MERCER COUNTY
FINANCIAL CONDITION

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2007

Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION
MERCER COUNTY

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Financial Condition
Mercer County
Mercer County Commissioners
Central Services Building
220 West Livingston Street, Room A201
Celina, Ohio 45822

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mercer County, (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 opinion.

Ohio Administrative Code § 117-2-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mercer County, as of December 31, 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund and Real Estate Assessment, Motor Vehicle, and Mental Retardation and Developmental Disabilities major special revenue funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 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 the Governmental Accounting Standards Board 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 federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule 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

August 21, 2008

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

The discussion and analysis of Mercer County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2007, within the limitations of cash basis accounting. The intent of this discussion and analysis is to look at the County's financial performance as a whole.

Using this Annual Report

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the County's cash basis of accounting.

The County has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing receipts, disbursements, and the related assets and liabilities. Under the County's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related receipts (such as accounts receivable) and certain liabilities and their related disbursements (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net assets and the statement of activities provide information about the cash activities of the whole County.

Fund financial statements provide a greater 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 a single column. The County's major funds are the General, Real Estate Assessment, Motor Vehicle, Mental Retardation and Developmental Disabilities, Sanitary Sewer, and Solid Waste funds.

Reporting the County as a Whole

The statement of net assets and the statement of activities reflect how the County did financially during 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental and business-type activities of the County at year end. The statement of activities compares cash disbursements with program receipts for each department of the County's governmental and business-type activities. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each department draws from the County's general receipts.

These statements report the County's cash position and the changes in cash position. Factors which contribute to these changes may also include the County's property tax base and other factors.

In the statement of net assets and the statement of activities, the County is divided into two distinct types of activities:

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

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

Business-Type Activities - These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The County's sanitary sewer, solid waste services, nursing home, and ambulance services are reported here.

Reporting the County's Most Significant Funds

Fund financial statements provide detailed information about the County's major funds, the General, Real Estate Assessment, Motor Vehicle, Mental Retardation and Developmental Disabilities, Sanitary Sewer, and Solid Waste funds. While the County uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - The County's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the County's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services being provided.

Enterprise Funds - The County's enterprise funds are used to report the operating activity of the business-type activities on the government-wide financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the County's programs.

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net assets for 2007 and 2006.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and Other Assets	$9,621,386	$8,729,252	$3,155,059	$2,892,650	$12,776,445	$11,621,902
Net Assets						
Restricted	7,464,846	6,639,543			7,464,846	6,639,543
Unrestricted	2,156,540	2,089,709	3,155,059	2,892,650	5,311,599	4,982,359
Total Net Assets	$9,621,386	$8,729,252	$3,155,059	$2,892,650	$12,776,445	$11,621,902

The above table demonstrates that there was an increase in net assets for governmental activities, in the amount of $892,134, or 10 percent. The majority of the increase is due to resources received for the human services program which were not spent as of year end.

Net assets for the business-type activities increased 9 percent due to receipts exceeding disbursements.

Table 2 reflects the change in net assets for 2007 and 2006.

**Table 2
Change in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Receipts						
Program Receipts						
Charges for Services	$3,398,933	$3,283,228	$2,082,753	$1,911,327	$5,481,686	$5,194,555
Operating Grants, Contributions, and Interest	15,826,256	15,951,622	110,686	89,530	15,936,942	16,041,152
Capital Grants, Contributions, And Interest	7,500	543,344			7,500	543,344
Total Program Receipts	19,232,689	19,778,194	2,193,439	2,000,857	21,426,128	21,779,051
General Receipts						
Property Taxes						
General Operating	1,824,291	1,804,945			1,824,291	4,080,565
Human Services – Mental Retardation and Developmental Disabilities	4,145,079	4,080,565			4,145,079	4,080,565
County Home			675,785	650,331	675,587	650,331
Sales Taxes	3,763,501	3,637,253			3,763,501	3,637,253
Payment in Lieu of Taxes	27,041	28,756	43,233	67,558	69,274	96,314
Grants and Entitlements	1,321,785	1,211,135			1,321,785	1,211,135
Interest	899,688	625,824			899,688	625,824
Other	1,604,763	1,538,261	62,884	69,796	1,667,647	1,608,057
Notes Issued	302,400	1,088,950		40,650	302,400	1,129,600
Total General Receipts	13,888,548	14,015,689	780,902	828,335	14,669,450	14,844,024
Total Receipts	33,121,237	33,793,883	2,974,341	2,829,192	36,095,578	36,623,075
Program Disbursements						
General Government						
Legislative and Executive	4,884,732	4,540,809			4,884,732	4,540,809
Judicial	1,314,798	1,395,735			1,314,798	1,395,735
Public Safety	3,464,110	3,181,536			3,464,110	3,181,536
Public Works	8,885,540	8,297,936			8,885,540	8,297,936
Health	340,758	285,565			340,758	285,565
Human Services	11,811,282	11,243,920			11,811,282	11,243,920
Conservation and Recreation	249,822	236,430			249,822	236,430
Economic Development and Assistance	501,680	244,019			501,680	244,019
Capital Outlay	1,302	168,793			1,302	168,793

(Continued)

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

**Table 2
Change in Net Assets
(Continued)**

	Governmental Activities		Business-Type Activities		Total	
Debt Service						
Principal Retirement	544,342	733,792			544,342	733,792
Interest and Fiscal Charges	198,950	182,174			198,950	182,174
Sanitary Sewer			1,040,087	1,026,273	1,040,087	1,0260,273
Solid Waste			217,344	235,999	217,344	235,999
Other Enterprise						
Water			163,364	9,268	263,364	9,268
County Home			741,120	722,492	741,120	722,492
Ambulance			611,804	580,716	611,804	580,716
Total Disbursements	32,167,316	30,510,709	2,773,719	2,574,748	34,941,035	33,085,457
Increase in Net Assets Before Advances	953,921	3,283,174	200,622	254,444	1,154,543	3,537,618
Advances	(61,787)	96,166	61,787			
Change in Net Assets	892,134	3,379,340	262,409	158,278	1,154,543	8,084,284
Net Assets at Beginning of Year	8,729,252	5,349,912	2,892,650	2,734,372	11,621,902	8,084,284
Net Assets at End of Year	$9,621,386	$8,729,252	$3,155,059	$2,892,650	$12,776,445	$11,621,902

Program receipts represented 58 percent of total receipts for governmental activities (similar as in the prior year), the most significant portion of which is operating grants and contributions. The public works program, primarily, the Engineer, receives a significant amount of resources from state levied gasoline taxes and motor vehicle licenses. The human services program also received substantial grant resources to fund those programs.

