FINANCIAL CONDITION
DEFIANCE COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2007

Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION
DEFIANCE COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Defiance County, Ohio (the County), as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Defiance County, Ohio, as of December 31, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, Mental Retardation and Developmental Disabilities Fund, Job and Family Services Fund, Motor Vehicle and Gas Tax Fund, Emergency 911 Fund, and Senior Center Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2008, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The schedule of federal awards expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements. We subjected the schedule of federal awards expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 30, 2008

FINANCIAL CONDITION
DEFIANCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED

The management's discussion and analysis of Defiance County's (the County) financial performance provides an overall review of the County's financial activities for the year ended December 31, 2007. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- The total net assets of the County increased $4,873,994. Net assets of governmental activities increased $3,505,177, which represents a 4.41% increase over fiscal year 2006. Net assets of business-type activities increased $1,368,817 or 7.16% from fiscal year 2006.

- General revenues accounted for $16,096,143 or 50.08% of total governmental activities revenue. Program specific revenues accounted for $16,043,023 or 49.92% of total governmental activities revenue.

- The County had $28,427,590 in expenses related to governmental activities; $16,043,023 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of $16,096,143 were adequate to provide for these programs.

- The General fund, the County's largest major governmental fund, had revenues and other financing sources of $12,348,406 in 2007, an increase of $830,481 or 7.21% from 2006 revenues. The General fund, had expenditures and other financing uses of $12,805,040 in 2007, an increase of $253,159 or 2.02% from 2006. The fund balance of the General fund decreased $456,634 during 2007.

- The Mental Retardation and Developmental Disabilities (MR/DD) fund, a major governmental fund, had revenues of $4,538,744 in 2007, an increase of $128,506 or 2.91% from 2006 revenues. The MR/DD fund, had expenditures of $4,114,095 in 2007, an increase of $252,061 or 6.53% from 2006. The MR/DD fund balance increased $424,649 during 2007.

- The Job and Family Services fund, a major governmental fund, had revenues and other financing sources of $3,456,918 in 2007, an increase of $353,025 or 11.37% from 2006 revenues. The Job and Family services fund, had expenditures of $2,930,335 in 2007, an decrease of $199,800 or 6.38% from 2006. An increase in intergovernmental revenues contributed to the Job and Family services fund balance increase of $526,583 from 2006 to 2007.

- The Motor Vehicle License and Gas Tax fund, a major governmental fund, had revenues and other financing sources of $4,696,671 in 2007, an increase of $3,993 or 0.09% from 2006 revenues. The Motor Vehicle License and Gas Tax fund, had expenditures of $4,772,272 in 2007, an increase of $570,786 or 13.59% from 2006. The increase in expenditures contributed to the Motor Vehicle License and Gas Tax fund balance decrease of $75,601 from 2006 to 2007.

- The Emergency 911 fund, a major governmental fund, had revenues of $924,956 in 2007, an increase of $77,158 or 9.10% from 2006 revenues. The Emergency 911 fund, had expenditures of $783,349 in 2007, an increase of $86,061 or 12.34% from 2006. The Emergency 911 fund's balance increased $141,607 from 2006 to 2007.

- The Senior Center fund, a major governmental fund, had revenues of $1,284,480 in 2007, an increase of $161,278 or 14.36% from 2006 revenues. The Senior Center fund, had expenditures of $1,201,897 in 2007, an increase of $9,209 or 0.77% from 2006. The increase in intergovernmental revenues contributed to the Senior Center fund balance increase of $82,583 from 2006 to 2007.

- Net assets for the business-type activities, which are made up of the Landfill and Sewer enterprise funds, increased in 2007 by $1,368,817. This increase is due mainly to capital asset acquisitions by the County.

- In the General fund, the actual revenues and other financing sources were $3,992,728 higher than they were originally budgeted and actual expenditures were $1,762,043 less than the amount in the original budget. These positive variances are a result of the County's conservative budgeting process.

Using these Basic Financial Statements (BFS)

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

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

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities answer the question, "How did we do financially during 2007?" These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the County is divided into two distinct kinds of activities:

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

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

Reporting the County's Most Significant Funds
Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General fund, Mental Retardation and Developmental Disabilities fund (MR/DD), Job and Family Services fund, Motor Vehicle and Gas Tax fund, Emergency 911 fund and Senior Center fund. The County's major enterprise funds are the Landfill and Sewer funds.

Governmental Funds

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

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds

The County maintains proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its landfill and sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County's internal service fund accounts for medical/surgical and dental self-insurance.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
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Fiduciary Funds

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

Notes to the Financial Statements

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

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the County as a whole. The table below provides a summary of the County's net assets at December 31, 2007 and 2006.

Net Assets

	Governmental Activities 2007	Business-type Activities 2007	Governmental Activities 2006	(Restated) Business-type Activities 2006	2007 Total	(Restated) 2006 Total
Assets						
Current and other assets	$ 42,965,382	$ 14,808,258	$ 39,909,888	$ 14,927,934	$ 57,773,640	$ 54,837,822
Capital assets, net	54,260,528	9,650,220	54,341,990	7,778,510	63,910,748	62,120,500
Total assets	97,225,910	24,458,478	94,251,878	22,706,444	121,684,388	116,958,322
Liabilities						
Other liabilities	6,548,008	379,720	6,705,057	165,155	6,927,728	6,870,212
Long-term liabilities outstanding	7,625,510	3,605,256	7,999,606	3,436,604	11,230,766	11,436,210
Total liabilities	14,173,518	3,984,976	14,704,663	3,601,759	18,158,494	18,306,422
Net Assets						
Invested in capital assets, net of related debt	50,836,362	9,483,820	50,636,990	7,597,510	60,320,182	58,234,500
Restricted	25,160,297	1,452,449	20,932,989	1,343,050	26,612,746	22,276,039
Unrestricted	7,055,733	9,537,233	7,977,236	10,164,125	16,592,966	18,141,361
Total net assets	$ 83,052,392	$ 20,473,502	$ 79,547,215	$ 19,104,685	$ 103,525,894	$ 98,651,900

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2007, the County's assets exceeded liabilities by $103,525,894. This amounts to $83,052,392 in governmental activities and $20,473,502 in business-type activities. The County's finances remained strong during 2007, despite the decline in the economy.

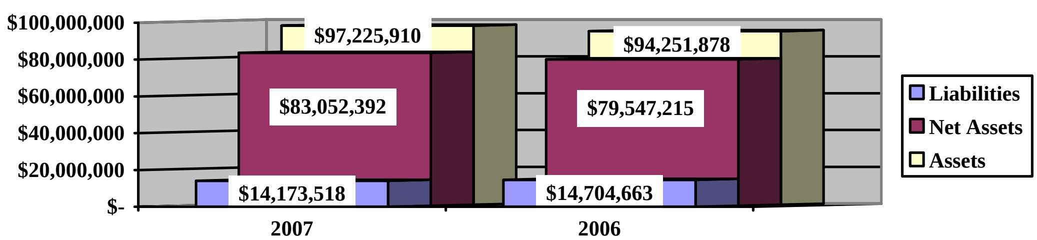
Capital assets reported on the government-wide statements represent the largest portion of the County's assets. At year-end, capital assets represented 52.52% of total governmental and business-type assets. Capital assets include land, buildings and improvements, equipment, vehicles, construction in progress and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2007, were $60,320,182. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2007, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

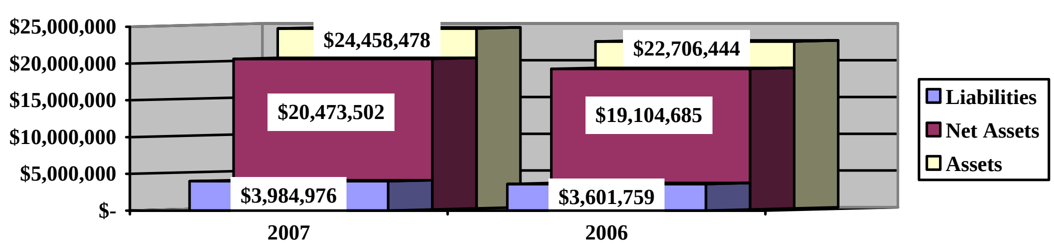
A portion of the County's net assets, $26,612,746 or 25.71%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of $16,592,966 or 16.03% may be used to meet the government's ongoing obligations to citizens and creditors.

The graphs below illustrate the District's assets, liabilities and net assets at December 31, 2007 and 2006, for the governmental activities and business-type activities:

Governmental Activities



Business-Type Activities



MANAGEMENT'S DISCUSSION AND ANALYSIS
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The table below shows the changes in net assets for fiscal year 2007 and 2006.

Change in Net Assets

	Governmental Activities 2007	Business-type Activities 2007	(Restated) Governmental Activities 2006	(Restated) Business-type Activities 2006	Total 2007	(Restated) Total 2006
Revenues						
Program revenues:						
Charges for services and sales	$ 3,511,920	$ 4,373,316	$ 4,502,033	$ 3,767,164	$ 7,885,236	$ 8,269,197
Operating grants and contributions	12,160,096		12,294,126		12,160,096	12,294,126
Capital grants and contributions	371,007		3,200,009	110,344	371,007	3,310,353
Total program revenues	16,043,023	4,373,316	19,996,168	3,877,508	20,416,339	23,873,676
General revenues:						
Property taxes	5,139,097		5,330,970		5,139,097	5,330,970
Sales tax	4,780,726		4,546,017		4,780,726	4,546,017
Unrestricted grants	2,049,407		1,198,763		2,049,407	1,198,763
Investment earnings	2,647,634	249,840	2,365,093	174,783	2,897,474	2,539,876
Other	1,479,279	139,630	1,410,888	21,077	1,618,909	1,431,965
Total general revenues	16,096,143	389,470	14,851,731	195,860	16,485,613	15,047,591
Total revenues	32,139,166	4,762,786	34,847,899	4,073,368	36,901,952	38,921,267

MANAGEMENT'S DISCUSSION AND ANALYSIS
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Change in Net Assets

	Governmental Activities 2007	Business-type Activities 2007	(Restated) Governmental Activities 2006	(Restated) Business-type Activities 2006	Total 2007	(Restated) Total 2006
Expenses						
Program Expenses:						
General government						
Legislative and executive	5,592,531		4,965,588		5,592,531	4,965,588
Judicial	1,569,378		1,455,429		1,569,378	1,455,429
Public safety	3,941,297		4,402,936		3,941,297	4,402,936
Public works	5,675,796		6,561,775		5,675,796	6,561,775
Health	4,301,582		4,136,186		4,301,582	4,136,186
Human services	6,671,740		6,501,309		6,671,740	6,501,309
Conservation and recreation	5,755		4,315		5,755	4,315
Economic development	385,042		776,986		385,042	776,986
Interest and fiscal charges	284,469		593,459		284,469	593,459
Landfill		2,934,415		2,813,193	2,934,415	2,813,193
Sewer		665,953		142,666	665,953	142,666
Total expenses	28,427,590	3,600,368	29,397,983	2,955,859	32,027,958	32,353,842
Increase in net assets before transfers	3,711,576	1,162,418	5,449,916	1,117,509	4,783,994	6,567,425
Transfers	(206,399)	206,399				
Change in net assets	3,505,177	1,368,817	5,449,916	1,117,509	4,783,994	6,567,425
Net assets at beginning of year	79,547,215	19,104,685	74,097,299	17,987,176	98,651,900	92,084,475
Net assets at end of year	$ 83,052,392	$ 20,473,502	$ 79,547,215	$ 19,104,685	$ 103,525,894	$ 98,651,900

Governmental Activities

Governmental Net Assets increased by $3,505,177 in 2007 over 2006. This increase is due to decreased spending in the areas of public safety and public works expenditures.

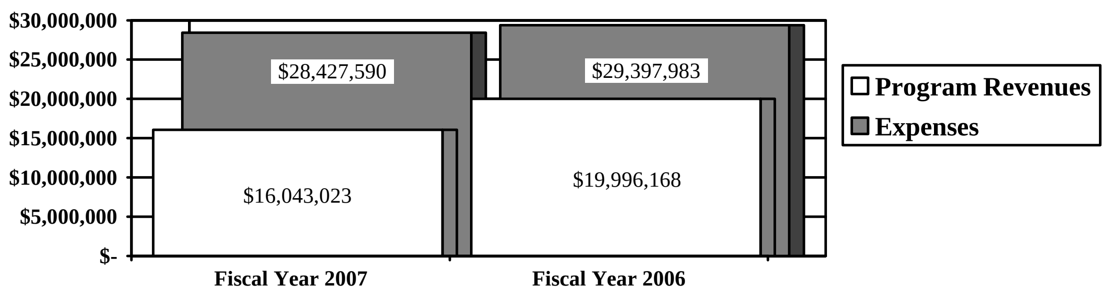
Human services expenses support the operations of Family Services (Public Assistance), Veteran Services, and the Children Services Board, and accounts for $6,671,740 of expenses, or 23.47% of total governmental expenses of the County. These expenses were funded by $144,460 in direct charges to users and $5,239,188 in operating grants and contributions in 2007. General government expenses which includes legislative and executive and judicial programs, accounted for $7,161,909 or 25.19% of total governmental expenses. General government expenses were covered by $2,749,481 of direct charges to users in 2007.

The state and federal government contributed to the County revenues of $12,160,096 in operating grants and contributions and $371,007 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Operating grants and contributions of $5,239,188 or 43.09% subsidized human services programs.

General revenues totaled $16,485,613, and amounted to 44.43% of the total revenues of $37,108,351. These revenues primarily consist of property and sales tax revenue of $9,919,823, or 60.17% of total general revenues in 2007. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with operating grants consisting of local government and local government revenue assistance making up $2,049,407, or 12.43% of the total general revenues.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2007 and 2006. That is, it identifies the cost of these services supported by general revenues (such as tax revenue and unrestricted state grants and entitlements). As can be seen in the graph below, the County is reliant upon general revenues to finance operations as program revenues are not sufficient to cover total expenses.

Governmental Activities – Program Revenues vs. Total Expenses



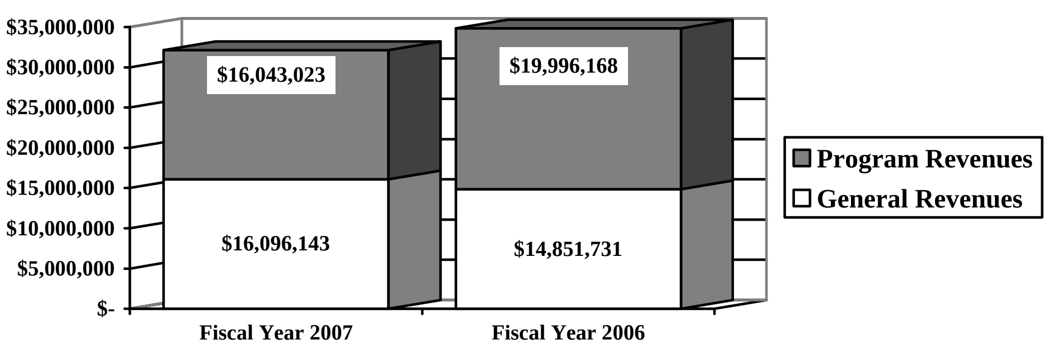
Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Program Expenses:				
General government				
Legislative and executive	$ 5,592,531	$ 3,248,585	$ 4,965,588	$ 2,768,891
Judicial	1,569,378	802,013	1,455,429	856,920
Public safety	3,941,297	3,715,810	4,402,936	3,708,561
Public works	5,675,796	537,628	6,561,775	(2,432,560)
Health	4,301,582	2,121,523	4,136,186	1,758,752
Human services	6,671,740	1,288,092	6,501,309	2,300,980
Conservation and recreation	5,755	5,755	4,315	4,315
Economic development	385,042	380,692	776,986	(157,503)
Interest and fiscal charges	284,469	284,469	593,459	593,459
Total	$ 28,427,590	$ 12,384,567	$ 29,397,983	$ 9,401,815

The dependence upon general revenues for governmental activities is apparent, with 43.57% of expenses supported through taxes and other general revenues during 2007.

