DEFIANCE COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999

JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

DEFIANCE COUNTY
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Commissioners:

We have audited the accompanying general-purpose financial statements of Defiance County (the County) as of and for the year ended December 31, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Defiance County, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 3 to the general-purpose financial statements, as of January 1, 1999, the County restated the beginning balance of the Investment Trust Fund and the loans payable in the General Long Term Obligations Account Group.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 1999 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 grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the County, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

May 15, 2000

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DEFIANCE COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 1999

	Governmental Fund Types				Proprietary Fund Types
	General Fund	Special Revenue	Debt Service	Capital Projects	Enterprise
ASSETS AND OTHER DEBITS					
Assets:					
Equity with County Treasurer in pooled cash and cash equivalents	$2,483,179	$5,686,564	$487,287	$5,281,280	$4,256,864
Cash with fiscal and escrow agents	42,948		2,161		
Receivables (net of allowances of uncollectibles):					
Real and other taxes	1,310,000	1,112,600			
Accounts	43,129	30,814	2,056		242,568
Special assessments		177,520	29,589	55,075	18,500
Accrued interest	14,323	20			25,752
Intergovernmental	742,077	297,812			
Interfund loan receivable	1,999,051			68,900	
Advances to other funds	115,792	761			
Due from other funds	4,440	32,696			125
Prepayments	118,999	354,905		67,031	32,791
Materials and supplies inventory	44,992	217,082			6,667
Loans receivable		235,612			
Notes receivable	2,775				
Restricted assets:					
Investments					2,795,923
Property, plant and equipment (net of accumulated depreciation where applicable)					1,396,280
Other debits:					
Amount available in debt service fund					
Amount to be provided from general government resources					
Amount to be provided from component unit resources					
Total Assets and other Debits	**$6,921,705**	**$8,146,386**	**$521,093**	**$5,472,286**	**$8,775,470**

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Unit	Total Reporting Entity (Memorandum Only)
Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations			
$129,628	$5,534,728			$23,859,530	$679,432	$24,538,962
	498,713			543,822		543,822
				2,422,600	1,407,117	3,829,717
	20,034			338,601		338,601
				280,684		280,684
	32			40,127		40,127
				1,039,889	29,954	1,069,843
				2,067,951		2,067,951
				116,553		116,553
	211			37,472	540	38,012
				573,726	19,266	592,992
				268,741	5,635	274,376
				235,612		235,612
				2,775		2,775
				2,795,923		2,795,923
		$14,908,348		16,304,628	545,439	16,850,067
			$470,344	470,344		470,344
			3,683,277	3,683,277		3,683,277
					58,037	58,037
$129,628	**$6,053,718**	**$14,908,348**	**$4,153,621**	**$55,082,255**	**$2,745,420**	**$57,827,675**

(Continued)

DEFIANCE COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 1999
(Continued)

	Governmental Fund Types				Proprietary Fund Types
	General Fund	Special Revenue	Debt Service	Capital Projects	Enterprise
LIABILITIES, EQUITY AND OTHER CREDITS					
Liabilities:					
Accounts payable	$83,699	$265,342		$232,430	$34,032
Accrued wages and benefits	99,063	141,332			10,696
Compensated absences payable	11,425	24,676			40,288
Interfund loan payable			$19,944	2,038,007	
Advances from other funds	761		1,286	114,506	
Due to other governments	18,128	1,685			14,551
Due to other funds	442	36,912			502
Deposits held and due to others					
Deferred revenue	1,306,369	1,286,618	29,519	54,945	18,456
Accrued interest payable		1,729		7,465	6,927
Notes payable		100,000		367,990	421,760
Claims and judgements payable					
Pension obligation payable	77,533	112,867			9,029
General obligation bond payable					
OWDA loans payable					
OPWC loans payable					
Capital lease obligation					
Estimated accrued liability for landfill closure and post-closure costs					2,543,959
Total Liabilities	1,597,420	1,971,161	50,749	2,815,343	3,100,200
Equity and other credits:					
Investment in general fixed assets					
Retained earnings:					
Unreserved					5,675,270
Fund balances:					
Reserved for external investment pool participants					
Reserved for encumbrances	112,050	1,337,760	383	791,343	
Reserved for interfund loans	1,999,051			68,900	
Reserved for supplies inventory	44,992	217,082			
Reserved for prepayments	118,999	354,905		67,031	
Reserved for debt service			469,961		
Reserved for loans		235,612			
Reserved for notes	2,775				
Reserved for advances	115,792	761			
Unreserved,undesignated	2,930,626	4,029,105		1,729,669	
Total Equity and Other Credits	5,324,285	6,175,225	470,344	2,656,943	5,675,270
Total Liabilities, Equity and Other Credits	**$6,921,705**	**$8,146,386**	**$521,093**	**$5,472,286**	**$8,775,470**

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Unit	Total Reporting Entity (Memorandum Only)
Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations			
				$615,503	$57,381	$672,884
				251,091	63,760	314,851
			$514,790	591,179	63,997	655,176
	$10,000			2,067,951		2,067,951
				116,553		116,553
	5,419,460			5,453,824		5,453,824
				37,856	156	38,012
	498,713			498,713		498,713
				2,695,907	1,403,217	4,099,124
				16,121		16,121
				889,750		889,750
	52,094			52,094		52,094
				199,429	31,570	230,999
			2,805,000	2,805,000		2,805,000
			336,517	336,517		336,517
			456,349	456,349		456,349
			40,965	40,965		40,965
				2,543,959		2,543,959
	5,980,267		4,153,621	19,668,761	1,620,081	21,288,842
		$14,908,348		14,908,348	545,439	15,453,787
$129,628				5,804,898		5,804,898
	55,890			55,890		55,890
				2,241,536	29,874	2,271,410
				2,067,951		2,067,951
				262,074	5,635	267,709
				540,935	19,266	560,201
				469,961		469,961
				235,612		235,612
				2,775		2,775
				116,553		116,553
	17,561			8,706,961	525,125	9,232,086
129,628	73,451	14,908,348		35,413,494	1,125,339	36,538,833
$129,628	**$6,053,718**	**$14,908,348**	**$4,153,621**	**$55,082,255**	**$2,745,420**	**$57,827,675**

DEFIANCE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUND, AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 1999

	Governmental Fund Types			
	General Fund	Special Revenue	Debt Service	Capital Projects
Revenues:				
Property taxes	$1,398,677	$1,383,576	$299,239	
Sales taxes	4,099,762			
Charges for services	1,028,339	354,545	2,056	
Licenses and permits	4,350	50		
Fines and forfeitures	56,427	19,119		
Intergovernmental	1,103,652	7,346,112	28,943	$538,158
Special assessments		155,123	298	77,963
Investment income	1,179,105	1,963		
Other	586,416	1,365,913	103,862	338,382
Total Revenues	9,456,728	10,626,401	434,398	954,503
Expenditures:				
Current:				
General government:				
Legislative and executive	1,717,400	442,970		
Judicial	862,404	264,480		
Public safety	1,358,714	1,517,126		300,603
Public works	190,825	3,404,340		
Health	37,314	80,691		
Human services	215,716	4,473,894		
Economic development		769,381		
Other	1,833,511		185,357	
Capital outlay		211,973		2,923,687
Debt service:				
Principal retirement		13,655	159,691	
Interest and fiscal charges		1,729	25,354	43,999
Total Expenditures	6,215,884	11,180,239	370,402	3,268,289
Excess of Revenues over (under) Expenditures	3,240,844	(553,838)	63,996	(2,313,786)
Other financing sources (uses):				
Proceeds of notes				181,962
Proceeds of bonds			605,000	1,970,000
Proceeds of capital lease transactions		54,620		
Operating transfers in	15,910	853,615	266,966	1,769,006
Operating transfers out	(1,944,987)	(15,910)	(966,919)	(101,546)
Total Other Financing Sources (Uses)	(1,929,077)	892,325	(94,953)	3,819,422
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	1,311,767	338,487	(30,957)	1,505,636
Fund Balance, January 1,	4,009,090	5,820,932	501,301	1,151,307
Increase in reserve for inventory	3,428	15,806		
Fund Balance, December 31	**$5,324,285**	**$6,175,225**	**$470,344**	**$2,656,943**

The notes to the general-purpose financial statements are an integral part of this statement.