General receipts, the primary sources of which are property taxes and sales taxes decreased slightly. Interest receipts increased from the amount of cash available to invest and higher interest rates. Proceeds from notes issued decreased substantially from the County issuing a two-year note in 2006, in the amount of $700,000.

The programs which continue to account for the largest costs are legislative and executive (which are general government operations), public safety (sheriff), public works (engineer), and human services (primarily job and family services and mental retardation and development disabilities). These programs accounted for 90 percent of governmental disbursements in 2007, which is comparable to 2006. Increases in program disbursements occurred in public works, human services, and economic development in 2007. More road and bridge projects resulted in the increase in public works disbursements. More services were provided to eligible citizens by job and family services and the mental retardation and developmental disabilities departments which resulted in the increase in human services disbursements. The economic development and assistance program increased significantly from the issuance of two new revolving loans.

Business-type activities are largely funded through program receipts. During 2007, business-type activities increased program revenues from service billings to three new districts within the sewer collection system; along with increased hauling of leacheate. Disbursements increased primarily from the operation of the three new districts within the sewer collection system and increased contractual services from completing the wells in the East Jefferson water district project. The business-type activities received more in advances during 2007 than were repaid in the same year.

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

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted intergovernmental receipts.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2007	**2006**	**2007**	**2006**
General Government				
Legislative and Executive	$4,884,732	$4,540,809	$3,342,763	$3,159,682
Judicial	1,314,798	1,395,735	732,856	731,491
Public Safety	3,464,110	3,181,536	2,733,803	2,556,137
Public Works	8,855,540	8,297,936	328,524	(480,728)
Health	340,758	285,565	275,020	220,855
Human Services	11,811,282	11,243,920	4,166,818	3,106,232
Conservation and Recreation	249,822	236,430	224,432	230,523
Economic Development and Assistance	501,680	244,019	385,817	123,564
Capital Outlay	1,302	168,793	1,302	168,793
Debt Service				
Principal Retirement	544,342	733,792	544,342	733,792
Interest and Fiscal Charges	198,950	182,174	198,950	182,174
Total Disbursements	$32,167,316	$30,510,709	$12,934,627	$10,732,515

For 2007, 40 percent of the services provided by the County were paid for through general receipts, compared to 35 percent in 2006. However, a review of the above table demonstrates that program receipts contributed significantly to several programs. Almost all of the public works program was funded with program receipts. Charges for services for the public works program consist of work performed by the County Engineer for townships and villages within the County. The public works program also receives a significant amount of operating grants and contributions from state levied shared gas taxes and motor vehicle licenses.

Program receipts provided 65 percent of the funding for the human service program in 2007 which is lower than the 72 percent in 2006. This is due to a decrease in funding to the County for the Workforce Investment Act and mental retardation and mental disability services.

Governmental Funds Financial Analysis

The County's major governmental funds are the General Fund and the Real Estate Assessment, Motor Vehicle, and Mental Retardation and Developmental Disabilities special revenue funds.

Fund balance increased slightly in the General Fund and the Real Estate Assessment fund.

The Motor Vehicle fund experienced a 18 percent decrease in fund balance. The County spent the carryover note proceeds received in 2006 during 2007.

Fund balance increased 36 percent in the Mental Retardation and Developmental Disabilities fund. Although receipts decreased by 5 percent and disbursements increased 14 percent in 2007; receipts continued to be greater than disbursements.

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

Business-Type Activities Financial Analysis

As can be seen on the statement of receipts, disbursements, and changes in fund net assets, the Sanitary Sewer and Solid Waste enterprise funds increased slightly from 2006.

Budgetary Highlights

The County prepares an annual budget of receipts and disbursements for all funds of the County for use by County officials and department heads and such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of January.

The County's most significant budgeted fund is the General Fund. Receipts from the original budget to the final budget increased 10 percent and consisted of increases in interest and miscellaneous receipts. The changes from the final budget to actual receipts were not significant. Changes from the original budget to the final budget and the final budget to actual disbursements were not significant.

Current Issues

The County created a TIF District in 2006 in order to entice the construction of a $8,400,000 dairy farm. Construction began in 2006 with completion expected in 2008. The County will begin collection of an estimated $1,018,000 in TIF receipts over a ten-year period starting in 2009.

The design stage was completed on Phase III of the Northeast Sanitary Sewer Extension; however, due to issues with infiltration in a specific area of this extension, the project has been postponed until further engineering studies are conducted. This project is expected to begin in 2009. The project is estimated to cost approximately $2,081,000. The County Commissioners were awarded an Ohio Water Development Authority loan, in the amount of $52,500, on June 28, 2007, for this project. The loan is to be repaid over five years and is interest free. No drawdowns have been received on this loan.

The County Commissioners were awarded an Ohio Water Development Authority loan, in the amount of $1,153,023, on February 28, 2008, for the construction of the West Jefferson sewer improvement. The loan is to be repaid over twenty years and is interest free. Construction has begun with estimated completion in 2009.

