



Dave Yost • Auditor of State

SENECA COUNTY
TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	22
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - General Fund	26
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Comparison (Non-GAAP Budgetary Basis) – Maintenance And Repair Fund	27
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Comparison (Non-GAAP Budgetary Basis) – Seneca County Opportunity Center Fund	28
Statement of Net Position –Proprietary Funds	29
Statement of Revenues, Expenses and Changes in Fund Net Position –Proprietary Funds	30
Statement of Cash Flows –Proprietary Funds	31
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds	33
Notes to the Basic Financial Statements	35
Federal Awards Expenditures Schedule	81
Notes to the Federal Awards Expenditures Schedule	85

SENECA COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Independent Auditor' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	87
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	89
Schedule of Findings.....	91
Schedule of Prior Audit Findings.....	93



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Seneca County
111 Madison Street
Tiffin, Ohio 44883-2824

To the Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Seneca County, Ohio (the County), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of Seneca Re-Ad Industries, Inc., which represents all of the County's discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for the Seneca Re-Ad Industries, Inc., is based solely 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 financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement. The other auditors audited the financial statements of Seneca Re-Ad Industries, Inc. in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation. We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinions

In our opinion, based on our audit 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Seneca County, Ohio, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Maintenance and Repair, and Seneca County Opportunity Center funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2012, the County adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the County's basic financial statements taken as a whole.

The Federal Awards Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2013, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Dave Yost", is written over a faint rectangular line.

Dave Yost
Auditor of State

Columbus, Ohio

September 20, 2013

This page intentionally left blank.

SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 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, 2012. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- The total net position of the County increased \$6,720,190 during 2012. The net position of the governmental activities increased \$6,020,350, which represents a 6.29 percent increase over the restated net position at December 31, 2011; meanwhile, the net position of business-type activities increased \$699,840 or 49.83 percent from 2011.
- General revenues accounted for \$15,491,556 or 35.53 percent of total governmental activities revenue. Program specific revenues accounted for \$28,106,606 or 64.47 percent of total governmental activities revenue.
- The County as a whole had \$38,203,956 in expenses; \$29,393,588 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$15,530,558 were adequate to provide for these programs.
- The General fund, the County's largest major governmental fund, had revenues and other financing sources of \$15,468,099 in 2012, a decrease of \$137,448 or 0.88 percent from general fund revenues and other financing sources in 2011. The General fund had expenditures and other financing uses of \$15,033,436 in 2012, a decrease of \$1,271,833 or 7.80 percent from 2011. The net effect of changes in revenues and expenditures contributed to the General fund balance increase of \$434,663 or 11.41 percent from 2011 to 2012.
- The net position of the business-type activities, which are composed of the Bascom Sewer District, Emergency Medical Services and the County Sewer District enterprise funds, increased in 2012 by \$699,840 or 49.83 percent.

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 that 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 position and the 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 illustrate how services were financed in the short-term, as well as what current resources remain for future spending. The fund financial statements also look at the County's most significant funds with all other non-major funds presented in total in one column. In the case of the County, there are three major governmental funds. The General fund is the largest major fund.

Reporting the County as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities answer the question, "How did the County perform financially during 2012?" These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting, similar to accounting used by most private-sector companies. This basis of accounting includes all of the current year's revenues and expenses, regardless of when cash is received or paid.

SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 UNAUDITED (Continued)

These two statements report the County's net position and changes in net position during the year. The change in net position 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 position and the statement of activities, the County is divided into two distinct kinds of activities:

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

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.

SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 UNAUDITED (Continued)

Proprietary Funds

The County maintains two different types of proprietary funds: enterprise funds and an internal service fund. 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, the operations of which were transferred to the County Sewer District during 2012, Emergency Medical Services and County Sewer District operations. 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. As of January 1, 2012, the County was no longer self-insured for prescription drug benefits.

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 statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the County's only fiduciary fund type.

Notes to the Financial Statements

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

Government-Wide Financial Analysis

The statement of net position provides the perspective of the County as a whole. During 2012, the County implemented GASB Statement No. 65, which requires that the portion of property taxes receivable levied for the subsequent year be reported with a deferred inflow of resources rather than a liability. GASB Statement No. 65 also requires that bond issuance costs be expensed when incurred rather than amortized. The assets and net position of the governmental activities in 2011 have been restated to exclude the portion of bond issuance costs not amortized in previous years (see Note 3A) and to reclassify property taxes levied for the subsequent year as a deferred inflow of resources.

Further, in previous years the County has reported balances between funds related to an internal note as interfund loans receivable/payable in the governmental funds and as a component of internal balance on the government wide financial statements to the extent to which the note was an obligation of the business-type activities. For 2012, the County has classified the assets and liabilities arising from the issuance of internal notes as an investment of the governmental activities and as liabilities of the governmental activities and business-type activities (see Note 12 for detail). Assets and liabilities at December 31, 2011, have been restated to conform to current year presentation of these items.

The table below provides a summary of the County's net position for 2012 and 2011, as restated for the aforementioned items.

SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 UNAUDITED (Continued)

	Net Position					
	Governmental Activities 2012	Business-type Activities 2012	Restated Governmental Activities 2011	Restated Business-type Activities 2011	2012 Total	Restated 2011 Total
<u>Assets</u>						
Current and other assets	\$ 44,847,113	\$ 1,582,772	\$ 43,326,869	\$ 432,717	\$ 46,429,885	\$ 43,759,586
Capital assets	<u>70,562,315</u>	<u>4,352,763</u>	<u>65,832,015</u>	<u>1,117,041</u>	<u>74,915,078</u>	<u>66,949,056</u>
Total assets	<u>115,409,428</u>	<u>5,935,535</u>	<u>109,158,884</u>	<u>1,549,758</u>	<u>121,344,963</u>	<u>110,708,642</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	5,313,082	2,988,935	5,880,634	57,017	8,302,017	5,937,651
Other liabilities	<u>3,301,493</u>	<u>842,412</u>	<u>2,568,583</u>	<u>88,393</u>	<u>4,143,905</u>	<u>2,656,976</u>
Total liabilities	<u>8,614,575</u>	<u>3,831,347</u>	<u>8,449,217</u>	<u>145,410</u>	<u>12,445,922</u>	<u>8,594,627</u>
<u>Deferred Inflows of Resources</u>	<u>5,069,367</u>	<u>-</u>	<u>5,004,531</u>	<u>-</u>	<u>5,069,367</u>	<u>5,004,531</u>
<u>Net Position</u>						
Net investment in capital assets	66,609,254	1,344,732	61,355,033	1,107,801	67,953,986	62,462,834
Restricted	<u>25,205,065</u>	<u>17,880</u>	<u>24,789,043</u>	<u>-</u>	<u>25,222,945</u>	<u>24,789,043</u>
Unrestricted	<u>9,911,167</u>	<u>741,576</u>	<u>9,561,060</u>	<u>296,547</u>	<u>10,652,743</u>	<u>9,857,607</u>
Total net position	<u>\$ 101,725,486</u>	<u>\$ 2,104,188</u>	<u>\$ 95,705,136</u>	<u>\$ 1,404,348</u>	<u>\$ 103,829,674</u>	<u>\$ 97,109,484</u>

Over time, net position can serve as a useful indicator of a government's financial condition. At December 31, 2012, the County's assets exceeded liabilities and deferred inflows of resources by \$103,829,674. This amounts to \$101,725,486 in the governmental activities and \$2,104,188 in the 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 61.74 percent of total governmental and business-type assets. Capital assets include land and improvements, buildings and improvements, machinery and equipment, infrastructure, and construction in progress. The County's net investment in capital assets 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 and amounted to \$67,953,986 at December 31, 2012. Capital assets are used to provide services to citizens and are not available for future spending. Although the County's net investment in capital assets is reported net of related long-term obligations, it should be noted that the resources to repay the related debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2012, the County is able to report positive balances in all categories of net position, 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 position, \$25,222,945 or 24.29 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, which amounts to \$9,911,167 in the governmental activities and \$741,576 in the business-type activities, may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental net position increased by \$6,020,350 in 2012 from 2011.

The County's largest program in 2012 was health, accounting for 23.78 percent of total governmental expenses. Health activities are provided mainly by the SCOC. 43.35 percent of these expenses were funded by \$2,378,453 in operating grants and contributions and \$1,479,211 in charges for health services in 2012. The next largest program in 2012 was for public safety, which includes the operations of the County sheriff, coroner, community corrections,

SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 UNAUDITED (Continued)

homeland security, emergency management, and the Seneca County Youth Center. 30.11 percent of public safety expenses were funded by program-specific charges for services revenues, including prison and detention center housing fees and reimbursements, revenue from concealed weapons licenses, emergency management charges for services and other sales, while 11.43 percent of public safety expenses was funded by operating grants and contributions from federal, State, and local sources. The third largest program was human services, which supports the operations of the County Home, Public Assistance, Victim Assistance, Veteran Services, and the Children Services Board. Human services expenses accounted for \$6,512,765 or 17.40 percent of total governmental activities expenses. These expenses were funded by \$302,565 in charges to users of services and \$5,337,547 in operating grants and contributions in 2012. General government expenses, which include legislative and executive and judicial programs, accounted for \$8,479,081 or 22.66 percent of total governmental expenses. General government expenses were covered by direct charges to users, operating grants and contributions, and capital grants and contributions of \$2,702,367, \$293,867, and \$29,214, respectively, in 2012.

The County's direct charges to users of governmental services made up \$7,441,638 or 17.07 percent of total governmental activities revenues. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, income from the lease of property, and licenses and permits.

The State and federal government contributed to the County revenues of \$13,742,891 in operating grants and contributions and \$6,922,077 in capital grants and contributions. Operating grants and contributions are restricted to be used for specific County programs, while capital grants and contributions are restricted to be used for the construction or acquisition of facilities and other capital assets.

General revenues totaled \$15,491,556, and amounted to 35.53 percent of total revenues. These revenues primarily consist of property and sales tax revenue of \$12,546,283, or 80.99 percent of total general revenues in 2012. The other primary source of general revenues is unrestricted grants and entitlements of \$2,383,283, with local government revenue assistance and the County's allocation of Ohio casino revenues making up \$800,830, or 33.60 percent, and \$434,182 or 18.22 percent of the total, respectively.

The table below shows the changes in net position for fiscal year 2012 and 2011. Beginning net position and interest and fiscal charges for 2012 have been restated to exclude the effects of bond issuance costs (see Note 3A), and 2011 charges on the conveyance of real property charged by the County Auditor of \$372,640 have been reclassified from property taxes, as previously reported, to charges for services to conform to 2012 presentation.

SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 UNAUDITED (Continued)

	Change in Net Position					
	Governmental	Business-type	Restated	Business-type		Restated
	Activities	Activities	Governmental	Activities	2012	2011
	2012	2012	Activities	2011	Total	Total
			2011			
<u>Revenues</u>						
Program revenues:						
Charges for services & sales	\$ 7,441,638	\$ 1,147,685	\$ 8,861,036	\$ 589,252	\$ 8,589,323	\$ 9,450,288
Operating grants & contributions	13,742,891	6,000	14,102,464	2,407	13,748,891	14,104,871
Capital grants and contributions	6,922,077	133,297	4,368,882	-	7,055,374	4,368,882
Total program revenues	28,106,606	1,286,982	27,332,382	591,659	29,393,588	27,924,041
General revenues:						
Property taxes	4,994,203	-	5,072,002	-	4,994,203	5,072,002
Sales tax	7,552,080	-	7,929,782	-	7,552,080	7,929,782
Unrestricted grants	2,383,283	-	1,336,203	-	2,383,283	1,336,203
Contributions and donations	334	928	55	-	1,262	55
Investment earnings	65,972	557	97,574	235	66,529	97,809
Other	495,684	37,517	641,993	22,110	533,201	664,103
Total general revenues	15,491,556	39,002	15,077,609	22,345	15,530,558	15,099,954
Total revenues	43,598,162	1,325,984	42,409,991	614,004	44,924,146	43,023,995
<u>Expenses</u>						
Program expenses:						
General government						
Legislative and executive	6,028,548	-	6,467,712	-	6,028,548	6,467,712
Judicial	2,450,533	-	2,614,593	-	2,450,533	2,614,593
Public safety	6,668,801	-	6,737,359	-	6,668,801	6,737,359
Public works	6,153,195	-	5,257,965	-	6,153,195	5,257,965
Health	8,899,825	-	9,457,676	-	8,899,825	9,457,676
Human services	6,512,765	-	7,157,567	-	6,512,765	7,157,567
Conservation and recreation	240,198	-	213,954	-	240,198	213,954
Community and economic development	343,012	-	5,396	-	343,012	5,396
Interest and fiscal charges	125,935	-	135,605	-	125,935	135,605
Bascom Sewer District	-	108,715	-	104,557	108,715	104,557
Emergency Medical Services	-	429,700	-	410,312	429,700	410,312
County Sewer District	-	242,729	-	236,776	242,729	236,776
Total expenses	37,422,812	781,144	38,047,827	751,645	38,203,956	38,799,472
Excess (deficiency) of revenues over (under) expenses	6,175,350	544,840	4,362,164	(137,641)	6,720,190	4,224,523
Transfers	(155,000)	155,000	(254,862)	254,862	-	-
Change in net position	6,020,350	699,840	4,107,302	117,221	6,720,190	4,224,523
Net position at beginning of year (restated)	95,705,136	1,404,348	91,597,834	1,287,127	97,109,484	92,884,961
Net position at end of year	\$101,725,486	\$ 2,104,188	\$ 95,705,136	\$ 1,404,348	\$103,829,674	\$ 97,109,484

Governmental Activities

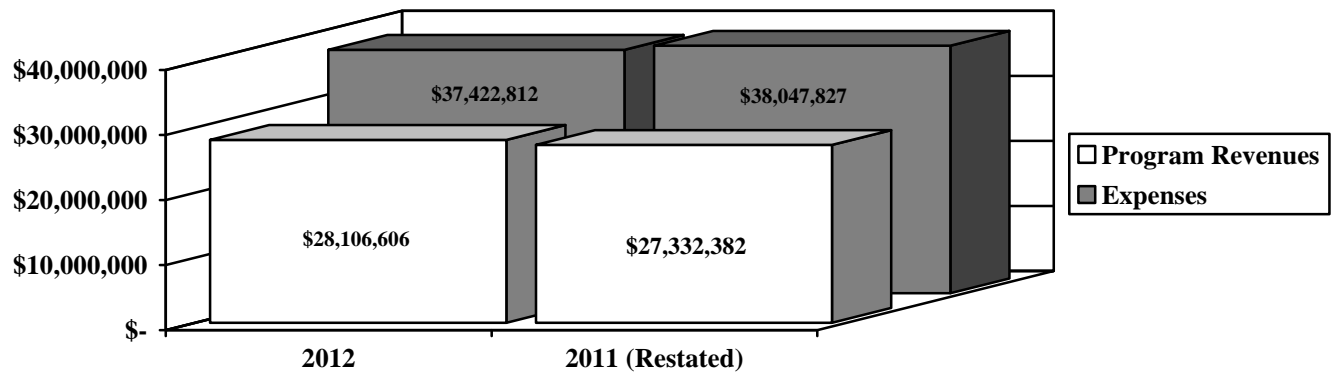
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2012 and 2011. That is, it identifies the cost of these services supported by general revenues (such as tax revenue and unrestricted State grants and entitlements). The County is reliant upon general revenues to finance

SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 UNAUDITED (Continued)

operations, as program revenues are not sufficient to cover total expenses. Program revenues for 2011 have been restated to include charges on the conveyance of real property of \$372,640, consistent with presentation in 2012, and expenses for 2011 have been restated to exclude the prior year amortization of bond issuance costs amounting to \$14,357 due to the implementation of GASB Statement No. 65.