Fiduciary Fund Type Expendable Trust	Total Primary Government (Memorandum Only)	Component Unit	Total Reporting Entity (Memorandum Only)
	$3,081,492	$1,307,989	$4,389,481
	4,099,762		4,099,762
	1,384,940		1,384,940
	4,400		4,400
	75,546		75,546
	9,016,865	1,585,164	10,602,029
	233,384		233,384
	1,181,068		1,181,068
	2,394,573	51,599	2,446,172
	21,472,030	2,944,752	24,416,782
	2,160,370		2,160,370
	1,126,884		1,126,884
	3,176,443		3,176,443
	3,595,165		3,595,165
	118,005	7,320	125,325
	4,689,610		4,689,610
	769,381		769,381
	2,018,868	3,029,251	5,048,119
	3,135,660		3,135,660
	173,346		173,346
	71,082		71,082
	21,034,814	3,036,571	24,071,385
	437,216	(91,819)	345,397
	181,962		181,962
	2,575,000		2,575,000
	54,620		54,620
	2,905,497		2,905,497
	(3,029,362)		(3,029,362)
	2,687,717		2,687,717
	3,124,933	(91,819)	3,033,114
$17,561	11,500,191	671,675	12,171,866
	19,234	44	19,278
$17,561	**$14,644,358**	**$579,900**	**$15,224,258**

DEFIANCE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes:						
Property taxes	$1,395,166	$1,398,742	$3,576	$1,384,329	$1,384,329	
Sales taxes	4,099,762	4,099,762				
Charges for services	1,049,910	1,050,546	636	865,110	705,394	($159,716)
Licenses and permits	4,325	4,350	25		50	50
Fines and forfeitures	58,059	58,059		18,892	18,892	
Intergovernmental	1,024,662	1,024,662		7,186,906	7,187,536	630
Special assessments				155,005	155,005	
Investment income	1,470,761	1,485,581	14,820			
Other	579,648	579,648		822,748	1,023,728	200,980
Total revenues	9,682,293	9,701,350	19,057	10,432,990	10,474,934	41,944
Expenditures:						
Current:						
General Government:						
Legislative and executive	1,895,910	1,798,361	97,549	796,714	549,418	247,296
Judicial	940,162	855,291	84,871	413,749	271,692	142,057
Public safety	1,450,985	1,379,973	71,012	4,049,266	2,379,249	1,670,017
Public works	276,015	230,675	45,340	4,373,005	3,619,113	753,892
Health	56,302	37,314	18,988	114,952	88,123	26,829
Human services	251,204	220,025	31,179	5,612,525	4,764,038	848,487
Economic development and assistance				1,004,189	850,245	153,944
Miscellaneous	2,162,046	1,938,497	223,549			
Capital outlay				338,343	184,816	153,527
Debt service:						
Principal retirement						
Interest and fiscal charges						
Contingency	1,605,177		1,605,177			
Total Expenditures	8,637,801	6,460,136	2,177,665	16,702,743	12,706,694	3,996,049
Excess of Revenues Over(Under) Expenditures	1,044,492	3,241,214	2,196,722	(6,269,753)	(2,231,760)	4,037,993
Other Financing Sources (Uses):						
Proceeds of bonds						
Proceeds of notes				100,000	100,000	
Advances-in and not repaid	148,497	148,497		102,063	102,063	
Advances-out and not repaid	(2,140,132)	(2,140,132)		(102,063)	(102,063)	
Operating transfers in	55,910	55,910		860,794	855,681	(5,113)
Operating transfers (out)	(2,211,928)	(2,158,492)	53,436	(15,910)	(15,910)	
Total Other Financing Sources (Uses)	(4,147,653)	(4,094,217)	53,436	944,884	939,771	(5,113)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(3,103,161)	(853,003)	2,250,158	(5,324,869)	(1,291,989)	4,032,880
Fund balance, January 1	3,102,198	3,102,198		4,490,257	4,490,257	
Prior year encumbrances appropriated	130,965	130,965		915,082	915,082	
Fund balance, December 31	**$130,002**	**$2,380,160**	**$2,250,158**	**$80,470**	**$4,113,350**	**$4,032,880**

The notes to the general purpose financial statements are an integral part of this statement.

Debt Service Funds			Capital Projects Funds			Total (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
$300,365	$300,365					$3,079,860	$3,083,436	$3,576
						4,099,762	4,099,762	
						1,915,020	1,755,940	(159,080)
						4,325	4,400	75
						76,951	76,951	
28,943	28,943		$198,976	$538,158	$339,182	8,439,487	8,779,299	339,812
77,093	76,644	($449)				232,098	231,649	(449)
						1,470,761	1,485,581	14,820
115,772	119,004	3,232	1,458,948	158,948	(1,300,000)	2,977,116	1,881,328	(1,095,788)
522,173	524,956	2,783	1,657,924	697,106	(960,818)	22,295,380	21,398,346	(897,034)
						2,692,624	2,347,779	344,845
						1,353,911	1,126,983	226,928
			973,893	300,603	673,290	6,474,144	4,059,825	2,414,319
						4,649,020	3,849,788	799,232
						171,254	125,437	45,817
						5,863,729	4,984,063	879,666
						1,004,189	850,245	153,944
34,948	26,043	8,905				2,196,994	1,964,540	232,454
			6,333,234	3,608,742	2,724,492	6,671,577	3,793,558	2,878,019
2,271,964	1,807,696	464,268				2,271,964	1,807,696	464,268
94,672	83,270	11,402				94,672	83,270	11,402
						1,605,177	0	1,605,177
2,401,584	1,917,009	484,575	7,307,127	3,909,345	3,397,782	35,049,255	24,993,184	10,056,071
(1,879,411)	(1,392,053)	487,358	(5,649,203)	(3,212,239)	2,436,964	(12,753,875)	(3,594,838)	9,159,037
605,000	605,000		722,357	1,970,000	1,247,643	1,327,357	2,575,000	1,247,643
615,239	615,239		279,124	279,124		994,363	994,363	
19,990	19,990		4,751,628	4,803,985	52,357	5,022,178	5,074,535	52,357
(7,613)	(7,462)	151	(2,834,878)	(2,834,878)		(5,084,686)	(5,084,535)	151
266,966	266,966		922,087	922,087		2,105,757	2,100,644	(5,113)
(120,000)	(120,000)		(102,770)	(101,546)	1,224	(2,450,608)	(2,395,948)	54,660
1,379,582	1,379,733	151	3,737,548	5,038,772	1,301,224	1,914,361	3,264,059	1,349,698
(499,829)	(12,320)	487,509	(1,911,655)	1,826,533	3,738,188	(10,839,514)	(330,779)	10,508,735
499,223	499,223	0	2,515,359	2,515,359	0	10,607,037	10,607,037	0
0	0	0	96,795	96,795	0	1,142,842	1,142,842	0
($606)	**$486,903**	**$487,509**	**$700,499**	**$4,438,687**	**$3,738,188**	**$910,365**	**$11,419,100**	**$10,508,735**

DEFIANCE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	Proprietary Fund Types		
	Enterprise	**Internal Service**	**Total (Memorandum Only)**
Operating revenues:			
Charges for services	$2,403,723		$2,403,723
Other operating revenues	69,484	$914,614	984,098
Total operating revenues	2,473,207	914,614	3,387,821
Operating expenses:			
Personal services	317,507		317,507
Contract services	400,360		400,360
Materials and supplies	45,486		45,486
Depreciation	154,151		154,151
Landfill closure and post-closure costs	255,263		255,263
Other operating expenses	182,479	1,040,241	1,222,720
Total operating expenses	1,355,246	1,040,241	2,395,487
Operating income (loss)	1,117,961	(125,627)	992,334
Nonoperating revenues (expenses):			
Interest income	100,153		100,153
Interest and fiscal charges	(27,390)		(27,390)
Other revenues	100,000		100,000
Total nonoperating revenues (expenses)	172,763		172,763
Net income (loss) before operating transfers	1,290,724	(125,627)	1,165,097
Operating transfers in	14,500	109,365	123,865
Net income (loss)	1,305,224	(16,262)	1,288,962
Retained earnings at January 1	4,370,046	145,890	4,515,936
Retained earnings at December 31	**$5,675,270**	**$129,628**	**$5,804,898**

The notes to the general-purpose financial statements are an integral part of this statement.

