FINANCIAL CONDITION
DEFIANCE COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2000

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, 2000, 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, 2000, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2001 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 17, 2001

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DEFIANCE COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 2000

	Governmental Fund Types			
	General Fund	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity with County Treasurer in Pooled Cash and Cash Equivalents	$4,091,294	$6,977,672	$328,015	$7,083,973
Cash in Segregated Accounts	72,033		2,161	
Receivables (Net of Allowances of Uncollectibles):				
Real and Other Taxes	1,300,000	1,005,000		
Accounts	49,726	119,528	19,083	
Special Assessments		196,658	44,069	44,149
Accrued Interest	101,954	143		
Intergovernmental	701,647	113,819		
Interfund Loan Receivable	162,911			
Advances to Other Funds	2,114,843	761		58,900
Due from Other Funds	5,603	1,318		
Prepayments	130,017	375,787		56,808
Materials and Supplies Inventory	51,229	186,466		
Loans Receivable		224,815		
Notes Receivable	3,433			
Restricted Assets:				
Investments				
Property, Plant and Equipment (Net of Accumulated Depreciation Where Applicable)				
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	**$8,784,690**	**$9,201,967**	**$393,328**	**$7,243,830**

Proprietary Fund Types: Enterprise	Proprietary Fund Types: Internal Service	Fiduciary Fund Types: Trust and Agency	Account Groups: General Fixed Assets	Account Groups: General Long-Term Obligations	Total Primary Government (Memorandum Only)	Component Unit	Total Reporting Entity (Memorandum Only)
$5,104,436	$160,321	$4,586,112			$28,331,823	$803,234	$29,135,057
		353,361			427,555		427,555
					2,305,000	1,439,600	3,744,600
301,514					489,851	337	490,188
16,204					301,080		301,080
24,717		338			127,152		127,152
					815,466	25,293	840,759
					162,911		162,911
					2,174,504		2,174,504
		5,190			12,111		12,111
34,448					597,060	20,074	617,134
13,610					251,305	5,783	257,088
					224,815		224,815
					3,433		3,433
3,159,106					3,159,106		3,159,106
1,639,079			$17,191,698		18,830,777	649,795	19,480,572
				$210,561	210,561		210,561
				3,622,435	3,622,435		3,622,435
						100,799	100,799
$10,293,114	**$160,321**	**$4,945,001**	**$17,191,698**	**$3,832,996**	**$62,046,945**	**$3,044,915**	**$65,091,860**

(Continued)

DEFIANCE COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 2000
(Continued)

	Governmental Fund Types			
	General Fund	**Special Revenue**	**Debt Service**	**Capital Projects**
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	$82,538	$236,316	$1,109	$30,961
Accrued Wages and Benefits	142,256	204,817		
Compensated Absences Payable	25,236	30,666		
Interfund Loan Payable			116,491	46,420
Advances from Other Funds	761		21,230	2,152,513
Due to Other Governments	23,566	1,068		
Due to Other Funds	2,605	6,859		
Deposits Held and Due to Others				
Deferred Revenue	1,295,927	1,197,922	43,937	44,017
Accrued Interest Payable		14,690		9,653
Notes Payable		753,344		439,331
Claims and Judgements Payable				
Pension Obligation Payable	57,649	87,348		
General Obligation Bonds Payable				
OWDA Loans Payable				
OPWC Loans Pyable				
Capital Lease Obligation				
Estimated Accrued Liability for Landfill Closure and Post-Closure Costs				
Total Liabilities	1,630,538	2,533,030	182,767	2,722,895
Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund balances:				
Reserved for External Investment Pool Participants				
Reserved for Encumbrances	250,011	1,125,889		841,096
Reserved for Supplies Inventory	51,229	186,466		
Reserved for Prepayments	130,017	375,787		56,808
Reserved for Debt Service			210,561	
Reserved for Loans		224,815		
Reserved for Notes	3,433			
Reserved for Advances	2,114,843	761		58,900
Unreserved,Undesignated	4,604,619	4,755,219		3,564,131
Total Equity and Other Credits	7,154,152	6,668,937	210,561	4,520,935
Total Liabilities, Equity and Other Credits	**$8,784,690**	**$9,201,967**	**$393,328**	**$7,243,830**

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)		Total Reporting Entity (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations		Component Unit	
$40,622					$391,546	$17,252	$408,798
14,042					361,115	83,722	444,837
38,995				$549,138	644,035	104,042	748,077
					162,911		162,911
					2,174,504		2,174,504
13,195		$4,432,620			4,470,449		4,470,449
2,647					12,111		12,111
		353,361			353,361		353,361
16,156					2,597,959	1,435,090	4,033,049
1,039					25,382		25,382
98,725					1,291,400		1,291,400
		61,227			61,227		61,227
6,910					151,907	19,621	171,528
95,000				2,520,000	2,615,000		2,615,000
				302,865	302,865		302,865
				432,946	432,946		432,946
				28,047	28,047		28,047
1,933,919					1,933,919		1,933,919
2,261,250		4,847,208		3,832,996	18,010,684	1,659,727	19,670,411
			$17,191,698		17,191,698	649,795	17,841,493
8,031,864	$160,321				8,192,185		8,192,185
		80,372			80,372		80,372
					2,216,996	73,243	2,290,239
					237,695	5,783	243,478
					562,612	20,074	582,686
					210,561		210,561
					224,815		224,815
					3,433		3,433
					2,174,504		2,174,504
		17,421			12,941,390	636,293	13,577,683
8,031,864	160,321	97,793	17,191,698		44,036,261	1,385,188	45,421,449
$10,293,114	**$160,321**	**$4,945,001**	**$17,191,698**	**$3,832,996**	**$62,046,945**	**$3,044,915**	**$65,091,860**