On March 11, 2008, the County issued $1,500,000 in bond anticipation notes for the construction of a new adult detention facility. The notes mature on March 10, 2009, and have with an interest rate of 2.75 percent.

On May 28, 2008, the County issued $10,500,000 in general obligation bonds for the construction of a new adult detention facility. The bonds have interest rates ranging from 3 to 5 percent and have a final maturity of December 1, 2022. The bonds are to be repaid with the proceeds of a one-half percent sales tax that was approved by the voters on November 6, 2007, for a fifteen year period. Collection of the sales tax began on January 1, 2008.

Request for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's financial status. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to Mark R. Giesige, County Auditor, 101 North Main Street, Room 105, Celina, Ohio 45822.

FINANCIAL CONDITION
MERCER COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2007

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	$9,101,092	$3,155,059	$12,256,151
Cash and Cash Equivalents in Segregated Accounts	520,294		520,294
Total Assets	9,621,386	3,155,059	12,776,445
Net Assets			
Restricted for			
Debt Service	9,841		9,841
Capital Projects	315,119		315,119
Other Purposes	7,139,886		7,139,886
Unrestricted	2,156,540	3,155,059	5,311,599
Total Net Assets	$9,621,386	$3,155,059	$12,776,445

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
MERCER COUNTY

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

		Program Receipts		
	Disbursements	**Charges for Services**	**Operating Grants, Contributions, and Interest**	**Capital Grants, Contributions, and Interest**
Governmental Activities				
General Government				
Legislative and Executive	$4,884,732	$1,463,750	$78,219	
Judicial	1,314,798	575,277	6,665	
Public Safety	3,464,110	173,551	556,756	
Public Works	8,855,540	876,994	7,650,022	
Health	340,758	65,738		
Human Services	11,811,282	243,623	7,400,841	
Conservation and Recreation	249,822		17,890	$7,500
Economic Development and Assistance	501,680		115,863	
Capital Outlay	1,302			
Debt Service				
Principal Retirement	544,342			
Interest and Fiscal Charges	198,950			
Total Governmental Activities	32,167,316	3,398,933	15,826,256	7,500
Business-Type Activities				
Sanitary Sewer	1,040,087	942,008		
Solid Waste	217,344	232,121		
Other Enterprise				
Water	163,364	27,680		
County Home	741,120	138,179	110,686	
Ambulance	611,804	742,765		
Total Business-Type Activities	2,773,719	2,082,753	110,686	
Total	$34,941,035	$5,481,686	$15,936,942	$7,500

General Receipts
Property Taxes Levied for
General Operating
Human Services-Mental Retardation and Developmental Disabilities
County Home
Sales Taxes
Payment in Lieu of Taxes
Grants and Entitlements not Restricted to Other Programs
Interest
Other
Notes Issued
Total General Receipts

Advances

Total General Receipts and Advances

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Change in Net Assets

Governmental Activities	Business-Type Activities	Total
($3,342,763)		($3,342,763)
(732,856)		(732,856)
(2,733,803)		(2,733,803)
(328,524)		(328,524)
(275,020)		(275,020)
(4,166,818)		(4,166,818)
(224,432)		(224,432)
(385,817)		(385,817)
(1,302)		(1,302)
(544,342)		(544,342)
(198,950)		(198,950)
(12,934,627)		(12,934,627)
	($98,079)	(98,079)
	14,777	14,777
	(135,684)	(135,684)
	(492,255)	(492,255)
	130,961	130,961
	(580,280)	(580,280)
(12,934,627)	(580,280)	(13,514,907)
1,824,291		1,824,291
4,145,079		4,145,079
	675,785	675,785
3,763,501		3,763,501
27,041	42,233	69,274
1,321,785		1,321,785
899,688		899,688
1,604,763	62,884	1,667,647
302,400		302,400
13,888,548	780,902	14,669,450
(61,787)	61,787	
13,826,761	842,689	14,669,450
892,134	262,409	1,154,543
8,729,252	2,892,650	11,621,902
$9,621,386	$3,155,059	$12,776,445

FINANCIAL CONDITION
MERCER COUNTY

STATEMENT OF CASH BASIS ASSETS, LIABILITIES, AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	General	Real Estate Assessment	Motor Vehicle
Assets			
Equity in Pooled Cash and Cash Equivalents	$2,156,540	$795,525	$916,055
Cash and Cash Equivalents in Segregated Accounts			
Restricted Assets			
Equity in Pooled Cash and Cash Equivalents	81,384		
Total Assets	$2,237,924	$795,525	$916,055
Fund Balances			
Reserved for Encumbrances	$506,173	$108,906	$366,781
Reserved for Unclaimed Monies	81,384		
Unreserved, Reported in General Fund	1,650,367		
Special Revenue Funds		686,619	549,274
Debt Service Funds			
Capital Projects Funds			
Total Fund Balances	$2,237,924	$795,525	$916,055

See accompanying notes to the basic financial statements.