DEFIANCE COUNTY
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	Proprietary Fund Types		
	Enterprise	Internal Service	Total (Memorandum Only)
Cash flows from operating activities:			
Cash received from sales/service charges	$2,343,536		$2,343,536
Cash received from other operations	69,578	$914,614	984,192
Cash payments for personal services	(320,143)		(320,143)
Cash payments for contract services	(430,358)		(430,358)
Cash payments supplies and materials	(32,956)		(32,956)
Cash payments for other expenses	(189,370)	(1,040,241)	(1,229,611)
Net cash provided by operating activities	1,440,287	(125,627)	1,314,660
Cash flows from noncapital financing activities:			
Transfers in from other funds	14,500	109,365	123,865
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(302,881)		(302,881)
Proceeds of debt issues	521,760		521,760
Principal retirement	(884,810)		(884,810)
Interest and fiscal charges	(36,756)		(36,756)
Net cash used by capital and related financing activities	(702,687)		(702,687)
Cash flows from investing activities:			
Sale of investments	620,000		620,000
Purchase of investments	(926,962)		(926,962)
Interest received	168,194		168,194
Net cash used by investing activities	(138,768)		(138,768)
Net increase (decrease) in cash and cash equivalents	613,332	(16,262)	597,070
Cash and cash equivalents at beginning of year	3,643,532	145,890	3,789,422
Cash and cash equivalents at end of year	**$4,256,864**	**$129,628**	**$4,386,492**

(Continued)

DEFIANCE COUNTY
DEFIANCE COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)

	Proprietary Fund Types		
	Enterprise	**Internal Service**	**Total (Memorandum Only)**
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$1,117,961	($125,627)	$992,334
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	154,151		154,151
Changes in assets and liabilities:			
Increase in Supplies inventory	(1,528)		(1,528)
Increase in Accounts receivable	(59,951)		(59,951)
Increase in Prepayments	(29,775)		(29,775)
Increase in Accounts payable	8,070		8,070
Decrease in Accrued wages and benefits	(5,771)		(5,771)
Decrease in Compensated absences payable	(3,836)		(3,836)
Increase in Estimated liability for landfill closure	255,263		255,263
Increase in Pension obligation payable	80		80
Increase in Due from other governments	(123)		(123)
Increase in Due to other governments	5,325		5,325
Increase in Due to other funds	440		440
Increase in Special assessments receivable	(6,619)		(6,619)
Increase in Deferred revenue	6,600		6,600
Net cash provided by (used in) operating activities	**$1,440,287**	**($125,627)**	**$1,314,660**

The notes to the general-purpose financial statements are an integral part of this statement.

DEFIANCE COUNTY
STATEMENT OF CHANGES IN NET ASSETS
INVESTMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

	Fiduciary Fund Type
	Investment Trust
Operations:	
Interest revenue	$3,279
Decrease in fair value	(192)
Net investment income	3,087
Capital transactions:	
Proceeds of investments sold	(26,125)
Purchase of investments	30,552
Total increase in net assets	7,514
Net assets at January 1, 1999 (Restated)	48,376
Net assets at December 31, 1999	**$55,890**

The notes to the general-purpose financial statements are an integral part of this statement.

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NOTE 1 - REPORTING ENTITY

The County's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. The general-purpose financial statements (GPFS) include all funds, account groups, agencies, boards, commissions, and component units for which Defiance County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's general-purpose financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County. Responsibility was evaluated on the basis of financial dependence and the manifestations of oversight exercised by the Commissioners. Among the factors considered were budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, reliance of the organization on continuing subsidies from the County, selection of governing authority, and designation of management.

Based on the foregoing criteria, the financial activities of the following PCU is reflected in the accompanying financial statements:

DISCRETELY PRESENTED COMPONENT UNIT

Defiance County Board of Mental Retardation and Development Disabilities (MRDD) - The County Commissioners appoint a majority of the board members. The Commissioners also levy taxes and serve as the appropriating authority for the board. The operations of the MRDD are discretely presented as a component unit because the MRDD does not provide services solely to the primary government, nor is the MRDD substantively the same as the primary government. Financial statements for the MRDD can be obtained from its administrative offices at 195 Island Park Avenue, Defiance, Ohio 43512.

JOINTLY GOVERNED ORGANIZATIONS

Maumee Valley Planning Organization - Defiance County is a member of the Maumee Valley Planning Organization (MVPO) which is a jointly governed organization between Defiance, Fulton, Henry, Paulding, and Williams Counties and the respective townships and municipalities in each of those counties. The purpose of MVPO is to act as a joint regional planning commission to write and administer CDBG grants and help with housing rehabilitation in the area.

MVPO is governed by a Board consisting of fifteen members. The Board is made up of one County Commissioner from each member county as well as one township representative and one municipal representative for each of the five member counties. The main sources of revenue are fees charged by MVPO to administer CDBG grants and a per capita amount from each county. In 1999, the County paid administrative fees of $2,755 and per capita charges of $107,490 to MVPO.

Defiance-Fulton-Henry Counties Council - The County is a member of the Defiance-Fulton-Henry Counties Council (the "Council") which is jointly governed organization between Defiance, Fulton, and Henry Counties. The Council was formed under Ohio Revised Code Section 167.04 as a regional council of governments. The purpose of the Council is to foster cooperation among the three member counties in all areas of service.

The Council is governed by a Board consisting of one representative from each member county's Board of Commissioners. The Council establishes cooperative programs which benefit member entities. The County obtains employee health coverage through a program established by the Council.

JOINT VENTURES - WITHOUT EQUITY INTEREST

Corrections Commission of Northwest Ohio - Defiance County is a member of Northwest Ohio's Multicounty - Municipal Correctional Center, which is a joint venture between Defiance, Fulton, Henry, Lucas, and Williams counties and the City of Toledo. The purpose of the center is to provide additional jail space for convicted criminals in the 5 counties and City of Toledo and to provide a correctional center for the inmates. The Corrections Commission joint venture was created in 1986 and construction was finished and occupancy was taken December 31, 1991.

The Corrections Commission is governed by a Commission Team made up of 18 members. These members consist of one judge, one chief law enforcement officer, and one county commissioner or administrative official from each entity. Sources of revenue include operating costs and capital costs contributed by members and rental revenue. The County does not have an explicit, measurable right to the net resources of the Commission. Total expenditures made by the County to the Corrections Commission in 1999 were $1,039,561, Complete financial statements for the Corrections Commission can be obtained from the Correction Commission's administrative office on County Road 24 in Stryker, Ohio.

Four County Board of Alcohol, Drug Addiction and Mental Health Services (ADAMHS Board) - The Four County Board of Alcohol, Drug Addiction and Mental Health Services (ADAMHS Board) is a joint venture between Fulton, Defiance, Henry, and Williams Counties. The purpose of this board is to provide alcohol, drug addiction, and mental health services to individuals in the four counties.

The Four County ADAMHS Board is governed by a Board consisting of 18 members. The breakdown is as follows: 4 members are appointed by the Ohio Director of Alcohol and Drug Addiction Services, 4 are appointed by the Ohio Director of Mental Health Services, 3 each are appointed by the Defiance and Fulton County Commissioners, and 2 each are appointed by the Henry and Williams County Commissioners.

The main sources of revenue of the Board are state and federal grants, and a property tax levy covering the entire four county area. Outside agencies are contracted by the Board to provide services for the Board. The Board operates autonomously from the County and the County has no financial responsibility for the operations of the Board. The County does have indirect access to the net resources of the Board. In the event the County withdrew from the Board it would be entitled to a share of the state and federal grants that is currently being received by the Board. This access to net resources of the Board has not been explicitly defined, nor is it currently measurable. Complete financial statements for the Board can be obtained from the Board at its offices located at T-761, State Route 66, Archbold, Ohio 43502.

Four County Solid Waste District - The County is a member of the Four County Solid Waste District (the District), which is joint venture between Defiance, Fulton, Paulding, and Williams counties. The purpose of the District is to make disposal of waste in the four-county area more comprehensive in terms of recycling, incinerating, and landfilling. The District was created in 1989.

The Four County Solid Waste District is governed and operated through a twelve- member board of directors, comprised of three commissioners from each county. Financial records are maintained by the Williams County Auditor in Bryan, Ohio. The District's sole revenue source is derived from a waste disposal fee for in-district and out-of-district waste. The County paid disposal fees of $60,489 to the District in 1999.

The County has an ongoing financial interest in the District. The County Commissioners are able to influence the Board of Director's to use the District's surplus resources to undertake special projects of interest to the County's citizens. In the event that a county withdraws from the District, this access to the net resources has not been explicitly defined, nor is it currently measurable. The County has no ongoing financial responsibility for the District.

Multi-Area Narcotics Task Force (the Task Force) - Defiance County is a member of a drug task force which is a joint venture between Defiance, Paulding, and Putnam Counties and the Cities of Defiance and Bryan. The purpose of the drug task force is to act as a joint task force in the fight against narcotics. The Task Force is jointly controlled by the Chief law enforcement officer of each respective entity.

The main source of revenue for the Task Force is from federal grants and local matching shares by the entities. The County has no ongoing financial responsibility to the Task Force. The County has indirect access to the net resources of the Task Force since the County is able to influence the Task Force to use its surplus resources to undertake projects of interest to the County's residents. This access to the net resources of the Board has not been explicitly defined, nor is it currently measurable. The County did not contribute to the Task Force in 1999. Complete financial statements for the Task Force can be obtained through the Defiance County Sheriff's Office located at 113 Beide Street, Defiance, Ohio.

Northwest Ohio Juvenile Detention, Training, and Rehabilitation District - The County is a participant with Henry, Fulton, and Williams Counties in a joint venture to operate the Northwest Ohio Juvenile Detention District (NWOJDD), established to operate both detention, training and rehabilitation facilities for juveniles.

NWOJDD is governed and operated by a thirteen member board of trustees consisting of three trustees from each County and one at large member. Revenue sources are from member Counties and rental revenue. The County has no ongoing financial responsibility for NWOJDD. Total expenditures made by the County to NWOJDD in 1999 were $478,985. The County acts as the financial agent for NWOJDD; accordingly, this fiduciary responsibility is reflected in an Agency Fund in the County’s financial statements.