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, 2000

	Governmental Fund Types			
	General Fund	Special Revenue	Debt Service	Capital Projects
Revenues:				
Property Taxes	$1,561,866	$1,016,113	$49,086	
Sales Taxes	4,235,489			
Charges for Services	1,059,073	1,801,134	90	
Licenses and Permits	3,830	165		
Fines and Forfeitures	76,913	14,714		
Intergovernmental	1,052,210	8,261,742	2,689	$2,651,676
Special Assessments		170,356	37,329	72,468
Investment Income	1,967,360	3,201		
Other	638,644	694,680	270,072	240,475
Total Revenues	10,595,385	11,962,105	359,266	2,964,619
Expenditures:				
Current:				
General Government:				
Legislative and Executive	2,419,983	588,949		
Judicial	846,623	256,304		
Public Safety	1,355,300	1,669,084		149,432
Public Works	214,003	4,543,987		
Health	58,476	76,561		
Human Services	274,038	4,735,243		
Economic Development		742,808		
Other	1,358,586	44,578	150,168	
Capital Outlay		164,606		1,687,053
Debt Service:				
Principal Retirement		12,918	309,954	
Interest and Fiscal Charges		15,255	191,380	17,318
Total Expenditures	6,527,009	12,850,293	651,502	1,853,803
Excess of Revenues Over (Under) Expenditures	4,068,376	(888,188)	(292,236)	1,110,816
Other Financing Sources and (Uses):				
Proceeds of Loans				67,899
Operating Transfers-In	14,460	1,426,976	32,453	685,621
Operating Transfers-Out	(2,259,206)	(14,460)		(344)
Total Other Financing Sources/(Uses)	(2,244,746)	1,412,516	32,453	753,176
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,823,630	524,328	(259,783)	1,863,992
Fund Balance, January 1	5,324,285	6,175,225	470,344	2,656,943
Increase/(Decrease) in Reserve for Inventory	6,237	(30,616)		
Fund Balance, December 31	**$7,154,152**	**$6,668,937**	**$210,561**	**$4,520,935**

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)
	$2,627,065	$1,317,479	$3,944,544
	4,235,489		4,235,489
	2,860,297		2,860,297
	3,995		3,995
	91,627		91,627
	11,968,317	1,575,477	13,543,794
	280,153		280,153
	1,970,561		1,970,561
	1,843,871	248,363	2,092,234
	25,881,375	3,141,319	29,022,694
	3,008,932		3,008,932
	1,102,927		1,102,927
	3,173,816		3,173,816
	4,757,990		4,757,990
	135,037	17,252	152,289
	5,009,281		5,009,281
	742,808		742,808
$140	1,553,472	2,968,722	4,522,194
	1,851,659		1,851,659
	322,872		322,872
	223,953		223,953
140	21,882,747	2,985,974	24,868,721
(140)	3,998,628	155,345	4,153,973
	67,899		67,899
	2,159,510		2,159,510
	(2,274,010)		(2,274,010)
	(46,601)		(46,601)
(140)	3,952,027	155,345	4,107,372
17,561	14,644,358	579,900	15,224,258
	(24,379)	148	(24,231)
$17,421	**$18,572,006**	**$735,393**	**$19,307,399**

DEFIANCE COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000

	General Fund		
	Revised Budget	**Actual**	**Variance: Favorable (Unfavorable)**
Revenues:			
Taxes:			
Property taxes	$1,629,671	$1,561,424	($68,247)
Sales taxes	3,882,950	4,235,489	352,539
Charges for services	1,472,652	1,051,352	(421,300)
Licenses and permits	3,750	3,830	80
Fines and forfeitures	51,025	50,814	(211)
Intergovernmental	1,032,470	1,092,640	60,170
Special assessments			
Investment income	1,975,548	1,986,838	11,290
Other	550,915	635,370	84,455
Total Revenues	10,598,981	10,617,757	18,776
Expenditures:			
Current:			
General Government:			
Legal and Executive	2,778,305	2,499,561	278,744
Judicial	938,566	864,425	74,141
Public safety	1,524,416	1,354,939	169,477
Public works	408,225	247,659	160,566
Health	59,468	53,325	6,143
Human services	413,352	352,045	61,307
Economic development and assistance			
Miscellaneous	1,636,012	1,371,297	264,715
Capital outlay			
Intergovernmental			
Debt service:			
Principal retirement			
Interest and fiscal charges			
Contingency	2,559,167		2,559,167
Total Expenditures	10,317,511	6,743,251	3,574,260
Excess (Deficiency) of Revenues Over(Under) Expenditures	281,470	3,874,506	3,593,036
Other financing sources(uses):			
Proceeds of refunding notes			
Proceeds of loans			
Advances-in and not repaid	14	2,976	2,962
Advances-out and not repaid	(166,296)	(166,296)	
Operating transfers in	54,460	54,460	
Operating transfers (out)	(2,728,582)	(2,591,319)	137,263
Total Other financing sources and (uses)	(2,840,404)	(2,700,179)	140,225
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(2,558,934)	1,174,327	3,733,261
Fund balance, January 1	2,380,160	2,380,160	
Prior year encumbrances appropriated	178,773	178,773	
Fund balance, December 31	**($1)**	**$3,733,260**	**$3,733,261**