Mental Retardation and Developmental Disabilities	Other Governmental	Total
$2,238,078	$2,913,510	$9,019,708
513,815	6,479	520,294
		81,384
$2,751,893	$2,919,989	$9,621,386
$187,518	$858,319	$2,027,697
		81,384
		1,650,367
2,564,375	1,937,801	5,738,069
	9,841	9,841
	114,028	114,028
$2,751,893	$2,919,989	$9,621,386

FINANCIAL CONDITION
MERCER COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	General	Real Estate Assessment	Motor Vehicle
Receipts			
Property Taxes	$1,824,291		
Sales Taxes	3,763,501		
Payment in Lieu of Taxes	10,185		
Special Assessments			
Charges for Services	1,286,151	$460,071	$597,456
Licenses and Permits	2,742		
Fines and Forfeitures	48,315		38,835
Intergovernmental	1,311,408		6,721,506
Interest	899,688		
Donations	1,520		
Other	668,152	4,000	82,517
Total Receipts	9,815,953	464,071	7,440,314
Disbursements			
Current			
General Government			
Legislative and Executive	4,359,870	455,291	
Judicial	1,029,191		
Public Safety	2,786,162		
Public Works	154,506		7,552,100
Health	255,851		
Human Services	388,409		
Conservation and Recreation	238,900		
Economic Development and Assistance	2,000		
Capital Outlay			
Debt Service			
Principal Retirement			
Interest and Fiscal Charges			
Total Disbursements	9,214,889	455,291	7,552,100
Excess of Receipts Over (Under) Disbursements	601,064	8,780	(111,786)
Other Financing Sources (Uses)			
Notes Issued			
Advances In	152,122		500
Advances Out	(283,387)		(30,000)
Transfers In			
Transfers Out	(388,551)		(59,020)
Total Other Financing Sources (Uses)	(519,816)		(88,520)
Changes in Fund Balances	81,248	8,780	(200,306)
Fund Balances at Beginning of Year	2,156,676	786,745	1,116,361
Fund Balances at End of Year	$2,237,924	$795,525	$916,055

See accompanying notes to the basic financial statements.

Mental Retardation and Developmental Disabilities	Other Governmental	Total
$4,145,079		$5,969,370
		3,763,501
	$16,856	27,041
	233,876	233,876
152,651	489,546	2,985,875
	70,782	73,524
	18,508	105,658
1,790,033	7,163,268	16,986,215
	148,781	1,048,469
3,813	15,212	20,545
49,933	800,161	1,604,763
6,141,509	8,956,990	32,818,837
	69,571	4,884,732
	285,607	1,314,798
	677,948	3,464,110
	1,148,934	8,855,540
	84,907	340,758
5,414,141	6,008,732	11,811,282
	10,922	249,822
	499,680	501,680
	1,302	1,302
	544,342	544,342
	198,950	198,950
5,414,141	9,530,895	32,167,316
727,368	(573,905)	651,521
	302,400	302,400
	144,615	297,237
	(45,637)	(359,024)
	530,713	530,713
	(83,142)	(530,713)
	848,949	240,613
727,368	275,044	892,134
2,024,525	2,644,945	8,729,252
$2,751,893	$2,919,989	$9,621,386

FINANCIAL CONDITION
MERCER COUNTY

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

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Over (Under)**
Receipts				
Property Taxes	$1,761,300	$1,761,300	$1,778,242	$16,942
Sales Taxes	3,500,000	3,500,000	3,763,501	263,501
Payment in Lieu of Taxes			10,185	10,185
Charges for Services	1,256,500	1,276,589	1,295,374	18,785
Licenses and Permits	3,000	3,000	2,742	(258)
Fines and Forfeitures	43,000	43,000	48,260	5,260
Intergovernmental	1,180,700	1,301,323	1,317,738	16,415
Interest	575,000	914,116	914,116	
Donations		1,000	1,520	520
Other	545,041	960,170	668,273	(291,897)
Total Receipts	8,864,541	9,760,498	9,799,951	39,453
Disbursements				
Current				
General Government				
Legislative and Executive	5,149,393	4,974,924	4,701,851	273,073
Judicial	1,104,561	1,116,800	1,046,603	70,197
Public Safety	2,949,803	2,950,453	2,918,787	31,666
Public Works	155,689	156,146	155,277	869
Health	256,089	256,089	255,851	238
Human Services	432,992	451,189	400,433	50,756
Conservation and Recreation	238,900	238,900	238,900	
Economic Development and Assistance	2,000	2,000	2,000	
Total Disbursements	10,289,427	10,146,501	9,719,702	426,799
Excess of Receipts Over (Under) Disbursements	(1,424,886)	(386,003)	80,249	466,252
Other Financing Sources (Uses)				
Advances In	120,000	120,000	152,122	32,122
Advances Out		(110,387)	(283,387)	(173,000)
Transfers Out	(95,000)	(388,551)	(388,551)	
Total Other Financing Sources (Uses)	25,000	(378,938)	(519,816)	(140,878)
Changes in Fund Balance	(1,399,886)	(764,941)	(439,567)	325,374
Fund Balance at Beginning of Year	1,700,487	1,700,487	1,700,487	
Prior Year Encumbrances Appropriated	319,128	319,128	319,128	
Fund Balance at End of Year	$619,729	$1,254,674	$1,580,048	$325,374

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
MERCER COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
REAL ESTATE ASSESSMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Over (Under)**
Receipts				
Charges for Services	$300,000	$460,163	$460,185	$22
Other			4,000	4,000
Total Receipts	300,000	460,163	464,185	4,022
Disbursements				
Current				
General Government				
Legislative and Executive	598,950	923,713	564,208	359,505
Changes in Fund Balance	(298,950)	(463,550)	(100,023)	363,527
Fund Balance at Beginning of Year	496,686	496,686	496,686	
Prior Year Encumbrances Appropriated	289,417	289,417	289,417	
Fund Balance at End of Year	$487,153	$322,553	$686,080	$363,527

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
MERCER COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
MOTOR VEHICLE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Over (Under)**
Receipts				
Charges for Services	$605,240	$605,240	$596,542	($8,698)
Fines and Forfeitures	30,830	30,830	38,785	7,955
Intergovernmental	7,816,401	7,816,401	6,721,506	(1,094,895)
Other	37,235	37,235	82,517	45,282
Total Receipts	8,489,706	8,489,706	7,439,350	(1,050,356)
Disbursements				
Current				
Public Works	7,567,907	9,938,494	7,918,965	2,019,529
Excess of Receipts Over (Under) Disburseme	921,799	(1,448,788)	(479,615)	969,173
Other Financing Sources (Uses)				
Notes Issued	500,000	500,000		(500,000)
Advances In			500	500
Advances Out		(30,000)	(30,000)	
Transfers Out	(31,392)	(59,020)	(59,020)	
Total Other Financing Sources (Uses)	468,608	410,980	(88,520)	(499,500)
Changes in Fund Balance	1,390,407	(1,037,808)	(568,135)	469,673
Fund Balance (Deficit) at Beginning of Year	(1,178,554)	(1,178,554)	(1,178,554)	
Prior Year Encumbrances Appropriated	2,277,224	2,277,224	2,277,224	
Fund Balance at End of Year	$2,489,077	$60,862	$530,535	$469,673