Quadco Rehabilitation Center, Administrative Board - The County is a participant with Henry, Fulton, and Williams Counties in a joint venture to operate Quadco Rehabilitation Center, Administrative Board (Quadco). Quadco, a nonprofit corporation, provides services and facilities for training physically and mentally disabled persons. Quadco is responsible for contracting with various agencies to obtain funding to operate the organization.

Quadco is governed by an eight-member board composed of two appointees made by each of the four County Boards of Mental Retardation and Developmental Disabilities (County Boards of MR/DD). This board, in conjunction with the County Boards of MR/DD assess the needs of adult mentally retarded and developmentally disabled residents in each County and set priorities based on available funds.

The County provides subsidies to the Board based on units of service provided to it. For the year ended December 31, 1999, the County remitted $580,695 to Quadco to supplement its operations.

The Board operates autonomously from the County and the County has no financial responsibility of the operations of the Board. Should Quadco dissolve, the property and equipment of the corporation would revert back to the four counties. This access to the net resources of the Board has not been explicitly defined, nor is it currently measurable. Complete financial statements for Quadco can be obtained from Quadco's administrative office at 427 N. Defiance Street, Stryker, Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and reporting practices of Defiance County conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The following is a summary of its significant accounting policies:

A. Basis of Presentation - Fund Accounting

The accounts of the County are maintained on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, as appropriate; and revenues, and expenditures or expenses, as appropriate. The following fund types and account groups are used by the County:

1. Governmental Funds

General Fund - The general fund is used to account for all activities of the County not required to be included in another fund.

Special Revenue Funds - The special revenue funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - The debt service funds are used to account for the accumulation of financial resources for, and the payment of, general obligation long-term debt principal, interest and related costs.

Capital Projects Funds - The capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary funds).

2. Proprietary Funds

Enterprise Funds - The enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of the County is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Funds - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental units, on a cost reimbursement basis.

3. Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust funds, the investment trust fund, and agency funds. Agency Funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual. Agency funds are custodial in nature, and do not have a measurement focus.

4. Account Groups

General Fixed Asset Account Group - The general fixed assets account group is used to account for all general fixed assets of the County, other than those fixed assets accounted for in the proprietary funds.

General Long-Term Obligations Account Group - The General Long-Term Obligations Account Group is used to account for all long-term obligations of the County, except those accounted for in the proprietary funds.

5. Component Unit

Component Unit - A component unit is either a legally separate organization for which the elected officials of the County are not financially accountable, or a legally separate organizations for which the nature and significance of its relationship with the County is such that exclusion would not cause the County's financial statement to be misleading or incomplete.

B. Basis of Accounting

The modified accrual basis of accounting is followed for governmental and expendable trust funds and component units. Revenues are recognized in the period when measurable and available to meet obligations incurred during the year. The County defines available as meaning collectible within 60 days of year-end. Revenues which are accrued include earnings on investments; delinquent real and personal property taxes; sales taxes; federal and state grants and subventions; and charges for current services.

Deferred revenues, as reported on the combined balance sheet, arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Special assessments are recorded as deferred revenue because they do not meet the availability criteria. Property taxes that are measurable as of December 31, 1999, but are intended to finance 2000 operations, and delinquent property taxes, whose availability is indeterminate, have also been recorded as deferred revenue.

The only revenue sources not susceptible to accrual include dog and vendor licenses, donations, and some fines and forfeitures.

Expenditures are recognized when the related liability is expected to be liquidated with expendable available financial resources with the following exceptions: general long term obligation principal and interest is reported only when paid; and the costs of accumulated unpaid vacation and sick leave are reported in the period due and payable rather than in the period earned by employees.

The proprietary funds and the investment trust fund are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Unbilled service charges receivable are recognized as revenue at year-end.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds, expendable trust funds, and component units are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

C. Budgetary Data

Outlined below are the procedures followed by the County to establish the expenditures budget data reported in the combined financial statements:

1. Following submission of requests by various offices and departments, the Board of County Commissioners holds budget hearings during the Fall of each year with respective officeholders and department heads.

2. Shortly after the beginning of the fiscal year, the County Commissioners pass an Appropriation Resolution which legally authorizes the expenditure of funds for respective officeholders and department heads.

3. The County is accorded discretion in its method of appropriating federal funds. Appropriations are provided in the amounts of approved grants by the Board of County Commissioners.

4. The Revised budget figures reflected in the combined financial statements include the prior year appropriations carried over for liquidations against prior year encumbrances, and any amendments to the original Appropriation Resolution.

5. The Commissioners appropriate at the major account level within a division and fund. The appropriation level accounts for the County include personal services, materials and supplies, contractual services and interfund transfers. For funds which are directly appropriated by the Commissioners, transfers of appropriations at the major account level or between appropriation level require a resolution signed by at least two Commissioners.

6. Supplemental appropriations are made when needed, subject to approval by at least two Commissioners. Supplemental appropriations were made during 1999.

7. Unencumbered appropriations lapse at year-end. Contracts and purchase-type encumbrances outstanding at year-end carry their appropriations with them into the next year. Contract and purchase-type encumbrances outstanding at year-end are recorded as expenditures on the budget basis of accounting.

8. The budgetary procedures described herein apply to all funds except the trust and agency funds.

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the appropriated governmental and proprietary funds. Encumbrances outstanding at year-end are reported as reservations of fund balance for subsequent year expenditures on the modified accrual basis of accounting, compared to encumbrances outstanding at year-end reported as expenditures on the budget basis of accounting.

E. Cash and Investments

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. 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" and "investments" on the combined balance sheet.

During fiscal year 1999, investments were limited to STAR Ohio, treasury notes, federal agency securities, certificates of deposit and money market accounts.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The County has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for at December 31, 1999.

Following Ohio statutes and other legal provisions, the Commissioners have specified the funds to receive an allocation of interest earnings.

The following fund was credited with more interest revenue than would have been received based upon its share of the County's cash fund balance during 1999:

	Interest Actually Received	Interest Based Upon Share of Cash Fund Balance	Interest Assigned by Other Funds
General	$1,179,105	$145,453	$1,033,652

The County has segregated bank accounts for monies held separate from the County's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "cash in fiscal and escrow agents" since they are not required to be deposited into the County treasury.

For purpose of the combined statement of cash flows and for presentation on the combined balance sheet, 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. Investments with an initial maturity of more than three months are reported as investments.

F. External Investment Pool

By statute, the County serves as fiscal agent for various legally separate entities. The County pools the moneys of these entities with the County's moneys for investment purposes. The County cannot allocate its investments between the internal and external investment pools. The external investment pool is not registered with the SEC as an investment company. The fair value of investments is determined annually. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. The fair value of investments for both the internal and external investment pools is disclosed in Note 4, "Equity in Pooled Cash and Investments" Condensed financial information for the investment pool follows:

	Statement of Net Assets December 31, 1999
Assets	
Cash	$ 2,653,022
Investments	21,885,940
Total Assets	24,538,962
Net Assets Held in Trust for Pool Participants	
Internal Portion	24,483,072
External Portion	55,890
Net Assets Available to Pool Participants	$24,538,962

	Statement of Changes in Net Assets December 31, 1999
Revenue	
Interest income	$ 1,271,515
Fair Value Increases and Decreases	(87,359)
Total Revenue	1,184,156
Contributions from Participants	156,306
Capital Transactions	
Proceeds of Investments sold	(11,875,000)
Purchase of Investments	13,887,078
Total increase in net assets	3,352,540
Net Assets at January 1, 1999	21,186,422
Net Assets at December 31, 1999	$ 24,538,962

G. Health Care

The Comprehensive Omnibus Budget Reconciliation Act (COBRA) of 1986 required the County to offer and provide terminated or retired employees continued participation in the County's employee health care benefits program, provided that the employees pay the rate established by the plan administrator. In 1999, the County incurred expenditures of $11,046 in providing these services, and recognized revenues of $13,049 for premiums received from these previous employees.

H. Inventories of Materials And Supplies

Inventories are valued at cost using the first in, first out method. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when used. The total of inventories at year end is reported as a reservation of fund balance in the governmental funds because it does not represent available, spendable resources.

I. Property, Plant, Equipment, And Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and disposals during the year in the General Fixed Assets Account Group. Contributed fixed assets are recorded at their fair market values as of the date donated. The County follows a policy of not capitalizing infrastructure, which is defined as assets that are immovable and of value only to the County, (i.e. roads, bridges, etc.), ornamental artifacts, or any asset with a cost of less than $500. No depreciation is recognized for assets in the account group. Interest on debt issued to construct general fixed assets is not capitalized in the account group.