Special Revenue Funds			Debt Service Funds		
Revised Budget	**Actual**	**Variance: Favorable (Unfavorable)**	**Revised Budget**	**Actual**	**Variance: Favorable (Unfavorable)**
$954,913	$954,913		$49,086	$49,086	
1,797,825	1,802,070	$4,245			
35	165	130			
14,922	14,922				
8,433,285	8,501,147	67,862	2,689	2,689	
170,188	170,188		111,052	109,733	($1,319)
703,100	695,502	(7,598)	253,367	253,135	(232)
12,074,268	12,138,907	64,639	416,194	414,643	(1,551)
905,889	664,119	241,770			
416,823	273,338	143,485			
4,554,419	1,751,880	2,802,539			
5,911,688	5,434,604	477,084			
102,172	79,274	22,898			
6,613,185	4,966,373	1,646,812			
975,231	851,072	124,159			
			3,383	784	2,599
305,694	183,408	122,286			
100,000	100,000		903,391	631,551	271,840
			250,038	230,255	19,783
			53,114	20,780	32,334
19,885,101	14,304,068	5,581,033	1,209,926	883,370	326,556
(7,810,833)	(2,165,161)	5,645,672	(793,732)	(468,727)	325,005
753,344	753,344		157,817	159,367	1,550
2,063	2,063		118,920	118,920	
(2,063)	(2,063)		(1,284)	(1,284)	
1,426,976	1,426,976		32,453	32,453	
(55,460)	(14,460)	41,000	(1,461)		1,461
2,124,860	2,165,860	41,000	306,445	309,456	3,011
(5,685,973)	699	5,686,672	(487,287)	(159,271)	328,016
4,113,350	4,113,350		486,903	486,903	
1,572,624	1,572,624		383	383	
$1	**$5,686,673**	**$5,686,672**	**($1)**	**$328,015**	**$328,016**

(Continued)

DEFIANCE COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)

	Capital Projects Funds		
	Revised Budget	**Actual**	**Variance: Favorable (Unfavorable)**
Revenues:			
Taxes:			
Property taxes			
Sales taxes			
Charges for services			
Licenses and permits			
Fines and forfeitures			
Intergovernmental	$2,651,676	$2,651,676	
Special assessments			
Investment income			
Other	92,412	92,412	
Total Revenues	2,744,088	2,744,088	
Expenditures:			
Current:			
General Government:			
Legal and Executive			
Judicial			
Public safety	673,290	149,432	$523,858
Public works			
Health			
Human services			
Economic development and assistance			
Miscellaneous			
Capital outlay	8,437,318	2,750,356	5,686,962
Intergovernmental			
Debt service:			
Principal retirement	728	728	
Interest and fiscal charges			
Contingency			
Total Expenditures	9,111,336	2,900,516	6,210,820
Excess (Deficiency) of Revenues Over(Under) Expenditures	(6,367,248)	(156,428)	6,210,820
Other financing sources(uses):			
Proceeds of refunding notes	276,511	276,511	
Proceeds of loans	67,899	67,899	
Advances-in and not repaid	62,750	62,750	
Advances-out and not repaid			
Operating transfers in	680,248	680,248	
Operating transfers (out)	(1,440)	(344)	1,096
Total Other financing sources and (uses)	1,085,968	1,087,064	1,096
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(5,281,280)	930,636	6,211,916
Fund balance, January 1	4,438,687	4,438,687	
Prior year encumbrances appropriated	842,593	842,593	
Fund balance, December 31		**$6,211,916**	**$6,211,916**

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

Total (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)
$2,633,670	$2,565,423	($68,247)
3,882,950	4,235,489	352,539
3,270,477	2,853,422	(417,055)
3,785	3,995	210
65,947	65,736	(211)
12,120,120	12,248,152	128,032
281,240	279,921	(1,319)
1,975,548	1,986,838	11,290
1,599,794	1,676,419	76,625
25,833,531	25,915,395	81,864
3,684,194	3,163,680	520,514
1,355,389	1,137,763	217,626
6,752,125	3,256,251	3,495,874
6,319,913	5,682,263	637,650
161,640	132,599	29,041
7,026,537	5,318,418	1,708,119
975,231	851,072	124,159
1,639,395	1,372,081	267,314
8,437,318	2,750,356	5,686,962
305,694	183,408	122,286
1,004,119	732,279	271,840
250,038	230,255	19,783
2,612,281	20,780	2,591,501
40,523,874	24,831,205	15,692,669
(14,690,343)	1,084,190	15,774,533
1,187,672	1,189,222	1,550
67,899	67,899	
183,747	186,709	2,962
(169,643)	(169,643)	
2,194,137	2,194,137	
(2,786,943)	(2,606,123)	180,820
676,869	862,201	185,332
(14,013,474)	1,946,391	15,959,865
11,419,100	11,419,100	
2,594,373	2,594,373	
($1)	**$15,959,864**	**$15,959,865**

DEFIANCE COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS ALL PROPRIETARY FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2000

	Proprietary Fund Types		
	Enterprise	**Internal Service**	**Total (Memorandum Only)**
Operating Revenues:			
Charges for Services	$2,781,434		$2,781,434
Other Operating Revenues	658,526	$981,438	1,639,964
Total Operating Revenues	3,439,960	981,438	4,421,398
Operating Expenses:			
Personal Services	328,661		328,661
Contract Services	355,921	1,050,745	1,406,666
Materials and Supplies	72,505		72,505
Depreciation	190,026		190,026
Other Operating Expenses	308,039		308,039
Total Operating Expenses	1,255,152	1,050,745	2,305,897
Operating Income (Loss)	2,184,808	(69,307)	2,115,501
Nonoperating Revenues/(Expenses):			
Interest Income	268,576		268,576
Interest and Fiscal Charges	(17,758)		(17,758)
Total Nonoperating Revenues/(Expenses)	250,818		250,818
Net Income/(Loss)	2,435,626	(69,307)	2,366,319
Operating transfers in	14,500	100,000	114,500
Retained earnings at January 1 (Restated)	5,581,738	129,628	5,711,366
Retained earnings at December 31	**$8,031,864**	**$160,321**	**$8,192,185**