Governmental Activities - Program Revenues vs. Total Expenses



The table that follows presents the total and net costs of services, or the extent to which the County relies on general revenues to finance current operations, of the governmental activities for 2012 and 2011. The net cost of legislative and executive expenses in 2011 has been restated to include the effects of charges on the conveyance of real property of \$372,640, consistent with current year presentation, and the total and net cost of interest and fiscal charges have been restated to exclude the amortization of bond issuance costs amounting to \$14,357.

	Governmental Activities			
	Total Cost of Services 2012	Net Cost of Services 2012	Restated Total Cost of Services 2011	Restated Net Cost of Services 2011
Program Expenses:				
General government				
Legislative and executive	\$ 6,028,548	\$ 4,349,647	\$ 6,467,712	\$ 4,301,146
Judicial	2,450,533	1,103,986	2,614,593	1,367,339
Public safety	6,668,801	3,899,071	6,737,359	3,082,521
Public works	6,153,195	(5,861,193)	5,257,965	(3,462,796)
Health	8,899,825	5,042,161	9,457,676	4,389,241
Human services	6,512,765	872,653	7,157,567	1,119,270
Conservation and recreation	240,198	237,058	213,954	213,402
Community and economic development	343,012	(453,112)	5,396	(430,283)
Interest and fiscal charges	125,935	125,935	135,605	135,605
Total	<u>\$ 37,422,812</u>	<u>\$ 9,316,206</u>	<u>\$ 38,047,827</u>	<u>\$ 10,715,445</u>

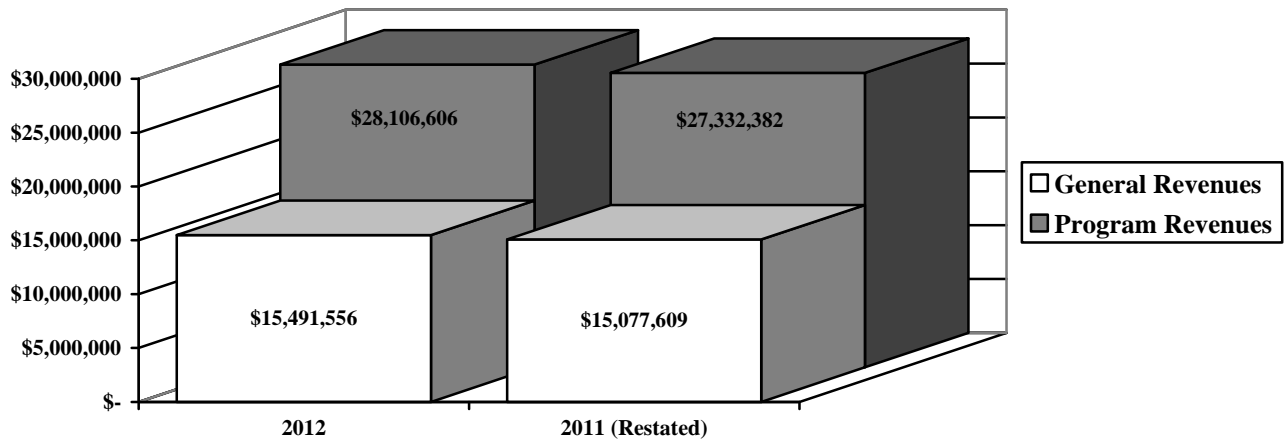
Charges for services, operating grants and contributions, and capital grants and contributions totaling \$3,025,448 were used to offset the general government expenses of the County. The remaining \$5,453,633 in general government expenses was funded by property taxes, sales taxes and grants and entitlements not restricted to specific programs. The County's reliance upon general revenues for governmental activities is apparent, with 24.89 percent of expenses supported through taxes and other general revenues during 2012.

SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 UNAUDITED (Continued)

The graph below illustrates the County's dependence on general revenues. Revenues for 2011 have been restated to present charges on the conveyance of real property of \$372,640 as program revenues, consistent with current year presentation, rather than as general revenues of the County as previously reported.

Governmental Activities - General and Program Revenues



Business-Type Activities

The Bascom Sewer District, Emergency Medical Services and County Sewer District are the County's enterprise funds. These operations had program revenues of \$1,286,982, general revenues of \$39,002, and expenses of \$781,144 for fiscal year 2012. The net position of the business-type activities increased \$699,840 during 2012.

During 2012, the assets and liabilities of the business type activities increased significantly due to the acquisition of the New Riegel sewer systems and the construction of water lines and a waste water treatment plant to serve the unincorporated community of Bascom in Hopewell Township. These projects were financed through 2012 with the issuance of sewer improvement revenue bonds via the United States Department of Agriculture. The construction of the Bascom sewer project will also be financed through grant proceeds on a reimbursement basis during 2013.

The following items contributed to the increase in net position of the business type activities during 2012:

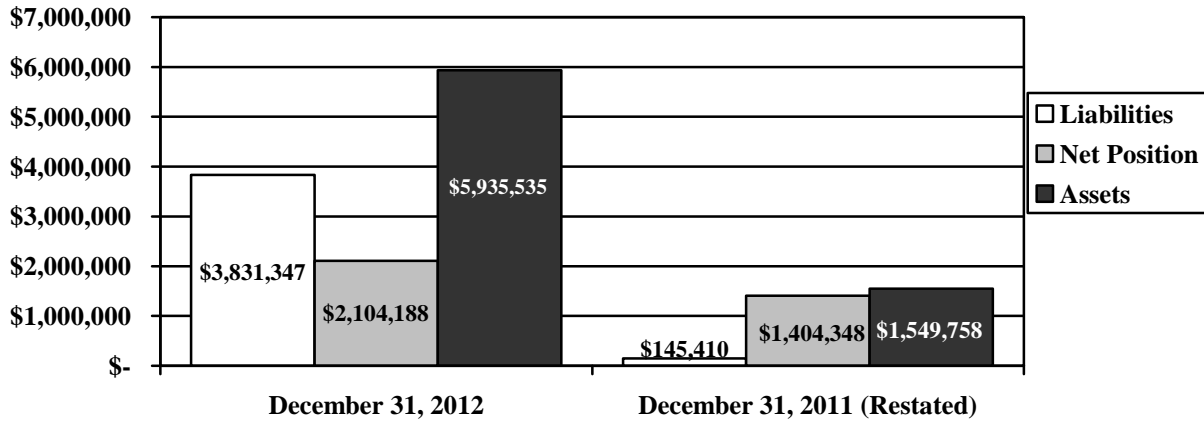
- During 2012, the County acquired the sewer operations of the Village of New Riegel. Billings to customers of the New Riegel sewer contributed to a \$338,423 increase in total charges for services revenues of the enterprise funds on the statement of revenues, expenses and changes in fund net position.
- Operating revenues from tap-in fees of the County Sewer District fund increased \$105,224 due primarily to the connection of Sunny Farms Landfill, Inc. to the County's sewer system. Of this increase, \$105,006 is receivable at December 31, 2012.
- The business-type activities received a transfer of \$155,000 from the governmental activities during 2012 to fund emergency medical services operations.

The following graph illustrates the assets, liabilities and net position of the County's business-type activities at December 31, 2012 and December 31, 2011. Assets and liabilities at December 31, 2011 have been restated to include a \$54,000 balance of the County's internal loan, a liability of the EMS enterprise fund, as a note payable rather than as a component of internal balance as previously reported.

SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 UNAUDITED (Continued)

Net Position of Business - Type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The County's governmental funds reported a combined fund balance of \$27,170,735 at December 31, 2012, which is \$613,985 higher than last year's total of \$26,556,750. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2012 for all major governmental funds and the non-major governmental funds in the aggregate.

	Fund Balances December 31, 2012	Fund Balances December 31, 2011	Increase/ (Decrease)
Major funds:			
General	\$ 4,244,256	\$ 3,809,593	\$ 434,663
Maintenance and Repair	11,694,068	9,921,033	1,773,035
Seneca County Opportunity Center	6,268,924	6,698,458	(429,534)
Other nonmajor governmental funds	4,963,487	6,127,666	(1,164,179)
Total	<u>\$ 27,170,735</u>	<u>\$ 26,556,750</u>	<u>\$ 613,985</u>

General Fund

The General fund is the primary operating fund of the County. During 2012, the County's General fund balance increased \$434,663.

The table that follows assists in illustrating the revenues of the General fund. Revenues for 2011 has been restated to present charges on the conveyance of real property of \$372,640 as charges for services, consistent with current year presentation, rather than as tax revenue of the County as previously reported.

SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 UNAUDITED (Continued)

<u>Revenues</u>	<u>2012 Amount</u>	<u>Restated 2011 Amount</u>	<u>Percentage Change</u>
Taxes	\$ 9,191,987	\$ 8,691,164	5.76 %
Charges for services	3,724,662	4,572,243	(18.54) %
Licenses and permits	3,247	3,150	3.08 %
Fines and forfeitures	204,360	195,329	4.62 %
Intergovernmental	1,749,915	1,714,346	2.07 %
Interest	56,701	86,515	(34.46) %
Other	410,117	332,813	23.23 %
Total	<u>\$ 15,340,989</u>	<u>\$ 15,595,560</u>	(1.63) %

Tax revenue, consisting of property and sales taxes, represents 59.92 percent of all General fund revenue. Tax revenue increased 5.76 percent over the prior year primarily due to increased sales taxes earned during the year and available at year end. Charges for services decreased 18.54% from the prior year; significant decreases in charges for services revenues from fees assessed by the sheriff and jail housing fees were only partially offset by fees assessed by the recorder, clerk of courts, and detention home. Fines and forfeitures increased 4.62 percent due to higher fines charged by the County judicial system, and other revenues of the general fund increased 23.23% because of increased contributions and donations made to the County and higher unclaimed estate receipts during the year. Interest revenue of the general fund decreased 34.46 percent in 2012, while licenses and permits and intergovernmental revenues remained relatively consistent with the prior year.

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

<u>Expenditures</u>	<u>2012 Amount</u>	<u>2011 Amount</u>	<u>Percentage Change</u>
General government			
Legislative and executive	\$ 4,992,956	\$ 5,305,984	(5.90) %
Judicial	2,062,175	2,298,923	(10.30) %
Public safety	5,485,481	5,460,243	0.46 %
Public works	34,252	38,077	(10.05) %
Health	190,717	102,540	85.99 %
Human services	412,056	360,784	14.21 %
Conservation and recreation	90,247	168,507	(46.44) %
Capital outlay	12,946	115,819	(88.82) %
Debt service	8,618	5,868	46.86 %
Total	<u>\$ 13,289,448</u>	<u>\$ 13,856,745</u>	(4.09) %

Total expenditures decreased \$567,297 or 4.09 percent. During 2011, the County purchased land from the general fund, whereas in 2012 the general fund recognized only capital outlay for a capital lease agreement executed by the County Commissioners' office, leading to a decrease in capital outlay of 88.82 percent. Due to the new capital lease agreement, debt service requirements of the general fund were \$2,750 higher during 2012 than in 2011. Health expenditures of the general fund increased 85.99 percent due to purchases of carpeting and used equipment during 2012. Conservation and recreation expenditures fell 46.44 percent due to lower agriculture grants awarded by the County and a decrease in the general fund resources required to fund the operations of the Seneca County Museum.

Maintenance and Repair Fund

The Maintenance and Repair fund, a major governmental fund, had revenues and other financing sources \$4,853,237 in 2012, a decrease of \$219,267 or 4.32 percent from 2011 revenues and other financing sources. The Maintenance

SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 UNAUDITED (Continued)

and Repair fund, had expenditures and other financing uses of \$3,080,202 in 2012, a decrease of \$459,123 or 12.97 percent from 2011. The fund balance of the Maintenance and Repair fund increased \$1,773,035 or 17.87 percent from 2011 to 2012.

Seneca County Opportunity Center (SCOC) Fund

The SCOC fund, a major governmental fund, had revenues of \$7,802,568 in 2012, a decrease of \$931,591 or 10.67 percent from 2011 revenues. The SCOC fund had expenditures of \$8,232,102 in 2012, a decrease of \$621,271 or 7.02 percent from 2011. The net changes in revenues and expenditures contributed to a decrease of \$429,534 or 6.41 percent in the fund balance of the SCOC fund from 2011 to 2012.