2. Enterprise Funds

Property, plant, and equipment reflected in the enterprise funds are stated at cost (or estimated historical cost) and updated for the cost of additions and disposals during the year. Contributed fixed assets are recorded at their fair market value as of the date donated. Depreciation and amortization have been provided on a straight-line basis over the following estimated useful lives:

Description	Estimated Life
Autos and trucks	5
Machinery, equipment, furniture and fixtures	5-15
Building improvements	15
Sewer and water treatment plants and buildings	20
Other buildings	25-50
Sewer and water mains	70

The County also capitalizes the cost of major renovations which extend the useful life of an asset or which enable it to perform new or more valuable services. Interest on tax exempt debt issued to construct enterprise fund fixed assets is capitalized, net of interest earned on the proceeds of such debt.

J. Compensated Absences

Compensated absences of the County consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the County and the employee.

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

Accumulated vacation and sick leave of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave benefits for employees meeting the above requirements who are paid from Proprietary funds are recorded as an expense when earned.

County employees earn vacation at varying rates ranging from two to five weeks per year. Sick leave is accumulated at the rate of 4.6 hours per 80 hours worked. Vacation and sick leave is accumulated on an hours-worked basis. Accumulated vacation cannot exceed three times the annual accumulation rate for an employee. Vacation pay is vested after one year and sick pay upon eligibility for retirement.

K. Intergovernmental Revenues

Unrestricted intergovernmental revenues received on the basis of entitlement are recorded as receivables and revenues when the entitlement occurs. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

L. Long-term Obligations

Long-term obligations for general obligation bonds, vested sick and vacation leave, capital lease obligations, and any claims or judgements that are expected to be paid from the governmental funds are shown in the General Long-Term Obligations Account Group, while those expected to be paid from proprietary funds are shown as a liability of those funds.

M. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.

3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as interfund loans receivable or payable.

4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of interfund transactions is presented in Note 5.

N. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The County reports amounts representing material and supply inventories, available debt service equity, prepaid items, encumbrances outstanding, advances, interfund obligations, loans receivable, external investment pools, and notes receivable as reservations of fund balance in the governmental funds.

O. Bond Discounts, Premiums And Issuance Costs

When the proceeds from general obligation bonded debt are placed in a governmental type fund, any bond issuance costs are shown as capital outlay expenditures. Any premium or discount is included in "Other Financing Sources - Bond Proceeds" on the Statement of Revenues, Expenditures and Changes in Fund Balance. The long-term debt that appears in the General Long-Term Obligations Account Group is reported at the bond's face value.

When the proceeds from general obligation bonded debt are placed in a proprietary type fund, and the debt will be serviced from revenues generated by that fund, then any material issuance costs will be reported as a deferred charge and amortized over the life of the bond using the interest method. Any material discounts or premiums are shown as additions to or deductions from the amount of the bond liability, are amortized using the interest method, and are reflected as interest income or expense in the Statement of Revenues, Expenses, and Changes in Retained Earnings.

P. Prepaids

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

Q. Estimates

The preparation of 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.

R. Statement of Cash Flows

In September 1989, the Government Accounting Standards Board (GASB) issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The County has presented, a statement of cash flows for its proprietary funds. For purposes of the statement of cash flows, the County considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

S. Financial Reporting for Proprietary and Similar Fund Types

The County's financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The County accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

T. Total Columns on General-Purpose Financial Statements

Total Columns on the general-purpose financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. When the title of the statement indicates that a component unit is included, two total columns are presented. The first is captioned "primary government" to indicate that only those activities that comprise the County's legal entity have been included. The second is captioned "reporting entity" and includes operations of the County's legally separate discretely presented component unit (see Note 1) The total column on statements which do not include the component unit have no additional caption.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Restatements

1. A prior period adjustment has been recorded in the General Long Term Obligations Account Group (GLTOAG) to restate the beginning balance for Ohio Public Works Commission (OPWC) loans which were outstanding at December 31, 1998. The effect of the restatement is shown below:

Total Liabilities in GLTOAG as previously reported, December 31, 1998	$ 889,954
OPWC Loans payable	468,050
Restated total liabilities in GLTOAG at January 1, 1999	$1,358,004

2. A prior period adjustment has been recorded to restate the beginning balance for the Investment Trust Fund. The effect of the restatement is shown below:

Net Assets as previously reported, December 31, 1998	$ 0
Effect of restatement	48,376
Restated Net Assets, January 1, 1999	$ 48,376

B. Deficit Balances

The following funds had deficit fund balances as of December 31, 1999:

	Deficit Fund Balances
Special Revenue Fund:	
Economic Development	$2,003
Debt Service Fund:	
Brunersburg Sewer	19,944

<u>Capital Project Funds:</u>	
Auglaize Sewer	30,317
Brunersburg Sewer	69,772
E-911	144,557
Ditch Special Assessment	169,843
Green Acres Sewer	13,500
DMP Sewer	40,719
Airport	32,488

The deficits in the Special Revenue and the Debt Service funds are caused by the application of generally accepted accounting principles to these funds. These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. These GAAP deficits will be funded by anticipated future revenues or other subsidies not recognized and recorded at December 31.

The deficits in the Capital Project funds arose from the requirement to report bond anticipation note liabilities in the fund which received the note proceeds. The deficits will be alleviated when the bonds are issued or when the notes are paid off.

C. Agency Funds

The following are material receivables for Agency funds, which, in other fund types, would be recognized in the combined balance sheet:

Taxes Receivable	$18,181,487
Accounts Receivable	2,464
Special Assessments Receivable	287,326

D. Compliance

The County did not fully comply with Ohio Revised Code Section 5705.41(D), regarding the prior certification of budgetary funds.

NOTE 4 - EQUITY IN POOLED CASH 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. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Monies held by the County which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States.

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, or its political subdivision, provided that such political subdivisions are located wholly or partly within 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 division (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 division (1) or (2) or cash or both securities and cash, equal value for equal value;

9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and

10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

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.

Cash on hand

At year-end, the County had $182,579 in undeposited cash on hand ($6,634 cash on hand with the County Treasurer, $175,295 undeposited receipts and $650 cash on hand with departments).

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No.3, Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.

Deposits

At year-end, the carrying amount of the County's deposits was $9,099,347 and the bank balance was $10,230,702. Of the bank balance:

1. $1,309,780 was covered by federal depository insurance; and

2. $8,920,922 was covered by collateral held by a third party trustee pursuant to Section 135.181, Revised Code, in collateralized pools securing all public funds on deposits with specific depository institutions.

Investments

The County's investments are required to be categorized to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered, or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the County's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 3	Fair Value
U.S. Government Securities	$4,845,961	$5,407,824	$10,253,785
Government Security Mutual Fund		3,256,418	3,256,418
Investments not Subject to Categorization:			
Investment in State Treasurer's Investment Pool			5,086,578
Total Investments	$4,845,951	$8,664,242	$18,596,781

The federal agency securities have maturities ranging from 2000 to 2008. The Treasury Notes have maturities ranging from 2000 to 2016.

The classification of cash and cash equivalents on the combined balance sheet statements is based on criteria set forth in GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of cash and cash equivalents and investments on the combined per GASB Statement No. 9, and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
Per GASB Statement No. 9	$24,538,962	$ 2,795,923
Combined Balance Sheet Reclassifications:		
State Treasurer's Investment Pool	(5,086,578)	5,086,578
Certificates of Deposit	716,500	(716,500)
Government Securities Mutual Fund	(3,256,418)	3,256,418
U.S. Government Securities	(8,174,362)	8,174,362
Total GASB Statement No. 3 Investments		$18,596,781
Cash on hand	(182,579)	
Cash with in segregated accounts	543,822	
Total Carrying Amount of Deposits Per GASB Statement No. 3	$9,099,347	

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at December 31, 1999, consist of the following individual fund receivables and payables which are long-term in nature (outstanding greater than one year):

	Advances to Other Funds	Advances from Other Funds
General Fund	$115,792	$(761)
Special Revenue Fund	761	
Debt Service Funds		(1,286)
Capital Project Funds		(114,506)
Total Advances to (from) Other Funds	$116,553	$(116,553)

B. Interfund balances at December 31, 1999, consist of the following individual fund receivables and payables which are short term in nature (outstanding less than one year):

	Interfund Loans Receivable	Interfund Loans Payable
General Fund	$1,999,051	
Debt Service Fund	68,900	$ (19,944)
Capital Project Funds		(2,038,007)
Agency Fund		(10,000)
Total Interfund Loans Receivable/(Payable)	$2,067,951	$(2,067,951)

C. Due to other funds and due from other funds at December 31, 1999, consist of the following individual fund receivables and payables:

	Due From Other Funds	Due To Other Funds
General Fund	$ 4,440	$ (442)
Special Revenue Fund	32,696	(36,912)
Enterprise Fund	125	(502)
Component Unit	540	(156)
Agency	211	
Total Due From/(Due To Other Funds)	$38,012	$(38,012)

D. The following is a summarized breakdown of the County's operating transfers for 1999:

Fund	Transfers In	Transfers Out
General Fund	$ 15,910	$(1,944,987)
Special Revenue Funds	853,615	(15,910)
Debt Service Funds	266,966	(966,919)
Capital Project Funds	1,769,006	(101,546)
Internal Service Fund	109,365	
Enterprise Funds	14,500	
Totals	$3,029,362	$(3,029,362)

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 1999 taxes were collected was $543,368,736. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 1999, was $10.75 per $1,000 of assessed valuation. The tax rate for debt service was $.60 per 1,000 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due February 9, 1999. If paid semi-annually, the first payment is due February 9, 1999 and the remainder payable by July 20, 1999. Under certain circumstances, state statute permits earlier or later payment dates to be established.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

Tangible personal property taxes for unincorporated and single county businesses are due semi-annually, with the first payment due April 30 and the remainder payable by September 20. Due dates are normally extended an additional 30 days. The due date for the entire tax for inter-county businesses is September 20 or the extended date. The first $10,000 of taxable value is exempt from taxation for each business by state law. The lien date is either December 31 or the end of their fiscal year (for incorporated businesses in operation more than one year). Since each business must file a return to the County Auditor, the tangible personal taxes are not known until all the returns are received.