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
MERCER COUNTY

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

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Receipts				
Property Taxes	$3,777,454	$3,948,084	$4,043,276	$95,192
Charges for Services	266,000	152,651	152,651	
Intergovernmental	1,437,546	1,609,177	1,614,449	5,272
Donations	10,000	3,798	3,813	15
Other	20,000	23,711	23,711	
Total Receipts	5,511,000	5,737,421	5,837,900	100,479
Disbursements				
Current				
Human Services	6,805,000	6,877,698	5,395,234	1,482,464
Changes in Fund Balance	(1,294,000)	(1,140,277)	442,666	1,582,943
Fund Balance at Beginning of Year	1,294,009	1,294,009	1,294,009	
Prior Year Encumbrances Appropriated	72,698	72,698	72,698	
Fund Balance at End of Year	$72,707	$226,430	$1,809,373	$1,582,943

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
MERCER COUNTY

STATEMENT OF FUND NET ASSETS - CASH BASIS
ENTERPRISE FUNDS
DECEMBER 31, 2007

	Sanitary Sewer	Solid Waste	Other Enterprise	Total
Assets				
Equity in Pooled Cash and Cash Equivalents	$1,629,405	$631,195	$894,459	$3,155,059
Net Assets				
Unrestricted	$1,629,405	$631,195	$894,459	$3,155,059

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
MERCER COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Sanitary Sewer	Solid Waste	Other Enterprise	Total
Operating Revenues				
Charges for Services	$942,008	$232,121	$908,624	$2,082,753
Other	24,645	1,987	36,252	62,884
Total Operating Revenues	966,653	234,108	944,876	2,145,637
Operating Expenses				
Personal Services	217,350	66,758	538,682	822,790
Contractual Services	544,122	133,711	816,967	1,494,800
Materials and Supplies	86,203	16,875	160,639	263,717
Debt Service				
Principal Retirement	156,551			156,551
Total Operating Expenses	1,004,226	217,344	1,516,288	2,737,858
Operating Income (Loss)	(37,573)	16,764	(571,412)	(592,221)
Non-Operating Revenues (Expenses)				
Property Taxes			675,785	675,785
Payment in Lieu of Taxes	42,233			42,233
Grants			110,686	110,686
Interest Expense	(35,861)			(35,861)
Total Non-Operating Revenues (Expenses)	6,372		786,471	792,843
Income (Loss) Before Advances	(31,201)	16,764	215,059	200,622
Advances In	173,000		120,000	293,000
Advances Out	(126,525)	(4,228)	(100,460)	(231,213)
Changes in Net Assets	15,274	12,536	234,599	262,409
Net Assets at Beginning of Year	1,614,131	618,659	659,860	2,892,650
Net Assets at End of Year	$1,629,405	$631,195	$894,459	$3,155,059

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
MERCER COUNTY

STATEMENT OF CASH FLOWS - CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Sanitary Sewer	Solid Waste	Other Enterprise	Total
Increases (Decreases) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	$942,008	$232,121	$908,624	$2,082,753
Cash Payments for Personal Services	(217,350)	(66,758)	(538,682)	(822,790)
Cash Payments for Contractual Services	(544,122)	(133,711)	(816,967)	(1,494,800)
Cash Payments for Supplies	(86,203)	(16,875)	(160,639)	(263,717)
Cash Received from Other Revenues	24,645	1,987	36,252	62,884
Net Cash Provided by (Used for) Operating Activities	118,978	16,764	(571,412)	(435,670)
Cash Flows from Non-capital Financing Activities				
Property Taxes			675,785	675,785
Payment in Lieu of Taxes	42,233			42,233
Grants			110,686	110,686
Advances In	173,000		120,000	293,000
Advances Out	(126,525)	(4,228)	(100,460)	(231,213)
Interest Paid on Outstanding Advance	(5,491)			(5,491)
Net Cash Provided by (Used for) Noncapital Financing Activities	83,217	(4,228)	806,011	885,000
Cash Flows from Capital and Related Financing Activities				
Principal Paid on Special Assessment Notes	(40,650)			(40,650)
Interest Paid on Special Assessment Notes	(1,767)			(1,767)
Principal Paid on Special Assessment Bonds	(8,100)			(8,100)
Interest Paid on Special Assessment Bonds	(3,855)			(3,855)
Principal Paid on OPWC Loans	(17,780)			(17,780)
Principal Paid on OWDA Loans	(75,547)			(75,547)
Interest Paid on OWDA Loans	(19,507)			(19,507)
Principal Paid on Rural Industrial Park Loan	(14,474)			(14,474)
Interest Paid on Rural Industrial Park Loan	(5,241)			(5,241)
Net Cash Used for Capital and Related Financing Activities	(186,921)			(186,921)
Net Increase in Cash and Cash Equivalents	15,274	12,536	234,599	262,409
Cash and Cash Equivalents at Beginning of Year	1,614,131	618,659	659,860	2,892,650
Cash and Cash Equivalents at End of Year	$1,629,405	$631,195	$894,459	$3,155,059

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
MERCER COUNTY

STATEMENT OF CASH BASIS FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2007

Assets	
Equity in Pooled Cash and Cash Equivalents	$3,548,618
Cash and Cash Equivalents in Segregated Accounts	299,419
Total Assets	$3,848,037
Net Assets	
Undistributed Assets	$3,848,037

See accompanying notes to the basic financial statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

1. REPORTING ENTITY

Mercer County (the County) is a body politic and corporate established in 1824 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The County is governed by a board of three commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, and a Probate/Juvenile Court Judge.

Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize cash disbursements as well as serve as the budget and taxing authority, contracting body, and the chief administrators of public services for the entire County.

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

A. Primary Government

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

B. Component Units

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; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt, or the levying of taxes.

C.A. Group - C.A. Group is a legally separate, not-for-profit corporation served by a board appointed by the Mercer County Board of Mental Retardation and Developmental Disabilities (MRDD). C.A. Group, under a contractual agreement with the Mercer County Board of MRDD, provides sheltered employment for mentally retarded or handicapped adults in Mercer County. The Mercer County Board of MRDD provides C.A. Group with personnel necessary for the operation of the habilitation services to the clients, land and buildings for the operation of the center, maintenance and repair of the buildings, and professional staff to supervise and train clients of C.A. Group. Based on the significant services and resources provided by the County to C.A. Group and C.A. Group's sole purpose of providing assistance to the retarded and handicapped adults of Mercer County, C.A. Group is a component unit of Mercer County. Its exclusion from the County's financial statements would cause the financial statements to be misleading. C.A. Group operates on a fiscal year ending December 31. Information about this component unit is presented in Note 19 to the basic financial statements. Further information for C.A. Group can be obtained from C.A. Group at P.O. Box 137, Celina, Ohio 45822.

1. REPORTING ENTITY (Continued)

As custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate organizations listed below, the County serves as fiscal agent, but the organizations are not considered part of Mercer County. Accordingly, the activity of the following organizations is reported as agency funds within the financial statements:

Mercer County Soil and Water Conservation District
Mercer County District Board of Health

The County participates in four jointly governed organizations, three insurance pools, and a related organization. These organizations are presented in Notes 16, 17, and 18 to the basic financial statements. These organizations are:

Mercer County Regional Planning Commission
Tri-County Mental Health Board
West Central Ohio Network
West Central Partnership, Inc.
County Commissioners Association of Ohio Service Corporation
Midwest Pool Risk Management Agency, Inc.
Midwest Employee Benefit Consortium
Mercer County District Library

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the enterprise funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The County does not apply FASB statements issued after November 30, 1989, to its business-type activities or to its 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.

1. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net assets presents the cash balance of the governmental and business-type activities of the County at year end. The statement of activities compares disbursements and program receipts for each program or function of the County's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the County is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the general revenues of the County.

2. 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

1. Governmental Funds

The County classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The County's major governmental funds are the General Fund, and the Real Estate Assessment, Motor Vehicle, and Mental Retardation and Developmental Disabilities special revenue 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.

Real Estate Assessment Fund - This fund accounts for state-mandated county-wide real estate reappraisals that are funded by charges to the County's political subdivisions.

Motor Vehicle Fund - This fund accounts for monies derived from gasoline taxes and the sale of motor vehicle licenses. Expenditures are restricted by State law to county road and bridge repair/improvement programs.

Mental Retardation and Developmental Disabilities Fund - This fund accounts for the operation of a school for the mentally retarded and developmentally disabled, financed by a county-wide property tax levy and federal and state grants.

The other governmental funds of the County account for grants and other resources whose use is restricted for a particular purpose.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Funds

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

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:

Sanitary Sewer Fund - This fund accounts for sanitary sewer services provided to individuals and commercial users throughout the County.

Solid Waste Fund - This fund accounts for daily operations of the landfill.

The other enterprise funds of the County account for charges for services, property taxes, and operating grants for the county home, emergency medical services, and a water treatment system.

3. Fiduciary Funds

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County did not have any trust funds in 2007. The County's agency funds are used to account for assets held by the County for political subdivisions for which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

C. Basis of Accounting

The County's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the County's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both 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 department and object level for the General Fund and the object level for all other funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts 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 appropriations resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the County Commissioners during the year.

E. 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”.

Cash and cash equivalents that are held separately within departments of the County and not held by the County Treasurer are recorded as “Cash and Cash Equivalents in Segregated Accounts”.

During 2007, the County invested in nonnegotiable certificates of deposit, federal agency securities, and STAR Ohio**.** Investments are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2007.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 were $899,688 which includes $778,157 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.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

F. 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 externally imposed by creditors, contributors, grantors, laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that have a legal restriction on their use are reported as restricted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

H. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the County.

I. Long-Term Obligations

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include resources restricted for the upkeep of the County's roads and bridges, child support and welfare services, services for the handicapped and mentally disabled, and activities of the County's courts. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. The County did not have any net assets restricted by enabling legislation at December 31, 2007.

K. Fund Balance Reserves

The County reserves those portions of fund balance which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and unclaimed monies.

L. Operating Receipts and Disbursements

Operating receipts are those receipts that are generated directly from the primary activity of the enterprise funds. For the County, these receipts are charges for services for the county home, for ambulance services, and for water and sewer services. Operating disbursements are the necessary costs incurred to provide the service that is the primary activity of the fund. All receipts and disbursements not meeting these definitions are reported as non-operating.