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

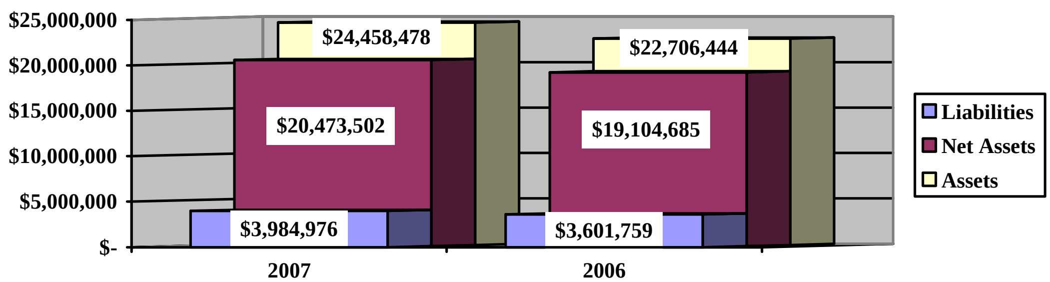
Governmental Activities – General and Program Revenues



Business-Type Activities

The Landfill and Sewer are the County's enterprise funds. These operations had program revenues of $4,373,316, general revenues of $389,470, expenses of $3,600,368 and a transfer in of $206,399 for fiscal year 2007. The net assets of the enterprise funds increased $1,368,817 or 7.16% during 2007. The following graph illustrates the assets, liabilities and net assets of the County's business-type activities at December 31, 2007 and 2006:

Net Assets in Business – Type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The County's governmental funds reported a combined fund balance of $27,547,069, which is $3,348,587 above last year's total of $24,198,482. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2007 and 2006 for all major and nonmajor governmental funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS
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	Fund Balance December 31, 2007	(Restated) Fund Balance December 31, 2006	Increase/ (Decrease)
Major Funds:			
General	$ 8,474,737	$ 8,931,371	$ (456,634)
Mental Retardation and Developmental Disabilities	3,188,794	2,764,145	424,649
Job and Family Services	717,814	191,231	526,583
Motor Vehicle License and Gas Tax	815,366	890,967	(75,601)
Emergency 911	523,727	382,120	141,607
Senior Center	735,440	652,857	82,583
Other Nonmajor Governmental Funds	13,091,191	10,385,791	2,705,400
Total	$ 27,547,069	$ 24,198,482	$ 3,348,587

General Fund

The County's General fund balance decreased $456,634, primarily due to an increase in overall expenditures and transfers out. The table that follows assists in illustrating the revenues of the General fund.

	2007 Amount	2006 Amount	Increase/ Decrease	Percentage Change
Revenues				
Taxes	$ 6,596,840	$ 6,353,253	$ 243,587	3.83
Charges for services	1,295,957	1,506,301	(210,344)	(13.96)
Licenses and permits	2,792	2,943	(151)	(5.13)
Fines and forfeitures	63,581	58,373	5,208	8.92
Intergovernmental	1,292,499	1,208,010	84,489	6.99
Investment income	2,526,269	2,327,910	198,359	8.52
Rent Income and Other	554,229	61,135	493,094	806.57
Total	$ 12,332,167	$ 11,517,925	$ 814,242	7.07

Tax revenue represents 53.49% of all General fund revenue. Tax revenue increased slightly by 3.83% over prior year. The increase in investment income is primarily due to an increase in the interest rates the County receives on its investments. Charges for services decreased $210,344 or 13.96%. This decrease can mainly be attributed to a decrease of $155,698 in conveyance fees. Rent Income increased in 2007 due to a reevaluation of the assessed rent for the Job and Family Services facility. All other revenue remained comparable to 2006.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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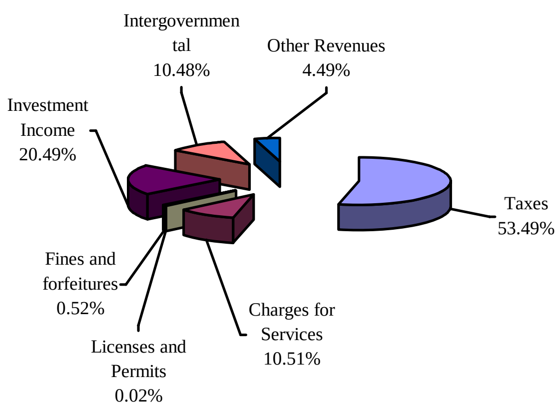
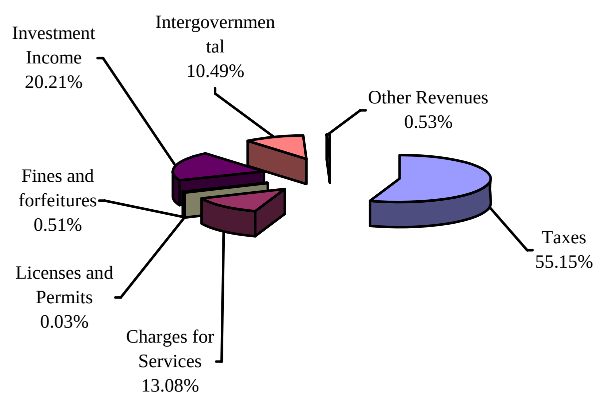
Revenues – Fiscal Year 2007



Revenues – Fiscal Year 2006

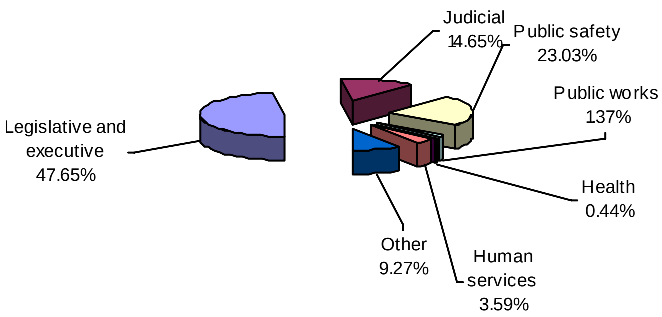


The table that follows assists in illustrating the expenditures of the General fund.

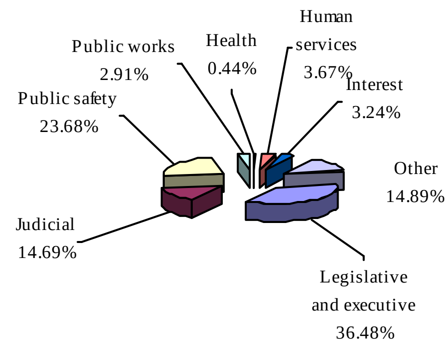
	2007 Amount	2006 Amount	Increase/ Decrease	Percentage Change
Expenditures				
General government				
Legislative and executive	$ 4,122,435	$ 3,037,045	$ 1,085,390	35.74
Judicial	1,266,593	1,223,291	43,302	3.54
Public safety	1,991,925	1,971,265	20,660	1.05
Public works	118,780	242,035	(123,255)	(50.92)
Health	38,059	36,243	1,816	5.01
Human services	310,958	305,384	5,574	1.83
Interest expense		269,691	(269,691)	(100.00)
Other	802,154	1,240,851	(438,697)	(35.35)
Total	$ 8,650,904	$ 8,325,805	$ 325,099	3.90

The most significant increase was in the area of legislative and executive expenditures. Legislative and executive expenditures increased $1,085,390 or 35.74%. This increase is due to a change in the classification of expenditures from 2006 to 2007. The most significant decrease was in the area of interest expense.

Expenditures - Fiscal Year 2007



Expenditures - Fiscal Year 2006



Mental Retardation and Developmental Disabilities (MR/DD) Fund

The Mental Retardation and Developmental Disabilities (MR/DD) fund, a major governmental fund, had revenues of $4,538,744 in 2007, an increase of $128,506 or 2.91% from 2006 revenues. The MR/DD fund, had expenditures of $4,114,095 in 2007, an increase of $252,061 or 6.53% from 2006. The MR/DD fund balance increased $424,649 during 2007 due to revenues being greater than expenditures.

Job and Family Services Fund

The Job and Family Services fund, a major governmental fund, had revenues and other financing sources of $3,456,918 in 2007, an increase of $353,025 or 11.37% from 2006 revenues. The Job and Family services fund, had expenditures of $2,930,335 in 2007, a decrease of $199,800 or 6.38% from 2006. An increase in intergovernmental revenues contributed to the Job and Family services fund balance increase of $526,583 from 2006 to 2007.

Motor Vehicle License and Gas Tax Fund

The Motor Vehicle License and Gas Tax fund, a major governmental fund, had revenues and other financing sources of $4,696,671 in 2007, an increase of $3,993 or 0.09% from 2006 revenues. The Motor Vehicle License and Gas Tax fund, had expenditures of $4,772,272 in 2007, an increase of $570,786 or 13.59% from 2006, due to an increase in contract expenditures. The Motor Vehicle License and Gas Tax fund balance decreased $75,601 during 2007.

Emergency 911 Fund

The Emergency 911 fund, a major governmental fund, had revenues of $924,956 in 2007, an increase of $77,158 or 9.10% from 2006 revenues, due to an increase in property tax collections and grant revenue. The Emergency 911 fund, had expenditures of $783,349 in 2007, an increase of $86,061 or 12.34% from 2006, due to expenditures for software and equipment improvements and repairs. The Emergency 911 fund's balance increased of $141,607 from 2006 to 2007 due to revenues being greater than expenditures.

Senior Center Fund

The Senior Center fund, a major governmental fund, had revenues of $1,284,480 in 2007, an increase of $161,278 or 14.36% from 2006 revenues, due to an increase in property tax collections and grant revenues. The Senior Center fund, had expenditures of $1,201,897 in 2007, an increase of $9,209 or 0.77% from 2006. The increase in intergovernmental revenues contributed to the Senior Center fund balance increase of $82,583 from 2006 to 2007.

Budgeting Highlights - General Fund

The County's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the County's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the County's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the General fund, MR/DD fund, Job and Family Services fund, Motor Vehicle License and Gas Tax fund, Emergency 911 fund and Senior Center fund. In the General fund, the original budgeted revenues and other financing sources were $8,816,877 and were increased to $12,651,484 in the final budget. Actual revenues and other financing sources of $12,809,605 exceeded final budgeted revenues and other financing sources by $158,121 or 1.25%. This increase is primarily due to greater than anticipated receipts in charges for services, interest revenue and other revenue. In the General fund, the original budgeted appropriations were $15,421,690. These were increased to $19,256,297 in the final budget. Actual expenditures and other financing uses of $13,659,647 were less than final budgeted appropriations by $5,596,650 or 29.06%. Actual expenditures being lower than final budgeted expenditures are a result of the County's conservative budgeting practices.

Proprietary Funds

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

Capital Assets and Debt Administration

Capital Assets

At the end of 2007, the County had $63,910,748 (net of accumulated depreciation) invested in land, buildings and improvements, machinery and equipment, vehicles, construction in progress, sewer lines and infrastructure. Of this total, $54,260,528 was reported in governmental activities and $9,650,220 was reported in business-type activities. The following table shows fiscal year 2007 balances compared to 2006:

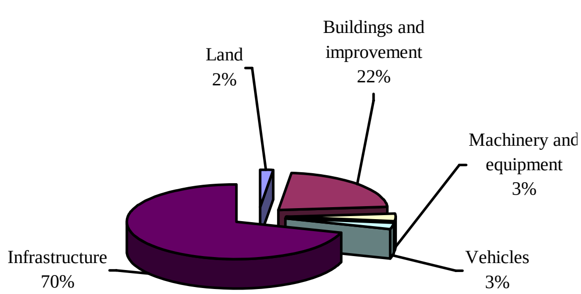
Capital Assets at December 31
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
				(Restated)		(Restated)
	2007	2006	2007	2006	2007	2006
Land	$ 1,084,684	$ 886,031	$ 997,099	$ 997,099	$ 2,081,783	$ 1,883,130
Building and improvements	12,019,328	12,281,032	394,220	395,341	12,413,548	12,676,373
Machinery and equipment	1,847,439	1,591,553	870,725	1,085,553	2,718,164	2,677,106
Vehicles	1,454,769	1,298,419	53,012	69,318	1,507,781	1,367,737
Infrastructure	37,854,308	38,284,955			37,854,308	38,284,955
Sewer lines			4,527,859	4,441,859	4,527,859	4,441,859
Construction in progress			2,807,305	789,340	2,807,305	789,340
Total	$ 54,260,528	$ 54,341,990	$ 9,650,220	$ 7,778,510	$ 63,910,748	$ 62,120,500

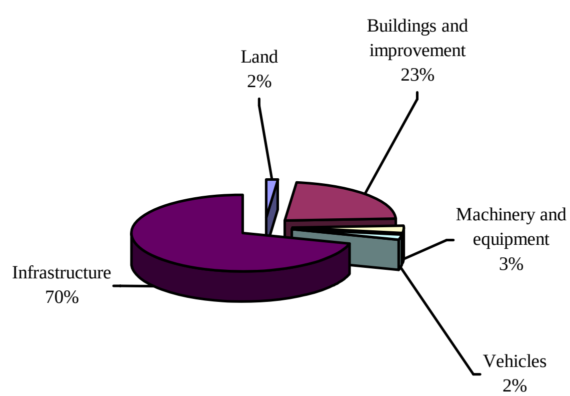
See Note 9 to the basic financial statements for detail on governmental activities and business-type activities capital assets.

The following graphs show the breakdown of governmental capital assets by category for 2007 and 2006.

Capital Assets - Governmental Activities 2007



Capital Assets - Governmental Activities 2006

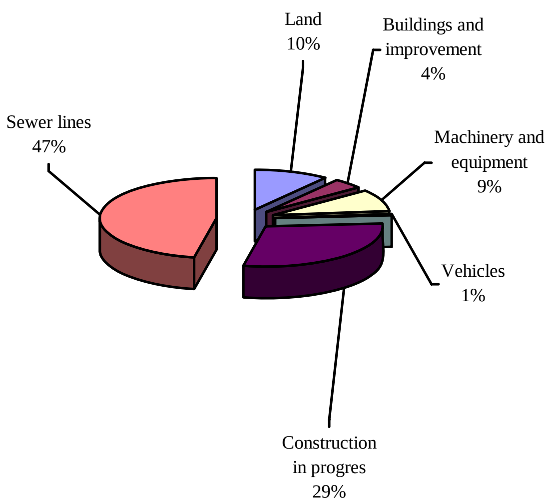


The County's largest capital asset category is infrastructure which includes roads and bridges. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 70% of the County's total governmental capital assets.