"Real and Other Taxes" receivable represents delinquent real and tangible personal property and public utility taxes outstanding as of the last settlement (net of allowances for estimated uncollectibles) and real and public utility taxes which were measurable as of the year end.

Since the current levy is not intended to finance 1999 operations, the receivable is offset by a credit to "Deferred Revenue". The delinquent real, public utility and tangible personal property taxes that will become available to the County within the first 60 days of 2000 are shown as 1999 revenue; the remainder is shown as "Deferred Revenue".

The eventual collection of significantly all real and public utility property taxes (both current and delinquent) is reasonably assured due to the County's ability to force foreclosure of the properties on which the taxes are levied.

NOTE 7 - PERMISSIVE SALES AND USE TAX

In 1987, the County Commissioners by resolution imposed a 1% percent 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, including automobiles not subject to the sales tax. 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 forty-five days after the end of the month of collection. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the sales and use tax are credited to the General Fund. Amounts that have been collected by the state and are to be received within the available period are accrued as revenue. Sales and use tax revenue for 1999 amounted to $4,099,762.

NOTE 8 - FIXED ASSETS

A. A summary of the proprietary fund property, plant, and equipment at December 31, 1999 is as follows:

Land	$ 169,843
Buildings	682,526
Vehicles	113,632
Improvements	11,582
Machinery and Equipment	1,331,112
Construction in progress	159,418
Total Gross Assets	2,468,113
Less: Accumulated Depreciation	(1,071,833)
Total Net Assets	$1,396,280

B. A summary of changes in general fixed assets and component unit fixed assets is as follows:

	Balance at 12/31/98	Adjustments	Restated Balance at 12/31/98	Increases	Decreases	Balance at 12/31/99
Land/Improvements	$533,375		$533,375			$533,375
Buildings	6,905,278		6,905,278	$468,821		7,374,099
Furniture/Equipment	2,577,833		2,577,833	508,414	($199,109)	2,887,138
Vehicles	2,633,431	($228,239)	2,405,192	295,547	(353,765)	2,346,974
Construction in Progress	420,278		420,278	1,766,762	(420,278)	1,766,762
Total	$13,070,195	($228,239)	$12,841,956	$3,039,544	($973,152)	$14,908,348
Component Unit	$266,997	$228,239	$495,236	$50,203	$0	$545,439

At January 1, 1999, vehicles for the Defiance County Board of Mental Retardation and Development Disabilities were reclassified from the general fixed assets to the component unit.

NOTE 9 - VACATION AND SICK LEAVE LIABILITY

Vacation and sick leave accumulated by governmental fund type employees has been recorded in the General Long-Term Obligations Account Group. Vacation and sick leave earned by proprietary funds type employees is expensed when earned.

Upon termination of County service, a fully vested employee with 10 or more years of service is entitled to be compensated for 25% of his/her sick leave balance, up to a maximum of 45 days (30 days for MRDD employees) of accumulated sick leave, based on 180 days (140 days for MRDD employees). Employees of both the County and the MRDD Board are paid for all accumulated vacation upon termination service.

At December 31, 1999 vested benefits for vacation leave for governmental fund type employees totaled $348,132 and vested benefits for sick leave totaled $10,733. In accordance with GASB No. 16, a liability of $155,925 was also accrued to record termination (severance) payments for employees expected to become eligible to retire in the future. The total long-term liability for compensated absences for all governmental fund types and component unit is $572,827.

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In the current year, the County entered into a capitalized lease for the acquisition of equipment. The terms of the agreement provide an option to purchase the equipment. This lease has been accounted for as a capital outlay expenditure and other financing source in the Ditch Maintenance Special Revenue Fund.

The lease meets the criteria of a capital lease as defined by FASB Statement No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Financial Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Fund Types and Expendable Trust Fund. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Asset Account Group in the amount of $54,620, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 1999 fiscal year totaled $13,655. This amount is reflected as debt service principal retirement in the Special Revenue Funds.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of December 31, 1999.

General Long-Term Obligations

December 31 Year Ending	Equipment
2000	$15,212
2001	15,212
2002	15,212
2003	1
Total future minimum lease payments	45,637
Less: Amount Representing Interest	(4,672)
Present Value of Future Minimum Lease Payments	$40,965

The County does not have capitalized lease obligations after fiscal year 2003.

NOTE 11 - LONG TERM DEBT

A. The County's long-term obligations at year end consist of the following:

	Outstanding 1/1/99 (Restated)	Additions	Reductions	Outstanding 12/31/99	Maturity Date
General Obligation Bonds:					
1985 - 9% Good Sam School	$ 260,000		$(130,000)	$ 130,000	12/1/00
1999 - 3.9% to 5.6% Various Purpose Improvements		$2,675,000		2,675,000	12/1/24
Other Long-Term Obligations:					
OWDA loans payable	172,545	181,962	(17,990)	336,517	Various
OPWC loan payable	468,050		(11,701)	456,349	07/1/19
Compensated Absences	457,409	370,218	(312,837)	514,790	N/A
Capital Lease		54,620	(13,655)	40,965	04/1/03
Total General Long-Term Obligations	$1,358,004	$3,281,800	$(486,183)	$4,153,621	

General obligation bonds are general obligations of the County for which the full faith and credit of the County is pledged for repayment. Accordingly, such unmatured obligations of the County are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund.

In 1985, the County issued general obligation bonds for construction of facilities at Good Samaritan School. The source of repayment for this bond is a .60 mill bonded debt tax levy.

In 1999, the County issued $2.675 million in general obligation bonds. $705,000 of the proceeds were used to retire various bond anticipation notes, and $1,970,000 will be used for construction of facilities at the Evergreen Home. The source of repayment for this bond is general operating revenues of the County.

The County has two loans outstanding with the Ohio Water Development Authority (OWDA). The first loan dated April 25, 1996, is for $91,479. The interest rate is 3.2% and the loan term is five years. The loan balance outstanding at December 31, 1999 is $47,552. The second loan dated June 3, 1998 has a five year term and an interest rate of 3.2%. The amount outstanding on this loan at December 31, 1999 is $288,965. Principal and interest payments are expected to begin in July 2000.

During 1996, the County received a loan in the amount of $468,050 from the Ohio Public Works Commission (OPWC) for the Evansport Water System. This loan is interest free, provided the County remains current on the loan repayment schedule. Principal payments of $11,701 will be made semi-annually, beginning in January, 2000, and concluding in July, 2019. The source of repayment for this loan will be from proceeds of special assessments levied against the property owners who are primarily benefitted from the project, as well as user fees.

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

	General Obligation Bonds		OWDA Loans		OPWC Loan	Total Long-Term Obligations	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2000	$190,000	$182,239	$62,186	$5,998	$11,702	$263,888	$188,237
2001	95,000	138,473	108,508	7,917	23,402	226,910	146,390
2002	95,000	134,530	102,037	4,417	23,403	220,440	138,947
2003	100,000	130,445	63,786	1,286	23,402	187,188	131,731
2004	105,000	125,995			23,403	128,403	125,995
2005-2009	615,000	548,383			117,012	732,012	548,383
2010-2014	420,000	404,600			117,013	537,013	404,600
2015-2019	550,000	273,000			117,012	667,012	273,000
2020-2024	635000	110000				635,000	110,320
Total	$2,805,000	$2,047,665	$336,517	$19,618	$456,349	$3,597,866	$2,067,603

B. 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 effects of the debt limitations described above at December 31, 1999 are an overall debt margin of $8,869,703 and an unvoted debt margin of $2,213,178, including available funds of $470,344.