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 may be adjusted accordingly.

Budgetary information is presented for the General fund, Maintenance and Repair fund, and SCOC fund.

In the General fund, final budgeted revenues and other financing sources of \$14,680,253 were \$234,243 higher than original budgeted revenues of \$14,446,010. Actual revenues and other financing sources of \$14,954,458 were higher than final budgeted revenues by \$274,205 or 1.87 percent.

General fund final budgeted expenditures and other financing uses of \$16,404,381 were \$1,088,070 higher than original budgeted expenditures and other financing uses of \$15,316,311. Actual expenditures and financing uses of \$16,137,250 were \$267,131 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.

Capital Assets and Debt Administration

Capital Assets

At the end of 2012, the County had \$74,915,078 (net of accumulated depreciation) invested in land and improvements, buildings and improvements, machinery and equipment, infrastructure, and construction in progress. Of this total, \$70,562,315 was reported in the governmental activities and \$4,352,763 was reported in the business-type activities.

SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 UNAUDITED (Continued)

The following table shows fiscal year 2012 balances compared to 2011.

Capital Assets at December 31 (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and improvements	\$ 21,177,931	\$ 20,835,307	\$ 26,243	\$ 26,243	\$ 21,204,174	\$ 20,861,550
Construction in progress	5,732,937	299,511	2,151,903	-	7,884,840	299,511
Building and improvements	10,213,600	10,794,081	95,263	101,546	10,308,863	10,895,627
Machinery and equipment	2,174,015	2,486,798	58,851	93,318	2,232,866	2,580,116
Infrastructure	<u>31,263,832</u>	<u>31,416,318</u>	<u>2,020,503</u>	<u>895,934</u>	<u>33,284,335</u>	<u>32,312,252</u>
Total	<u>\$ 70,562,315</u>	<u>\$ 65,832,015</u>	<u>\$ 4,352,763</u>	<u>\$ 1,117,041</u>	<u>\$ 74,915,078</u>	<u>\$ 66,949,056</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 44.31 percent of the County's total governmental capital assets.

The County's largest business-type capital asset category is also infrastructure. These items play a vital role in the income producing ability of the business-type activities. The net book value of the County's infrastructure placed in service (cost less accumulated depreciation) represents approximately 46.42 percent of the County's total business-type capital assets. Additional, incomplete infrastructure to be used in future operations of the County is included in the balance of construction in progress at December 31, 2012.

Debt Administration

At December 31, 2012 the County had \$3,585,000 in general obligation bonds, \$22,061 in capital lease obligations, \$55,800 in OWDA loans, \$11,023 in WSOS loans payable, \$8,556 in OPWC loans payable, and \$2,954,452 in sewer district improvement revenue bonds outstanding. Of this total, \$500,592 is due within one year and \$6,136,300 is due in more than one year.

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

SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 UNAUDITED (Continued)

Outstanding Debt, at Year End

	Governmental Activities 2012	Business-Type Activities 2012	Governmental Activities 2011	Business-Type Activities 2011
Long-Term Obligations				
General obligation bonds	\$ 3,585,000	\$ -	\$ 4,035,000	\$ -
Capital lease obligation	22,061	-	15,982	-
OWDA loan	55,800	-	61,114	-
OPWC loan	-	8,556	-	9,240
WSOS loan	-	11,023	-	32,426
Sewer improvement bonds	-	2,954,452	-	-
Total	<u>\$ 3,662,861</u>	<u>\$ 2,974,031</u>	<u>\$ 4,112,096</u>	<u>\$ 41,666</u>

The County also had internal capital improvement notes outstanding at December 31, 2012, of \$380,000. Of this amount, \$346,000 is a liability of the governmental activities while \$34,000 is a liability of the business-type activities. The capital improvement notes are an investment of the Seneca County Opportunity Center.

The County's voted legal debt margin was \$20,980,154 at December 31, 2012 and the unvoted legal debt margin was \$7,909,380 at December 31, 2012. 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 estimated population as of July 1, 2012, per the U.S. Census Bureau is 56,018. The County's unemployment rate, not seasonally adjusted, was 6.71 percent in December 2012, compared to the 6.57 percent State average.

The County is primarily a rural community with a significant agricultural and durable goods manufacturing presence. The County's \$971 million assessed real property tax base has grown approximately 4 percent over the last six 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 the Honorable Julie A. Adkins, Seneca County Auditor, 109 S. Washington St., Suite 2206, Tiffin, Ohio 44883-2895.

This page intentionally left blank.

SENECA COUNTY, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Seneca Re-Ad Industries, Inc.
Assets:				
Equity in pooled cash and cash equivalents . .	\$ 23,882,180	\$ 1,126,391	\$ 25,008,571	\$ -
Cash and cash equivalents in segregated accounts.	135,135	-	135,135	1,035,869
Cash and cash equivalents with fiscal agent . .	-	-	-	988
Investments.	1,580,000	-	1,580,000	-
Receivables:				
Sales taxes.	1,987,115	-	1,987,115	-
Property taxes	5,476,864	-	5,476,864	-
Accounts.	201,800	322,675	524,475	40,805
Accrued interest	2,245	5	2,250	-
Intergovernmental	6,151,191	133,297	6,284,488	-
Loans.	56,670	-	56,670	-
Notes	-	1,250	1,250	-
Materials and supplies inventory.	484,392	-	484,392	-
Prepayments	196,342	243	196,585	-
Internal balance	1,089	(1,089)	-	-
Investment in joint ventures	4,692,090	-	4,692,090	-
Capital assets:				
Land and construction in progress.	26,910,868	2,178,146	29,089,014	2,945
Depreciable capital assets, net.	43,651,447	2,174,617	45,826,064	266,563
Total capital assets, net.	70,562,315	4,352,763	74,915,078	269,508
Total assets	115,409,428	5,935,535	121,344,963	1,347,170
Liabilities:				
Accounts payable.	462,840	8,892	471,732	58
Contracts payable.	1,036,820	649,514	1,686,334	-
Retainage payable	-	96,348	96,348	-
Accrued wages and benefits payable	664,450	7,627	672,077	22,222
Due to other governments	715,707	25,720	741,427	382
Accrued interest payable	9,272	20,311	29,583	-
Loans payable	346,000	34,000	380,000	-
Unearned revenue	66,404	-	66,404	-
Undistributed monies.	-	-	-	6,008
Long-term liabilities:				
Due within one year	904,112	30,717	934,829	-
Due in more than one year.	4,408,970	2,958,218	7,367,188	-
Total liabilities	8,614,575	3,831,347	12,445,922	28,670
Deferred inflows of resources:				
Property taxes levied for the subsequent year. .	5,069,367	-	5,069,367	-
Total deferred inflows of resources	5,069,367	-	5,069,367	-
Net position:				
Net investment in capital assets.	66,609,254	1,344,732	67,953,986	269,508
Restricted for:				
Capital projects	178,397	-	178,397	-
Grants and specific programs	2,525,063	-	2,525,063	-
Human services programs.	2,252,084	-	2,252,084	-
Community and economic development . . .	949,852	-	949,852	-
SCOC programs.	6,312,738	-	6,312,738	-
Roads and bridges.	12,986,931	-	12,986,931	-
Debt service.	-	17,880	17,880	-
Unrestricted	9,911,167	741,576	10,652,743	1,048,992
Total net position	\$ 101,725,486	\$ 2,104,188	\$ 103,829,674	\$ 1,318,500

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government:				
Legislative and executive.	\$ 6,028,548	\$ 1,510,431	\$ 139,256	\$ 29,214
Judicial.	2,450,533	1,191,936	154,611	-
Public safety	6,668,801	2,007,645	762,085	-
Public works	6,153,195	946,710	4,174,815	6,892,863
Health.	8,899,825	1,479,211	2,378,453	-
Human services	6,512,765	302,565	5,337,547	-
Conservation and recreation	240,198	3,140	-	-
Community and economic development.	343,012	-	796,124	-
Interest and fiscal charges	125,935	-	-	-
Total governmental activities	<u>37,422,812</u>	<u>7,441,638</u>	<u>13,742,891</u>	<u>6,922,077</u>
Business-type activities:				
Bascom Sewer District	108,715	39,281	-	-
Emergency Medical Services	429,700	380,726	6,000	-
County Sewer District.	<u>242,729</u>	<u>727,678</u>	<u>-</u>	<u>133,297</u>
Total business-type activities	<u>781,144</u>	<u>1,147,685</u>	<u>6,000</u>	<u>133,297</u>
Totals	<u>\$ 38,203,956</u>	<u>\$ 8,589,323</u>	<u>\$ 13,748,891</u>	<u>\$ 7,055,374</u>
Component Unit:				
Seneca Re-Ad Industries, Inc	<u>\$ 1,103,023</u>	<u>\$ 553,767</u>	<u>\$ 536,284</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

Transfers

Total transfers and general revenues.

Change in net position

Net position at beginning of year (restated).

Net positon at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Seneca Re-Ad Industries, Inc.
\$ (4,349,647)	\$ -	\$ (4,349,647)	\$ -
(1,103,986)	-	(1,103,986)	-
(3,899,071)	-	(3,899,071)	-
5,861,193	-	5,861,193	-
(5,042,161)	-	(5,042,161)	-
(872,653)	-	(872,653)	-
(237,058)	-	(237,058)	-
453,112	-	453,112	-
(125,935)	-	(125,935)	-
(9,316,206)	-	(9,316,206)	-
-	(69,434)	(69,434)	-
-	(42,974)	(42,974)	-
-	618,246	618,246	-
-	505,838	505,838	-
(9,316,206)	505,838	(8,810,368)	-
-	-	-	(12,972)
1,610,024	-	1,610,024	-
3,384,179	-	3,384,179	-
7,552,080	-	7,552,080	-
2,383,283	-	2,383,283	-
334	928	1,262	5,914
65,972	557	66,529	4,679
495,684	37,517	533,201	4,379
15,491,556	39,002	15,530,558	14,972
(155,000)	155,000	-	-
15,336,556	194,002	15,530,558	14,972
6,020,350	699,840	6,720,190	2,000
95,705,136	1,404,348	97,109,484	1,316,500
<u>\$ 101,725,486</u>	<u>\$ 2,104,188</u>	<u>\$ 103,829,674</u>	<u>\$ 1,318,500</u>

SENECA COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General	Maintenance and Repair	Seneca County Opportunity Center	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents	\$ 1,122,686	\$ 10,751,612	\$ 5,918,590	\$ 6,089,292	\$ 23,882,180
Cash and cash equivalents in segregated accounts	135,135	-	-	-	135,135
Investments.	1,200,000	-	380,000	-	1,580,000
Receivables:					
Sales taxes	1,987,115	-	-	-	1,987,115
Property taxes	1,749,638	-	3,727,226	-	5,476,864
Accounts.	111,087	24,195	19,547	46,971	201,800
Due from other funds	26,924	44,322	-	120,661	191,907
Interfund loans.	508,750	-	-	510,329	1,019,079
Accrued interest	2,198	-	-	47	2,245
Intergovernmental	1,110,885	2,072,623	698,321	2,269,362	6,151,191
Loans.	-	-	-	56,670	56,670
Loans to other funds	136,541	-	-	-	136,541
Materials and supplies inventory.	46,235	424,871	8,572	4,714	484,392
Prepayments	135,062	497	34,974	25,809	196,342
Total assets.	<u>\$ 8,272,256</u>	<u>\$ 13,318,120</u>	<u>\$ 10,787,230</u>	<u>\$ 9,123,855</u>	<u>\$ 41,501,461</u>
Liabilities:					
Accounts payable.	\$ 189,286	\$ 132,390	\$ 33,990	\$ 107,174	\$ 462,840
Contracts payable.	74,791	5,558	88,657	867,814	1,036,820
Accrued wages and benefits payable	287,032	44,032	201,924	131,462	664,450
Matured compensated absences payable	15,879	-	14,406	9,377	39,662
Intergovernmental payable	378,650	34,316	169,801	132,940	715,707
Due to other funds	1,860	47	9,646	179,265	190,818
Interfund loans payable.	-	-	-	1,019,079	1,019,079
Loans from other funds.	-	-	-	136,541	136,541
Notes payable.	-	-	-	346,000	346,000
Unearned revenue	9,568	-	-	56,836	66,404
Total liabilities	<u>957,066</u>	<u>216,343</u>	<u>518,424</u>	<u>2,986,488</u>	<u>4,678,321</u>
Deferred inflows of resources:					
Property taxes levied for the subsequent year	1,620,621	-	3,448,746	-	5,069,367
Delinquent property taxes not available	129,017	-	278,480	-	407,497
Intergovernmental revenue not available.	537,014	1,407,709	272,656	1,173,880	3,391,259
Sales taxes not available	784,282	-	-	-	784,282
Total deferred inflows of resources	<u>3,070,934</u>	<u>1,407,709</u>	<u>3,999,882</u>	<u>1,173,880</u>	<u>9,652,405</u>
Total liabilities and deferred inflows of resources. .	<u>4,028,000</u>	<u>1,624,052</u>	<u>4,518,306</u>	<u>4,160,368</u>	<u>14,330,726</u>
Fund balances:					
Nonspendable	316,432	425,368	43,546	30,523	815,869
Restricted.	-	11,268,700	6,225,378	5,116,187	22,610,265
Committed	11,855	-	-	-	11,855
Assigned	1,302,115	-	-	682,389	1,984,504
Unassigned (deficit)	2,613,854	-	-	(865,612)	1,748,242
Total fund balances	<u>4,244,256</u>	<u>11,694,068</u>	<u>6,268,924</u>	<u>4,963,487</u>	<u>27,170,735</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,272,256</u>	<u>\$ 13,318,120</u>	<u>\$ 10,787,230</u>	<u>\$ 9,123,855</u>	<u>\$ 41,501,461</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012