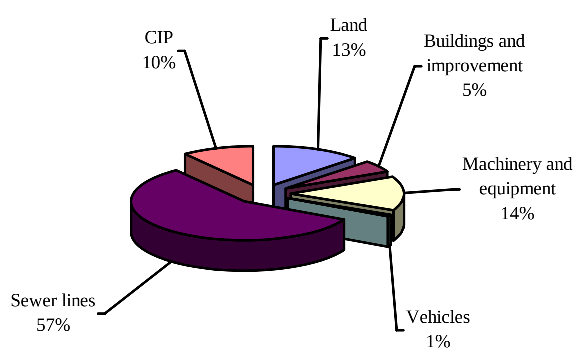
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)

The following graphs show the breakdown of business-type capital assets by category for 2007 and 2006.

Capital Assets - Business-Type Activities 2007



Capital Assets - Business-Type Activities 2006



The County's largest business-type capital asset category is sewer mains. These items play a vital role in the income producing ability of the business-type activities. The net book value of the County's sewer lines (cost less accumulated depreciation) represents approximately 47% of the County's total business-type capital assets.

Debt Administration

At December 31, 2007 the County had $2,230,000 in general obligation bonds, $1,085,000 in special assessment bonds, $59,400 in sewer revenue bonds, OPWC loans of $269,129, OWDA loans of $1,054,028, Capmark commercial mortgage of $82,000, bond anticipation notes of $1,600,000, capital lease obligation of $119,166 and closure and post-closure liability outstanding of $3,350,526. Of this total, $1,913,344 is due within one year and $7,935,905 is due within greater than one year. The following table summarizes the bonds and loans outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2007	Business-Type Activities 2007	Governmental Activities 2006	Business-Type Activities 2006
Long-Term Obligations				
General obligation bonds	$ 2,205,000	$ 25,000	$ 2,330,000	$ 35,000
Special assessment bonds	1,085,000		1,132,500	
Sewer revenue bonds		59,400		60,000
Bond anticipation notes	1,600,000		1,900,000	
OPWC loans	269,129		292,531	
OWDA loans	1,054,028		1,116,249	
Capmark commercial mortgage		82,000		86,000
Capital lease obligations	119,166			
Closure and postclosure		3,350,526		3,160,085
Total	$ 6,332,323	$ 3,516,926	$ 6,771,280	$ 3,341,085

See Note 17 to the basic financial statements for detail on governmental activities and business-type activities long-term obligations.

Economic Factors and Next Year's Budgets and Rates

The County's current estimated population as of July 1, 2004 (the latest information available from the 2000 census) is 39,500.

As of December 31, 2007, as reported by the Ohio Job and Family Services Office of Workforce Development and Bureau of Labor Market Information the County's unemployment rates was 5.6%, compared to the 6.0% unadjusted state rate and the 4.7% unadjusted national rate.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Honorable Marlene J. Goodwin, Defiance County Auditor, 221 Clinton Street, Defiance, Ohio 43512.

FINANCIAL CONDITION
DEFIANCE COUNTY

STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	$ 27,130,726	$ 9,854,748	$ 36,985,474
Cash and cash equivalents in segregated accounts	139,267	325	139,592
Cash and cash equivalents with fiscal agent		2,161	2,161
Investments		4,477,210	4,477,210
Receivables (net of allowances for uncollectibles):			
Sales taxes	787,191		787,191
Real estate and other taxes	5,169,161		5,169,161
Accounts	235,974	438,263	674,237
Intergovernmental	5,137,964		5,137,964
Special assessments	2,438,849		2,438,849
Accrued interest	288,318	22,718	311,036
Loans	289,568		289,568
Internal balances	23,245	(23,245)	
Prepayments	894,162	32,563	926,725
Materials and supplies inventory	430,957	3,515	434,472
Capital assets:			
Land and construction in progress	1,084,684	3,804,404	4,889,088
Depreciable capital assets, net	53,175,844	5,845,816	59,021,660
Total capital assets	54,260,528	9,650,220	63,910,748
Total assets	97,225,910	24,458,478	121,684,388
Liabilities:			
Accounts payable	391,122	335,166	726,288
Accrued wages and benefits	231,112	8,208	239,320
Due to other governments	302,252	35,431	337,683
Accrued interest payable	44,974	915	45,889
Notes payable	303,848		303,848
Claims payable	210,300		210,300
Unearned revenue	5,064,400		5,064,400
Long-term liabilities:			
Due within one year	2,168,804	42,614	2,211,418
Due in more than one year	5,456,706	3,562,642	9,019,348
Total liabilities	14,173,518	3,984,976	18,158,494
Net assets:			
Invested in capital assets, net of related debt	50,836,362	9,483,820	60,320,182
Restricted for:			
Debt service	4,323,559		4,323,559
Capital projects	4,781,639		4,781,639
Other purposes	2,998,506		2,998,506
Human services programs	2,942,961		2,942,961
Public works projects	2,725,159		2,725,159
Public safety programs	4,176,078		4,176,078
Health Services	3,212,395		3,212,395
Landfill closure and postclosure		1,452,449	1,452,449
Unrestricted	7,055,733	9,537,233	16,592,966
Total net assets	$ 83,052,392	$ 20,473,502	$ 103,525,894

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FINANCIAL CONDITION
DEFIANCE COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Governmental Activities:							
General government:							
Legislative and executive	$ 5,592,531	$ 2,343,946			$ (3,248,585)		$ (3,248,585)
Judicial	1,569,378	405,535	$ 361,830		(802,013)		(802,013)
Public safety	3,941,297	11,706	213,781		(3,715,810)		(3,715,810)
Public works	5,675,796	374,322	4,392,839	$ 371,007	(537,628)		(537,628)
Health	4,301,582	227,601	1,952,458		(2,121,523)		(2,121,523)
Human services	6,671,740	144,460	5,239,188		(1,288,092)		(1,288,092)
Conservation and recreation	5,755				(5,755)		(5,755)
Economic development	385,042	4,350			(380,692)		(380,692)
Interest and fiscal charges	284,469				(284,469)		(284,469)
Total governmental activities	28,427,590	3,511,920	12,160,096	371,007	(12,384,567)		(12,384,567)
Business-Type Activities:							
Landfill	2,934,415	3,867,797				$ 933,382	933,382
Sewer	665,953	505,519				(160,434)	(160,434)
Total business-type activities	3,600,368	4,373,316				772,948	772,948
Total	$ 32,027,958	$ 7,885,236	$ 12,160,096	$ 371,007	(12,384,567)	772,948	(11,611,619)
		General Revenues:					
		Property taxes levied for:					
		General fund			1,770,692		1,770,692
		Public safety - Emergency 911			721,521		721,521
		Human services - County Board of MR/DD			1,953,735		1,953,735
		Human services - Senior center			693,149		693,149
		Sales taxes			4,780,726		4,780,726
		Grants and entitlements not restricted to specific programs			2,049,407		2,049,407
		Investment earnings			2,647,634	249,840	2,897,474
		Miscellaneous			1,479,279	139,630	1,618,909
		Total general revenues			16,096,143	389,470	16,485,613
		Transfers			(206,399)	206,399	
		Total general revenues and transfers			15,889,744	595,869	16,485,613
		Change in net assets			3,505,177	1,368,817	4,873,994
		Net assets at beginning of year (Restated).			79,547,215	19,104,685	98,651,900
		Net assets at end of year			$ 83,052,392	$ 20,473,502	$ 103,525,894

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FINANCIAL CONDITION
DEFIANCE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	General	Mental Retardation and Developmental Disabilities	Job and Family Services	Motor Vehicle and Gas Tax
Assets:				
Equity in pooled cash and cash equivalents	$ 6,158,372	$ 2,966,382	$ 556,970	$ 319,116
Cash and cash equivalents in segregated accounts.	139,240			
Receivables (net of allowance for uncollectibles):				
Sales taxes	756,514			30,677
Real estate and other taxes	1,643,177	1,952,702		
Accounts	185,634		13,457	8,460
Intergovernmental.	580,287	121,129	989,423	2,078,308
Special assessments.				7,131
Accrued interest	288,318			
Loans				
Interfund loans	1,486,183			
Due from other funds	26,906			
Prepayments.	125,469	305,985	2,748	1,745
Materials and supplies inventory	66,262	11,746	11,827	276,674
Total assets	$ 11,456,362	$ 5,357,944	$ 1,574,425	$ 2,722,111
Liabilities:				
Accounts payable	$ 89,852	$ 5,823	$ 113,815	$ 30,284
Accrued wages and benefits.	77,675	46,442	30,224	27,121
Compensated absences payable.	28,078			
Due to other funds				
Due to other governments.	118,924	44,115	48,662	26,348
Interfund loan payable				
Accrued interest payable				
Notes payable				
Deferred revenue	1,056,696	163,770	663,910	1,822,992
Unearned revenue	1,610,400	1,909,000		
Total liabilities	2,981,625	2,169,150	856,611	1,906,745
Fund Balances:				
Reserved for encumbrances.	167,604	23,969	28,698	143,642
Reserved for unclaimed monies	95,200			
Reserved for prepayments.	125,469	305,985	2,748	1,745
Reserved for materials and supplies inventory	66,262	11,746	11,827	276,674
Reserved for interfund loans.	1,486,183			
Reserved for loans receivable				
Reserved for debt service.				
Unreserved:				
Designated for retirement				
Undesignated (deficit), reported in:				
General fund	6,534,019			
Special revenue funds		2,847,094	674,541	393,305
Debt service funds.				
Capital projects funds				
Total fund balances.	8,474,737	3,188,794	717,814	815,366
Total liabilities and fund balances	$ 11,456,362	$ 5,357,944	$ 1,574,425	$ 2,722,111

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Emergency 911	Senior Center	Other Governmental Funds	Total Governmental Funds
$ 524,109	$ 732,049	$ 13,954,559	$ 25,211,557
		27	139,267
			787,191
859,161	714,121		5,169,161
	81	28,342	235,974
46,621	97,593	1,224,603	5,137,964
		2,431,718	2,438,849
			288,318
		289,568	289,568
		60,416	1,546,599
		103,461	130,367
22,050		436,165	894,162
1,174	17,364	45,910	430,957
$ 1,453,115	$ 1,561,208	$ 18,574,769	$ 42,699,934
$ 2,309	$ 19,326	$ 129,713	$ 391,122
11,261	9,855	28,534	231,112
			28,078
		103,461	103,461
10,379	9,942	43,882	302,252
		1,546,599	1,546,599
		4,988	4,988
		303,848	303,848
60,439	86,645	3,322,553	7,177,005
845,000	700,000		5,064,400
929,388	825,768	5,483,578	15,152,865
6,337	13,828	181,002	565,080
			95,200
22,050		436,165	894,162
1,174	17,364	45,910	430,957
		60,416	1,546,599
		152,636	152,636
		2,297,345	2,297,345
		42,517	42,517
			6,534,019
494,166	704,248	5,932,667	11,046,021
		(240,335)	(240,335)
		4,182,868	4,182,868
523,727	735,440	13,091,191	27,547,069
$ 1,453,115	$ 1,561,208	$ 18,574,769	$ 42,699,934

FINANCIAL CONDITION
DEFIANCE COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007

Total governmental fund balances		$ 27,547,069
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		54,260,528
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	$ 102,223	
Sales tax	422,150	
Intergovernmental revenues	4,105,894	
Special assessments	2,438,849	
Interest revenue	107,889	
Total		7,177,005
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets. The net assets of the internal service fund are:		1,708,869
An interfund receivable is recorded in governmental activities to reflect underpayments to the internal service fund by the business-type activities.		(3,661)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(2,205,000)	
Special assessment bonds	(1,085,000)	
Notes payable	(1,600,000)	
OPWC loan	(269,129)	
OWDA loans	(1,054,028)	
Compensated absences	(1,265,109)	
Capital leases	(119,166)	
Accrued interest payable	(39,986)	
Total		(7,637,418)
Net assets of governmental activities		$ 83,052,392

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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FINANCIAL CONDITION
DEFIANCE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	General	Mental Retardation and Developmental Disabilities	Job and Family Services	Motor Vehicle and Gas Tax
Revenues:				
Property taxes	$ 1,848,611	$ 2,059,748		
Sales taxes	4,748,229			
Special assessments				
Charges for services	1,295,957	131,806		$ 190
Licenses and permits	2,792			
Fines and forfeitures	63,581			21,329
Intergovernmental	1,292,499	2,347,190	$ 3,228,885	4,221,135
Investment income	2,526,269			35,916
Rental income	258,151			
Other	296,078		99,472	109,292
Total revenues	12,332,167	4,538,744	3,328,357	4,387,862
Expenditures:				
Current:				
General government:				
Legislative and executive	4,122,435	800		
Judicial	1,266,593			
Public safety	1,991,925			
Public works	118,780			4,362,425
Health	38,059	4,113,295		
Human services	310,958		2,930,335	
Economic development				
Other	802,154			
Capital outlay				
Debt service:				
Principal retirement				400,000
Interest and fiscal charges				9,847
Total expenditures	8,650,904	4,114,095	2,930,335	4,772,272
Excess (deficiency) of revenues over (under) expenditures	3,681,263	424,649	398,022	(384,410)
Other financing sources (uses):				
Sale of capital assets	11,065			
Premium on issuance of notes				
Issuance of notes				300,000
Capital lease transaction				
Transfers in	5,174		128,561	8,809
Transfers out	(4,154,136)			
Total other financing sources (uses)	(4,137,897)		128,561	308,809
Net change in fund balances	(456,634)	424,649	526,583	(75,601)
Fund balances at beginning of year	8,931,371	2,764,145	191,231	890,967
Fund balances at end of year	$ 8,474,737	$ 3,188,794	$ 717,814	$ 815,366

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Emergency 911	Senior Center	Other Governmental Funds	Total Governmental Funds
$ 755,413	$ 727,048		$ 5,390,820
			4,748,229
		$ 527,874	527,874
		1,094,013	2,521,966
			2,792
		131,712	216,622
137,993	546,467	3,093,161	14,867,330
		20,574	2,582,759
		184,704	442,855
31,550	10,965	659,400	1,206,757
924,956	1,284,480	5,711,438	32,508,004
		501,921	4,625,156
		304,160	1,570,753
783,349		1,237,819	4,013,093
		199,779	4,680,984
		105,907	4,257,261
	1,201,897	2,152,530	6,595,720
		385,181	385,181
		26,293	828,447
		1,365,532	1,365,532
		1,792,821	2,192,821
		249,565	259,412
783,349	1,201,897	8,321,508	30,774,360
141,607	82,583	(2,610,070)	1,733,644
			11,065
		14	14
		1,300,000	1,600,000
		153,864	153,864
		4,170,816	4,313,360
		(309,224)	(4,463,360)
		5,315,470	1,614,943
141,607	82,583	2,705,400	3,348,587
382,120	652,857	10,385,791	24,198,482
$ 523,727	$ 735,440	$ 13,091,191	$ 27,547,069