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, 2000

	Proprietary Fund Types		
	Enterprise	Internal Service	Total (Memorandum Only)
Cash Flows from Operating Activities:			
Cash Received from Sales/Service Charges	$2,722,634		$2,722,634
Cash Received from Other Operations	48,461	$981,438	1,029,899
Cash Payments for Personal Services	(331,989)	(1,050,745)	(1,382,734)
Cash Payments for Contract Services	(353,817)		(353,817)
Cash Payments Supplies and Materials	(75,830)		(75,830)
Cash Payments for Other Expenses	(304,777)		(304,777)
Net Cash Provided (Used) by Operating Activities	1,704,682	(69,307)	1,635,375
Cash Flows from Noncapital Financing Activities:			
Transfers-in from Other Funds	14,500	100,000	114,500
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(426,357)		(426,357)
Proceeds of Debt Issues	98,725		98,725
Principal Retirement	(426,760)		(426,760)
Interest and Fiscal Charges	(23,646)		(23,646)
Net Cash Used by Capital and Related Financing Activities	(778,038)		(778,038)
Cash Flows from Investing Activities:			
Sale of Investments	676,500		676,500
Purchase of Investments	(946,200)		(946,200)
Interest Received	176,128		176,128
Net Cash Used by Investing Activities	(93,572)		(93,572)
Net Increase in Cash and Cash Equivalents	847,572	30,693	878,265
Cash and Cash Equivalents at January 1	4,256,864	129,628	4,386,492
Cash and Cash Equivalents at December 31	**$5,104,436**	**$160,321**	**$5,264,757**

(Continued)

DEFIANCE COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000
(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)	$2,184,808	($69,307)	$2,115,501
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	190,026		190,026
Changes in Assets and Liabilities:			
Increase in Supplies Inventory	(6,943)		(6,943)
Increase in Accounts Receivable	(58,946)		(58,946)
Increase in Prepayments	(1,657)		(1,657)
Increase in Accounts Payable	6,590		6,590
Increase in Accrued Wages and Benefits	3,346		3,346
Decrease in Compensated Absences Payable	(1,293)		(1,293)
Decrease in Estimated Liability for Landfill Closure	(610,040)		(610,040)
Decrease in Pension Obligation Payable	(2,119)		(2,119)
Decrease in Due to Other Governments	(1,356)		(1,356)
Decrease in Due from Other Funds	125		125
Increase in Due to Other Funds	2,145		2,145
Decrease in Special Assessments Receivable	2,296		2,296
Decrease in Deferred Revenue	(2,300)		(2,300)
Net Cash Provided (Used) By Operating Activities	**$1,704,682**	**($69,307)**	**$1,635,375**

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, 2000

	Fiduciary Fund Type
	Investment Trust
Operations:	
Interest Revenue	$6,999
Increase in Fair Value	293
Net Investment Income	7,292
Capital Transactions:	
Proceeds of Investments Sold	(45,892)
Purchase of Investments	63,082
Total Increase in Net Assets	24,482
Net Assets at January 1	55,890
Net Assets at December 31	**$80,372**

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 2000, the County paid administrative fees of $2,755 and per capita charges of $103,506 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 the Council.

Community Improvement Corporation of Defiance County - The County is a member of the Community Improvement Corporation of Defiance County (the CIC) which is a jointly governed organization between Defiance County, the City of Defiance, and the respective Villages and Townships of Defiance County. The purpose of the CIC is to promote and encourage the establishment and growth of industrial, commercial, distribution, and research facilities within member subdivisions.

The CIC is governed by a Board of Trustees consisting of fifteen self appointed members. Not less than two-fifths of the members are to be composed of elected officials. Five of these Trustees include: a member of the Board of County Commissioners of Defiance County, the Auditor of Defiance County, the Mayor or his/her designated elected official of the City of Defiance, the Mayor or his/her designated elected official of the Village of Hicksville, and the President of the Defiance County Trustees Association (the Association) or an elected Defiance County Trustee appointed by the Association President. The remaining members represent private residents of Defiance County or employees of Defiance County businesses or firms. The County paid the CIC $25,000 in 2000.

JOINT VENTURES - WITHOUT EQUITY INTEREST

Corrections Commission of Northwest Ohio (the Corrections Commission) - 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 2000 were $1,074,810, 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 $67,090 to the District in 2000.

The County has an ongoing financial interest in the District. The County Commissioners are able to influence the Board of Directors 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 2000. 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 2000 were $279,732. 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, 2000, the County remitted $578,133 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:

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).

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.

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. Expendable trust funds are accounted for in essentially the same manner as governmental funds. The investment trust fund is accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature, and do not have a measurement focus. Agency Funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

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.

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 organization for which the nature and significance of its relationship with the County is such that exclusion would cause the County's financial statements 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, 2000, but are intended to finance 2001 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 2000.

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 2000, investments were limited to STAR Ohio, treasury notes, federal agency securities, certificates of deposit and repurchase agreements.

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 and repurchase agreements are reported at cost.

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, 2000.

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 2000:

	Interest Actually Received	Interest Based upon Share of Cash Fund Balance	Interest Assigned by Other Funds
General Fund	$1,967,360	$247,972	$1,719,388

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 segregated accounts" 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, 2000
Assets	
Cash	$ (1,279,817)
Investments	30,414,874
Total Assets	$29,135,057
Net Assets Held in Trust for Pool Participants	
Internal Portion	$29,054,685
External Portion	80,372
Net Assets Available to Pool Participants	$29,135,057

	Statement of Changes in Net Assets December 31, 2000
Revenue	
Interest income	$ 1,906,336
Fair Value Increases and Decreases	146,873
Total Revenue	2,053,209
Distributions to Participants	(2,666,335)
Capital Transactions	
Proceeds of Investments sold	(13,906,594)
Purchase of Investments	19,115,815
Total increase in net assets	4,596,095
Net Assets at January 1, 2000	24,538,962
Net Assets at December 31, 2000	$29,135,057

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 2000, the County incurred expenditures of $1,789 in providing these services, and recognized revenues of $1,624 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.), and ornamental artifacts. 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 GASB Statement No. 16, 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, loans and notes receivable, and external investment pools 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 effective 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. FINANCIAL REPORTING FOR PROPRIETARY AND SIMILAR FUND TYPES

The County's financial statements have been prepared in accordance with 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.