Total governmental fund balances		\$ 27,170,735
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		70,562,315
Investments in joint ventures by the governmental activities are not financial resources and therefore are not reported in the funds.		4,692,090
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Sales taxes receivable	\$ 784,282	
Delinquent property taxes receivable	407,497	
Intergovernmental receivable	3,391,259	
Total		4,583,038
On the statement of net position interest is accrued on outstanding bonds payable, whereas in the governmental funds interest is accrued when due.		(9,272)
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	(1,610,559)	
Capital lease payable	(22,061)	
General obligation bonds payable	(3,585,000)	
Loans payable	(55,800)	
Total		(5,273,420)
Net position of governmental activities		<u><u>\$ 101,725,486</u></u>

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, 2012

	General	Maintenance and Repair	Seneca County Opportunity Center	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes.	\$ 1,608,397	\$ -	\$ 3,376,507	\$ -	\$ 4,984,904
Sales taxes.	7,583,590	-	-	-	7,583,590
Special assessments.	-	-	-	254,864	254,864
Charges for services.	3,724,662	581,160	1,177,439	573,253	6,056,514
Licenses and permits.	3,247	-	-	213,231	216,478
Fines and forfeitures.	204,360	34,709	-	225,729	464,798
Intergovernmental.	1,749,915	4,156,750	3,129,450	13,412,237	22,448,352
Interest.	56,701	7,754	-	1,517	65,972
Rent.	128,099	-	65,667	155,358	349,124
Contributions and donations.	40,140	-	4,580	24,672	69,392
Other.	241,878	22,290	48,925	218,003	531,096
Total revenues.	15,340,989	4,802,663	7,802,568	15,078,864	43,025,084
Expenditures:					
Current:					
General government:					
Legislative and executive.	4,992,956	-	-	316,484	5,309,440
Judicial.	2,062,175	-	-	322,020	2,384,195
Public safety.	5,485,481	-	-	850,253	6,335,734
Public works.	34,252	2,926,035	-	140,640	3,100,927
Health.	190,717	-	8,232,102	251,109	8,673,928
Human services.	412,056	-	-	6,006,718	6,418,774
Conservation and recreation.	90,247	-	-	-	90,247
Community and economic development.	-	-	-	343,012	343,012
Capital outlay.	12,946	-	-	9,153,544	9,166,490
Debt service:					
Principal retirement.	6,867	-	-	455,314	462,181
Interest and fiscal charges.	1,751	-	-	124,934	126,685
Total expenditures.	13,289,448	2,926,035	8,232,102	17,964,028	42,411,613
Excess (deficiency) of revenues over (under) expenditures.	2,051,541	1,876,628	(429,534)	(2,885,164)	613,471
Other financing sources (uses):					
Sale of capital assets.	9,705	30,420	-	-	40,125
Capital lease transaction.	12,946	-	-	-	12,946
Transfers in.	104,459	20,154	-	1,740,875	1,865,488
Transfers (out).	(1,743,988)	(154,167)	-	(19,890)	(1,918,045)
Total other financing sources (uses).	(1,616,878)	(103,593)	-	1,720,985	514
Net change in fund balances.	434,663	1,773,035	(429,534)	(1,164,179)	613,985
Fund balances at beginning of year.	3,809,593	9,921,033	6,698,458	6,127,666	26,556,750
Fund balances at end of year.	\$ 4,244,256	\$ 11,694,068	\$ 6,268,924	\$ 4,963,487	\$ 27,170,735

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2012

Net change in fund balances - total governmental funds \$ 613,985

*Amounts reported for governmental activities in the
statement of activities are different because:*

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.

Capital asset additions	\$ 8,513,564	
Current year depreciation	(3,106,244)	
Total		5,407,320

The net effect of various transactions involving capital assets (i.e. sales, disposals, trade-ins, and donations) is to decrease net position. (677,020)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Sales taxes	(31,510)	
Property taxes	9,299	
Intergovernmental revenues	595,289	
Total		573,078

Equity interests in joint ventures do not represent current resources and are not reported in the funds; however, gains or losses resulting from these investments increase or decrease assets on the statement of net position. (331,668)

Proceeds from capital leases 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 liabilities on the statement of net position. (12,946)

Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 462,181

In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due. 750

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 104,690

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. (120,020)

Change in net position of governmental activities \$ 6,020,350

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, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes.	\$ 1,622,491	\$ 1,632,726	\$ 1,608,397	\$ (24,329)
Sales taxes	6,700,000	7,520,046	7,520,046	-
Charges for services.	4,029,565	3,231,032	3,243,254	12,222
Licenses and permits	3,385	3,637	3,247	(390)
Fines and forfeitures	158,000	160,108	202,446	42,338
Intergovernmental.	1,611,636	1,716,488	1,716,404	(84)
Interest.	111,250	105,327	51,680	(53,647)
Rent	103,983	99,921	124,921	25,000
Contributions and donations.	-	6,611	40,140	33,529
Other.	105,700	184,249	217,980	33,731
Total revenues	<u>14,446,010</u>	<u>14,660,145</u>	<u>14,728,515</u>	<u>68,370</u>
Expenditures:				
Current:				
General government:				
Legislative and executive.	5,238,621	5,573,126	5,127,044	446,082
Judicial	2,400,210	2,415,536	2,285,383	130,153
Public safety	5,424,108	5,594,558	5,513,615	80,943
Public works	42,026	42,026	33,370	8,656
Health	189,878	207,896	202,594	5,302
Human services.	562,334	538,712	483,967	54,745
Conservation and recreation	99,868	98,539	98,539	-
Capital outlay	4,181	-	-	-
Total expenditures	<u>13,961,226</u>	<u>14,470,393</u>	<u>13,744,512</u>	<u>725,881</u>
Excess of revenues over expenditures	<u>484,784</u>	<u>189,752</u>	<u>984,003</u>	<u>794,251</u>
Other financing sources (uses):				
Sale of capital assets.	-	3,329	9,705	6,376
Advances in	-	-	199,459	199,459
Advances (out).	-	-	(508,750)	(508,750)
Transfers in	-	16,779	16,779	-
Transfers (out).	(1,355,085)	(1,933,988)	(1,883,988)	50,000
Total other financing sources (uses)	<u>(1,355,085)</u>	<u>(1,913,880)</u>	<u>(2,166,795)</u>	<u>(252,915)</u>
Net change in fund balances	(870,301)	(1,724,128)	(1,182,792)	541,336
Fund balances at beginning of year	1,029,402	1,029,402	1,029,402	-
Prior year encumbrances appropriated . . .	899,964	899,964	899,964	-
Fund balance at end of year	<u>\$ 1,059,065</u>	<u>\$ 205,238</u>	<u>\$ 746,574</u>	<u>\$ 541,336</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, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services	\$ 325,000	\$ 325,000	\$ 553,186	\$ 228,186
Fines and forfeitures.	30,000	30,000	35,488	5,488
Intergovernmental	4,200,000	4,200,000	4,177,895	(22,105)
Interest.	10,000	10,000	7,461	(2,539)
Other.	-	-	16,735	16,735
Total revenues	<u>4,565,000</u>	<u>4,565,000</u>	<u>4,790,765</u>	<u>225,765</u>
Expenditures:				
Current:				
Public works	<u>4,559,948</u>	<u>4,316,064</u>	<u>3,379,447</u>	<u>936,617</u>
Total expenditures	<u>4,559,948</u>	<u>4,316,064</u>	<u>3,379,447</u>	<u>936,617</u>
Excess of revenues over expenditures	<u>5,052</u>	<u>248,936</u>	<u>1,411,318</u>	<u>1,162,382</u>
Other financing sources (uses):				
Sale of capital assets.	-	-	30,420	30,420
Transfers in	-	-	20,154	20,154
Transfers (out).	<u>(334,998)</u>	<u>(331,980)</u>	<u>(154,167)</u>	<u>177,813</u>
Total other financing sources (uses)	<u>(334,998)</u>	<u>(331,980)</u>	<u>(103,593)</u>	<u>228,387</u>
Net change in fund balances	<u>(329,946)</u>	<u>(83,044)</u>	<u>1,307,725</u>	<u>1,390,769</u>
Fund balances at beginning of year	<u>8,661,467</u>	<u>8,661,467</u>	<u>8,661,467</u>	<u>-</u>
Prior year encumbrances appropriated . . .	<u>428,526</u>	<u>428,526</u>	<u>428,526</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 8,760,047</u></u>	<u><u>\$ 9,006,949</u></u>	<u><u>\$ 10,397,718</u></u>	<u><u>\$ 1,390,769</u></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, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 3,405,952	\$ 3,376,507	\$ 3,376,507	\$ -
Charges for services	1,156,902	1,160,686	1,144,477	(16,209)
Intergovernmental	2,667,571	2,684,902	3,179,762	494,860
Rent	58,593	58,593	62,253	3,660
Contributions and donations.	4,200	4,580	4,580	-
Other.	18,170	47,596	48,925	1,329
Total revenues	<u>7,311,388</u>	<u>7,332,864</u>	<u>7,816,504</u>	<u>483,640</u>
Expenditures:				
Current:				
Health.	13,140,812	12,762,802	8,729,736	4,033,066
Total expenditures	<u>13,140,812</u>	<u>12,762,802</u>	<u>8,729,736</u>	<u>4,033,066</u>
Excess of expenditures over revenues	<u>(5,829,424)</u>	<u>(5,429,938)</u>	<u>(913,232)</u>	<u>4,516,706</u>
Other financing uses:				
Transfers (out).	(360,000)	(300,000)	-	300,000
Total other financing uses	<u>(360,000)</u>	<u>(300,000)</u>	<u>-</u>	<u>300,000</u>
Net change in fund balances	(6,189,424)	(5,729,938)	(913,232)	4,816,706
Fund balances at beginning of year	5,945,882	5,945,882	5,945,882	-
Prior year encumbrances appropriated . . .	660,354	660,354	660,354	-
Fund balance at end of year	<u>\$ 416,812</u>	<u>\$ 876,298</u>	<u>\$ 5,693,004</u>	<u>\$ 4,816,706</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds		
	Emergency Medical Services	County Sewer District	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents . . .	\$ 238,764	\$ 887,627	\$ 1,126,391
Receivables:			
Accounts	76,904	245,771	322,675
Accrued interest.	-	5	5
Intergovernmental	-	133,297	133,297
Notes	-	1,250	1,250
Prepayments	150	93	243
Total current assets	<u>315,818</u>	<u>1,268,043</u>	<u>1,583,861</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	-	2,178,146	2,178,146
Depreciable capital assets, net	40,637	2,133,980	2,174,617
Total capital assets, net.	<u>40,637</u>	<u>4,312,126</u>	<u>4,352,763</u>
Total assets.	<u>356,455</u>	<u>5,580,169</u>	<u>5,936,624</u>
Liabilities:			
Current liabilities:			
Accounts payable	4,577	4,315	8,892
Contracts payable	-	649,514	649,514
Retainage payable	-	96,348	96,348
Accrued wages and benefits payable.	5,244	2,383	7,627
Due to other funds	1,086	3	1,089
Due to other governments	4,805	20,915	25,720
Accrued interest payable	-	20,311	20,311
Compensated absences payable - current.	3,010	-	3,010
Notes payable.	34,000	-	34,000
Revenue bonds payable.	-	16,000	16,000
Other loans payable.	-	11,707	11,707
Total current liabilities	<u>52,722</u>	<u>821,496</u>	<u>874,218</u>
Long-term liabilities:			
Compensated absences payable.	11,894	-	11,894
Revenue bonds payable	-	2,938,452	2,938,452
Other loans payable	-	7,872	7,872
Total long-term liabilities	<u>11,894</u>	<u>2,946,324</u>	<u>2,958,218</u>
Total liabilities.	<u>64,616</u>	<u>3,767,820</u>	<u>3,832,436</u>
Net position:			
Net investment in capital assets	6,637	1,338,095	1,344,732
Restricted for debt service	-	17,880	17,880
Unrestricted.	285,202	456,374	741,576
Total net position.	<u>\$ 291,839</u>	<u>\$ 1,812,349</u>	<u>2,104,188</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Bascom Sewer District	Emergency Medical Services	County Sewer District	Total	
Operating revenues:					
Charges for services	\$ 39,281	\$ -	\$ 622,182	\$ 661,463	\$ -
Tap-in fees	-	-	105,496	105,496	-
Patient fees.	-	380,726	-	380,726	-
Other operating revenues.	775	2,568	34,174	37,517	-
Reimbursements	-	-	-	-	10,113
Total operating revenues.	<u>40,056</u>	<u>383,294</u>	<u>761,852</u>	<u>1,185,202</u>	<u>10,113</u>
Operating expenses:					
Personal services	2,999	177,492	60,566	241,057	-
Contract services	105,181	112,151	66,263	283,595	-
Materials and supplies	429	54,567	17,938	72,934	-
Claims expense	-	-	-	-	24,257
Depreciation	-	55,430	63,001	118,431	-
Other	-	31,614	1,953	33,567	-
Total operating expenses	<u>108,609</u>	<u>431,254</u>	<u>209,721</u>	<u>749,584</u>	<u>24,257</u>
Operating income (loss)	<u>(68,553)</u>	<u>(47,960)</u>	<u>552,131</u>	<u>435,618</u>	<u>(14,144)</u>
Nonoperating revenues (expenses):					
Interest income	-	-	557	557	-
Interest and fiscal charges	(106)	(591)	(31,302)	(31,999)	-
Loss on disposal of capital assets.	-	(1,288)	(1,706)	(2,994)	-
Grants and subsidies	-	6,000	-	6,000	-
Contributions and donations	-	928	-	928	-
Total nonoperating revenues (expenses)	<u>(106)</u>	<u>5,049</u>	<u>(32,451)</u>	<u>(27,508)</u>	<u>-</u>
Income (loss) before contributions and transfers	(68,659)	(42,911)	519,680	408,110	(14,144)
Transfer in	115,071	155,000	-	270,071	-
Transfer (out)	-	-	(115,071)	(115,071)	(102,443)
Capital contributions.	-	-	133,297	133,297	-
Change in net position	46,412	112,089	537,906	696,407	(116,587)
Net position (deficit) at beginning of year	<u>(46,412)</u>	<u>179,750</u>	<u>1,274,443</u>		<u>116,587</u>
Net position at end of year	<u>\$ -</u>	<u>\$ 291,839</u>	<u>\$ 1,812,349</u>		<u>\$ -</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.				3,433	
Change in net position of business-type activities				<u>\$ 699,840</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Bascom Sewer District	Emergency Medical Services	County Sewer District	Total	
Cash flows from operating activities:					
Cash received from customers.	\$ 90,148	\$ 347,485	\$ 506,396	\$ 944,029	\$ 21,215
Cash received from tap-in fees	-	-	1,010	1,010	-
Cash received from other operations	858	2,768	33,943	37,569	-
Cash payments for personal services.	(3,319)	(176,538)	(58,737)	(238,594)	(628)
Cash payments for contractual services	(113,798)	(116,934)	(40,329)	(271,061)	-
Cash payments for materials and supplies	(501)	(52,370)	(13,679)	(66,550)	-
Cash payments for claims	-	-	-	-	(35,067)
Cash payments for other expenses	-	(31,605)	(1,953)	(33,558)	-
Net cash provided by (used in) operating activities	(26,612)	(27,194)	426,651	372,845	(14,480)
Cash flows from noncapital financing activities:					
Cash received from grants and subsidies	-	6,000	-	6,000	-
Cash received from contributions and donations.	-	928	-	928	-
Cash received from transfers in	140,000	155,000	339,682	634,682	-
Cash used in transfers out	(46,760)	-	(432,922)	(479,682)	(102,443)
Cash received from interfund loans	-	-	100,000	100,000	-
Cash used in repayment of interfund loans.	(140,000)	-	(91,000)	(231,000)	-
Net cash provided by (used in) noncapital financing activities.	(46,760)	161,928	(84,240)	30,928	(102,443)
Cash flows from capital and related financing activities:					
Acquisition of capital assets	-	(5,743)	(2,617,744)	(2,623,487)	-
Proceeds from notes.	-	34,000	-	34,000	-
Principal retirement on notes	-	(54,000)	-	(54,000)	-
Proceeds from revenue bonds	-	-	3,019,800	3,019,800	-
Principal retirement on revenue bonds.	(649)	-	(65,348)	(65,997)	-
Principal retirement on loans.	(10,595)	-	(11,492)	(22,087)	-
Interest and fiscal charges	-	(591)	(10,991)	(11,582)	-
Net cash provided by (used in) capital and related financing activities.	(11,244)	(26,334)	314,225	276,647	-
Cash flows from investing activities:					
Interest received	-	-	560	560	121
Net cash provided by investing activities	-	-	560	560	121
Net increase (decrease) in cash and cash equivalents	(84,616)	108,400	657,196	680,980	(116,802)
Cash and cash equivalents at beginning of year	84,616	130,364	230,431	445,411	116,802
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ 238,764</u>	<u>\$ 887,627</u>	<u>\$ 1,126,391</u>	<u>\$ -</u>