M. Internal Activity

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

Internal allocations of overhead disbursements from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

4. DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demands upon the County treasury. 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 provided a written investment policy has been filed with the Ohio Auditor of State:

1. United States Treasury bills, bonds, notes, 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, or any book entry zero-coupon United States treasury security that is a direct obligation of the United States;

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

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;

4. DEPOSITS AND INVESTMENTS (Continued)

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

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio);

8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange similar securities, or cash, equal value for equal value;

9. Up to twenty-five percent of the County's average portfolio in either of the following:

   a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed 10 percent of the value of the outstanding commercial paper of the issuing corporation, and which mature within two hundred seventy days after purchase;
   b. bankers acceptances eligible for purchase by the federal reserve system and which mature within one hundred eighty days after purchase;

10. Up to 15 percent of the County's average portfolio in notes issued by United States corporations or by depository institutions that are doing business under authority granted by the United States provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;

11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and

12. Up to 1 percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

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

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

4. DEPOSITS AND INVESTMENTS (Continued)

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

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $4,615,840 of the County's bank balance of $6,619,134 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

B. Investments

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

	Total	Less Than Six Months	Six Months to One Year	One Year to Three Years	Three Years to Five Years
Federal National Mortgage Association Notes	$2,489,651	$ 993,234		$1,496,417	
Federal Home Loan Bank Notes	2,411,600			1,911,850	$499,750
Federal Home Loan Bank Bonds	482,140		$482,140		
Federal Farm Credit Bank Notes	494,399				494,399
Federal Farm Credit Bank Bonds	1,000,000			1,000,000	
Star Ohio	2,876,005	2,876,005			
Total Investments	$9,753,795	$3,869,239	$482,140	$4,408,267	$994,149

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value on an investment. The investment policy restricts the County Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless matched to a specific obligation or debt of the County.

The Federal National Mortgage Association Notes, Federal Home Loan Bank Notes, Federal Home Loan Bank Bonds, Federal Farm Credit Bank Notes, and Federal Farm Credit Bank Bonds carry a rating of Aaa by Moodys. STAR Ohio carries a rating of AAA by Standard and Poor's. The County has no policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

4. DEPOSITS AND INVESTMENTS (Continued)

The County places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of each investment to the County's total portfolio.

	Fair Value	Percentage of Portfolio
Federal National Mortgage Association Notes	$2,489,651	25.52%
Federal Home Loan Bank Notes	2,411,600	24.72
Federal Home Loan Bank Bonds	482,140	4.94
Federal Farm Credit Bank Notes	494,399	5.07
Federal Farm Credit Bank Bonds	1,000,000	10.25

5. PERMISSIVE SALES AND USE TAX

The County Commissioners, by resolution, imposed a 1 percent 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 in the County, including motor vehicles not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. A warrant payable to the County is to be made within five days of the certification.

6. 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 percent 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 percent 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 was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2007 is 12.5 percent. This will be reduced to 6.25 percent 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, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

6. PROPERTY TAXES (Continued)

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.

The full tax rate for all County operations for the year ended December 31, 2007, was $11.86 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:

Real Property	
Residential/Agriculture	$625,877,160
Commercial/Industrial/Mineral	89,390,900
Public Utility Property	
Real	54,120
Personal	22,967,370
Tangible Personal Property	56,130,653
Total Assessed Value	$794,420,203

7. INTERFUND ACTIVITY

During 2007, the County made a number of cash advances to various funds. As of December 31, 2007, $684,942 of the advances had not been repaid. Cash advances are generally made to provide working capital for operations or projects or to provide cash flow resources. Advances expected to be repaid within one year are $60,199 to the General Fund from Other Governmental funds, $500 from Other Governmental funds to the Motor Vehicle Gasoline Tax fund, and $4,228 from Other Governmental funds to the Solid Waste fund.

8. RISK MANAGEMENT

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. During 2007, the County contracted with the Midwest Pool Risk Management Agency, Inc. for insurance coverage. Coverage provided was as follows:

General Liability	$2,000,000
Law Enforcement Professional Liability	2,000,000
Public Officials Errors and Omissions Liability	2,000,000
Automobile Liability	2,000,000
Ohio Stop Gap (Additional Workers' Compensation Coverage)	2,000,000
Excess Liability	5,000,000
Building and Contents	35,608,520
Earthquake	$100,000,000
Flood	50,000,000
Comprehensive Boiler and Machinery	50,000,000

There has been no significant reduction in insurance coverage from 2006, and settled claims have not exceeded this coverage in the past three years.

8. RISK MANAGEMENT (Continued)

For 2007, the County participated in the County Commissioners Association of Ohio Service Corporation, a workers' compensation group rating plan (Plan). 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 counties in the Plan. Each county pays its workers' compensation premium to the State based on the rate for the Plan rather than the county's individual rate.

In order to allocate the savings derived by the formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually 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 Plan's 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 County is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any county leaving the Plan allows the representative of the Plan to access loss experience for three years following the last year of participation.

9. SIGNIFICANT CONTRACTUAL COMMITMENTS

The County had the following contractual commitments outstanding as of December 31, 2007:

Contractor	Purpose	Commitment
Maximus	Software and Licensing	$78,445
VTF Excavating	Montezuma Distress	14,230
Shinn Brothers	St. Henry Lagoons	56,240
Shelly Company	Asphalt Resurfacing	272,150
Hanson Pipe and Precast	Deep Cut Road	3,492
Hanson Pipe and Precast	Guadalupe Road	2,414
Independent Concrete Pipe	Hasis Road	31,968
J&M Excavating	St. Marys River Logjam	88,130
VTF Excavation	Hayes Schleucher Hellwarth Ditch	112,961
Statewide Ford	Cruisers	67,211
Fanney Howey Engineering	Marion Township Sewer	50,000
Fanney Howey Engineering	East Jefferson Wastewater Plant	50,000
Fanney Howey Engineering	West Jefferson Wastewater Plant	22,000
Fanney Howey Engineering	East Jefferson Water Plant	14,879
Smith and Comensky	East Jefferson Water Plant	10,826

10. DEFINED BENEFIT PENSION PLANS

Plan Description - 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 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by OPERS 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs, and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional 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 the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll, public safety members contributed 9.75 percent, and law enforcement members contributed 10.1 percent.