S. 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 enterprise 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 the date of purchase).

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. PRIOR PERIOD ADJUSTMENT

A prior period adjustment has been recorded in the General Long Term Obligations Account Group (GLTOAG) and enterprise funds to restate the beginning balance for Christi Meadows bonds which were included in GLTOAG at December 31, 1999 and should have been reported as a liability of the enterprise funds.

A prior period adjustment has also been recorded in the enterprise funds to restate the beginning balance of the property, plant, and equipment.

The effect of the restatements are shown below:

Total liabilities in GLTOAG as previously reported, December 31, 1999	$4,153,621
Christi Meadows General Obligation bond	(100,000)
Restated total liabilities in GLTOAG at January 1, 2000	$4,053,621
Retained earnings in the Enterprise Fund as previously reported, December 31, 1999	$5,675,270
Increase in Property, Plant, and Equipment	6,468
Christi Meadows General Obligation bond	(100,000)
Restated retained earnings in the Enterprise Fund at January 1, 2000	$5,581,738

B. DEFICIT BALANCES

The following funds had deficit fund balances as of December 31, 2000:

	Deficit Fund Balances
Special Revenue Fund:	
Economic Development	$ 704
Debt Service Fund:	
Brunersburg Sewer	39,888
Auglaize Sewer	67,537
Capital Project Funds:	
Auglaize Sewer	13,927
Brunersburg Sewer	78,201
Express Sewer	86,998
Green Acres Sewer	13,500
DMP Sewer	225,520
Airport	108,363

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	$22,278,176
Accounts Receivable	2,054
Special Assessments Receivable	319,482

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 in Segregated Accounts - At year end, $427,555 was on deposit in segregated accounts used by various County departments, and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

Cash on hand - At year-end, the County had $201,745 in undeposited cash on hand ($15,638 cash on hand with the County Treasurer, $185,657 undeposited receipts and $450 cash on hand with departments), which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents", but is not included in the total amount of deposits reported below.

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 $12,102,430 and the bank balance was $14,132,188. Of the bank balance:

1. $1,288,821 was covered by federal depository insurance; and

2. $12,843,367 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
Repurchase Agreement	$ 3,124,000	$ 2,267,930	$ 5,391,930
Commercial Paper	1,000,000	(5,115)	994,885
U.S. Government Securities	6,050,000	5,934,165	11,984,165
Investments not Subject to Categorization:			
Investment in State Treasurer's Investment Pool			2,046,563
Total Investments	$10,174,000	$8,196,980	$20,417,543

The government securities include federal agency securities, which have maturities ranging from 2000 to 2008 and treasury notes, which mature in 2016.

Net increase in the fair value of applicable investments during fiscal year 2000 per GASB Statement No. 31 is as follows:

Fair Value at December 31, 2000	$ 33,620,543
Proceeds of investments sold in fiscal year 2000	14,623,109
Cost of investments purchased in fiscal year 2000	(20,062,015)
Fair value at December 31, 1999	(27,941,281)
Change in fair value of investments during fiscal year 2000	$ 240,356

The classification of cash and cash equivalents on the combined balance sheet 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 balance sheet per GASB Statement No. 9, and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Equity in Pooled Cash and Cash Equivalents	Investments
Per GASB Statement No. 9	$29,135,057	$ 3,159,106
Combined Balance Sheet Reclassifications:		
Repurchase Agreement	(5,391,930)	5,391,930
Commercial Paper	(994,885)	994,885
State Treasurer's Investment Pool	(2,046,563)	2,046,563
Certificates of Deposit	475,000	(475,000)
U.S. Government Securities	(9,300,059)	9,300,059
Total GASB Statement No. 3 Investments		$20,417,543
Cash on hand	(201,745)	
Cash in segregated accounts	427,555	
Total Carrying Amount of Deposits Per GASB Statement No. 3	$12,102,430	

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at December 31, 2000, consist of the following individual fund receivables and payables which are long-term in nature (outstanding longer than one year):

	Advances to Other Funds	Advances from Other Funds
General Fund	$2,114,843	$ 761
Special Revenue Funds	761	
Debt Service Funds		21,230
Capital Project Funds	58,900	2,152,513
Total Interfund Receivables/(Payables)	$2,174,504	$2,174,504

B. Interfund balances at December 31, 2000, 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	$162,911	
Debt Service Fund		$116,491
Capital Project Funds		46,420
Total Interfund Loans Receivable/(Payable)	$162,911	$162,911

C. Quasi-external transactions (reimbursements) at December 31, 2000, consist of the following individual fund receivables and payables:

	Due from Other Funds	Due to Other Funds
General Fund	$ 5,603	$ 2,605
Special Revenue Funds	1,318	6,859
Enterprise Funds		2,647
Agency Funds	5,190	
Total Due From/(Due to Other Funds)	$12,111	$12,111

D. The following is a reconciliation of the County's operating transfers for 2000:

Fund	Transfers In	Transfers Out
General Fund	$ 14,460	$2,259,206
Special Revenue Funds	1,426,976	14,460
Debt Service Funds	32,453	
Capital Project Funds	685,621	344
Internal Service Fund	100,000	
Enterprise Funds	14,500	
Totals	$2,274,010	$2,274,010

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 2000 taxes were collected was $630,361,391. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2000, was $10.15 per $1,000 of assessed valuation. The tax rate for debt service was $2.85 per 1,000 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due February 9, 2000. If paid semi-annually, the first payment is due February 9, 2000 and the remainder payable by July 20, 2000. 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 2000 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 2000 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 2000 amounted to $4,235,489.

