develop coordinated disaster recovery plans for information technology to ensure delivery of essential public services in the event of a disaster.
- Develop policies and procedures to ensure the security and thus the reliability of County information.
- Develop and maintain a long-range information technology strategic plan.

SENECA COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & §.505  
DECEMBER 31, 2010  
(CONTINUED)

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

**Item 2010-001 - Significant Deficiency - Information Technology** (Continued)

Recommendation (Continued)

We recommend that the County develop a long range information technology strategic plan, which should include the following:

- **Application Plan** - Identification of the organizational functions, how data processing currently supports these functions, and which functions can benefit from new or enhanced data processing services.
- **Hardware Plan** - Projections of activity levels for current and proposed systems. The plan should provide the basis for anticipating hardware needs.
- **System Software Plan** - Projections of the requirements of systems software in relation to the application and hardware plans.
- **Staffing Plan** - Designates the caliber and type of personnel required to support the application, system software, and hardware plans.
- **Control Plan** - Includes the policies, procedures, and techniques to provide data processing and general management with the tools necessary to control and maintain the data processing functions.

Long-range information technology plans should be reviewed and updated as forecasted growth and objectives for the data center change. The development of this long-range plan will help to ensure that monies are spent where needed when they become available.

The County should have only one individual who has system administrator access. The County has subsequently entered into an agreement, in June 2011, with Software Solutions, Inc. (SSI) whereby SSI will act as the only system administrator for the County's information technology system.

The County should limit the number of individuals with remote access to the server. Also, the County should limit the number of programs used to gain remote access.

SENECA COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & §.505  
DECEMBER 31, 2010  
(CONTINUED)

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

**Item 2010-001 - Significant Deficiency - Information Technology** (Continued)

*County's Response*

The County Commissioners approved the policies and procedures identified as of July 5, 2011. These policies were drafted and provided to our auditing firm a couple of years ago and the County was awaiting their guidance and approval of these policies. It was not until our last meeting with them that the County was informed that the auditing firm refused to review the policies until they are passed and implemented. The County, therefore, immediately approved and implemented the following:

1. Seneca County E-mail Retention Policy
2. Seneca County Password Policy
3. Seneca County E-mail Use Policy
4. Seneca County Server Security Policy
5. Seneca County Antivirus Recommended Processes
6. Seneca County Acceptable Use Policy

Seneca County does not have an Automatic Data Processing Board, because we feel that with technology's rate of advancement that the Processing Board would not be cost effective and would therefore be inefficient. We have had an IT consultant under contract since 2006 to coordinate the County's technology and processes.

The Commissioners would like to note that in the report the server in question is the Auditor's server. It is incorrectly being referred to as the County's server when the only server in which access is being questioned is the sever located at the RTA building.

The County entered into a contract with Software Solutions, Inc. (SSI) on July 5, 2011, whereby SSI will act as system coordinator for the County Auditor's eGovProfessional software. This will remain in effect until an agreement with the Auditor and Commissioners can be reached regarding viewing access of this software. When the County Administrator removed access of the administrator rights with SSI, it was learned by the Commissioners that there were several employees in the Auditor's Office that had access and administrator rights which were not previously disclosed to the Commissioners. The Commissioners have since limited the number of individuals with access and administrative rights to that server.

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

None.

**SENECA COUNTY, OHIO**  
**STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

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	<u>Finding Summary</u>	<u>Corrected</u>	<u>Explanation</u>
2009-1	Appropriations Exceed Estimated Resources	Partially Corrected	Repeated as a management comment in this report.

Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.





# Dave Yost • Auditor of State

## SENECA COUNTY FINANCIAL CONDITION

### SENECA COUNTY

#### CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
OCTOBER 13, 2011