NOTE 12 - NOTES PAYABLE

The County had the following general obligation bond anticipation notes outstanding at December 31, 1999:

General Obligation Bond Anticipation Notes	Issue Date	Balance at 12/31/98	Issued	Retired	Balance at 12/31/99	Maturity Date
Capital Project Funds:						
3.68% Bureau of Support	10/16/98	$ 484,050		($484,050)		10/15/99
4.60% Humane Shelter	6/5/98	35,450		(35,450)		6/14/99
4.15% E-911	8/6/99	272,500	$142,100	(272,500)	$142,100	8/4/00
4.40% Evansport Water	6/23/99	326,550	341,000	(667,550)		10/7/99
4.70% Wilson Ditch		522		(522)		
4.40% Dohoney Ditch	8/7/98	2,105		(2,105)		8/6/99
4.70% Watson Ditch		893		(893)		
4.40% Willow Run Ditch	10/15/99	4,405	1,965	(4,405)	1,965	10/13/00
4.60% Olson Ditch	6/4/99	1,505	46	(1,505)	46	6/2/00
4.15%Treece Ditch	6/4/99	8,500	5,608	(8,500)	5,608	6/2/00
4.83% Domersville Ditch	4/2/99	682		(414)	268	3/31/00
4.21% Ayersville Ditch	4/2/99	4,390	2,660	(4,390)	2,660	3/31/00
4.60% Arnos Ditch	6/5/98	5,440		(5,440)		6/4/99
4.15% Verhoff Ditch	6/4/99	8,535	5,400	(8,535)	5,400	6/2/00
4.40% Rohn Ditch	10/15/99	3,426	1,480	(3,426)	1,480	10/13/00
4.50% Raimonde Ditch	8/6/99	899		(696)	203	8/4/00
4.21% Mulligan's Bluff	4/2/99	6,800	2,926	(6,800)	2,926	3/31/00
4.15% Hardy Tile	8/6/99	24,710	22,680	(24,710)	22,680	8/4/00
4.70% Hardy Ditch	8/6/00	7,200		(4,674)	2,526	8/4/00
4.40% Behrens Ditch	10/15/99	36,049	17,025	(36,049)	17,025	10/13/00
4.15% Glenburg Ditch	6/4/99	12,655	10,400	(12,655)	10,400	6/2/00
4.15% Shoemaker Ditch	6/4/99	3,250	2,400	(3,250)	2,400	6/2/00
4.15% Schlack Ditch	6/4/99	11,868	8,635	(11,868)	8,635	6/2/00
4.21% Wisda - Prairie Ditch	4/2/99	33,356	27,050	(33,356)	27,050	3/31/00
4.21% Donley Ditch	4/2/99	21,461	17,456	(21,461)	17,456	3/31/00
4.40% Zachrich Ditch	10/15/99		4,255		4,255	10/13/00
4.21% Morhart Ditch	4/2/99		18,735		18,735	3/31/00
4.15% Lake Road Ditch	6/4/99		13,419		13,419	6/2/00
4.15% Mitchell Ditch	8/6/99		27,479		27,479	8/4/00
4.15% Preston Run Ditch	8/6/99		33,274		33,274	8/4/00
Total Capital Project Funds		$1,317,201	$705,993	($1,655,204)	$367,990	
Special Revenue Fund:						
4.15% Equipment Acquisition	8/6/99		$100,000		$100,000	8/4/00
Enterprise Funds:						
3.68% Noble Township Sewer	10/15/99	$130,105	$101,020	($130,105)	$101,020	10/13/00
3.68% Christi Meadows Wastewater	10/16/98	108,630		(108,630)	0	
3.68% Beldon Wastewater	10/15/99	28,975	26,640	(28,975)	26,640	10/13/00
4.21% Landfill Acquisition	4/2/99	207,000	47,000	(207,000)	47,000	3/31/00
4.15% Landfill Final Cover	8/6/99	410,100	247,100	(410,100)	247,100	8/4/00
Total Enterprise Funds		$884,810	$421,760	($884,810)	$421,760	

NOTE 13 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintains two separate enterprise funds to account for the operations of a sewer district and a county landfill. Segment information for the year ended December 31, 1999 follows:

Total	County Landfill	Sanitary Sewer
Operating Revenue	$2,290,418	$182,789
Operating Expenses before Depreciation	1,091,249	109,846
Depreciation Expense	130,717	23,434
Operating Income	1,068,452	49,509
Net Income	1,150,157	155,067
Property, Plant and Equipment (Net of Accumulated Depreciation)	1,111,027	285,253
Net Working Capital	4,063,059	(36,033)
Total Assets	8,357,606	417,864
Notes Payable	294,100	127,660
Total Liabilities	2,931,556	168,644
Total Equity	5,426,050	249,220
Encumbrances (Budget Basis)	206,156	9,875

NOTE 14 - DEFINED PENSION PLANS

A. Public Employees Retirement System

All Defiance County full-time employees, other than teachers, participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple-employer public employee retirement system created by the State of Ohio. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 1999 was 8.5 percent for employees other than law enforcement. Law enforcement employees contribute 9.0 percent of covered salary. The employer contribution rate was 13.55 percent of covered payroll; 9.35 percent was the portion used to fund pension obligations for 1999. The law enforcement employer contribution rate was 16.7 percent of covered payroll; 12.5 percent was the portion used to fund pension obligations for 1999. The County's contributions for pension obligations to PERS for the years ended December 31, 1999, 1998, and 1997 were $1,190,153, $1,153,230 and $791,570 respectively; 81 percent has been contributed for 1999 and 100 percent for 1998 and 1997. $226,992, representing the unpaid contribution for 1999, is recorded as a liability within the respective funds.

B. State Teachers Retirement System

Certified teachers employed by the school for the Mental Retarded/ Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the County is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's contributions for pension obligations to STRS for the years ended December 31, 1999, 1998, and 1997 were $104,464, $116,395 and $61,812, respectively; 96 percent has been contributed for 1999 and 100 percent for the years 1998 and 1997. $4,007, representing the unpaid contributions for 1999, is recorded as a liability within the respective funds.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 1999 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care for the 1999. For law enforcement employees, the employer contribution rate was 16.7 percent of which 4.2 percent was used to fund health care.

Postemployment benefits are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

The number of eligible benefit recipients at December 31, 1999 was 118,062. The County's actual contributions for 1999 which were used to fund postemployment benefits totaled $399,430. Of this amount, $368,903 was used to fund health care for the year for regular employees, while $30,526 was used to fund health care for the year for law enforcement employees. The actual contribution and the actuarially required contribution amounts are the same. The PERS's net assets available for payment of benefits at December 31, 1999 (the latest information available), were $9.870 billion.

B. State Teachers Retirement System

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

Benefits are funded on a pay-as-you-go basis. All benefit recipients are required to pay a portion of their health care cost in the form of a monthly premium. Under Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled $59,694 during 1999. Eligible benefit recipients totaled 95,796. For the year ended June 30, 1999, net health care costs paid by STRS were $249,929,000.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

The County's budgetary process is based upon accounting for transactions on a cash basis. The differences between the cash basis (budget basis) and the modified accrual basis (GAAP basis) are that revenues are recorded when actually received (budget) as opposed to when susceptible to accrual (GAAP) and the expenditures are recorded when paid (budget) as opposed to when incurred (GAAP). Additionally, the County reflects outstanding encumbrances as expenditures on the budgetary basis of accounting. Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis are as follows:

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Uses
Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	$ (853,003)	$(1,291,989)	$ (12,320)	$ 1,826,533
Net adjustment for revenue accruals	(244,622)	151,467	(90,558)	257,397
Net adjustment for expenditure accruals	65,479	(46,169)	1,546,224	(201,537)
Net adjustment for other financing sources/(uses) accruals	2,165,140	(47,446)	(1,474,686)	(1,219,350)
Encumbrances (Budget Basis)	178,773	1,572,624	383	842,593
GAAP Basis	$1,311,767	$ 338,487	$ (30,957)	$ 1,505,636

NOTE 17 - CONTINGENT LIABILITIES

A. Grants

The County receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 1999.

B. Litigation

The County is a defendant in a lawsuit in which the plaintiff claims damages in excess of $25,000 allegedly caused by negligence of County employees. Any ultimate judgment against the County would be covered by the County's liability insurance.

NOTE 18 - CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the County place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of $2,543,959 as of December 31, 1999, which is based on 76.17% usage (filled) of the landfill. It is estimated that an additional $796,068 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2003). The estimated total current cost of the landfill closure and postclosure care of $3,340,027 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 1999. However, the actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The County is required by state and federal laws and regulations to make annual contributions to finance closure and postclosure care. The County is in compliance with these requirements, and at December 31, 1999, investments of $2,795,923 are held for these purposes. These amounts are presented on the County's balance sheet as "Restricted Assets: Investments". It is anticipated that future inflation costs will be financed in part from earnings on investments. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

NOTE 19 - PUBLIC ENTITY RISK POOLS

A. County Risk Sharing Authority, Inc.

The County Risk Sharing Authority, Inc. (CORSA), is a public entity risk sharing pool among 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 coverages provided by CORSA. These coverages include 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. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 1999 was $147,499.

B. Defiance-Fulton-Henry Counties Council Employee Insurance Benefits Program

The County participates in the Defiance-Fulton-Henry Counties Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of Defiance, Fulton, and Henry Counties. The purpose of the plan is for its members to pool funds or resources to purchase health and dental insurance products and enhance the wellness opportunities for employees.