NOTE 8 - FIXED ASSETS

A. A summary of the proprietary fund property, plant, and equipment at December 31, 2000 is as follows:

Land and Improvements	$ 329,261
Buildings	592,787
Vehicles	173,313
Construction-in -Progress	270,620
Furniture, Machinery, and Equipment	1,534,957
Total Gross Assets	2,900,938
Less: Accumulated Depreciation	(1,261,859)
Total Net Assets	$ 1,639,079

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

	Balance 12/31/99	Adjustments	Additions	Deletions	Balance 12/31/00
Land	$533,375		$12,000		$545,375
Building	7,374,099	($1,091,240)	1,849,369	($17,599)	8,114,629
Machinery and Equipment	2,887,138	974,185	361,565	(37,649)	4,185,239
Vehicles	2,346,974	1,422,536	274,753	(104,254)	3,940,009
Construction-in-Progress	1,766,762	211,439	195,007	(1,766,762)	406,446
Total	$14,908,348	$1,516,920	$2,692,694	($1,926,264)	$17,191,698
Component Unit	$545,439		$104,356		$649,795

In 2000, the County reviewed and revised their fixed asset list which resulted in a change in the December 31, 1999 historical value of fixed assets.

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 of service.

At December 31, 2000 vested benefits for vacation leave for governmental fund type employees totaled $360,126 and vested benefits for sick leave totaled $25,553. In accordance with GASB No. 16, a liability of $163,459 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 units is $649,937.

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the County has entered into capital lease agreements. Each 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 inception, capital lease transactions are accounted for as a capital outlay expenditure and other financing source in the appropriate fund. A corresponding liability was recorded in the general long-term obligations account group.

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, Expendable Trust Fund, and Discretely Presented Component Units. 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 2000 fiscal year totaled $12,918. 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, 2000.

General Long-Term Obligations

Year Ending December 31	Equipment
2001	$15,212
2002	15,212
2003	1
Total future minimum lease payments	30,425
Less: Amount Representing Interest	(2,378)
Present Value of Future Minimum Lease Payments	$28,047

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 1/1/00 (Restated)	Additions	Reductions	Outstanding 12/31/00	Maturity Date
General Obligation Bonds:					
1985 - 9% Good Sam School	$ 130,000		$(130,000)	$ 0	12/1/00
1999 - 3.9% to 5.6% Various Purpose Improvements	2,575,000		(55,000)	2,520,000	12/1/24
Other Long-Term Obligations:					
OWDA loans payable	336,517	$ 67,899	(101,551)	302,865	Various
OPWC loan payable	456,349		(23,403)	432,946	07/1/19
Compensated Absences	514,790	346,008	(311,660)	549,138	N/A
Capital Lease	40,965		(12,918)	28,047	04/1/03
Total General Long-Term Obligations	$4,053,621	$413,907	$(634,532)	$3,832,996	
Enterprise Fund:					
General Obligation Bonds:					
1999 - 3.9% to 5.6% Christi Meadows Sewer Improvements	$ 100,000	$ 0	$ (5,000)	$ 95,000	12/1/24

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 was used for construction of facilities at the Evergreen Home. The source of repayment for this bond is general operating revenues of the County. $100,000 of the $2.675 million in general obligation bonds was used for Christi Meadows Sewer improvements and is recorded as a liability of the enterprise funds.

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, 2000 is $28,983. 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, 2000 is $273,882.

During 1996, the County received a loan in the amount of $468,050 from the Ohio Public Works Commission 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
2001	$ 95,000	$ 138,473	$ 63,026	$ 5,157	$ 11,701	$ 169,727	$ 143,630
2002	95,000	134,530	99,649	6,805	23,403	218,052	141,335
2003	100,000	130,445	92,731	3,750	23,402	216,133	134,195
2004	105,000	125,995	47,459	759	23,403	175,862	126,754
2005	105,000	121,218			23,402	128,402	121,218
2006-2010	585,000	517,045			117,012	702,012	517,045
2011-2015	445,000	381,080			117,013	562,013	381,080
2016-2020	565,000	242,200			93,610	658,610	242,200
2021-2024	520,000	74,760				520,000	74,760
Total	$2,615,000	$1,865,746	$302,865	$16,471	$432,946	$3,350,811	$1,882,217

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, 2000 are an overall debt margin of $10,563,196 and an unvoted debt margin of $2,607,775, including available funds of $210,561.

NOTE 12 - NOTES PAYABLE

The County had the following general obligation bond anticipation notes outstanding at December 31, 2000:

General Obligation Bond Anticipation Notes:	Issue Date	Balance 12/31/99	Issued	Retired	Balance 12/31/00	Maturity Date
Special Revenue Fund:						
4.68% Equipment Acquisition	8/4/00	$100,000	$ 50,000	$(100,000)	$ 50,000	8/3/01
4.68% Bridge Repair	8/4/00		703,344		703,344	8/3/01
Total Special Revenue Fund		$100,000	$753,344	$(100,000)	$753,344	
Capital Project Funds:						
4.15% E-911	8/4/00	$142,100		$(142,100)		
4.68% Coakley Tile	8/4/00		$ 3,641		$ 3,641	8/3/01
4.85% Clemens Ditch	3/31/00		21,076		21,076	3/30/01
5.00% DMP Sewer	8/4/00		250,000		250,000	8/3/01
4.68% Limbaugh Ditch	8/4/00		957	(728)	229	8/3/01
6.00% Kennerk Tile	6/2/00		1,794		1,794	6/1/01
4.68% Mulligan's Bluff	3/31/00		959	(152)	807	3/30/01
4.40% Willow Run Ditch	10/15/99	1,965		(1,965)		10/13/00
4.60% Olson Ditch	6/2/00	46		(46)		
6.00%Treece Ditch	6/2/00	5,608	2,685	(5,608)	2,685	6/1/01
4.68% Domersville Ditch	3/31/00	268		(249)	19	3/30/01
4.21% Ayersville Ditch	4/2/99	2,660		(2,660)		3/31/00
4.68% Ayersville Tile	3/31/00		987	(503)	484	3/30/01
6.00% Verhoff Ditch	6/2/00	5,400	3,050	(5,400)	3,050	6/1/01
4.68% Rohn Ditch	10/13/00	1,480	469	(1,480)	469	10/12/01
4.68% Raimonde Ditch	8/4/00	203			203	8/4/01
4.21% Mulligan's Bluff	4/2/99	2,926		(2,926)		3/31/00
4.68% Hardy Tile	8/4/00	22,680	19,015	(22,680)	19,015	8/3/01
4.68% Hardy Ditch	8/4/00	2,526		(1,284)	1,242	8/3/01
5.05% Behrens Ditch	10/13/00	17,025	9,740	(17,025)	9,740	10/12/01
6.00% Glenburg Ditch	6/2/00	10,400	8,730	(10,400)	8,730	6/1/01
6.00% Shoemaker Ditch	6/2/00	2,400	1,550	(2,400)	1,550	6/1/01
6.00% Schlack Ditch	6/2/00	8,635	6,045	(8,635)	6,045	6/1/01
4.85% Wisda - Prairie Ditch	3/31/00	27,050	16,850	(27,050)	16,850	3/30/01
4.85% Donley Ditch	3/31/00	17,456	11,910	(17,456)	11,910	3/30/01
5.05% Zachrich Ditch	10/13/00	4,255	1,740	(4,255)	1,740	10/12/01
4.85% Morhart Ditch	3/31/00	18,735	16,495	(18,735)	16,495	3/30/01

6.00% Lake Road Ditch	6/2/00	13,419	12,535	(13,419)	12,535	6/1/01
4.68% Mitchell Ditch	8/4/00	27,479	23,840	(27,479)	23,840	8/3/01
4.68% Preston Run Ditch	8/4/00	33,274	25,182	(33,274)	25,182	8/3/01
Total Capital Project Funds		$367,990	$439,250	$(367,909)	$439,331	

General Obligation Bond Anticipation Notes:	Issue Date	Balance 12/31/99	Issued	Retired	Balance 12/31/00	Maturity Date
Enterprise Funds:						
5.05% Noble Township Sewer	10/13/00	$101,020	$74,950	$(101,020)	$74,950	10/12/01
5.05% Beldon Wastewater	10/13/00	26,640	23,775	(26,640)	23,775	10/12/01
4.21% Landfill Acquisition	4/2/99	47,000		(47,000)		
4.15% Landfill Final Cover	8/6/99	247,100		(247,100)		
Total Enterprise Funds		$421,760	$98,725	$(421,760)	$98,725	

NOTE 13 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintains three separate enterprise funds to account for the operations of a sewer district, a county landfill, and mining reclamation. Segment information for the year ended December 31, 2000 follows:

	County Landfill	Sanitary Sewer	Mining Reclamation	Total
Operating Revenue	$ 3,286,541	$150,419	$3,000	$ 3,439,960
Operating Expenses before Depreciation	948,376	116,750		1,065,126
Depreciation Expense	167,826	22,200		190,026
Operating Income	2,170,339	11,469	3,000	2,184,808
Net Income	2,432,347	279	3,000	2,435,626
Property, Plant and Equipment (Net of Accumulated Depreciation)	1,376,026	263,053		1,639,079
Net Working Capital	5,283,526	13,728	3,000	5,300,254
Total Assets	9,889,775	400,339	3,000	10,293,114
Notes Payable		98,725		98,725
Bonds Payable		95,000		95,000

Total Liabilities	2,024,910	236,340		2,261,250
Total Equity	7,864,865	163,999	3,000	8,031,864
Encumbrances (Budget Basis)	105,165	13,081		118,246

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 2000 was 8.5 percent for employees other than law enforcement. Law enforcement employees contribute 9.0 percent of covered salary. The PERS Retirement Board instituted a temporary employer rate rollback for calendar year 2000. The rate rollback was 20% for local government subdivisions and 6% for law enforcement divisions. The employer contribution rate for employees other than law enforcement was 10.84 percent of covered payroll; 6.54 percent was the portion used to fund pension obligations for 2000. The employer contribution rate for law enforcement employees was 15.70 percent of covered payroll; 11.40 percent was the portion used to fund pension obligations for 2000. The County's contributions for pension obligations to PERS for the years ended December 31, 2000, 1999, and 1998 were $1,094,930, $1,190,153 and $1,153,230, respectively; 85 percent has been contributed for 2000 and 100 percent for 1999 and 1998. $168,816, representing the unpaid contribution for 2000, 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, 2000, 1999, and 1998 were $119,204, $104,464 and $116,395, respectively; 98 percent has been contributed for 2000 and 100 percent for the years 1999 and 1998. $2,733, representing the unpaid contributions for 2000, is recorded as a liability within the respective funds.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

PERS provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The employer contribution rate was rolled back for the year 2000. The 2000 employer contribution rate for local government employers was 10.84% of covered payroll; 4.30% was the portion that was used to fund health care. The law enforcement employer rate for 2000 was 15.70% of covered payroll; 4.30% was the portion used to fund health care.

The assumptions and calculations were based on the PERS System's latest Actuarial Review performed as of December 31, 1999. An entry age normal actuarial cost method of valuation was used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

All investments are carried at market value by PERS. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 1999 was 7.75%. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs were assumed to increase 4.75%.

OPEBs are advance funded on an actuarially determined basis.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The County's actuarially required and actual contribution made to fund post employment benefits was $419,321. Of this amount, $385,831 was used to fund health care for the year for regular employees, while $33,490 was used to fund health care for the year for law enforcement employees.

OPEB 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.

As of December 31, 1999 (the latest information available), the unaudited estimated net assets available for future OPEB payments were $10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $12,473.6 million and $1,668.1 million, respectively, at December 31, 1999 (the latest information available). The number of active contributing participants for OPEB at December 31, 1999 (the latest information available) was 401,339.