FINANCIAL CONDITION
DEFIANCE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Net change in fund balances - total governmental funds		$ 3,348,587
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period:		
Capital outlay	$ 3,933,762	
Depreciation expense	(1,934,078)	
		1,999,684
The effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(2,081,146)
Issuance of capital leases and notes are other financing sources in the governmental funds, but they increase long-term liabilities on the statement of net assets:		
Capital Leases	(153,864)	
Bond Anticipation Notes	(1,600,000)	
		(1,753,864)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Property taxes	(251,723)	
Sales taxes	32,497	
Intergovernmental	(286,820)	
Special assessments	72,333	
Interest revenue	64,875	
		(368,838)
Principal payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets:		
General obligation bonds	125,000	
Special assessment bonds	47,500	
Loans payable	85,623	
Capital lease payable	34,698	
Notes payable	1,900,000	
		2,192,821
In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.		(25,071)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Compensated absences		(36,976)
The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund (less the $20,377 internal activity) is allocated among the governmental activities.		229,980
Change in net assets of governmental activities		$ 3,505,177

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Property taxes	$ 1,640,000	$ 1,806,302	$ 1,806,301	$ (1)
Sales taxes	3,500,000	4,761,847	4,761,847	
Charges for services	990,400	1,259,285	1,314,113	54,828
Licenses and permits	2,900	2,767	2,792	25
Fines and forfeitures	46,100	69,742	69,742	
Intergovernmental	1,163,177	1,281,248	1,281,248	
Investment income	1,200,000	2,464,418	2,504,790	40,372
Other	264,300	706,540	759,530	52,990
Total revenues	8,806,877	12,352,149	12,500,363	148,214
Expenditures:				
Current:				
General government:				
Legislative and executive	4,284,922	4,359,054	4,134,656	224,398
Judicial	1,317,960	1,323,213	1,247,535	75,678
Public safety	2,534,862	2,548,611	2,016,967	531,644
Public works	700,000	411,261	173,860	237,401
Health	70,232	70,232	38,059	32,173
Human services	523,587	378,187	305,626	72,561
Other	2,346,498	2,115,052	1,363,728	751,324
Total expenditures	11,778,061	11,205,610	9,280,431	1,925,179
Excess (deficiency) of revenues over (under) expenditures	(2,971,184)	1,146,539	3,219,932	2,073,393
Other financing sources (uses):				
Advances in		292,196	293,003	807
Advances out		(225,080)	(225,080)	
Transfers in		5,174	5,174	
Transfers out	(300,000)	(4,254,133)	(4,154,136)	99,997
Sale of capital assets	10,000	1,965	11,065	9,100
Contingencies	(3,343,629)	(3,571,474)		3,571,474
Total other financing sources (uses)	(3,633,629)	(7,751,352)	(4,069,974)	3,681,378
Net change in fund balance	(6,604,813)	(6,604,813)	(850,042)	5,754,771
Fund balance at beginning of year	6,494,700	6,494,700	6,494,700	
Prior year encumbrances appropriated	110,306	110,306	110,306	
Fund balance at end of year	$ 193	$ 193	$ 5,754,964	$ 5,754,771

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes	$ 2,275,000	$ 2,275,000	$ 2,018,037	$ (256,963)
Charges for services	352,300	352,300	131,806	(220,494)
Intergovernmental	1,667,646	1,598,054	2,348,849	750,795
Other	37,200	37,200	88,930	51,730
Total revenues	4,332,146	4,262,554	4,587,622	325,068
Expenditures:				
Current:				
Health	5,133,594	5,144,208	4,260,371	883,837
Net change in fund balance	(801,448)	(881,654)	327,251	1,208,905
Fund balance at beginning of year	2,472,046	2,472,046	2,472,046	
Prior year encumbrances appropriated	31,153	31,153	31,153	
Fund balance at end of year	$ 1,701,751	$ 1,621,545	$ 2,830,450	$ 1,208,905

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FINANCIAL CONDITION
DEFIANCE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
JOB AND FAMILY SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
Intergovernmental	$ 4,377,281	$ 2,828,966	$ 3,171,492	$ 342,526
Other	645,000	441,635	86,136	(355,499)
Total revenues	5,022,281	3,270,601	3,257,628	(12,973)
Expenditures:				
Current:				
Human services	5,237,816	3,465,221	2,972,789	492,432
Excess (deficiency) of revenues over (under) expenditures	(215,535)	(194,620)	284,839	479,459
Other financing sources:				
Transfers in	149,474	128,559	128,561	2
Net change in fund balance	(66,061)	(66,061)	413,400	479,461
Fund balance at beginning of year	51,410	51,410	51,410	
Prior year encumbrances appropriated	14,652	14,652	14,652	
Fund balance at end of year	$ 1	$ 1	$ 479,462	$ 479,461

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FINANCIAL CONDITION
DEFIANCE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MOTOR VEHICLE AND GAS TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Charges for services	$ 1,000	$ 597	$ 625	28
Fines and forfeitures		22,006	22,006	
Intergovernmental	4,380,000	4,138,278	4,182,684	44,406
Investment income	12,000	35,916	35,916	
Other	13,000	96,873	101,861	4,988
Total revenues	4,406,000	4,293,670	4,343,092	49,422
Expenditures:				
Current:				
Public works	4,608,410	4,587,390	4,491,342	96,048
Debt service:				
Principal retirement	400,000	400,000	400,000	
Interest and fiscal charges		17,500	17,280	220
Total expenditures	5,008,410	5,004,890	4,908,622	96,268
Excess (deficiency) of revenues over (under) expenditures	(602,410)	(711,220)	(565,530)	145,690
Other financing sources:				
Issuance of notes	150,000	300,000	300,000	
Transfers in	49,999	8,809	8,809	
Total other financing sources.	199,999	308,809	308,809	
Net change in fund balance.	(402,411)	(402,411)	(256,721)	145,690
Fund balance at beginning of year	328,788	328,788	328,788	
Prior year encumbrances appropriated .	73,623	73,623	73,623	
Fund balance at end of year			$ 145,690	$ 145,690

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FINANCIAL CONDITION
DEFIANCE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
EMERGENCY 911 FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
Revenues:				
Property taxes	$ 830,000	$ 738,230	$ 738,230	
Intergovernmental		137,993	137,993	
Other		33,469	33,469	
Total revenues	830,000	909,692	909,692	
Expenditures:				
Current:				
Public safety	1,188,014	1,267,706	791,890	$ 475,816
Net change in fund balance	(358,014)	(358,014)	117,802	475,816
Fund balance at beginning of year	348,610	348,610	348,610	
Prior year encumbrances appropriated	9,404	9,404	9,404	
Fund balance at end of year			$ 475,816	$ 475,816

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FINANCIAL CONDITION
DEFIANCE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SENIOR CENTER FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
Property taxes	$ 725,000	$ 710,681	$ 710,681	
Intergovernmental	636,729	536,499	536,499	
Other	17,000	10,884	10,884	
Total revenues	1,378,729	1,258,064	1,258,064	
Expenditures:				
Current:				
Human services	2,006,823	1,886,158	1,219,713	$ 666,445
Net change in fund balance	(628,094)	(628,094)	38,351	666,445
Fund balance at beginning of year	603,624	603,624	603,624	
Prior year encumbrances appropriated	24,471	24,471	24,471	
Fund balance at end of year	$ 1	$ 1	$ 666,446	$ 666,445

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FINANCIAL CONDITION
DEFIANCE COUNTY

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2007

	Business-Type Activities - Enterprise Funds			Governmental Activity - Internal Service Fund
	Landfill	Sewer	Total	
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents.	$ 9,011,195	$ 540,506	$ 9,551,701	$ 1,919,169
Cash with fiscal agent.		2,161	2,161	
Cash and cash equivalents in segregated accounts . .	225	100	325	
Receivables (net of allowance for uncollectibles):				
Accounts	347,617	90,646	438,263	
Prepayments.	30,711	1,852	32,563	
Materials and supplies inventory	3,175	340	3,515	
Total current assets	9,392,923	635,605	10,028,528	1,919,169
Noncurrent assets:				
Restricted assets:				
Equity in pooled cash and cash equivalents. . . .	303,047		303,047	
Investments	4,477,210		4,477,210	
Accrued interest receivable	22,718		22,718	
Capital assets:				
Land and construction in progress	3,008,408	795,996	3,804,404	
Depreciable capital assets, net	894,011	4,951,805	5,845,816	
Total noncurrent assets	8,705,394	5,747,801	14,453,195	
Total assets	18,098,317	6,383,406	24,481,723	1,919,169
Liabilities:				
Current liabilities:				
Accounts payable.	274,267	60,899	335,166	
Accrued wages and benefits	6,102	2,106	8,208	
Compensated absences payable.	20,311	6,603	26,914	
Due to other funds	25,000	1,906	26,906	
Due to other governments	33,526	1,905	35,431	
Accrued interest payable.		915	915	
Claims payable				210,300
General obligation bonds payable		10,000	10,000	
Revenue bonds		700	700	
Capmark commercial mortgage payable.		5,000	5,000	
Total current liabilities	359,206	90,034	449,240	210,300
Long-term liabilities:				
Liabilities payable from restricted assets:				
Closure and postclosure payable	3,350,526		3,350,526	
General obligation bonds payable		15,000	15,000	
Revenue bonds		58,700	58,700	
Capmark commercial mortgage payable.		77,000	77,000	
Compensated absences	54,472	6,944	61,416	
Total long-term liabilities.	3,404,998	157,644	3,562,642	
Total liabilities	3,764,204	247,678	4,011,882	210,300
Net assets:				
Invested in capital assets, net of related debt.	3,902,419	5,581,401	9,483,820	
Restricted for closure and postclosure	1,452,449		1,452,449	
Unrestricted	8,979,245	554,327	9,533,572	1,708,869
Total net assets	$ 14,334,113	$ 6,135,728	$ 20,469,841	$ 1,708,869
Net assets reported for business-type activities on the statement of net assets is different because it includes a proportionate share of the balance of the internal service fund.			3,661	
Net assets of business-type activities.			$ 20,473,502	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FINANCIAL CONDITION
DEFIANCE COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-Type Activities - Enterprise Funds			Governmental Activity - Internal Service Fund
	Landfill	Sewer	Total	
Operating revenues:				
Charges for services	$ 3,867,797	$ 505,519	$ 4,373,316	$ 2,023,210
Other	139,165	465	139,630	
Total operating revenues	4,006,962	505,984	4,512,946	2,023,210
Operating expenses:				
Personal services	406,227	127,373	533,600	
Contract services	1,682,199	323,277	2,005,476	
Materials and supplies	216,536	29,139	245,675	
Other	204,080	29,764	233,844	
Claims				1,963,607
Closure and postclosure	190,441		190,441	
Depreciation	223,272	139,310	362,582	
Total operating expenses	2,922,755	648,863	3,571,618	1,963,607
Operating income (loss)	1,084,207	(142,879)	941,328	59,603
Nonoperating revenues (expenses):				
Interest revenue	249,840		249,840	
Interest expense and fiscal charges		(8,373)	(8,373)	
Total nonoperating revenues (expenses)	249,840	(8,373)	241,467	
Net income (loss) before transfers	1,334,047	(151,252)	1,182,795	59,603
Capital contributions		206,399	206,399	
Transfers in				150,000
Change in net assets	1,334,047	55,147	1,389,194	209,603
Net assets at beginning of year	13,000,066	6,080,581		1,499,266
Net assets at end of year	$ 14,334,113	$ 6,135,728		$ 1,708,869
The change in net assets reported for business-type activities on the statement of activities is different because it includes a proportionate share of the net income of the internal service fund.			(20,377)	
Change in net assets of business-type activities.			$ 1,368,817	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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FINANCIAL CONDITION
DEFIANCE COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-Type Activities - Enterprise Funds			Governmental Activity - Internal Service Fund
	Landfill	**Sewer**	**Total**	
Cash flows from operating activities:				
Cash received from sales/service charges	$ 3,945,461	$ 496,877	$ 4,442,338	$ 2,023,210
Cash received from other operating revenue	139,165		139,165	
Cash payments for personal services	(415,834)	(124,804)	(540,638)	
Cash payments for contract services	(1,394,732)	(296,101)	(1,690,833)	
Cash payments for materials and supplies	(229,794)	(30,011)	(259,805)	
Cash payments for claims				(1,799,357)
Cash payments for other expenses	(204,080)	(29,764)	(233,844)	
Net cash provided by operating activities	1,840,186	16,197	1,856,383	223,853
Cash flows from noncapital financing activities:				
Cash used in repayment of interfund loans		(15,252)	(15,252)	
Cash received from transfers in				150,000
Net cash used in noncapital financing activities		(15,252)	(15,252)	150,000
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(2,022,557)	(5,336)	(2,027,893)	
Principal payments on bonds		(10,600)	(10,600)	
Interest payments on bonds		(4,330)	(4,330)	
Principal payments on commercial mortgage		(4,000)	(4,000)	
Interest payments on commercial mortgage		(4,300)	(4,300)	
Net cash used in capital and related financing activities	(2,022,557)	(28,566)	(2,051,123)	
Cash flows from investing activities:				
Cash received from interest	232,890		232,890	
Net cash provided by maturities of investments	3,482,292		3,482,292	
Net cash payments for purchases of investments	(3,799,696)		(3,799,696)	
Net cash provided by investing activities	(84,514)		(84,514)	
Net increase (decrease) in cash and cash equivalents	(266,885)	(27,621)	(294,506)	373,853
Cash and cash equivalents at beginning of year	9,581,352	570,388	10,151,740	1,545,316
Cash and cash equivalents at end of year	$ 9,314,467	$ 542,767	$ 9,857,234	$ 1,919,169

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FINANCIAL CONDITION
DEFIANCE COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-Type Activities - Enterprise Funds			Governmental Activity - Internal Service Fund
	Landfill	Sewer	Total	
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss).	$ 1,084,207	$ (142,879)	$ 941,328	$ 59,603
Adjustments:				
Depreciation	223,272	139,310	362,582	
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	77,664	(9,107)	68,557	
Decrease in prepayments	55,497	2,311	57,808	
Decrease in inventories.	299	829	1,128	
Increase in accounts payable	209,388	56,460	265,848	
Increase (decrease) in accrued wages and benefits	(83)	148	65	
Increase in landfill closure and postclosure care liability . .	190,441		190,441	
Increase in due to other funds	25,000	1,906	26,906	
Increase in claims payable				164,250
(Decrease) in due to other governments.	(16,098)	(34,993)	(51,091)	
Increase (decrease) in compensated absences payable . . .	(9,401)	2,212	(7,189)	
Net cash provided by operating activities.	$ 1,840,186	$ 16,197	$ 1,856,383	$ 223,853

Non-Cash Investing Activity:

In 2007, there was an increase in the fair value of investments in the Landfill enterprise fund, in the amount of $30,947.

In 2007, the Sewer fund received $206,399 in capital contributions from governmental funds.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FINANCIAL CONDITION
DEFIANCE COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2007

		Agency
Assets:		
Equity in pooled cash and cash equivalents	$	6,976,018
Cash in segregated accounts		1,721,442
Receivables:		
Real estate and other taxes		27,436,708
Due from other governments		2,185,375
Special assessments.		334,555
Total assets	$	38,654,098
Liabilities:		
Due to other governments.	$	31,396,642
Undistributed monies		7,256,915
Accounts payable		541
Total liabilities	$	38,654,098

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF DEFIANCE COUNTY AND THE REPORTING ENTITY

A. The County

Defiance County, Ohio (the "County") was created in 1845. The County is governed by a board of three Commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, a Common Pleas Court Judge, a Juvenile/Probate Court Judge, Engineer, Clerk of Courts, Coroner, Prosecuting Attorney, and Sheriff. Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body, and chief administrators of public services for the entire County.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading.