Each member pays a monthly premium amount, which is established annually by the Board, to Reliance Financial Services (Reliance). Reliance is the fiscal agent for the Council and has a trust agreement with the Council to account for all Council finances and assets. The Program is governed by a Board consisting of one representative from each member County's Board of Commissioners. The degree of control exercised by any participating member is limited to its representation on the Board. Upon withdrawal from the Program, a program agreement shall govern the disposition of any contributions by the withdrawing member to each program of the Council in excess of that member's share of the costs of that program. In fiscal year 1999, Defiance County contributed a total of $1,040,241 for this plan.

DEFIANCE COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999

Federal Grantor/ *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education:			
National School Lunch Program	065946-03-PU-00	10.555	$8,778
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education:			
Special Education Cluster:			
Special Education - Grants to States (Title VI-B)	065946-6B-SF-99P	84.027	22,058
	065946-6B-SF-00P		11,142
Total Special Education - Grants to States			33,200
Special Education - Preschool Grant (Title 1)	065946-PG-51-97P	84.173	21,294
	065946-PG-51-98P		12,310
Total Special Education - Preschool Grant			33,604
Total Special Education Cluster			66,804
Passed Through Ohio Department of Health:			
Special Education Grants for Infants and Families with Disabilities (Early Intervention)	2060A	84.181	62,133
Total U.S. Department of Education			128,937
U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT DISASTER ASSISTANCE			
Passed Through Ohio Department of Emergency/ Management Disaster Assistance:			
Emergency Management - State and Local Assistance	OH-99-028HM	83.534	27,044
	OH-00-028HM		5,444
Total U.S. Department of Federal Emergency Management Disaster Assistance			32,488
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through The Area Office of Aging:			
Aging Cluster:			
Special Programs for the Aging -Title III Part B- Grants for Supportive Services and Senior Centers	-	93.044	51,208
Special Programs for the Aging -Title III Part C- Nutrition Services		93.045	167,945
Total Aging Cluster			219,153
Passed Through Ohio Department of Health:			
Social Services Block Grant (Title XX)	-	93.667	38,881
Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:			
Medical Assistance Program (Medicaid: Title XIX)	-	93.778	76,797
Total U.S. Department of Health and Humane Services			**334,831**

(Continued)

DEFIANCE COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)

Federal Grantor/ *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Home Investment Partnerships Program (Chip)	B-C-98-019-2	14.239	161,396
Passed Through Ohio Department of Development:			
Community Development Block Grant	B-F-97-019-1	14.228	1,738
(Formula Grant)	B-F-98-019-1		101,950
Total CDBG (Formula Grant)			103,688
Community Development Block Grant	B-L-98-019-1	14.228	43,488
(Emergency Shelter)	B-L-99-019-1		25,000
Total CDBG (Emergency Shelter)			68,488
Community Development Block Grant (Economic Development)	B-E-98-019-1	14.228	157,000
Community Development Block Grant (Chip)	B-C-98-019-1	14.228	139,379
Total U.S. Department of Housing and Urban Development			629,951
U.S. DEPARTMENT OF JUSTICE			
Office of Justice Programs,			
Drug Control and System Improvement Act			
Public Safety Partnership and Community Policing Grant (COPS)	199UMWX2810	16.710	18,680
Passed Through the Office of Criminal Justice Services:			
Byrne Memorial Drug Control and Systems	98-DG-A01-7014	16.540	201,314
(Improvement Grant)	99-DG-A01-7014		50,329
Total Byrne Memorial Drug Control and Systems Improvement Grant			251,643
Batterers Treatment Grant	97-DG-F02-7038	16.579	1,471
Rape Crisis Counseling	98-DG-D02-7037	16.579	31,377
Victims of Crimes Assistance Grant	98-VAG-ENE-061	16.579	9,192
	99-VAG-ENE-061		50,430
Total Victims of Crimes Assistance Grant			59,622
Total U.S. Department of Justice			362,793
Total			**$1,497,778**

The accompanying notes are an integral part of this schedule.

DEFIANCE COUNTY
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 1999

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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

NOTE C - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. At December 31, 1999, the County had no significant food commodities in inventory.

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

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

These loans are collateralized by mortgages on the property**.** At December 31, 1999, the gross amount of loans outstanding under this program were $235,612.

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Commissioners:

We have audited the financial statements of Defiance County (the County) as of and for the year ended December 31, 1999, and have issued our report thereon dated May 15, 2000, which report noted restatements of the beginning balance of the Investment Trust Fund and the loans payable in the General Long Term Obligations Account Group. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-60120-001 through 1999-60120-003. We also noted certain immaterial instances of noncompliance that we have reported to management of Defiance County in a separate letter dated May 15, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated May 15, 2000.

This report is intended for the information and use of the audit committee, management, the Board of Commissioners, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

May 15, 2000

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Commissioners:

Compliance

We have audited the compliance of Defiance County (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1999. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of County's management. Our responsibility is to express an opinion on County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 1999. We noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of the County in a separate letter dated May 15, 2000.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Commissioners, federal awarding agencies, and pass-through entities, and is not intended and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

May 15, 2000

DEFIANCE COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1999

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under §.510?**	No
(d)(1)(vii)	**Major Programs (list):**	Community Development Block Grant Program - CFDA #14.228
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

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

Finding Number 1999-60120-001

Finding Repaid Under Audit

There were two meals that Darrell Miller, Defiance County Commissioner, charged to the County credit card and then also requested reimbursement for on his travel reimbursement report. Mr. Miller also submitted certain trips twice for reimbursement on his travel reimbursement reports. This resulted in Mr. Miller being overpaid by the following amounts:

Finding Number 1999-60120-001
(Continued)

Finding Repaid Under Audit (Continued)

Meal at Gold Street Caffe on November 18, 1999	$21.01
Meal at Hyatt Regency on December 1, 1999	23.05
Milage for trip to Paulding, Ohio on January 25, 1999	16.12
Milage for trip to Columbus, Ohio on May 4, 1999	110.88
Milage for trip to Toledo, Ohio on May 19, 1999	60.80
Milage for trip to Perrysburg, Ohio on June 22, 1999	43.47
Total	$275.33

In accordance with the facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against Darrell Miller, Defiance County Commissioner, and his bonding company, Western Surety Company, jointly and severally, in favor of the General Fund in the total amount of $275.33.

Darrell Miller paid $275.33 to Defiance County on May 9, 2000. This was receipted on Commissioner receipt number 824791 and County Auditor Pay-In number 85780.

Finding Number 1999-60120-002

Finding Repaid Under Audit

Part 3 of The Defiance County travel policy states that meals shall be reimbursed not to exceed $32 per day and that paid receipts are required. The policy specifically prohibits reimbursement for tips, entertainment, expenses for employee's spouses or family, and liquor.

Darrell Miller, Defiance County Commissioner, prepared handwritten meal stubs for the aggregate amount of meal expenses claimed for each day of travel. There were no original receipts submitted to the County for these meals except for the receipt noted below. Meal reimbursements for trips with overnight stays were not included in the amounts below, unless they exceeded the limit of $32 per day, since it was considered probable that meal expenses would have been incurred for these trips.

Meal stubs for trips with no overnight stays	$875.63
Less:	
Receipt for meal at McDonald's on July 28, 1999	(2.30)
Meals exceeding $32 per day limit for trips that included overnight stays:	
Meal reimbursement for October 14, 1999 in excess of per diem limit	6.32
Meals reimbursement for November 18, 1999 in excess of per diem limit	4.90
Meal reimbursement for November 19, 1999 in excess of per diem limit	26.33
Meal reimbursement for November 20, 1999 in excess of per diem limit	28.75
Total amount over reimbursed to Mr. Miller	$939.63

In accordance with the facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against Darrell Miller, Defiance County Commissioner, and his bonding company, Western Surety Company, jointly and severally, in favor of the General Fund in the total amount of $939.63.

Finding Number 1999-60120-002
(Continued)

Finding Repaid Under Audit (Continued)

Darrell Miller paid $939.63 to Defiance County on May 9, 2000. This was receipted on Commissioner receipt number 824791 and County Auditor Pay-In number 85780.

Finding Number 1999-60120-003

Noncompliance Citation

Ohio Revised Code § 5705.41(D) provides no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. This section provides for two exceptions to the above requirements:

A. If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the County Auditor may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certification, if such expenditure is otherwise valid

B. If the amount involved is less than one hundred dollars the fiscal officer may authorize it to be paid without the affirmation of the County Commissioners.

Eighteen percent of the transactions tested did not include prior certification of the County Auditor, nor was there evidence of a "then and now" certificate being used by the County Auditor. We recommend the County certify the availability of funds prior to the cash expenditure, and to encumber the entire amount of the invoice at the time the purchase order is approved.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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DEFIANCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 25, 2000