- - Continued

SENECA COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Bascom Sewer District	Emergency Medical Services	County Sewer District	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (68,553)	\$ (47,960)	\$ 552,131	\$ 435,618	\$ (14,144)
Adjustments:					
Depreciation.	-	55,430	63,001	118,431	-
Changes in assets and liabilities:					
Decrease (increase) in accounts receivable.	50,950	(33,041)	(220,974)	(203,065)	11,102
Decrease in notes receivable.	-	-	471	471	-
Decrease (increase) in prepayments	-	194	(37)	157	-
Increase in accounts payable	-	2,870	4,304	7,174	-
Increase (decrease) in contracts payable	(8,555)	(6,419)	8,105	(6,869)	-
Increase (decrease) in accrued wages and benefits . . .	(196)	185	870	859	(385)
Increase (decrease) in intergovernmental payable. . .	(258)	908	18,777	19,427	(243)
Increase in amounts due to other funds	-	1,086	3	1,089	-
(Decrease) in compensated absences payable	-	(447)	-	(447)	-
(Decrease) in claims payable.	-	-	-	-	(10,810)
Net cash provided by (used in) operating activities . . .	<u>\$ (26,612)</u>	<u>\$ (27,194)</u>	<u>\$ 426,651</u>	<u>\$ 372,845</u>	<u>\$ (14,480)</u>

Non-Cash Transactions:

As of December 31, 2012, the County Sewer District fund had purchased \$733,660 in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2012

	<u>Agency</u>
Assets:	
<i>Current assets:</i>	
Equity in pooled cash and cash equivalents. . .	\$ 6,737,081
Cash in segregated accounts.	512,222
Receivables:	
Accrued interest.	1
Accounts	1,011,616
Intergovernmental.	2,864,492
Taxes	<u>37,914,283</u>
Total assets	<u>\$ 49,039,695</u>
Liabilities:	
<i>Current liabilities:</i>	
Accrued wages and benefits.	\$ 69,849
Intergovernmental payable	42,781,069
Compensated absences	282,562
Undistributed monies	5,113,744
Deposits held and due to others.	<u>792,471</u>
Total liabilities	<u>\$ 49,039,695</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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 and 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 County 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 22.

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, 2012

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 for these entities 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. The County serves as fiscal agent for the separate agencies, boards and commissions listed below, but is not financially accountable for these organizations. 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, pools and jointly governed in which the County participates. The financial information for the joint ventures and pools organizations is presented in Notes 20 and 21.

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, 2012

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. (CORS)

The County is a member of CORS, which is a risk sharing pool among thirty-six counties in Ohio. CORS was formed as an Ohio nonprofit corporation for the purpose of establishing the CORS 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 CORS. 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 CORS 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 CORS 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, 2012

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.

North Central Ohio Regional Council of Governments (NCORcog)

NCORcog is a legally separate body politic and corporate served by a eight-member Board of Directors that meets the definition of regional Council of governments under Chapter 167 of the Ohio Revised Code. NCORcog is a regional source for shared services. Cost savings achieved are designed to not only maintain existing essential services, but to enhance them as well.

The initial, founding members, and Board of Directors are the North Central Ohio ESC, Seneca County, the City of Tiffin, Clinton Township, the Village of New Riegel, North Central Academy, Tiffin City School District, and Seneca East Local School District. The Superintendent of the North Central Ohio ESC serves as Chair of the Board. The Chair is a non-voting member and shall only vote in the event of a tie. The treasurer of North Central Ohio ESC serves as ex-officio/advisor for fiscal matters and is also a non-voting member. Membership is voluntary pursuant to resolution, ordinance or other appropriate action. Application of membership shall be subject to approval by the Board of Directors. Each political subdivision is entitled to one vote. The North Central Ohio ESC serves as the fiscal agent. NCORcog issues a publicly available, stand-alone financial report. The report may be obtained by writing to the Treasurer of the North Central Ohio ESC, 928 W. Market Street, Tiffin, Ohio 44883.

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's most significant 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 position 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 position 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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

The statement of net position 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.

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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the County's major governmental funds:

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

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

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

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

Proprietary Funds - Proprietary fund accounting focuses on the determination of operating income, changes in net position, 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:

Enterprise Funds

Bascom Sewer District - The Bascom Sewer District fund accounted for money received from user fees and various grant and loan activities that preceeded the construction of a sewer system in the unincorporated community of Bascom in Hopewell Township. During 2012, the County transferred the activities of the Bascom Sewer District fund into the County Sewer District fund.

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, the grant and loan activities for the construction of a sewer system in the unincorporated community of Bascom in Hopewell Township and the acquisition of sewer operations from the Village of New Riegel.

Internal Service Fund

Seneca County Self-Insurance Fund - The Seneca County Self-Insurance fund accounted for revenue and expenses to fund self-insured prescription drug insurance for the employees of Seneca County. During 2012, the County became fully insured for prescription drug insurance and was no longer self-insured for the provision of any employee benefits.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. 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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets, all deferred outflows of resources, all liabilities and all deferred inflows of resources associated with the operation of the County are included on the statement of net position. The statement of activities presents increases (revenues) and decreases (expenses) in total net position.

Fund Financial Statements

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows of resources, current liabilities and current deferred inflows of resources 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, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position. 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 and in the 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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the County that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the County that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance 2013 operations and other revenues received in advance of the year for which they were intended to finance, have been recorded as a deferred inflow of resources. Sales taxes not received within the available period, grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2012, are recorded as deferred inflows of resources in the fund financial statements.

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

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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

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 2012.

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 2012, investments were limited to STAR Ohio, U.S. Government money market accounts, U.S. Bank commercial paper, and internal Seneca County capital improvement notes, which are an investment and an obligation of the County (see Note 12).

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". 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 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price at which investment could be sold on December 31, 2012. The County has deposited funds in the STAR Plus program. The STAR Plus program allows Ohio's political subdivisions to deposit monies in a network of FDIC-insured banks via a single account.

Interest earnings are allocated to County funds according to State statutes and grant requirements. Interest revenue credited to the General fund during 2012 was \$56,701, which includes approximately \$50,250 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.

SENECA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

G. Prepayments

Payments made to vendors for services that will benefit periods beyond December 31, 2012 are recorded as prepayments using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Inventory

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

I. Loans Receivable

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

J. Capital Assets

General capital assets are capital assets, which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position 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 position 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

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as “interfund loans receivable/payable” and receivables and payables resulting from long-term interfund loans are classified as “loans to/from other funds”. Receivables and payables resulting from the routine lag between the dates interfund goods and services are provided or reimbursable expenditures occur are classified as “due to/from other funds”.

Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are reflected as “Internal Balances”.

L. Compensated Absences

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

Sick leave benefits are accrued as liabilities using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the County has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year-end taking into consideration any limits specified in the County’s termination policy. The County records a liability for sick leave for employees with seven or more years of service at varying rates depending on County policy.

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

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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

N. Net Position

Net position represent the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The County's net investment in capital assets 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position.

Net position is reported as restricted when there are limitations imposed on its 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 position is available.

O. Fund Balance

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

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

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

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

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

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

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

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 and sewer district operations and reimbursements related to the run-out activity of the County's self-insurance program. 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. Capital Contributions

Capital contributions on the proprietary fund financial statements arise from contributions from governmental activities, from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction. During 2012, the County Sewer District fund recognized capital contributions of \$133,297 in grant revenue intended for capital asset acquisition and construction.

R. 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.

S. 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 during 2012.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

T. 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 2012, the County has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the County.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 Federal Accounting Standards Board and American Institute of Certified Public Accountants pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the County.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the County's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

SENECA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The implementation of GASB Statement No. 65 had the following effect on the financial statements of the County:

	<u>Governmental Activities</u>
Net assets as previously reported	\$ 95,869,053
Removal of unamortized bond issuance costs	<u>(163,917)</u>
Net position at January 1, 2012	<u>\$ 95,705,136</u>

B. Deficit Fund Balances

Fund balances at December 31, 2012 included the following individual fund deficits:

<u>Nonmajor governmental funds:</u>	<u>Deficit</u>
Sheriff highway safety grant special revenue	\$ 868
Water pollution control loan special revenue	3,439
Rural law enforcement assistance special revenue	354
Capital facilities note retirement debt service	337,131
County Road 15 petition ditch capital projects	28,541
SCAT building construction capital projects	243,768
Youth center construction capital projects	217,103
Energy improvement construction capital projects	34,408

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

Monies held by the County which are not considered active are classified as inactive and can be deposited or invested in the following securities:

1. United States treasury bills, bonds, notes or any other obligations or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 monies deposited by the institution.

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

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

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At December 31, 2012, the carrying amount of the County's deposits was \$31,407,947 of which \$512,222 is held in segregated accounts. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2012, \$18,604,752 of the County's bank balance of \$31,908,653 was exposed to custodial risk as discussed below, while \$13,303,901 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, 2012, the County had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities	
		6 Months or Less	7 to 12 Months
STAR Ohio	\$ 7,227	\$ 7,227	\$ -
U.S. Bank commercial paper	1,200,000	1,200,000	-
Seneca County capital improvement notes	380,000	-	380,000
U.S. Government money market	977,835	977,835	-
Total	<u>\$ 2,565,062</u>	<u>\$ 2,185,062</u>	<u>\$ 380,000</u>

The weighted average maturity of investments is 0.26 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the County's investment policy limits maturities only to matching anticipated cash flow requirements.

Credit Risk: STAR Ohio and the U.S. Government money market account assigned an AAAM rating from Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least on nationally recognized standard rating service. The U.S. Bank commercial paper was given a short-term rating of Prime-1 (P-1) from Moody's Investor Services. The Seneca County capital improvement notes were not rated. The County has no investment policy that addresses credit risk.

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's U.S. Bank commercial paper account was exposed to custodial credit risk. The County's investment policy addresses custodial credit risk.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The County places no limit on the amount that may be invested in any one issuer. The percentage of each investment type held by the County as of December 31, 2012 is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 7,227	0.28
U.S. Bank commercial paper	1,200,000	46.79
Seneca County capital improvement notes	380,000	14.81
U.S. Government money market	<u>977,835</u>	<u>38.12</u>
Total	<u>\$ 2,565,062</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments to the Statement of Net Position

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 position as of December 31, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 31,407,947
Investments	<u>2,565,062</u>
Total	<u>\$ 33,973,009</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 25,597,315
Business-type activities	1,126,391
Agency funds	<u>7,249,303</u>
Total	<u>\$ 33,973,009</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Long-term interfund loans to/from other funds consisted of the following at December 31, 2012, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	<i>Nonmajor governmental funds:</i>	
	Sheriff highway safety grant special revenue	\$ 8,000
	County Road 16 petition ditch capital projects	28,541
	SCAT building construction capital projects	<u>100,000</u>
	Total loans to/from other funds	<u>\$ 136,541</u>

The long-term interfund loans were made in order to cover costs incurred in these funds. These loans will be repaid once the anticipated revenues are received. Long-term interfund loans between governmental funds are eliminated for reporting on the statement of net position.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Short-term interfund loans receivable/payable consisted of the following at December 31, 2012, as reported on the fund financial statements:

Receivable fund	Payable funds	Amount
General	<i>Nonmajor governmental funds:</i>	
	Sheriff highway safety grant special revenue	\$ 8,000
	SCAT building construction capital projects	431,935
	Energy improvement construction capital projects	68,815
<i>Nonmajor governmental fund:</i>	<i>Nonmajor governmental funds:</i>	
County capital projects	Youth center construction capital projects	510,329
	Total short-term interfund loans payable/receivable	<u>\$ 1,019,079</u>

The short-term interfund loan balances resulted from advances made to provide working capital for operations and other projects. Short-term interfund loans between governmental funds are eliminated for reporting on the statement of net position. All advances were authorized by resolution of the County Commissioners.