The primary government of the County consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Defiance County, this includes the Board of Mental Retardation and Developmental Disabilities, the Job and Family Services Department, and all departments and activities that are operated directly by the elected County officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; (3) the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the County is obligated for the debt of the organization. Component units may also include organizations for which the County approves the budget, the issuance of debt, or the levying of taxes. The County does not have any component units.

The County participates in nine jointly governed organizations, the Northwest Ohio Juvenile Detention, Training, and Rehabilitation Center; Four County Board of Alcohol, Drug Addiction, and Mental Health Services; Corrections Commission of Northwest Ohio; Four County Solid Waste District; Multi-Area Narcotics Task Force; Quadco Rehabilitation Center; Maumee Valley Planning Organization; the Community Improvement Corporation of Defiance County; and Northwest Ohio Waiver Administration Council (See Note 20).

The County participates in two insurance pools, the County Commissioners Association Service Corporation and the Northern Buckeye Education Council Employee Insurance Benefits Program (See Note 21).

The County is associated with one related organization, the Defiance County Regional Airport Authority (See Note 22).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Defiance County have been prepared in conformity with generally accepted accounted principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. The County has elected not to apply FASB Statements and Interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. Following are the more significant of the County's accounting policies.

A. Basis of Presentation

The County's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

Fund Financial Statements - During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the proprietary fund financial statements. Fiduciary funds are reported by type.

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

B. Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the County are reported in three categories: governmental, proprietary, and fiduciary.

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

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

Mental Retardation and Developmental Disabilities Fund - This fund accounts for state monies and tax levy monies used to support Good Samaritan School and help the mentally disabled within the County in a residential and group home environment. It also provides aid to families who have mentally disabled family members with challenges such as providing handicap accessibility and associated programs.

Job and Family Services Fund - This fund accounts for various federal, state, and local revenues as well as transfers from the General Fund used to provide general relief and to pay providers of medical assistance and social services.

Motor Vehicle and Gas Tax Fund - This fund accounts for revenues derived from the sale of motor vehicle licenses, gasoline taxes, and interest which are restricted by State law to county road and bridge repair/improvement programs. This fund also accounts for court fines collected for the county engineer for road and bridge improvements.

Emergency 911 Fund - This fund accounts for tax levy monies used for the operation and maintenance of the County's 911 system.

Senior Center Fund - This fund accounts for tax levy monies, donations, federal, state and local monies used for senior citizen programs.

Other governmental funds of the County are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) for the accumulation of resources for, and the repayment of, general long-term debt principal, interest and related costs and (c) for grants and other resources, the use of which is restricted to a particular purpose.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

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

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the County's major enterprise funds:

Landfill Fund - This fund accounts for operations of the landfill.

Sewer Fund - This fund accounts for the provision of wastewater treatment services to residential and commercial users within the County.

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department to other departments of the County on a cost reimbursement basis. The County's internal service fund accounts for the activities of the self insurance program for employee health care benefits.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. The County did not have any trust funds in 2007. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's agency funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

C. Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows reflects how the County finances and meets the cash flow needs of its proprietary activities.

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; proprietary funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within thirty-one days after year end.

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

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

<u>*Unearned Revenue and Deferred Revenue*</u> - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2007 are recorded as deferred revenue.

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

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis, expenses are recognized at the time they are incurred.

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. Budgetary information for the juvenile probation accounts and an account held for a child in custodial care are not reported in the General Fund or the Job and Family Services special revenue fund because they are not included in the entity for which the "appropriated budget" is adopted. The major documents prepared are the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, program, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the County Commissioners.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the County Commissioners during the year.

F. Cash and Investments

To improve cash management, cash received by the County is pooled and invested. Individual fund integrity is maintained through County records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

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

Cash and cash equivalents that are held separately within departments of the County, and not included in the County treasury, are recorded as “Cash and Cash Equivalents in Segregated Accounts”. Cash and cash equivalents that are held by a trustee for the payment of bonds and coupons are recorded as “Cash and Cash Equivalents with Fiscal Agent”.

During 2007, the County invested in nonnegotiable certificates of deposit, federal agency securities, U.S. Treasury notes, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, except for nonnegotiable certificates of deposit and repurchase agreements, which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2007.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2007 was $2,526,269 which includes $2,179,400 assigned from other County funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Inventory

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

I. Loans Receivable

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

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

J. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the Landfill Fund represent amounts required by the EPA to be set-aside for closure and postclosure costs.

K. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets used by the proprietary funds are reported in both the business-type activities column on the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The County maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	50 - 150 years	50 years
Roads and Bridges	15 - 100 years	N/A
Machinery and equipment	5 - 20 years	5 - 20 years
Vehicles	8 - 15 years	8 - 15 years
Sewer Lines	N/A	50 years

L. Interfund Receivables/Payables

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "Interfund Loans Receivable/Payable" and "Due to/from other funds", respectively. Interfund balances are eliminated on the statement of net assets, except for any net residual amounts due between governmental and business-type activities. These amounts are presented as "Internal Balances".

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

M. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the County has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the County's union contracts or departmental personnel policies. The County records a liability for accumulated unused sick leave for any employee with ten years of service with the County.

N. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. General obligation bonds, special assessment bonds, various loans, and capital leases are recognized as liabilities on the fund financial statements when due.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The County’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. Fund Balance Reserves and Designations

The County reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances, prepayments, materials and supplies inventory, interfund loans, loans receivable, unclaimed monies, and debt service.

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

A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by the County. The designation for retirement represents monies set aside by the County for the future payment of termination benefits.

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for landfill and sewer services, as well as charges for health insurance in the internal service fund. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

R. Capital Contributions

Capital contributions on the proprietary fund financial statements arise from contributions from governmental activities, from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction.

S. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither one of these types of events occurred during 2007.

U. Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Restatement of Governmental Fund Balances

The County made a prior year accounting change in interfund receivables in the General Fund and interfund payables in the Canoe Landings Fund and the Airport Capital Projects Fund. These changes had the following effect on governmental fund balances as previously reported:

	General Fund	Other Governmental Funds	Total
Fund balances, December 31, 2006	$ 9,045,914	$ 10,271,248	$ 19,317,162
Change in Prior Year Interfund Receivables/Payables	(114,543)	114,543	
Restated fund balances, December 31, 2006	$ 8,931,371	$ 10,385,791	$ 19,317,162

The corrections had no effect on the net assets of governmental activities as previously reported.

B. Restatement of Enterprise Net Assets and Net Assets of Business-Type Activities

The beginning net assets of the Sewer fund have been restated due to a change in the estimated prior year accumulated deprecation for capital assets:

	Sewer Fund
Net assets, December 31, 2006	$ 5,930,541
Adjustment for capital assets	150,040
Restated net assets, December 31, 2006	$ 6,080,581

In addition, the fund reclassification and prior period adjustment for capital assets had the following effect on net assets of the business-type activities as previously reported:

	Business-Type Activities
Net assets, December 31, 2006	$ 18,954,645
Adjustment for capital assets	150,040
Restated net assets, December 31, 2006	$ 19,104,685

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

C. Deficit Fund Balances

Nonmajor Governmental Funds	
FEMA Certification special projects fund	$ 1,248
In-Car Computers special revenue fund	2,211
Hardy Tile debt service fund	853
Auglaize Sewer debt service fund	239,482
Auglaize Sewer capital projects fund	66,512
Airport capital projects fund	106,441
Peterson Ditch capital projects fund	40,738
Dowe Ditch capital projects fund	20,577
Carryall Ditch capital projects fund	31,200
Canoe Landings capital projects fund	7,092
Highland Ditch capital projects fund	6,416
Lost Creek capital projects fund	191,135

These funds complied with Ohio State law, which does not permit a cash basis deficit at year-end. The deficit fund balances resulted from reporting notes payable and advances from other funds and other accrued liabilities as a fund liability. These deficits will be alleviated when sufficient revenues are received to retire the notes and repay the advances.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - for the General Fund, Mental Retardation and Development Disabilities Fund, Job and Family Services Fund, Motor Vehicle and Gas Tax Fund, Emergency 911 Fund, and Senior Center Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

4. Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

5. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

Adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis are as follows:

Change in Fund Balance

	General	Mental Retardation and Developmental Disabilities	Job and Family Services	Motor Vehicle and Gas Tax	Emergency 911	Senior Center
Budget basis	$ (850,042)	$ 327,251	$ 413,400	$ (256,721)	$ 117,802	$ 38,351
Net adjustment for revenue accuals	(168,196)	(48,878)	70,729	44,770	15,264	26,416
Net adjustment for expenditure accruals	410,843	115,959	(35,054)	(37,076)	(105)	(9,636)
Net adjustment for other sources/(uses)	(67,923)					
Adjustment for encumbrances	218,684	30,317	77,508	173,426	8,646	27,452
GAAP basis	$ (456,634)	$ 424,649	$ 526,583	$ (75,601)	$ 141,607	$ 82,583

NOTE 5 - DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demand 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.

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 and 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;

NOTE 5 - DEPOSITS AND INVESTMENTS – (Continued)

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;

5. Time certificates of deposit including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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 State Treasury Asset Reserve of Ohio (STAR Ohio);

8. Certain banker’s acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,

9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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 Finance Director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year-end, the County had $282,876 in undeposited cash on hand which is included on the financial statements of the County as part of “Equity in Pooled Cash and Cash Equivalents.”

B. Cash with Fiscal Agent

At year-end, the County had $2,161 in cash deposited with a fiscal agent in a bond and coupon account. This amount is not included in the amount of deposits with financial institutions below.

C. Cash in Segregated Accounts

At year-end, the County had $1,861,034 in cash and cash equivalents deposited separate from the County’s internal investment pool. This amount is included in the amount of deposits with financial institutions below.

NOTE 5 - DEPOSITS AND INVESTMENTS – (Continued)

D. Deposits with Financial Institutions

At December 31, 2007, the carrying amount of all County deposits, including cash in segregated accounts, was $36,608,786. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2007, $28,526,119 of the County's bank balance of $37,773,734 was exposed to custodial risk as discussed below, while $9,247,615 was covered by Federal Deposit Insurance Corporation.

The County has no deposit policy for custodial risk beyond the requirements of State statute. Custodial credit risk is the risk that, in the event of bank failure, the County's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the County.

E. Investments

As of December 31, 2007, the County had the following investments and maturities:

		Investment Maturities			
Investment type	Fair Value	6 months or less	13 to 18 months	19 to 24 months	Greater than 24 months
Federal Home Loan Banks	$ 2,357,388			$ 1,301,880	$ 1,055,508
Federal Home Loan Mortgage Corporation	3,005,274	$ 1,998,530			1,006,744
Federal National Mortgage Association	5,616,740	1,003,785	$ 1,601,392	1,001,753	2,009,810
Treasury Note	125,625				125,625
STAR Ohio	2,303,047	2,303,047			
	$ 13,408,074	$ 5,305,362	$ 1,601,392	$ 2,303,633	$ 4,197,687

The weighted average maturity of investments is 1.65 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the County's investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

NOTE 5 - DEPOSITS AND INVESTMENTS – (Continued)

Credit Risk: The County's investments in Federal agency securities and U.S. Treasury notes were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAm money market rating. The County has no investment policy dealing with investment credit risk beyond the requirements in state.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and U.S. treasury notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the County's name. The County has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2007:

Investment type	Fair Value	% of Total
Federal Home Loan Banks	$ 2,357,388	17.58
Federal Home Loan Mortgage Corporation	3,005,274	22.41
Federal National Mortgage Association	5,616,740	41.89
Treasury Note	125,625	0.94
STAR Ohio	2,303,047	17.18
	$ 13,408,074	100.00

F. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2007.

Cash and Investments per footnote	
Carrying amount of deposits	$ 36,608,786
Investments	13,408,074
Cash with fiscal agent	2,161
Cash on hand	282,876
Total	$ 50,301,897

NOTE 5 - DEPOSITS AND INVESTMENTS – (Continued)

Cash and investments per Statement of Net Assets	
Governmental activities	$ 27,269,993
Business-type activities	14,334,444
Agency funds	8,697,460
Total	$ 50,301,897

NOTE 6 - RECEIVABLES

Receivables at December 31, 2007, consisted of accounts (billings for user charged services); sales taxes; accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; interfund; property taxes; loans; and special assessments. All receivables are considered collectible in full and within one year, except for loans and special assessments. Special assessments, in the amount of $2,438,849, will not be received within one year.

Loans receivable represent low interest loans for housing and development projects granted to eligible County property owners and businesses under the Federal Community Block Grant program. The loans have an annual interest rate of 0 to 8.5 % and are to be repaid over periods ranging from five to ten years. During 2007, principal in the amount of $53,069 was repaid. Loans outstanding at December 31, 2007, were $289,568. Loans receivable, in the amount of $237,002 will not be received within one year.

NOTE 6 – RECEIVABLES – (Continued)

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	
Major Funds	
General Fund	
Local government	$ 448,809
Homestead and rollback	116,394
Other intergovernmental receivables	15,084
Total General Fund	580,287
Mental Retardation and Developmental Disabilities	
Homestead and rollback	121,129
Job and Family Services	
Grants	989,423
Motor Vehicle and Gas Tax	
Motor vehicle license tax	879,888
Gasoline tax	1,198,420
Total Motor Vehicle and Gas Tax	2,078,308
Emergency 911	
Homestead and rollback	46,621
Senior Center	
Homestead and rollback	44,669
Grants	52,924
Total Senior Center	97,593
Total Major Funds	3,913,361

NOTE 6 – RECEIVABLES – (Continued)

Nonmajor Funds	
Children services	$ 149,942
Community development block grant	408,855
Sarah's house	49,099
WIA	478,124
CSEA	10,480
Felony delinquent care	50,455
FEMA Certification	3,742
Elliot Road	65,500
Wireless 911	8,406
Total Nonmajor Funds	1,224,603
Total Governmental Activities	$ 5,137,964

Agency Funds	
Library local government	$ 744,730
Local government	440,020
Local governmental revenue assistance	167,196
Permissive motor vehicle license	110,607
Motor vehicle license tax	188,946
Gasoline tax	533,876
Total Agency Funds	$ 2,185,375

NOTE 7 - PERMISSIVE SALES AND USE TAX

In 1987, the County Commissioners, by resolution, imposed a one percent sales tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of tangible personal property, including motor vehicles not subject to the sales tax. As required by State statute, the County Commissioners established how the sales tax proceeds would be allocated prior to the election. The collection of the sales tax went into effect on January 1, 1988, and the proceeds of the tax were credited entirely to the General Fund.

Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the taxes to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month.

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax revenues received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35% of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2005, were levied after October 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, was 12.5% for 2007. This percentage will be reduced to 6.25% for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the County due to the phasing out of the tax. In calendar years 2007-2010, the County will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2007, and for which there was an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2007 operations.

NOTE 8 - PROPERTY TAXES – (Continued)

On the full accrual basis, collectible delinquent real property taxes have been recorded as a receivable and revenue. On the modified accrual basis, the revenue is deferred.