During 2000, the PERS Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based upon a December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for both the state and local government divisions and 6% for law enforcement divisions. The Board reallocated employer contributions from 4.20% to 4.30% at the beginning of the year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons.

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 $68,117 during 2000. Eligible benefit recipients totaled 99,011. For the year ended June 30, 2000, net health care costs paid by STRS were $283,137,000.

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 FINANCING USES

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	$1,174,327	$ 699	$(159,271)	$ 930,636
Net adjustment for revenue accruals	(22,372)	(176,802)	(55,377)	220,531
Net adjustment for expenditure accruals	(71,453)	163,661	231,868	174,656
Net adjustment for other financing sources/(uses) accruals	455,433	(753,344)	(277,003)	(333,888)
Encumbrances (Budget Basis)	287,695	1,290,114		872,057
GAAP Basis	$1,823,630	$ 524,328	$(259,783)	$1,863,992

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, 2000.

B. Litigation

The County is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations. The County's management and legal counsel is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material adverse effect on the financial condition of the County.

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 $1,933,919 as of December 31, 2000, which is based on 64.96% usage (filled) of the landfill. It is estimated that an additional $1,043,377 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 (2005). The estimated total current cost of the landfill closure and postclosure care of $2,977,296 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, 2000. 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, 2000, investments of $3,159,106 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. The County Risk Sharing Authority, Inc., 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 2000 was $144,900.

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 Welles 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 2000, Defiance County contributed a total of $1,050,745 for this plan.

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DEFIANCE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2000

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	$7,291
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-00P	84.027	20,062
	065946-6B-SF-01P		21,149
Total Special Education - Grants to States			41,211
Special Education - Preschool Grant (Title 1)	065946-PG-51-00P	84.173	7,871
	065946-PG-51-01P		12,689
Total Special Education - Preschool Grant			20,560
Total Special Education Cluster			61,771
Elementary and Secondary Education (ESEA - Title VI)	065946-PG-51-01P	84.298	1,713
Passed Through Ohio Department of Health:			
Special Education Grants for Infants and Families with Disabilities (Early Intervention)	20-1-02-F-AN	84.181	71,126
Total U.S. Department of Education			134,610
U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT DISASTER ASSISTANCE			
Passed Through Ohio Department of Emergency/ Management Disaster Assistance:			
Federal Emergency Management Agency - EMPG	H418	83.552	19,700
Federal Emergency Management Agency - Special Project	OH-99-023		40,000
Total U.S. Department of Federal Emergency Management Disaster Assistance			59,700
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	33,222
Special Programs for the Aging -Title III Part C- Nutrition Services	-	93.045	224,514
Total Aging Cluster			257,736
Special Programs for the Aging - A12 - Alzheimer	-	93.045	13,165
Total Area Office of Aging			270,901
Passed Through Ohio Department of Health:			
Social Services Block Grant (Title XX)	-	93.667	38,881

DEFIANCE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:			
Medical Assistance Program (Medicaid: Title XIX)	-	93.778	106,490
Total U.S. Department of Health and Human Services			416,272
U.S. DEPARTMENT OF LABOR			
Passed Through Ohio Job and Family Services:			
Employment and Training Administration, Department of Labor	-	17.255	64,955
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Home Investment Partnerships Program (Chip)	B-C-98-019-2	14.239	36,291
Passed Through Ohio Department of Development:			
Community Development Block Grant	B-F-98-019-1	14.228	10,050
(Formula Grant)	B-F-99-019-1		62,200
Total CDBG (Formula Grant)			72,250
Community Development Block Grant	B-L-99-019-1	14.228	36,500
(Emergency Shelter)	B-L-00-019-1		22,835
Total CDBG (Emergency Shelter)			59,335
Community Development Block Grant (Economic Development)	B-E-99-019-1	14.228	221,888
Community Development Block Grant (Chip - Ohio Housing Trust Fund)	C-98-019-1	14.228	13,798
Community Development Block Grant (Chip)	B-C-98-019-1	14.228	254,951
Total U.S. Department of Housing and Urban Development			658,513
U.S. DEPARTMENT OF JUSTICE			
Community Oriented Policing Services Grant (COPS)	199UMWX2810	16.726	50,749
Passed Through the Office of Criminal Justice Services:			
Byrne Memorial Drug Control and Systems (Improvement Grant)	99-DG-A01-7014	16.579	150,986
Byrne Memorial Grant - Rape Crisis Advocate	98-DG-D02-7004	16.579	1,377
	98-DG-D02-7004		27,200
Total Byrne Memorial Grant - Rape Crisis Advocate			28,577
Total Byrne Memorial Drug Control and Systems Improvement Grant			179,563
Victims of Crimes Act Grant	00-VAG-ENE-061	16.575	9,192
	01-VAG-ENE-061		50,430
Total Victims of Crimes Act Grant			59,622
Total U.S. Department of Justice			289,934
Total			**$1,631,275**

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

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 - 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. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At December 31, 2000, the District had no significant food commodities in inventory.

NOTE C - 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 of Federal Awards Expenditures (the 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, 2000, the gross amount of loans outstanding under this program were $224,815.

NOTE D - 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.

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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, 2000, and have issued our report thereon dated May 17, 2001. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 Defiance County in a separate letter dated May 17, 2001.

This report is intended for the information and use of the audit committee, management, the 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 17, 2001

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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 each of its major federal programs for the year ended December 31, 2000. The County's major federal programs are 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 each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 each of its major federal programs for the year ended December 31, 2000. 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 17, 2001.

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 to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

May 17, 2001

DEFIANCE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2000

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)?**	No
(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 Medical Assistance Program - CFDA #93.778
(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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

DEFIANCE COUNTY FINANCIAL CONDITION

DEFIANCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 29, 2001