- C.** Amounts due to/from other funds consisted of the following at December 31, 2012, as reported on the fund financial statements:

Due to other funds (payable):	Due from other funds (receivable):			
	General	Maintenance and Repair	Nonmajor governmental	Total
General	\$ -	\$ 1,860	\$ -	\$ 1,860
Maintenance and repair	47	-	-	47
Seneca County Opportunity Center	-	9,646	-	9,646
Nonmajor governmental funds	26,833	31,815	120,617	179,265
EMS enterprise	41	1,001	44	1,086
County sewer district enterprise	3	-	-	3
Total	<u>\$ 26,924</u>	<u>\$ 44,322</u>	<u>\$ 120,661</u>	<u>\$ 191,907</u>

Amounts due to/from other funds between governmental funds are eliminated for reporting on the statement of net position. Amounts due to/from other funds between governmental funds and enterprise funds are reported as a component of internal balance on the statement of net position.

- D.** Transfers are used to move revenues from the fund that statute or budget required to collect them to (1) the fund that statute or budget requires to expend them and (2) to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Interfund transfers for the year ended December 31, 2012, consisted of the following, as reported on the fund financial statements:

Transfer to:	Transfer from:					Total
	General	Maintenance and Repair	Nonmajor Governmental	County Sewer District	Internal Service	
General	\$ -	\$ -	\$ 2,016	\$ -	\$ 102,443	\$ 104,459
Maintenance and Repair	2,280	-	17,874	-	-	20,154
Nonmajor governmental funds	1,586,708	154,167	-	-	-	1,740,875
EMS enterprise	155,000	-	-	-	-	155,000
Bascom Sewer District enterprise	-	-	-	115,071	-	115,071
Total	<u>\$ 1,743,988</u>	<u>\$ 154,167</u>	<u>\$ 19,890</u>	<u>\$ 115,071</u>	<u>\$ 102,443</u>	<u>\$ 2,135,559</u>

The \$102,443 transfer from the internal service fund to the general fund was a residual equity transfer. Effective January 1, 2012, the County was no longer self-insured for prescription drug coverage. The transfer from the County Sewer District enterprise fund to the Bascom Sewer District enterprise fund represents the consolidation of the obligations of the Bascom Sewer District fund into the County Sewer District fund, net of residual equity transferred to the County Sewer District fund.

Transfers among the governmental funds and transfers among the enterprise funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 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, 2012

NOTE 6 - PROPERTY TAXES - (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to taxing districts their portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2012 and for which there is an enforceable legal claim. In the governmental funds, property and other taxes receivable has been offset by a deferred inflow of resources for the current portion, since the current taxes were not levied to finance 2012 operations, and for the delinquent portion, since the collection of the taxes during the available period is not subject to reasonable estimation. On an accrual basis, collectible delinquent property taxes have been recorded as a revenue while on a modified accrual basis this amount is recorded as a deferred inflow of resources.

The full tax rate for all County operations for the year ended December 31, 2012 was \$8.10 per \$1,000 of assessed value. \$1.90 per \$1,000 of assessed value is levied for the general operations, while \$6.20 was levied for the Seneca County Opportunity Center.

The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

Real Property	\$ 919,930,170	94.70 %
Public Utility Personal Property	<u>51,454,730</u>	<u>5.30 %</u>
Total Assessed Value	<u>\$ 971,384,900</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 2012. On an accrual basis, the full amount of the receivable is recognized as revenue. On a modified accrual basis, the amount of the receivable not collected within the available period is recorded as a deferred inflow of resources.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 8 - RECEIVABLES

Receivables at December 31, 2012 consisted of taxes, interest, accounts (billings for user charged services including unbilled utility services), loans (community development block grant monies loaned to local businesses) and intergovernmental receivables arising from grants, entitlements and shared revenues. All intergovernmental revenues are considered collectible in full. Sewer enterprise fund receivables are considered collectible in full. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

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

Loans receivable to be collected in the CDBG fund (a nonmajor governmental fund) amount to \$56,670, of which \$49,338 is expected to be collected in more than one year.

A summary of the principal items of intergovernmental receivables follows:

<i>Fund Type/Fund</i>	<i>Description</i>	<i>Amount</i>
Major Funds		
General Fund	Local Government	\$ 385,817
	Homestead and Rollback	117,892
	Miscellaneous Grants	23,307
	Jail Housing	294,109
	Casino revenue	286,507
	Fees and Reimbursements	3,253
<i>Total General Fund</i>		<u>1,110,885</u>
Maintenance and Repair	Motor Vehicle License	935,897
	Gasoline Tax	1,136,726
<i>Total Maintenance and Repair</i>		<u>2,072,623</u>
Seneca County Opportunity Center	Homestead and Rollback	217,434
	Title VI-B Grant	15,423
	Title XX Grant	45,377
	Title XIX	65,774
	National School Lunch Subsidy	2,266
	Excess costs	352,047
<i>Total Seneca County Opportunity Center</i>		<u>698,321</u>

(Continued)

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 8 – RECEIVABLES (Continued)

<i>Fund Type/Fund</i>	<i>Description</i>	<i>Amount</i>
<i>Other Governmental Funds</i>		
CDBG Projects	Federal Grant	530,039
Workforce Investment Act Grant	Federal Grant	628,989
Children Services	Federal Grant	14,346
Emergency Management Agency	Local Services	732
Victims of Crime Act Grant	Federal Grant	16,707
Victims of Crime Act Grant	Local Services	410
Public assistance	Local Services	305
OSS Litter Program	Local Services	5,548
Sheriff Highway Safety Grant	Federal Grant	5,612
Child Support Enforcement Grant	Federal Grant	14,081
County Road Resurfacing	Local Services	29,084
Youth Center Construction Grant	State Grant	819,063
SCAT Building Construction	Federal Grant	204,446
<i>Total Other Governmental Funds</i>		<u>2,269,362</u>
<i>Total Governmental Funds</i>		<u>\$ 6,151,191</u>

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012:

Governmental Activities:	Balance 12/31/11	Additions	Deletions	Balance 12/31/12
<i>Non-depreciable Capital Assets</i>				
Land and Improvements	\$ 20,835,307	\$ 484,586	\$ (141,962)	\$ 21,177,931
Construction in Progress	299,511	5,438,788	(5,362)	5,732,937
Total Non-depreciable Capital Assets	<u>21,134,818</u>	<u>5,923,374</u>	<u>(147,324)</u>	<u>26,910,868</u>
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	25,569,101	59,969	(911,917)	24,717,153
Machinery and Equipment	11,667,248	816,332	(1,222,619)	11,260,961
Infrastructure	<u>45,631,068</u>	<u>1,719,251</u>	<u>(405,331)</u>	<u>46,944,988</u>
Total Depreciable Capital Assets	<u>82,867,417</u>	<u>2,595,552</u>	<u>(2,539,867)</u>	<u>82,923,102</u>
Less: Accumulated Depreciation:				
Buildings and Building Improvements	(14,775,020)	(607,085)	878,552	(14,503,553)
Machinery and Equipment	(9,180,450)	(730,637)	824,141	(9,086,946)
Infrastructure	<u>(14,214,750)</u>	<u>(1,768,522)</u>	<u>302,116</u>	<u>(15,681,156)</u>
Total Accumulated Depreciation	<u>(38,170,220)</u>	<u>(3,106,244)</u>	<u>2,004,809</u>	<u>(39,271,655)</u>
Total Depreciable Capital Assets, Net	<u>44,697,197</u>	<u>(510,692)</u>	<u>(535,058)</u>	<u>43,651,447</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 65,832,015</u>	<u>\$ 5,412,682</u>	<u>\$ (682,382)</u>	<u>\$ 70,562,315</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:

General government:	
Legislative and executive	\$ 635,682
Judicial	47,819
Public safety	153,472
Public works	2,059,142
Health	136,322
Human services	41,016
Conservation and recreation	32,791
Total Depreciation Expense	<u>\$ 3,106,244</u>

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 9 - CAPITAL ASSETS - (Continued)

	Balance 12/31/11	Additions	Deletions	Balance 12/31/12
Business-type Activities:				
<i>Non-depreciable Capital Assets</i>				
Land and Improvements	\$ 26,243	\$ -	\$ -	\$ 26,243
Construction in progress	-	2,151,903	-	2,151,903
	<u>26,243</u>	<u>2,151,903</u>	<u>-</u>	<u>2,178,146</u>
<i>Depreciable Capital Assets</i>				
Buildings and Improvements	218,465	-	-	218,465
Machinery and Equipment	1,029,385	23,957	(19,321)	1,034,021
Infrastructure	1,457,703	1,181,287	(55,053)	2,583,937
Total Depreciable Capital Assets	<u>2,705,553</u>	<u>1,205,244</u>	<u>(74,374)</u>	<u>3,836,423</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(116,919)	(6,283)	-	(123,202)
Machinery and Equipment	(936,067)	(55,430)	16,327	(975,170)
Infrastructure	(561,769)	(56,718)	55,053	(563,434)
Total Accumulated Depreciation	<u>(1,614,755)</u>	<u>(118,431)</u>	<u>71,380</u>	<u>(1,661,806)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>1,090,798</u>	<u>1,086,813</u>	<u>(2,994)</u>	<u>2,174,617</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,117,041</u>	<u>\$ 3,238,716</u>	<u>\$ (2,994)</u>	<u>\$ 4,352,763</u>

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

During 2012 and in prior years, the County entered into lease agreements for copier and scanning equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures in the budgetary statements.

During 2012, principal and interest payments totaled \$8,618 and were paid by the general fund. As of December 31, 2012, the liability for capital lease obligation included in the long-term liabilities of governmental activities totaled \$22,061.

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, 2012:

Year Ended <u>December 31,</u>	<u>Amount</u>
2013	\$ 8,867
2014	8,163
2015	4,228
2016	3,000
2017	<u>250</u>
Total	24,508
Less: amount representing interest	<u>(2,447)</u>
Present value of net minimum lease payments	<u>\$ 22,061</u>

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 11 - LONG-TERM OBLIGATIONS

Long-term obligation activity for the year ended December 31, 2012 is as follows:

	Outstanding 12/31/11	Additions	Deductions	Outstanding 12/31/12	Amount Due Within One Year
<i>Governmental Activities</i>					
General Obligation Bonds	\$ 4,035,000	\$ -	\$ (450,000)	\$ 3,585,000	\$ 460,000
Compensated Absences	1,768,538	104,796	(223,113)	1,650,221	431,227
OWDA On-Lot Septic Loan	61,114	-	(5,314)	55,800	5,314
Capital Lease Payable	15,982	12,946	(6,867)	22,061	7,571
Governmental Activities	<u>\$ 5,880,634</u>	<u>\$ 117,742</u>	<u>\$ (685,294)</u>	<u>\$ 5,313,082</u>	<u>\$ 904,112</u>
<i>Business-type Activities</i>					
Sewer District Improvement					
Revenue Bonds	\$ -	\$ 3,019,800	\$ (65,348)	\$ 2,954,452	\$ 16,000
Compensated Absences	15,351	-	(447)	14,904	3,010
OPWC Sewer Project Loan	9,240	-	(684)	8,556	684
WSOS Bascom Sewer Project Loan	32,426	-	(21,403)	11,023	11,023
Business-type Activities	<u>\$ 57,017</u>	<u>\$ 3,019,800</u>	<u>\$ (87,882)</u>	<u>\$ 2,988,935</u>	<u>\$ 30,717</u>

General Obligation Bonds

On June 9, 2009, the County issued \$5,285,000 in general obligation refunding bonds to refund other general obligation bonds. General obligation bonds pledge the full faith and credit of the government. The general obligation bonds mature on December 1, 2023, and bear an annual interest rate of 2.00-5.00 percent. At December 31, 2012, the County had \$3,585,000 in general obligation bonds outstanding. The general obligation refunding bonds are paid from the bond retirement fund (a nonmajor governmental 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, 2012, the amount of defeased debt amounted to \$3,485,000.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Sewer District Improvement Revenue Bonds

On June 21, 2012, the County authorized the issuance of \$3,212,000 in sewer district improvement revenue bonds at an interest rate of 2.75% for the acquisition and construction of sewer systems throughout the County. This issuance is composed of \$1,712,000 in series 2012A revenue bonds, \$400,000 in series 2012B revenue bonds, and \$1,100,000 in series 2012C revenue bonds. The bonds are liabilities of the County Sewer District enterprise fund, are payable with charges for sewer service, and are backed by the full faith and credit of the County should these revenues be insufficient to satisfy future debt service requirements.

Proceeds from the series 2012A and 2012B sewer district improvement revenue bonds are being used for the construction of sewer lines and a wastewater treatment facility in the unincorporated community of Bascom in Hopewell Township. Principal payments on the series 2012A and 2012B bonds are payable annually on October 1, beginning in 2014 and continuing through 2051. Proceeds from the series 2012C sewer district improvement revenue bonds were used to acquire the Village of New Riegel's sewer operations through the retirement of the Village of New Riegel's outstanding sewer system mortgage revenue bonds. Principal payments on the series 2012C bonds began on October 1, 2012, and continue annually through 2051.

At December 31, 2012, \$192,200 in proceeds remaining on the Series 2012A issuance had not yet been remitted to the County. The County expects to receive this balance during 2013. Future debt service requirements presented are based on the total bond issuance and include payments related to proceeds not received at December 31, 2012.