The full tax rate for all County operations for the year ended December 31, 2007, was $8.91 per $1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Category	Amount
Real Property	$ 598,619,760
Public Utility Property	56,059,610
Tangible Personal Property	47,318,284
Total Assessed Value	$ 701,997,654

NOTE 9 - CAPITAL ASSETS

A. Capital asset activity for the year ended December 31, 2007, was as follows:

Governmental Activities:	12/31/06	Additions	Disposals	12/31/07
Capital assets, not being depreciated:				
Land	$ 886,031	$ 198,653		$ 1,084,684
Total capital assets, not being depreciated	886,031	198,653		1,084,684
Capital assets, being depreciated:				
Buildings & improvements	14,577,648	125,403	$ (106,778)	14,596,273
Roads and bridges	54,047,728	2,625,489	(2,090,643)	54,582,574
Machinery and equipment	5,365,813	547,677	(258,345)	5,655,145
Vehicles	3,197,829	436,540	(256,080)	3,378,289
Total capital assets, being depreciated	77,189,018	3,735,109	(2,711,846)	78,212,281
Less: accumulated depreciation:				
Buildings & improvements	(2,296,616)	(282,553)	2,224	(2,576,945)
Roads and bridges	(15,762,773)	(1,137,765)	172,272	(16,728,266)
Machinery and equipment	(3,774,260)	(280,031)	246,585	(3,807,706)
Vehicles	(1,899,410)	(233,729)	209,619	(1,923,520)
Total accumulated depreciation	(23,733,059)	(1,934,078)	630,700	(25,036,437)
Total capital assets being depreciated, net	53,455,959	1,801,031	(2,081,146)	53,175,844
Governmental activities capital assets, net	$ 54,341,990	$ 1,999,684	$ (2,081,146)	$ 54,260,528

NOTE 9 - CAPITAL ASSETS – (Continued)

Business-Type Activities:	Balance 12/31/06	Adjustments	Restated Balance 12/31/06	Additions	Balance 12/31/07
Capital assets, not being depreciated:					
Land	$ 997,099		$ 997,099		$ 997,099
Construction in progress	789,340		789,340	$ 2,017,965	2,807,305
Total capital assets, not being depreciated	1,786,439		1,786,439	2,017,965	3,804,404
Capital assets, being depreciated:					
Buildings	588,868		588,868	5,336	594,204
Sewer lines	5,750,442		5,750,442	205,111	5,955,553
Machinery and equipment	2,678,173		2,678,173	5,880	2,684,053
Vehicles	164,362		164,362		164,362
Total capital assets, being depreciated	9,181,845		9,181,845	216,327	9,398,172
Less: accumulated depreciation:					
Buildings	(343,567)	$ 150,040	(193,527)	(6,457)	(199,984)
Sewer lines	(1,308,583)		(1,308,583)	(119,111)	(1,427,694)
Machinery and equipment	(1,592,620)		(1,592,620)	(220,708)	(1,813,328)
Vehicles	(95,044)		(95,044)	(16,306)	(111,350)
Total accumulated depreciation	(3,339,814)	150,040	(3,189,774)	(362,582)	(3,552,356)
Total capital assets, being depreciated net	5,842,031	150,040	5,992,071	(146,255)	5,845,816
Business-type activities capital assets, net	$ 7,628,470	$ 150,040	$ 7,778,510	$ 1,871,710	$ 9,650,220

Depreciation expense was charged to functions/programs of the County as follows:

Governmental activities:	
Legislative and executive	$ 160,892
Conservation and recreation	5,755
Health	70,241
Human services	189,889
Judicial	7,248
Public safety	127,717
Public works	1,372,336
Total depreciation expense - governmental activities	$ 1,934,078
Business-type activities:	
Landfill	$ 223,272
Sewer	139,310
Total depreciation expense - business-type activities	$ 362,582

NOTE 10 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended December 31, 2007, consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	Amount
Nonmajor governmental funds	$3,866,766
Jobs and Family Services fund	128,561
Motor vehicle and gas tax fund	8,809
Internal service fund	150,000
Transfers from nonmajor governmental funds to:	
General fund	5,174
Nonmajor governmental funds	304,050
Total	$4,463,360

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) to move residual equity amounts. Transfers between governmental funds are eliminated on the government-wide financial statements. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Transfers between governmental and business-type activities on the statement of activities represents transfers of contributed capital assets from the governmental funds to the enterprise funds during 2007.

B. Due from/to other funds consisted of the following at December 31, 2007, as reported on the fund financial statements:

Receivable Fund	Payable Fund	Amount
General	Landfill	$ 25,000
General	Sewer	1,906
Nonmajor governmental fund	Nonmajor governmental fund	103,461
		$ 130,367

Amounts due from/to other funds represent amounts owed between funds for goods or services provided. The balances resulted from the time lag between the dates that payments between the funds are made. Interfund balances between governmental funds are eliminated on the government-wide financial statements. Interfund balances between governmental activities and business-type activities are reported as an internal balance on the statement of net assets.

NOTE 10 - INTERFUND TRANSACTIONS – (Continued)

C. Interfund loans payable/receivable consisted of the following at December 31, 2007:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental funds	$ 1,486,183
Nonmajor governmental fund	Nonmajor governmental funds	60,416
Total		$ 1,546,599

The interfund loan balances result from resources provided by the receivable fund to the payable fund to provide cash flow resources until anticipated revenues are received. At December 31, 2007, the General Fund had an interfund receivable of $1,486,183.

Other governmental funds had an interfund receivable, in the amount of $60,416 to provide cash flow resources until the receipt of special assessments in other governmental funds.

The entire balance of interfund receivables is reported as reserve fund balances as they are not expected to be received within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

NOTE 11 - RISK MANAGEMENT

A. General Liability

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has contracted with the County Risk Sharing Authority (CORSA) for the following coverage.

Property	$58,200,824
Equipment Breakdown	100,000,000
General Liability	1,000,000
Commercial Crime	1,000,000
Excess Liability	7,000,000
Automobile Liability	1,000,000
Law Enforcement Liability	1,000,000
Errors and Omission Liability	1,000,000

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

B. Health Benefits

The County has established a limited risk management program for employee health care benefits. A third party administrator processes the claims which the County pays. The internal service fund allocates the cost of claims payments by charging a monthly premium to each individual enrolled in the health insurance program. These premiums, along with the premium the County pays for each employee enrolled in the program, are paid into the internal service fund. Claims are paid from the internal service fund.

NOTE 11 - RISK MANAGEMENT – (Continued)

Under the health insurance program, the internal service fund provides coverage for up to a maximum lifetime benefit of $2,500,000 per individual. An excess coverage policy covers annual individual claims in excess of $75,000. Settled claims have not exceeded this commercial coverage in any of the last two years, and there has not been any significant reduction in coverage from the prior year.

Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at December 31, 2007, is estimated by a third party administrator at $210,300. The changes in the claims liability for 2007 and 2006 were:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Year
2007	$ 46,050	$ 1,963,607	$ (1,799,357)	$ 210,300
2006	92,814	1,589,348	(1,636,112)	46,050

C. Workers' Compensation

For 2007, the County participated in the County Commissioners Association Service Corporation (Plan), a workers' compensation insurance purchasing pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, annually the Plan's executive committee calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants.

Participation in the Plan is limited to counties that can meet the Plans' selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program. The County may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal and any participant leaving the Plan allows representatives of the Plan to access loss experience for three years following the last year of participation.

NOTE 12 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The County has outstanding contracts for professional services and construction. The following amounts remain on these contracts as of December 31, 2007:

Vendor	Contract Amount	Amount Paid as of 12/31/07	Outstanding Balance
Family & Children First	$ 81,400	$ (51,687)	$ 29,713
Mannik and Smith Group, Inc.	828,550	(672,608)	155,942
Melco Inc.	1,746,126	(1,560,781)	185,345
Ward Construction	398,767	(369,966)	28,801
Poggemeyer Design Group	200,000	(97,641)	102,359
Independent Concrete	53,200	(43,120)	10,080

NOTE 13 - PENSION PLANS

A. Ohio Public Employees Retirement System

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642, by calling (614) 222-5601 or (800) 222-7377, or by visiting the OPERS website at www.opers.org.

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement under the traditional plan, were required to contribute 9.5% of their annual covered salaries. Members participating in the traditional plan that were in law enforcement contributed 10.1% of their annual covered salary. The County's contribution rate for pension benefits for 2007 was 13.85%, except for those plan members in law enforcement and public safety. For those classifications, the County's pension contributions were 17.17% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

NOTE 13 - PENSION PLANS – (Continued)

The County's contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005, were $999,219, $1,029,095, and $1,059,394, respectively; 94.3% has been contributed for 2007 and 100% for 2006 and 2005. The unpaid contribution to fund pension obligations for 2007, in the amount of $60,165, is recorded as a liability.

B. State Teachers Retirement System of Ohio

Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS Ohio funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

NOTE 13 - PENSION PLANS – (Continued)

For the year ended December 31, 2007, plan members were required to contribute 10% of their annual covered salary and the County was required to contribute 14%; 13% was the portion used to fund pension obligations. Chapter 3307 of the Ohio Revised Code provides statutory authority for mentor and employer contributions. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's required contribution for pension obligations for the DBP for the years ended December 31, 2007, 2006, and 2005 was $112,757, $99,828, and $94,841, respectively; 100% has been contributed for fiscal years 2007, 2006 and 2005.

NOTE 14 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit 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 the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85% of covered payroll (17.17% for public safety and law enforcement); 5.00% of covered payroll was the portion that was used to fund health care for the period January 1, 2007 through June 30, 2007 and 6.00% for the period July 1, 2007 through December 31, 2007.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus and an additional factor ranging from .50% to 5.00% for the next eight years. In subsequent years, (9 and beyond) health care costs were assumed to increase at 4.00%.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

NOTE 14 - POSTRETIREMENT BENEFIT PLANS – (Continued)

The number of active contributing participants in the traditional and combined plans was 374,979 as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. The County's actual employer contributions for 2007 which were used to fund postemployment benefits were $638,802. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 (the latest information available) were $12.0 billion. At December 31, 2006 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability were $30.7 billion and $18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective on January 1, 2007. To improve the solvency of the Health Care Fund OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. State Teachers Retirement System of Ohio

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the STRS Ohio based on authority granted by State statute. STRS Ohio is funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended December 31, 2007, the Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the County, this amount was $8,054.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was $4.1 billion at June 30, 2007. For the fiscal year ended June 30, 2007, net health care costs paid by STRS were $265.558 million, and STRS had 122,934 eligible benefit recipients.

NOTE 15 - OTHER BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws.

NOTE 15 - OTHER BENEFITS – (Continued)

County employees earn and accumulate vacation at varying rates depending on length of service. Current policy credits vacation leave on the employee's anniversary date. Accumulated vacation cannot exceed three times the annual accumulation rate for an employee. Employees are paid for 100 percent of earned unused vacation leave upon termination.

Sick leave is earned at various rates as defined by County policy and union contracts. There is no limit on the amount of sick leave that may be accumulated. Sick leave benefits are paid upon retirement based on various rates and maximums depending on the contract.

B. Health Care Benefits

Health care benefits are provided to most employees through the County's self-insurance program. The employees share the cost of the monthly premium with the County.

The employees paid from the Mental Retardation and Developmental Disabilities special revenue fund are provided health care, vision, and dental benefits through the Northern Buckeye Education Council Employee Insurance Benefits Program.

NOTE 16 - NOTES PAYABLE

The County's notes activity for the year ended December 31, 2007, was as follows:

	Interest Rate	Balance 12/31/06	Additions	Deductions	Balance 12/31/07
Governmental Activities					
Short-Term Notes					
Airport Improvement	4.45%	$ 114,000		$ (114,000)	
Carryall Tile	3.75%		$ 30,705		$ 30,705
Carryall Tile	4.33%	37,575		(37,575)	
Lost Creek Ditch	3.75%		180,000		180,000
Peterson Ditch	3.75%		46,700		46,700
Peterson Ditch	4.33%	54,375		(54,375)	
Dowe Ditch	3.75%		20,250		20,250
Dowe Ditch	4.33%	28,150		(28,150)	
Highland Ditch	3.80%		26,193		26,193
Highland Ditch	4.30%	80,000		(80,000)	
Total Short-Term Notes		$ 314,100	$ 303,848	$ (314,100)	$ 303,848

All of the Peterson notes, Highland Ditch notes, Lost Creek note, and Dowe Ditch notes were issued for ditch improvements. The Airport Improvement note was issued for various improvements at the airport. The Carryall Tile notes were to finance a sewer repair.

NOTE 16 - NOTES PAYABLE – (Continued)

All of the County's general obligation notes are backed by the full faith and credit of the County and have a maturity of one year.

NOTE 17 - LONG-TERM OBLIGATIONS

A. The original issue date, interest rate, original issue amount and balance at December 31, 2007 for the County's long-term obligations are as follows:

	Original Issue Date	Interest Rate	Original Issue Amount	Balance 12/31/2007
General Obligation Bonds:				
Improvement	1999	3.9 - 5.6%	$ 2,675,000	$ 1,875,000
Improvement	2005	5.25%	$ 375,000	$ 355,000
Special Assessment Bonds:				
Brunersburg Sewer	2002	4.75	837,531	700,000
Platter Creek	2004	2.25 - 5.0	425,000	385,000
Bond Anticipation Notes:				
Bridge Repair	2007	3.75-4.32	300,000	300,000
Building Acquisition	2007	3.75-4.32	1,300,000	1,300,000
Revenue Bonds:				
Sewer	2005	4.1	60,000	59,400
OPWC Loans:				
Evansport Water	1999		468,050	269,129
OWDA Loans:				
Express Sewer	2002	1.5	1,356,038	1,054,028
Mortgage:				
Sewer	1980	5	146,300	82,000

The above amounts include long-term obligations of both the governmental and business-type activities.

NOTE 17 - LONG-TERM OBLIGATIONS – (Continued)

The County's long-term obligations activity for the year ended December 31, 2007, was as follows:

Governmental Activities:	Balance 12/31/06	Additions	Reductions	Balance 12/31/07	Due Within One Year
General obligation bonds:					
Various purpose improvement	$ 2,330,000		$ (125,000)	$ 2,205,000	$ 135,000
Special assessment bonds:					
Brunersburg sewer	732,500		(32,500)	700,000	34,000
Platter creek	400,000		(15,000)	385,000	15,000
Total special assessment bonds	1,132,500		(47,500)	1,085,000	49,000
Other long-term obligations:					
Bond anticipation note payable	1,900,000	$ 1,600,000	(1,900,000)	1,600,000	$ 1,600,000
OPWC loans payable	292,531		(23,402)	269,129	23,402
OWDA loans payable	1,116,249		(62,221)	1,054,028	63,158
Capital lease obligations		153,864	(34,698)	119,166	27,084
Compensated absences	1,228,326	545,213	(480,352)	1,293,187	271,160
Total other long-term obligations	4,537,106	2,299,077	(2,500,673)	4,335,510	1,984,804
Total governmental activities long-term obligations	$ 7,999,606	$ 2,299,077	$ (2,673,173)	$ 7,625,510	$ 2,168,804

Business-Type Activities:	Balance 12/31/06	Additions	Reductions	Balance 12/31/07	Due Within One Year
General obligation bonds:					
Various purpose improvement	$ 35,000		$ (10,000)	$ 25,000	$ 10,000
Revenue Bonds:					
Sewer Revenue Bonds	60,000		(600)	59,400	700
Other long-term obligations:					
Capmark commercial mortgage	86,000		(4,000)	82,000	5,000
Closure and postclosure liability	3,160,085	$ 190,441		3,350,526	
Compensated absences	95,519	18,977	(26,166)	88,330	26,914
Total other long-term obligations	3,341,604	209,418	(30,166)	3,520,856	31,914
Total business-type activities long-term obligations	$ 3,436,604	$ 209,418	$ (40,766)	$ 3,605,256	$ 42,614

General Obligation Bonds:

A. Various Purpose General Obligation Bonds, Series 1999

NOTE 17 - LONG-TERM OBLIGATIONS – (Continued)

The general obligation bonds were issued to provide funds for the renovation of County buildings, improvement of the sanitary sewer system, and construction of the Evansport water lines. General obligation bonds are direct obligations of the County for which its full faith and credit are pledged for repayment. The general obligation bonds reported as governmental activities obligations are payable from rental charges, sewer charges, and special assessments to the extent these resources are available. The general obligation bonds reported as business-type activities obligations are payable from unvoted property tax revenues to the extent operating resources of the Sewer enterprise fund are not available to meet the annual debt service requirements. The County expects that all of the debt service on the Sewer enterprise fund bonds will be paid from the revenues of that fund.

The general obligation bonds of the County are subject to mandatory sinking redemption requirements, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the authorizing legislation. That mandatory redemption is to occur on December 1 in each year, at a redemption price equal to 100 % of the principal amount plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2019, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the County. The mandatory redemption is to occur on December 1 in each of the years 2010 through 2018 (with the balance of $120,000 to be paid at stated maturity on December 1, 2019), at a redemption price equal to 100 % of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

Year	Amount	Year	Amount
2010	$ 75,000	2015	$ 100,000
2011	80,000	2016	105,000
2012	85,000	2017	110,000
2013	90,000	2018	115,000
2014	90,000		

The term bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the County. The mandatory redemption is to occur on December 1 in each of the years 2020 through 2023 (with the balance of $140,000 to be paid at stated maturity on December 1, 2024), at a redemption price equal to 100 % of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

Year	Amount
2020	$ 115,000
2021	120,000
2022	125,000
2023	135,000

The general obligation bonds are also subject to prior redemption on or after December 1, by and at the sole option of the County, either in whole or in part on any date, in integral multiples of $5,000 plus accrued interest to the redemption date. The date each bond may

NOTE 17 - LONG-TERM OBLIGATIONS – (Continued)

be called and the redemption prices, expressed as percentages of the principal amount redeemed, are set forth below:

Redemption Dates	Various Purpose Improvements
December 1, 2009 to November 30, 2010	101%
December 1, 2010 to November 30, 2011	100.5
December 1, 2011 and thereafter	100

B. Various Purpose General Obligation Bonds, Series 2005

These general obligation bonds were issued in 2005 to provide funds for the improvement of the Doty Run ditch and the State Route 66 sewer. General obligation bonds are direct obligations of the County for which its full faith and credit are pledged for repayment. The general obligation bonds reported as governmental activities obligations are payable from special assessments, to the extent these resources are available.

The general obligation bonds of the County are subject to mandatory sinking redemption requirements, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the authorizing legislation. That mandatory redemption is to occur on December 1 in each year, at a redemption price equal to 100% of the principal amount plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption, pursuant to the terms of the mandatory sinking fund redemption requirements of the County. The mandatory redemption is to occur on December 1 in each of the years 2006 through 2020 (with the balance of $190,000 to be paid at stated maturity on December 1, 2020), at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

Year	Amount	Year	Amount
2008	$ 10,000	2015	$ 15,000
2009	10,000	2016	15,000
2010	10,000	2017	15,000
2011	10,000	2018	15,000
2012	10,000	2019	15,000
2013	15,000	2020	20,000
2014	15,000		

The term bonds maturing on December 1, 2025, are subject to mandatory sinking fund redemption, pursuant to the terms of the mandatory sinking fund redemption requirements of the County. The mandatory redemption is to occur on December 1 in each of the years 2007 through 2025 (with the balance of $185,000 to be paid at stated maturity on December 1, 2025), at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

Year	Amount	Year	Amount
2008	$ 5,000	2017	$ 10,000
8009	5,000	2018	10,000
2010	5,000	2019	10,000
2011	5,000	2020	10,000
2012	10,000	2021	10,000
2013	10,000	2022	15,000
2014	10,000	2023	15,000
2015	10,000	2024	15,000
2016	10,000	2025	15,000

The general obligation bonds are also subject to prior redemption on or after December 1, 2015, by and at the sole option of the County, either in whole or in part on any date, in integral multiples of $5,000 and by lot within a maturity, at the redemption price of par, plus accrued interest to the redemption date.

Special Assessment Bonds:

The special assessment bonds are backed by the full faith and credit of the County. In the event that an assessed property owner fails to make payments or insufficient amounts are assessed to fund the debt, the County will be required to pay the related debt. Special assessment bonds are paid from Brunersburg Sewer debt service fund (a nonmajor governmental fund)

Revenue Bonds

In 2005, the County issued sewer revenue bonds in the amount of $60,000 for the Green Acres sewer system. The bonds will be repaid from the Sewer enterprise fund with charges for sewer service.

OPWC Loans Payable:

In 1999, the County obtained an Ohio Public Works Commission interest free loan, in the amount of $468,050, for the construction of the Evansport Water system. The loan will be repaid from the Evansport Water debt service fund (a nonmajor governmental fund).

NOTE 17 - LONG-TERM OBLIGATIONS – (Continued)

OWDA Loans Payable:

The County has entered into debt financing arrangements through the Ohio Water Development Authority (OWDA) to fund construction of wastewater facilities. The amounts due to the OWDA are payable solely from the Express Sewer debt service fund. The loan agreements function similar to a line-of-credit agreement. At December 31, 2007, the county has outstanding borrowings of $1,054,028. The loan agreement requires semi-annual payments based on the actual amount owed.

Capmark Financial Group Incorporated (formerly GMAC) Commercial Mortgage Payable:

In 1980, the County obtained a loan through the GMAC Commercial Mortgage Corporation, in the amount of $146,300, for the Evansport sewer system. In 2006, Capmark Financial Group, Incorporated acquired GMAC Commercial Mortgage Corporation. The loan will be repaid from the Sewer enterprise fund with charges for sewer service.

Bond Anticipation Note Payable:

In 2007, the County entered into a bond anticipation note for $1,600,000 to finance bridge repairs and building improvements for the Defiance County East Campus building. The bond anticipation note matures on July 25, 2008, and a new one year bond anticipation note was issued for $1,200,000 to refinance the debt. The bond anticipation notes are backed by the full faith and credit of the County.

Compensated Absences Payable:

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund; Dog and Kennel fund (a nonmajor governmental fund), Mental Retardation and Developmental Disabilities fund, Job and Family Services fund, Real Estate Assessment fund (a nonmajor governmental fund), Motor Vehicle and Gas Tax fund, DARE fund(a nonmajor governmental fund), Economic Development fund (a nonmajor governmental fund), Child Support Enforcement Agency fund (a nonmajor governmental fund), Emergency 911 fund, Joint Solid Waste fund (a nonmajor governmental fund), Senior Center fund, Certificate of Administration fund (a nonmajor governmental fund), Sarah's House fund (a nonmajor governmental fund), Felony Delinquent Care Custody fund (a nonmajor governmental fund), Landfill enterprise fund and Sewer enterprise fund.

Capital lease obligation:

Capital lease will be paid from the Ditch Maintenance fund (a nonmajor governmental fund). See Note 19 for further detail.

NOTE 17 - LONG-TERM OBLIGATIONS – (Continued)

Legal Debt Margin

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed 1 % of the total assessed valuation of the County. The Revised Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not exceed a sum equal to 3 % of the first $100,000,000, plus 1.5 % of such valuation in excess of $100,000,000 and not in excess of $300,000,000, plus 2.5 % of such valuation in excess of $300,000,000.

The effect of the debt limitations described above is an overall debt margin of $14,816,951 at December 31, 2007.

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

	Governmental Activities					
	General Obligation Bonds			Special Assessment Bonds		
Year Ended	Principal	Interest	Total	Principal	Interest	Total
2008	$ 135,000	$ 120,707	$ 255,707	$ 49,000	$ 51,054	$ 100,054
2009	140,000	113,980	253,980	50,700	48,816	99,516
2010	90,000	106,943	196,943	52,800	46,542	99,342
2011	95,000	101,955	196,955	59,300	44,142	103,442
2012	105,000	96,688	201,688	61,600	41,501	103,101
2013 - 2017	620,000	388,903	1,008,903	345,500	161,657	507,157
2018 - 2022	700,000	204,592	904,592	406,100	69,216	475,316
2023 - 2025	320,000	27,965	347,965	60,000	4,500	64,500
Total	$ 2,205,000	$ 1,161,733	$ 3,366,733	$ 1,085,000	$ 467,428	$ 1,552,428

	Bond Anticipation Note Payable			OPWC Loans	OWDA Loans		
Year Ended	Principal	Interest	Total	Principal	Principal	Interest	Total
2008	$ 1,600,000	$ 80,000	$ 1,680,000	$ 23,402	$ 63,158	$ 15,574	$ 78,732
2009				23,402	64,108	14,624	78,732
2010				23,402	65,073	13,659	78,732
2011				23,402	66,053	12,679	78,732
2012				23,402	67,048	11,684	78,732
2013 - 2017				117,010	350,689	42,970	393,659
2018 - 2022				35,109	377,899	15,773	393,672
Total	$ 1,600,000	$ 80,000	$ 1,680,000	$ 269,129	$ 1,054,028	$ 126,963	$ 1,180,991

NOTE 17 - LONG-TERM OBLIGATIONS – (Continued)

The County's future annual debt service requirements, including mandatory sinking fund requirements, payable from the enterprise funds are as follows:

	Business-Type Activities								
	General Obligation Bonds			Revenue Bonds			Capmark Commercial Mortgage		
Year Ended	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2008	$ 10,000	$ 1,245	$ 11,245	$ 700	$ 2,450	$ 3,150	$ 5,000	$ 4,100	$ 9,100
2009	15,000	750	15,750	700	2,521	3,221	5,000	3,850	8,850
2010				700	2,392	3,092	5,000	3,600	8,600
2011				800	2,364	3,164	5,000	3,350	8,350
2012				800	2,331	3,131	6,000	3,100	9,100
2013 - 2017				4,500	11,132	15,632	32,000	10,950	42,950
2018 - 2022				5,400	10,135	15,535	24,000	2,400	26,400
2023 - 2027				6,700	8,914	15,614			
2028 - 2032				8,200	7,417	15,617			
2033 - 2037				10,000	5,581	15,581			
2038 - 2042				12,300	3,336	15,636			
2043 - 2046				8,600	722	9,322			
Total	$25,000	$1,995	$ 26,995	$ 59,400	$ 59,295	$ 118,695	$ 82,000	$31,350	$ 113,350

Conduit Debt:

In 2001, the County issued $2,325,000 in Adjustable Rate Demand Economic Development Revenue Refunding Bonds. The proceeds were used for the refunding of economic development revenue bonds issued in 1982 to acquire and construct a supermarket. The County is not obligated in any way to pay the debt charges on the bonds from any of its funds, and therefore, the debt has been excluded entirely from the County's debt presentation. As of December 31, 2007, 2,325,000 of these bonds was outstanding.

In 2002, the County entered into a lease-purchase agreement, in the amount of $2,000,000, for the purchase of a CT scanner, MR system, and related medical equipment. The County is not obligated in any way to pay the debt charges on the lease-purchase agreement from any of its funds, and therefore, the debt has been excluded entirely from the County's debt presentation. During 2007 the debt was retired by the County.

In 2005, the County issued $700,000 in Ohio Economic Development Revenue Bonds for the purpose of making a loan to assist the Defiance Area YMCA in financing a portion of the cost of acquiring, constructing, improving, installing, and equipping gymnasiums and related facilities. The County is not obligated in any way to pay the debt charges on the bonds from any of its funds, and therefore, the debt has been excluded entirely from the County's debt presentation. As of December 31, 2007 $656,837 of these bonds were outstanding.

NOTE 17 - LONG-TERM OBLIGATIONS – (Continued)

In 2007, the County issued $1,407,600 in Health Care Facilities Revenue Bonds. The proceeds were used to provide Hospital Facilities at the lowest possible cost to service the residents of the Public Hospital Agencies, which hospital facilities will be available for the service of the general public. The County is not obligated in any way to pay the debt charges on the bonds from any of its funds, and therefore, the debt has been excluded entirely from the County's debt presentation. As of December 31, 2007 $1,399,875 of these bonds were outstanding.

NOTE 18 - CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the County to place a final cover on the landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the County reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The $3,350,526 reported as landfill closure and postclosure costs payable at December 31, 2007, represents the cumulative amount reported to date based on the use of 15% of the estimated capacity of the landfill. The County will recognize the remaining estimated costs of closure and post closure of $4,732,220 as the remaining estimated capacity is filled. This amount is based on what it would cost to perform all closure and postclosure care in 2007. For financial assurance purposes, Ohio EPA requires closure and postclosure costs to be reported based on the worst case scenario of when closure will occur. For 2007, the liabilities total $1,639,161 for closure and $1,711,365 for postclosure costs. The County expects the landfill to have a remaining life of 102 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to either make annual contributions to an EPA controlled trust fund or demonstrate financial assurance through the "Local Government Financial Test". For 2007, the County met the Local Government Financial Test requirements.

The County expects to set aside monies for closure and post closure care obligations at a rate in line with the daily waste consumption of the Landfill. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations), these costs may need to be covered by charges to future landfill users or from future tax revenue.

NOTE 19 - CAPITALIZED LEASE - LESSEE DISCLOSURE

During 2007, the County entered into a capitalized lease for an excavator. This lease agreement meets the criteria of 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. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the statement of net assets. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in 2007 totaled $34,698 paid by the Ditch Maintenance fund (a nonmajor governmental fund).

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of December 31, 2007:

Fiscal Year Ending December 31,	Amount
2008	$ 34,698
2009	34,698
2010	34,698
2011	34,698
Total minimum lease payments	138,792
Less amount representing interest	(19,626)
Total	$ 119,166

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Juvenile Detention, Training, and Rehabilitation Center

The Northwest Ohio Juvenile Detention, Training, and Rehabilitation Center (Center) is a jointly governed organization among Defiance, Fulton, Henry, and Williams Counties. The Center's board of trustees consists of thirteen members; three from each County and one at-large member. The board of trustees exercises total control over the operation of the Center including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the Center. In 2007, Defiance County contributed $330,174 for the Center's operations which represents 32% of total contributions. Information can be obtained from Nancy J. Yackee, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS – (Continued)

B. Four County Board of Alcohol, Drug Addiction, and Mental Health Services

The Four County Board of Alcohol, Drug Addiction, and Mental Health Services (ADAMHS) is a jointly governed organization among Defiance, Fulton, Henry, and Williams Counties to provide alcohol, drug addition, and mental health services to individuals in the four counties. The governing board of ADAMHS consists of eighteen members; four members appointed by the Ohio Director of Alcohol and Drug Addition Services, four members appointed by the Ohio Director of Mental Health Services, Defiance and Fulton County Commissioners appointing three members each, and Henry and Williams County Commissioners appointing two members each. The governing board exercises total control over the operation of the ADAMHS including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the ADAMHS. In 2007, Defiance County contributed $711,170 in property taxes for the ADAMHS's operation which represents 8% of total contributions. Information can be obtained from Marlene J. Goodwin, Defiance County Auditor, 221 Clinton Street, Defiance, Ohio 43512.