Loans Payable

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

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

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

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

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

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Legal Debt Margin

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors 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 \$20,980,154 at December 31, 2012 and the unvoted legal debt margin was \$7,909,380 at December 31, 2012.

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

Year Ended	General Obligation Bonds			OWDA On-Lot Septic Loan		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 460,000	\$ 111,268	\$ 571,268	\$ 5,314	\$ -	\$ 5,314
2014	475,000	100,917	575,917	5,314	-	5,314
2015	485,000	89,043	574,043	5,314	-	5,314
2016	485,000	75,705	560,705	5,314	-	5,314
2017	510,000	61,155	571,155	5,314	-	5,314
2018 - 2022	1,035,000	120,733	1,155,733	26,570	-	26,570
2023	<u>135,000</u>	<u>5,603</u>	<u>140,603</u>	<u>2,660</u>	<u>-</u>	<u>2,660</u>
Total	<u>\$ 3,585,000</u>	<u>\$ 564,424</u>	<u>\$ 4,149,424</u>	<u>\$ 55,800</u>	<u>\$ -</u>	<u>\$ 55,800</u>

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

Year Ended	OPWC Sewer Project Loan			WSOS Bascom Sewer Project Loan		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 684	\$ -	\$ 684	\$ 11,023	\$ 220	\$ 11,243
2014	684	-	684	-	-	-
2015	684	-	684	-	-	-
2016	684	-	684	-	-	-
2017	684	-	684	-	-	-
2018 - 2022	3,424	-	3,424	-	-	-
2023 - 2025	1,712	-	1,712	-	-	-
Total	<u>\$ 8,556</u>	<u>\$ -</u>	<u>\$ 8,556</u>	<u>\$ 11,023</u>	<u>\$ 220</u>	<u>\$ 11,243</u>

Year Ended	Sewer District Improvement Revenue Bonds		
	Principal	Interest	Total
2013	\$ 16,000	\$ 86,533	\$ 102,533
2014	49,000	86,093	135,093
2015	50,000	84,745	134,745
2016	51,000	83,371	134,371
2017	53,000	81,967	134,967
2018 - 2022	288,000	387,233	675,233
2023 - 2027	327,000	345,434	672,434
2028 - 2032	375,000	297,967	672,967
2033 - 2037	431,000	243,327	674,327
2038 - 2042	492,000	180,818	672,818
2043 - 2047	564,000	109,375	673,375
2048 - 2051	450,652	29,395	480,047
Total	<u>\$ 3,146,652</u>	<u>\$ 2,016,258</u>	<u>\$ 5,162,910</u>

During 2012, the County made a principal payment of \$60,348 in addition to the \$5,000 scheduled payment on the series 2012C sewer district improvement revenue bonds. This amount has been applied to scheduled principal payments in 2050 and 2051 in the schedule above. This schedule also includes \$192,200 in principal for bond proceeds not yet remitted to the County; this portion is not included as a component of long-term obligations at December 31, 2012.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 12 – NOTES PAYABLE

On November 8, 2012, the County internally issued \$380,000 in series 2012 capital improvement notes to finance various facilities improvements throughout the County and the acquisition of equipment in the EMS enterprise fund. The internal note is an investment of the SCOC fund and 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. These notes refinance a portion of the County's series 2011 capital improvement notes, previously reported as interfund loans receivable/payable, mature on November 7, 2013, and bear an interest rate of 1.10%.

A summary of the County's internal capital improvement notes payable is as follows:

	Balance 12/31/11	Additions	Deductions	Balance 12/31/12	Within One Year
<i>Governmental activities</i>					
Capital improvement notes, series 2011	\$ 426,000	\$ -	\$ (426,000)	\$ -	\$ -
Capital improvement notes, series 2012	-	346,000	-	346,000	346,000
Total governmental activities	<u>426,000</u>	<u>346,000</u>	<u>(426,000)</u>	<u>346,000</u>	<u>346,000</u>
<i>Business-type activities</i>					
Capital improvement notes, series 2011	54,000	-	(54,000)	-	-
Capital improvement notes, series 2012	-	34,000	-	34,000	34,000
Total business-type Activities	<u>54,000</u>	<u>34,000</u>	<u>(54,000)</u>	<u>34,000</u>	<u>34,000</u>
Total internal notes payable	<u>\$ 480,000</u>	<u>\$ 380,000</u>	<u>\$ (480,000)</u>	<u>\$ 380,000</u>	<u>\$ 380,000</u>

NOTE 13 - 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 \$113,650,210, which includes builders risk coverage.

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

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

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

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - RISK MANAGEMENT - (Continued)

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. Effective January 1, 2012, the County became fully insured for employee prescription drug insurance and was no longer self insured for the provision of any employee benefits. Claims activity for 2010, 2011 and 2012 are as follows:

	Beginning Balance	Claims Incurred	Claims Paid	Ending Balance
2010	\$ 556,023	\$ 693,242	\$ 1,219,583	\$ 29,682
2011	29,682	612,568	631,440	10,810
2012	10,810	24,257	35,067	-

C. Worker's Compensation

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

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

D. Natural Gas

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

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - RISK MANAGEMENT - (Continued)

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 14 - OTHER EMPLOYEE BENEFITS

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

NOTE 15 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 15 - PENSION PLANS - (Continued)

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012 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 2012 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 11.50% and 12.10%, respectively. The County's contribution rate for 2012 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10% of covered payroll.

The County's contribution rate for pension benefits for members in the Traditional Plan for 2012 was 10.00%. The County's contribution rate for pension benefits for members in the Combined Plan and Traditional Plan was 7.95% and 10.00%, respectively. For those plan members in law enforcement and public safety pension contributions were 14.10%. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$1,646,160, \$1,704,382, and \$1,596,642, respectively; 91.40% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. The remaining 2012 pension liability has been reported as due to other governments/pension obligation payable on the basic financial statements. Contributions to the member-directed plan for 2012 were \$30,839 made by the County and \$22,028 made by plan members.

B. State Teachers Retirement System of Ohio

Plan Description - The County participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 website at www.strsoh.org, under "Publications".

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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 15 - PENSION PLANS - (Continued)

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 2012, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 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, 2012, 2011 and 2010 were \$66,845, \$74,025 and \$72,698, respectively; 100 percent has been contributed for 2012, 2011 and 2010.

NOTE 16 – POSTEMPLOYMENT BENEFIT PLANS

A. Ohio Public Employees Retirement

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

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

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

Funding Policy - The post-employment healthcare plan was established under, and is 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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 16 – POSTEMPLOYMENT BENEFIT PLANS - (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2012 local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2012 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2012 was 6.05%.

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$644,704, \$665,686, and \$874,963, respectively; 91.40% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. The remaining 2012 post-employment health care benefits liability has been reported as due to other governments/pension obligation payable on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

B. State Teachers Retirement System of Ohio

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, under "*Publications*" 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. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2012, 2011 and 2010 were \$5,141, \$5,694 and \$5,592, respectively; 100 percent has been contributed for 2012, 2011 and 2010.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance

	<u>General Fund</u>	<u>Maintenance and Repair Fund</u>	<u>Seneca County Opportunity Center</u>
Budget basis	\$ (1,182,792)	\$ 1,307,725	\$ (913,232)
Net adjustment for revenue accruals	320,141	11,898	(13,936)
Net adjustment for expenditure accruals	(285,378)	100,218	(107,952)
Net adjustment for other sources/uses	462,237	-	-
Funds budgeted elsewhere	186,011	-	-
Adjustment for encumbrances	934,444	353,194	605,586
GAAP basis	<u>\$ 434,663</u>	<u>\$ 1,773,035</u>	<u>\$ (429,534)</u>

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. These include the metal expense rotary fund, sheriff rotary fund, unclaimed monies fund, hazardous materials fund, clerk of courts title administration fund, public safety rental fund, recorder equipment fund, employee benefits fund, and underground storage tank fund.

NOTE 18 - 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 not be material.

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 19 - 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, 2012, an estimated \$672,875,000 in bond and lease obligations were outstanding.

NOTE 20 - 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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 20 - PUBLIC ENTITY RISK POOLS - (Continued)

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

The County is participating in the County Commissioners Association of Ohio Service Corporation (CCAOSC), a pool established under the rules of Ohio Revised Code Section 4123.29, which permits the establishment of employer group rating plans. The 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, 2012.

NOTE 21 - JOINT VENTURES

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

Seneca County joined Sandusky County and the City of Tiffin in a joint venture, as described in Note 1, to purchase a railroad line from Tiffin to Woodville. The Port Authority may be dissolved at any time upon the enactment of an ordinance by the City and resolutions by the Counties. Any real or personal property will be returned to the subdivision from which it was received. Upon dissolution of the Port Authority, any personal property belonging to the Port Authority will be distributed equally to the City and the Counties after paying all expenses and debts. Non-interest revenue bonds were issued by the Port Authority to purchase 25.1 miles of railroad in May 1990. Debt service requirements are secured by future revenue from shippers who will utilize the railroad. The bonds come due in the years 2011 through 2028. Summary financial information for the year ended December 31, 2012 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, 2012.

	Joint Venture	County Share
Total Assets	\$ 4,905,809	\$ 1,635,270
Total Liabilities	(871,065)	(290,355)
Net Position	<u>\$ 4,034,744</u>	<u>\$ 1,344,915</u>
Revenues	\$ 340,808	\$ 113,603
Expenses	(223,266)	(74,422)
Increase in Net Position	<u>\$ 117,542</u>	<u>\$ 39,181</u>

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 21 - JOINT VENTURES - (Continued)

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 approximately 35.48 percent. Summary financial information as of, and for the fiscal year ended December 31, 2012 is presented below:

	Joint Venture	County Share		Population	Equity Percent
Beginning Net Position	\$ 4,459,827	\$ 1,582,538	Ottawa	41,339	26.19%
			Sandusky	60,510	38.33%
Revenues	1,399,671	496,663	Seneca	56,018	35.48%
Expenses	(2,002,623)	(710,616)	Total	157,867	100.00%
Ending Net Position	<u>\$ 3,856,875</u>	<u>\$ 1,368,585</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.

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, 2012 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, 2012.

	Joint Venture	County Share		Population	Equity Percent
Beginning Net Position	\$ 3,835,686	\$ 1,544,309	Sandusky	60,510	43.49%
			Seneca	56,018	40.26%
Revenues	6,017,678	2,422,814	Wyandot	22,607	16.25%
Expenses	(6,373,978)	(2,566,266)	Total	139,135	100.00%
Ending Net Position	<u>\$ 3,479,386</u>	<u>\$ 1,400,857</u>			

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 21 - JOINT VENTURES - (Continued)

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, 2012 is presented below. Further financial information can be found in the Northland Homes and Properties, Inc. financial report as of December 31, 2012.

	Joint Venture	County Share
Total Assets	\$ 2,988,971	\$ 996,323
Total Liabilities	(1,255,771)	(418,590)
Net Position	<u>\$ 1,733,200</u>	<u>\$ 577,733</u>
Revenues	\$ 516,650	\$ 172,217
Expenses	(512,121)	(170,708)
Increase in Net Position	<u>\$ 4,529</u>	<u>\$ 1,509</u>

NOTE 22 - 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, 2012. Further financial information can be seen in the Seneca Re-Ad Industries, Inc. Financial Report as of June 30, 2012 available from Reichert & Associates, CPA's, 206 West Hardin Street, Findlay, OH 45840.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 22 - SENECA RE-AD INDUSTRIES, INC. - COMPONENT UNIT - (Continued)

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. The accounts of the entity are organized on the basis of one operating fund.

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

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

Capital Assets: Equipment values, purchased and donated, are assigned original acquisition costs. Donated capital assets are capitalized at fair value on the date donated. Seneca Re-Ad maintains a capitalization threshold of five hundred dollars.

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	\$108,269	Republic Bank	61,693
Croghan Colonial Bank	92,014	First Ohio Credit Union Savings	74,550
First Bank	90,747	First National Bank	137,324
Fifth Third CD	74,672	Sutton Bank	94,072
FirstMerit CD	86,241	Huntington Bank	58,131
U.S. Bank CD	89,721	Petty Cash Funds	540
Old Fort Bank CD	67,895		
		<i>Total Cash and</i>	
		<i>Short-Term Investments</i>	<u><u>\$ 1,035,869</u></u>

FDIC Insurance insures all funds except for petty cash funds.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 22 - SENECA RE-AD INDUSTRIES, INC. - COMPONENT UNIT - (Continued)

- C. Capital Assets** - A summary of changes in capital assets by class during the fiscal year ended June 30, 2012 are as follows:

	Balance at 6/30/2011	Additions	Deletions	Balance at 6/30/2012
Land	\$ 2,945	\$ -	\$ -	\$ 2,945
Building	130,590	-	-	130,590
Furniture and Fixtures	83,634	-	-	83,634
Machinery and Equipment	436,374	9,434	-	445,808
Vehicles	103,897	-	-	103,897
<i>Subtotal</i>	757,440	9,434	-	766,874
Accumulated Depreciation	(455,434)	(41,932)	-	(497,366)
<i>Net Capital Assets</i>	<u>\$ 302,006</u>	<u>\$ (32,498)</u>	<u>\$ -</u>	<u>\$ 269,508</u>

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

- D. Federal Taxes** - The entity has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Internal Revenue Code and is exempt from federal income tax under Section 501(c)(3).
- E. Lease Agreements** - Seneca Re-Ad Industries, Inc. has a lease agreement with the Seneca County Board of DD. The Seneca County Board of DD is to provide the workshop with a facility, staff and other expenses at the SCOC for \$1 per year. In return, the workshop is to provide the equipment and operating expenses. The lease agreement is renewed annually.
- F. Board of DD In-Kind Contributions** - 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.

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 \$466,684.

- G. Accrued Vacation** - A liability for accrued vacation for \$7,809 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.

SENECA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 23 - RELATED PARTY TRANSACTIONS

For the year ended December 31, 2012 the County participated in the following related party transactions:

<u>Related Party</u>	<u>Purpose</u>	<u>Amount</u>
Soil and Water Conservation District	Flood Plain Administration	\$ 10,000
Soil and Water Conservation District	Local Grant Matching Funds	130,000
Seneca County Regional Planning Commission	Assessment	<u>28,373</u>
Total		<u>\$ 168,373</u>

NOTE 24 - FUND BALANCE

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

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 24 - FUND BALANCE - (Continued)

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

Fund balance	General	Maintenance and Repair	Seneca County Opportunity Center	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 46,235	\$ 424,871	\$ 8,572	\$ 4,714	\$ 484,392
Prepayments	135,062	497	34,974	25,809	196,342
Unclaimed monies	<u>135,135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,135</u>
Total nonspendable	<u>316,432</u>	<u>425,368</u>	<u>43,546</u>	<u>30,523</u>	<u>815,869</u>
Restricted:					
Capital projects	-	-	-	178,397	178,397
Grants and specific programs	-	-	-	2,859,855	2,859,855
SCOC programs	-	-	6,225,378	-	6,225,378
Human services programs	-	-	-	1,640,815	1,640,815
Roads and bridges	-	11,268,700	-	-	11,268,700
Community and economic development	<u>-</u>	<u>-</u>	<u>-</u>	<u>437,120</u>	<u>437,120</u>
Total restricted	<u>-</u>	<u>11,268,700</u>	<u>6,225,378</u>	<u>5,116,187</u>	<u>22,610,265</u>
Committed:					
Underground storage tank	<u>11,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,855</u>
Total committed	<u>11,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,855</u>
Assigned:					
Debt service	-	-	-	511,858	511,858
Capital projects	-	-	-	170,531	170,531
Grants and specific programs	13,873	-	-	-	13,873
General government	1,058,303	-	-	-	1,058,303
Public safety	43,812	-	-	-	43,812
Health	11,877	-	-	-	11,877
Human services	73,567	-	-	-	73,567
Employee benefits	<u>100,683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,683</u>
Total assigned	<u>1,302,115</u>	<u>-</u>	<u>-</u>	<u>682,389</u>	<u>1,984,504</u>
Unassigned (deficit)	<u>2,613,854</u>	<u>-</u>	<u>-</u>	<u>(865,612)</u>	<u>1,748,242</u>
Total fund balances	<u>\$ 4,244,256</u>	<u>\$ 11,694,068</u>	<u>\$ 6,268,924</u>	<u>\$ 4,963,487</u>	<u>\$ 27,170,735</u>

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 25 - CONTRACTUAL COMMITMENTS

As a result of construction in progress, the County had the following contractual commitments outstanding as of December 31, 2012:

Vendor	Contract Amount	Costs Incurred	Contract Outstanding
<i>Youth Center Construction nonmajor capital projects fund</i>			
Clouse Electric Co.	\$ 531,890	\$ (386,509)	\$ 145,381
Warner Mechanical	284,400	(244,313)	40,087
Studer-Obringer, Inc.	2,060,000	(1,810,773)	249,227
Dalmation Fire, Inc.	48,500	(43,488)	5,012
K2M Architecture, Inc.	23,000	(6,309)	16,691
<i>SCAT Building Construction nonmajor capital projects fund</i>			
Lowry Arlen	14,880	(14,880)	-
Clouse Construction	1,250,874	(1,150,524)	100,350
Marlin White & Sons, Inc.	195,922	(177,884)	18,038
Westfield Electric, Inc.	268,225	(245,226)	22,999
Vulcan Enterprises, Inc.	54,363	(45,678)	8,685
Clinger Mechanical, Inc.	130,600	(125,146)	5,454
TFC Architects & Engineers	27,242	(22,800)	4,442
<i>Energy Improvement Construction nonmajor capital projects fund</i>			
Palmer Conservations Consulting	68,815	(34,408)	34,407
<i>County Sewer District enterprise fund</i>			
Helms & Sons Excavating, Inc.	1,581,272	(1,581,272)	-
K.E. McCartney & Associates, Inc.	124,685	(124,685)	-
Total Contractual Commitments	<u>\$ 6,664,668</u>	<u>\$ (6,013,895)</u>	<u>\$ 650,773</u>

NOTE 26 - OTHER COMMITMENTS

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

Fund	Encumbrances
General fund	\$ 757,149
Maintenance and Repair fund	217,940
Seneca County Opportunity Center	447,071
Other governmental funds	1,571,296
Total	<u>\$ 2,993,456</u>

SENECA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 27 – SUBSEQUENT EVENT

On January 17, 2013, the County's general obligation bonds were downgraded by Moody's Investor Services from an insured rating of Aa3 to an insured rating of A1.

**SENECA COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Project Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Direct</i>			
Water and Waste Disposal Systems for Rural Communities	10.760	2012A	\$ 1,270,886
Water and Waste Disposal Systems for Rural Communities	10.760	2012B	287,357
Water and Waste Disposal Systems for Rural Communities	10.760	2012C	1,100,000
Total CFDA # 10.760			<u>2,658,243</u>
<i>Passed Through Ohio Department of Job and Family Services</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		279,439
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	IRN093286	11,799
National School Lunch Program	10.555	IRN066241	2,810
National School Lunch - Food Distribution Program	10.555	IRN066241	9,684
National School Lunch Program	10.555	IRN093286	21,847
Total CFDA # 10.555			<u>34,341</u>
Total Child Nutrition Cluster			<u>46,140</u>
Total U.S. Department of Agriculture			<u>2,983,822</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant/State's Program	14.228	B-Z-08-069-1	92,370
Community Development Block Grant/State's Program	14.228	B-C-09-069-1	1,066
Community Development Block Grant/State's Program	14.228	B-F-10-1CQ-1	45,835
Community Development Block Grant/State's Program	14.228	B-C-11-1CQ-1&2	114,528
Community Development Block Grant/State's Program	14.228	B-F-11-1CQ-1	7,927
CDBG Revolving Loan Fund	14.228		16,107
			<u>277,833</u>
Home Investment Partnerships Program	14.239	BC-09-069-2	1,155
Total U.S. Department of Housing and Urban Development			<u>278,988</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Direct</i>			
ARRA - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	16.810	2009-SD-B9-0102	41,622
<i>Passed Through Ohio Attorney General</i>			
Crime Victim Assistance	16.575	2012VAGENE252	86,670
Crime Victim Assistance	16.575	2012SAGENE252	7,815
Crime Victim Assistance	16.575	2013VAGENE252	22,429
Crime Victim Assistance	16.575	2013SAGENE252	2,605
Total CFDA #16.575			<u>119,519</u>
<i>Passed Through Ohio Office of Criminal Justice</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-JG-LLE-5069	9,929
Total U.S. Department of Justice			<u>171,070</u>
U.S. DEPARTMENT OF LABOR			
<i>Passed Through Montgomery County WIA Area 7</i>			
WIA Cluster			
WIA - Adult Program	17.258		238,885
WIA - Youth Activities Program	17.259		150,049
WIA - Dislocated Worker Formula Grants	17.278		72,505
Total WIA Cluster			<u>461,439</u>
Workforce Investment Act (WIA) - National Emergency Grants	17.277		5,845
Total U.S. Department of Labor			<u>467,284</u>

(Continued)

SENECA COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Project Number	Disbursements
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Direct</i>			
Airport Improvement Program	20.106	3-39-0076-1012	8,100
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	20.205	#89455	5,194
Highway Planning and Construction	20.205	#92231	278,055
Highway Planning and Construction	20.205	#85074	451,931
Highway Planning and Construction	20.205	#80374	1,296,698
Highway Planning and Construction	20.205	#76274	423,574
Highway Planning and Construction	20.205	#85072	451,243
Highway Planning and Construction	20.205	#86919	3,707
Highway Planning and Construction	20.205	#90512	32,592
Total CFDA # 20.205			2,942,994
ARRA - Formula Grants for Rural Areas	20.509	RPTS-0074-004-094	1,170,313
		RPTS-0074-002-094	300,000
		RPTS-0074-001-094	98,955
Total CFDA 20.509			1,569,268
State and Community Highway Safety	20.600	HVEO-2012-74	21,967
<i>Passed Through Ohio Department of Public Safety</i>			
Interagency Hazardous Materials Public Sector - Planning	20.703		7,988
Interagency Hazardous Materials Public Sector - Training	20.703		124
Total CFDA # 20.703			8,112
Total U.S. Department of Transportation			4,550,441
U.S. ELECTION ASSISTANCE COMMISSION			
<i>Passed Through Ohio Secretary of State</i>			
Help America Vote Act Requirements Payments	90.401		1,342
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Job and Family Services</i>			
Temporary Assistance for Needy Families (TANF)	93.558	G-1213-11-0112	1,064,169
Child Care and Development Block Grant	93.575	G-1213-11-0112	27,041
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G-1213-11-0112	24,028
Children's Health Insurance Program	93.767	G-1213-11-0112	788
Child Support Enforcement	93.563	G-1213-11-0112	508,518
Grants to States for Access and Visitation Programs	93.597	G-1213-11-0112	59,689
Foster Care Title IV-E	93.658	G-1213-11-0112	93,290
Adoption Assistance Title IV-E	93.659	G-1213-11-0112	39,412
Chafee Foster Care Independence Program	93.674	G-1213-11-0112	170
Promoting Safe and Stable Families	93.556	G-1213-11-0112	10,617
Voting Access for Individuals with Disabilities - Grants to States	93.617		640
<i>Passed Through Ohio Department of Job and Family Services</i>			
Social Services Block Grant	93.667	G-1213-11-0112	726,066
<i>Passed Through Ohio Department of Developmental Disabilities</i>			
Social Services Block Grant	93.667		45,698
Total CFDA # 93.667			771,764
<i>Passed Through Ohio Department of Job and Family Services</i>			
Medical Assistance Program	93.778	G-1213-11-0112	188,841
<i>Passed Through Ohio Department of Developmental Disabilities</i>			
Medical Assistance Program	93.778		129,417
Total CFDA # 93.778			318,258
Total U.S. Department of Health and Human Services			2,918,384

(Continued)

SENECA COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Project Number	Disbursements
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through Ohio Emergency Management Agency</i>			
Hazard Mitigation Program Grant	97.039		1,500
Emergency Management Performance Grant	97.042		63,233
Citizens Community Resilience Innovation Challenge	97.053		6,339
Homeland Security Grant Program	97.067	2009-SST9-0089	34,152
Homeland Security Grant Program	97.067	2010-SST0-0012	17,179
Homeland Security Grant Program	97.067	2011-EGMS-6282	35,252
Total CFDA # 97.067			86,583
Total U.S. Department of Homeland Security			157,655
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Special Education_Grants to States	84.027	IDEA-B	34,176
TOTAL FEDERAL AWARDS EXPENDITURES			\$ 11,563,162

The accompanying notes are an integral part of this schedule.

SEE ACCOMPANYING NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE

This page intentionally left blank.

SENECA COUNTY

NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

As a subrecipient, the County has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals. The amount passed through to subrecipients was \$207,866.

NOTE C - CHILD NUTRITION CLUSTER

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

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

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

These loans are collateralized by mortgages on the property.

Activity in the CDBG revolving loan fund during 2012 is as follows:

Beginning loans receivable balance as of January 1, 2012	\$60,990
Loans made	
Loan principal repaid	4,320
Ending loans receivable balance as of December 31, 2012	\$56,670
Cash balance on hand in the revolving loan fund as of December 31, 2011	\$322,620
Administrative costs expended during 2012	\$16,107
Other grant expenditures administered through the 14.228	262,881
Total Federal Expenditures	\$ 278,988

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2012, the County estimate 100% to be collectible.

NOTE E - MATCHING REQUIREMENTS

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

NOTE F - TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2012, the County made allowable transfers of \$260,127 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County spent approximately \$1,064,169 on the TANF program. The amount reported for the TANF program on the Schedule excludes the amount transferred to the SSBG program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2010 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$ 1,324,296
Transfer to Social Services Block Grant	<u>(260,127)</u>
Total Temporary Assistance for Needy Families	<u>\$ 1,064,169</u>

NOTE G – SETTLEMENT FOR 2007 COST REPORT – MEDICAID

During calendar year, the County Board of Developmental Disabilities received a settlement for the 2007 Cost Report from the Ohio Department of Developmental Disabilities (DODD) for the Medicaid Program (CFDA 93.778) in the amount of \$93,829. The cost report settlement was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This amount is not listed on the Schedule since the underlying expenses occurred in prior reporting periods.



Dave Yost • Auditor of State

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

Seneca County
111 Madison Street
Tiffin, Ohio 44883-2824

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Seneca County, Ohio (the County), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 20, 2013. Our report refers to 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 from the Comptroller General of the United States *Government Auditing Standards*. Other auditors audited the financial statements of Seneca Re-Ad Industries, Inc., the discretely presented component unit, as described in our report on the County's financial statements. The financial statements of Seneca Re-Ad Industries, Inc., discretely presented component unit were not audited in accordance with *Government Auditing Standards*. We also noted the County implemented the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Dave Yost", with a stylized, cursive script.

Dave Yost
Auditor of State

Columbus, Ohio

September 20, 2013



Dave Yost • Auditor of State

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

Seneca County
111 Madison Street
Tiffin, Ohio 44883-2824

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Seneca County, Ohio (the County), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the County's major federal programs.

Management's Responsibility

The County's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Seneca County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 20, 2013

SENECA COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 10.760 – Water and Waste Disposal Systems for Rural Communities. CFDA # 14.228 – Community Development Block Grants – States' Program. CFDA # 20.509 – ARRA – Formula Grants for Rural Areas. CFDA # 93.563 – Child Support Enforcement. CFDA # 93.667 – Social Service Block Grant.
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Low

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

This page intentionally left blank.

SENECA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Significant deficiency over financial reporting due to errors requiring audit adjustments.	No	Partially corrected and repeated in management letter.

This page intentionally left blank.



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 8, 2013