C. Corrections Commission of Northwest Ohio

Corrections Commission of Northwest Ohio (CCNO) is a jointly governed organization among Defiance, Fulton, Henry, Lucas, and Williams Counties and the County of Toledo. CCNO was established to provide jail space for convicted criminals in the five counties and the County of Toledo and to provide a correctional center for the inmates. CCNO was created in 1986 and occupancy started in 1991. The commission team consists of eighteen members; one judge, one chief law enforcement officer, and one county commissioner or administrative official from each entity. The commission team exercises total control over the operation of CCNO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for CCNO. In 2007, Defiance County contributed $1,439,544 for CCNO's operations which represents 9% of total contributions. Information can be obtained from Tonya Justus, Fiscal Manager, Corrections Commission of Northwest Ohio, 03151 County Road 2425, Route 1, Box 100-A, Stryker, Ohio 43557.

D. Four County Solid Waste District

The Four County Solid Waste District (District) is a jointly governed organization among Defiance, Fulton, Paulding, and Williams Counties 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 board of directors consists of twelve members; the three commissioners from each county. The board of directors exercises total control over the operation of the District including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the District. In 2007, Defiance County contributed $107,102 for the District's operations which represents 24% of total contributions. Information can be obtained from Deborah Nester, Williams County Auditor, One Courthouse Square, Bryan, Ohio 43506.

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS – (Continued)

E. Multi-Area Narcotics Task Force

The Multi-Area Narcotics Task Force (Task Force) is a jointly governed organization among Defiance, William, Fulton, and Putnam Counties and the Cities of Defiance and Bryan. 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 funds from the entities. The County has no ongoing financial interest or responsibility for the Task Force. In 2007, Defiance County contributed $25,000 for the Task Force's operations which represents 20% of total contributions. Information can be obtained from the Defiance County Sheriff's office, 113 Beide Street, Defiance, Ohio 43512.

F. Quadco Rehabilitation Center

The Quadco Rehabilitation Center (Quadco) is a jointly governed organization among Defiance, Fulton, Henry, and Williams Counties. Quadco Rehabilitation Center is a nonprofit corporation which 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 MRDD). This board, in conjunction with the County Boards of MRDD, assesses the needs of adult mentally challenged and developmentally disabled residents of each County and sets priorities based on available funds. The County provides resources to the Board based on units of service provided to the County. Quadco exercises total control over the operation of Quadco including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for Quadco. In 2007, Defiance County contributed $936,359 for Quadco's operations which represents 13% of total contributions. Information can be obtained from Terry Fruth, CFO, Quadco Rehabilitation Center, 427 North Defiance Street, Stryker, Ohio 43557.

G. Maumee Valley Planning Organization

Maumee Valley Planning Organization (MVPO) is a jointly governed organization among Defiance, Fulton, Henry, Paulding, and Williams Counties. MVPO is an organization established to improve the social and economic conditions of the region through development and conservation. MVPO is governed by a fifteen member executive council composed of the three county commissioners, the mayor of the largest municipality, three mayors selected by the committee of mayors that represent the incorporated cities and villages, the township trustee association president, the regional planning commission chairman, and two members at large to represent business, industry, labor, agricultural, low income, minority groups, education, and consumer protection activities. The County provides resources to the executive council based on a membership fee and services provided to the County. MVPO exercises total control over the operation of MVPO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for MVPO. In 2007, Defiance County contributed $76,593 for MVPO's operations which represents 10% of total contributions. Information can be obtained from Nancy J. Yackee, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS – (Continued)

H. Community Improvement Corporation of Defiance County

Community Improvement Corporation of Defiance County (CIC) is a jointly governed organization among Defiance County, the County 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. 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 County of Defiance, the Mayor or his/her designated elected official of the Village of Hicksville, and the President of the Defiance County Trustees. The remaining members represent private residents of Defiance County or employees of Defiance County businesses or firms. The County provides resources to the board of trustees based on a membership fee. CIC exercises total control over the operation of CIC including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the CIC. In 2007, Defiance County contributed $50,000 for CIC's operations which represents 17% of total contributions. Information can be obtained from the Jerry Hayes, Executive Director, 1300 East Second Street, Suite 201, Defiance, Ohio 43512.

I. Northwest Ohio Waiver Administration Council (NOWAC)

The Northwest Ohio Waiver Administration Council (NOWAC) is a jointly governed organization created under the provisions of Chapter 167 of the Ohio Revised Code. NOWAC is organized as a voluntary organization of local County Boards of Mental Retardation and Developmental Disabilities in Defiance County, Williams County, Allen County, Henry County, Fulton County, Van Wert County and Paulding County. Each of the participating counties has equal representation and no financial responsibility. NOWAC's purpose is to foster a cooperative effort in regional planning, programming, and the implementation of regional plans and programs. Its primary function is to oversee and obtain contracted services for its clientele in member counties. These services include various types of assistance provided by outside individuals or health care organizations for living maintenance of disabled clients so they can remain in their homes. Defiance County contributed $1,108,343 towards NOWAC's operation in 2007. Complete financial statements can be obtained from the Northwest Ohio Waiver Administration Council, 1804 Elmwood Drive, Defiance, Ohio 43512-2511.

NOTE 21 - INSURANCE POOLS

A. County Commissioners Association Service Corporation

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as an insurance purchasing pool.

NOTE 21 - INSURANCE POOLS – (Continued)

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in December of each year. No participant can have more than one member on the group executive committee in any year, and each elected member shall be a County Commissioner.

B. Northern Buckeye Education Council Employee Insurance Benefits Program

The Northern Buckeye Education Council Employee Insurance Benefits Program (Program) is a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, and Williams Counties. The Northern Buckeye Education Council and its participating members govern the Program. Financial information can be obtained from Crystal Meyer, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

NOTE 22 - RELATED ORGANIZATION

The Defiance County Regional Airport Authority (Airport Authority) was created by resolution of the County Commissioners under the authority of Chapter 308 of the Ohio Revised Code. The Airport Authority is governed by a five member board of trustees appointed by the County Commissioners. The board of trustees has the authority to exercise all of the powers and privileges provided under the law. These powers include the ability to sue or be sued in its corporate name; the power to establish and collect rates, rentals, and other charges; the authority to acquire, construct, operate, manage, and maintain airport facilities; the authority to buy and sell real and personal property; and the authority to issue debt for acquiring or constructing any facility or permanent improvement. The Airport Authority serves as custodian of its own funds and maintains all records and accounts independent of Defiance County.

Although the County has no obligation to provide financial resources to the Airport Authority, the County Commissioners have in prior years allocated certain funds to the Airport Authority. In 2007, the County contributed $25,200 to the Airport Authority.

NOTE 23 - CONTINGENT LIABILITIES

A. Litigation

The County is a party to several legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The County management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the County.

NOTE 23 - CONTINGENT LIABILITIES – (Continued)

B. Federal and State Grants

For the period January 1, 2007, to December 31, 2007, the County received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the County believes such disallowances, if any, would be immaterial.

FINANCIAL CONDITION
DEFIANCE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education				
Food Donation Program		10.550		$ 3,430
National School Lunch Program	065946-LLP4-2007	10.555	$ 6,264	
	065946-LLP4-2008	10.555	4,616	
Total			10,880	3,430
Total U.S. Department of Agriculture			10,880	3,430
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education				
Special Education Cluster:				
Special Education - Grants to States	065946-6BSF-2008	84.027	62,915	
Special Education - Preschool Grant	065946-PGS1-2008	84.173	26,433	
Total Special Education Cluster			89,348	
State Grants for Innovative Programs	065946-C2S1-2007	84.298	200	
Total U.S. Department of Education			89,548	
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through Ohio Department of Public Safety Emergency Management Agency				
State Homeland Security Program	2006-GE-T6-0051	97.073	49,759	
Citizens Corp Program Grant	2005-GC-T5-0001	97.053	2,000	
	2006-GC-T6-0051	97.053	3,413	
Total			5,413	
Total U.S. Department of Homeland Security			55,172	

FINANCIAL CONDITION
DEFIANCE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through The Area Office of Aging				
Aging Cluster:				
Grants for Supportive Services and Senior Centers		93.044	29,104	
Special Programs for the Aging -Title III Part C- Nutrition Services		93.045	145,801	
Total Aging Cluster			174,905	
Special Programs for the Aging - Title III Part D - Disease Prevention and Health Promotion		93.043	7,265	
Alzheimer Disease Demonstration Grants to States		93.051	40,629	
Passed Through Ohio Department of Health				
Social Services Block Grant		93.667	49,936	
Passed Through the Ohio Department of Mental Retardation and Development Disabilities				
Medical Assistance Program (Medicaid: Title XIX)		93.778	586,524	
Medical Assistance Program (TCM)		93.778	140,747	
Total Medical Assistance Program			727,271	
Passed Through the Ohio Department of Job and Family Services				
Child Abuse and Neglect State Grants	86-6020-07	93.669	629	
Child Welfare Services State Grants -Title IV-B Child Welfare	86-6010-06	93.645	17,082	
	86-6010-07	93.645	62,201	
Total Child Welfare Services State Grants			79,283	
Promoting Safe and Stable Families Programs - ESSA Preservation	86-6035-07	93.556	4,494	
Promoting Safe and Stable Families Programs - ESSA Reunification	86-6036-07	93.556	7,245	
Total Promoting Safe and Stable Families Programs			11,739	
Chafee Foster Care Independence Program		93.674	2,531	
Total U.S. Department of Health and Human Services			1,094,188	
U.S. DEPARTMENT OF LABOR				
Passed Through Montgomery County WIA Area 7				
Workforce Investment Act Cluster:				
Workforce Investment Act - Adult	N/A	17.258	88,417	
Workforce Investment Act - Adult Administration	N/A	17.258	8,001	
Total Workforce Investment Act - Adult			96,418	
Workforce Investment Act - Youth	N/A	17.259	45,706	
Workforce Investment Act - Youth Administration	N/A	17.259	4,136	
Total Workforce Investment Act - Youth			49,842	
Workforce Investment Act - Dislocated Worker	N/A	17.260	14,249	
Workforce Investment Act - Dislocated Worker - Rapid Response	N/A	17.260	6,843	
Workforce Investment Act - Dislocated Worker Administration	N/A	17.260	1,908	
Total Workforce Investment Act - Dislocated Worker			23,000	
Total U.S. Department of Labor Workforce Investment Act Cluster			169,260	

FINANCIAL CONDITION
DEFIANCE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through Ohio Department of Development:				
Community Development Block Grant (Formula Grant)	B-F-06-019-1	14.228	79,000	
	B-C-06-019-1	14.228	16,662	
Total Community Development Block Grant			95,662	
Home Investment Partnerships Program (Chip)	B-C-06-019-2	14.239	121,113	
Total U.S. Department of Housing and Urban Development			216,775	
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through Ohio Department of Transportation				
Highway Planning and Construction	03N049	20.205	10,030	
	07N032	20.205	225,349	
	03N021	20.205	119,463	
	82641	20.205	17,400	
Total U.S. Department of Transportation			372,242	
U.S. DEPARTMENT OF JUSTICE				
Passed Through the Office of Criminal Justice Services				
Crime Victims Assistance	2007 VAGENE061	16.575	46,059	
	2007 VAGENE061T	16.575	6,608	
Total Crime Victims Assistance			52,667	
Edward Bryne Justice Assistance Grant Formula Program	2005-JG-A01-6407	16.738	59,400	
Total U.S. Department of Justice			112,067	
U.S. ELECTION ASSISTANCE COMMISSION				
Passed Through the Office of the Ohio Secretary of State				
Voter Education and Poll Worker Training Grant	05-SOS-HAVA-20	39.011	737	
Total			**$ 2,120,869**	**$ 3,430**

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

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

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The 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 and by uniform commercial codes on equipment. At December 31, 2007, the gross amount of loans outstanding under this program was $289,568. Delinquent amounts due are $109,735.

NOTE E - MATCHING REQUIREMENTS

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

NOTE F – COMMUNITY ALTERNATIVE FUNDING SYSTEM - MEDICAID

The County received $54,937 on its behalf from a Community Alternative Funding System (CAFS) settlement during the year. These amounts relate to settlements for CAFS services provided during prior years.

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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Defiance County, (the County) as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the County's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

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A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the County's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is also a material weakness.

We also noted certain matters that we reported to the County's management in a separate letter dated June 30, 2007.

Compliance and Other Matters

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

We did note certain noncompliance matters that we reported to the County's management in a separate letter dated June 30, 2008.

The County's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the County's response and, accordingly, we express no opinion on it.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 30, 2008

Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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 apply to each of its major federal programs for the year ended December 31, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the Defiance County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2007. In a separate letter to the County's management dated June 30, 2008 we reported other matters related to federal noncompliance not requiring inclusion in this report.

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Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that the County's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 30, 2008

FINANCIAL CONDITION
DEFIANCE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2007

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	**Unqualified**
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	**Yes**
(d)(1)(ii)	**Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	**No**
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	**No**
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	**No**
(d)(1)(iv)	**Were there any other significant deficiencies in internal control 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):**	Medical Assistance Program CFDA 93.778, Highway Planning and Construction CFDA 20.205, and Workforce Investment Act Cluster CFDA 17.258, 17.259, and 17.260
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	**No**

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

FINDING NUMBER 2006-001

Material Weakness

Monitoring Financial Statements

Accurate financial reporting is the responsibility of the County Auditor and is essential to ensure the information provided to the readers of the financial statements are fairly stated.

The 2007 financial statements contained material errors, such as the following:

- Taxes receivable was overstated by $416,000 and $115,000, respectively in the Mental Retardation and Developmental Disabilities Fund and the Senior Center Fund and understated by $531,000 in the Agency Funds.
- Revenues and Expenditures of the Job and Family Services Fund were overstated by $405,554 due to fund to fund reimbursements that were not eliminated.
- Capital Assets were overstated by $1,280,350 due to roads that were transferred to townships and not taken off the valuation of the capital assets.

Twenty-nine adjusting entries were posted to the financial statements to correct these and other errors. The financial statements and accounting records have been adjusted to reflect these corrections.

To ensure the County's financial statements and notes to the statements are complete and accurate, the County Auditor should adopt policies and procedures, including a final review of the statements, management discussion and analysis, and notes to the financial statements to identify and correct errors and omissions.

Official's Response

The Auditor's Office will revisit its policies and procedures for preparing the financial statements and reviewing the notes prepared by the Independent Public Accountant. It is our hope to have a written document for reference purposes that will aid the process.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

FINANCIAL CONDITION
DEFIANCE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2006-001	Material Weakness regarding monitoring of financial statements.	No	Repeated in this report as finding 2007-001

Mary Taylor, CPA
Auditor of State

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
AUGUST 12, 2008

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