The County's contribution rate for 2007 was 13.85 percent of covered payroll, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.17 percent of covered payroll. For the period January 1 through June 30, 2007, a portion of the County's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007, this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the County of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The County's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 was $933,108, $988,207, and $1,027,410, respectively; 92 percent has been contributed for 2007 and 100 percent for 2006 and 2005. Contributions to the member-directed plan for 2007 were $18,477 made by the County and $12,674 made by the plan members.

11. POST-EMPLOYMENT BENEFITS

Plan Description - OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

11. POST-EMPLOYMENT BENEFITS (Continued)

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 5 percent of covered payroll from January 1 through June 30, 2007, and 6 percent from July 1 to December 31, 2007.

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

The County's contribution allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005 was $591,534, $483,362, and $430,329, respectively; 91 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. 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.

12. COMPENSATED ABSENCES

County employees earn vacation and sick leave at varying rates depending on length of service. Currently, employees are not permitted to accrue or carry over more than the equivalent of three year's vacation leave. All accumulated unused vacation time is paid upon separation from the County. County employees are paid for 50 percent of accumulated unused sick leave upon retirement at the rate of pay in effect at the time of retirement.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)

13. NOTE OBLIGATIONS

The changes in the County's note obligations during 2007 were as follows:

	Interest Rate	Balance 12/31/2006	Additions	Reductions	Balance 12/31/2007	Within One Year
Governmental Activities						
Bond Anticipation Notes						
Road Improvement	3.98%	$ 700,000			$ 700,000	
Various Purpose Series 2006a	4.675	49,800		$ 49,800		
Various Purpose Series 2006b	4.54	241,200		241,200		
Various Purpose Series 2007a	4.21		$238,800		238,800	$25,800
Total Bond Anticipation Notes		991,000	238,800	291,000	938,800	25,800
Special Assessment Notes						
Marion Township Industrial Park	4.675	20,900		20,900		
Various Purpose Series 2006	4.36	64,200		64,200		
Various Purpose Series 2007	4.14		53,750		53,750	
Street/Utility	4.36	12,850		12,850		
Street/Utility	4.14		9,850		9,850	
Total Special Assessment Notes		97,950	63,600	97,950	63,600	
Total Governmental Activities		$1,088,950	$302,400	$388,950	$1,002,400	$25,800
Business-Type Activities						
Special Assessment Notes						
Various Purpose Series 2006c	4.36%	$ 40,650	$ 0	$ 40,650	$ 0	$ 0
Total Business-Type Activities		$ 40,650	$ 0	$ 40,650	$ 0	$ 0

All of the County's notes are backed by the full faith and credit of the County. The bond anticipation notes mature within one year. The special assessment notes will be paid from assessments made on the property owners affected by the improvements. In the event that an assessed property owner fails to make payments, the County will be required to pay the related debt.

On December 15, 2006, the County issued bond anticipation notes, in the amount of $700,000, to make road improvements within the County. The notes have an interest rate of 3.98 percent and mature on December 12, 2008. The notes are to be repaid with receipts from a tax incremental financing agreement with the properties affected and will be paid from the General Obligation Bond Anticipation Note debt service fund.

On May 5, 2006, the County issued bond anticipation notes, in the amount of $70,700, to partially retire notes previously issued for various ditches within the County and for improvements in the Marion Township Industrial Park. The notes had an interest rate of 4.675 percent and in 2007 were paid from the Ditch Special Assessment Notes Debt service fund and the Marion Township Industrial Park Debt service fund.

On August 4, 2006, the County issued bond anticipation notes, in the amount of $241,200, to partially retire notes previously issued to construct various ditches and make improvements to the fairgrounds. The notes had an interest rate of 4.54 percent and in 2007 were paid from the General Obligation Bond Anticipation Note debt service fund.

13. NOTE OBLIGATIONS (Continued)

On September 22, 2006, the County issued bond anticipation notes, in the amount of $117,700, to partially retire notes previously issued for improvements to the Sites Davis Ditch and the St. Marys River area and for improvements to the Northeast Grand Lake Sewer. The notes had an interest rate of 4.36 percent and in 2007 were paid from the Ditch Special Assessment Notes Debt service fund, the St. Marys River Notes debt service fund, and the Sewer enterprise fund.

On May 4, 2007, the County issued bond anticipation notes, in the amount of $238,800, to partially retire notes previously issued for various ditches and improvements to the fairgrounds. The notes have an interest rate of 4.21 percent and mature on May 2, 2008.

On September 21, 2007, the County issued bond anticipation notes, in the amount of $63,600, to partially retire notes for improvements to the Sites Davis Ditch and the St. Marys River area. The notes have an interest rate of 4.14 percent and will mature on September 19, 2008.

14. LONG-TERM OBLIGATIONS

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

	Interest Rate	Balance 12/31/2006	Additions	Reductions	Balance 12/31/2007	Due Within One Year
Governmental Activities						
General Obligation Bonds						
1998 Central Services (Original Amount $3,750,000)	4.2-7.4%	$3,055,000		$120,000	$2,935,000	$125,000
OPWC Loans						
1995 Karch/Tama (Original Amount $174,070)	0%	69,628		8,704	60,924	8,703
1997 Siegrist-Jutte and Kahn Road Bridge (Original Amount $256,554)		121,863		12,828	109,035	12,828
2001 Four Bridge Replacement (Original Amount $76,979)		53,885		3,849	50,036	3,849
2002 Home Waterline Improvement (Original Amount $80,000)		66,000		4,000	62,000	4,000
2002 Five Bridge Replacement (Original Amount $60,000)		51,000		3,000	48,000	3,000
2005 Six Bridge Repair (Original Amount $60,225)		55,708		3,011	52,697	3,011
Total OPWC Loans		418,084		35,392	382,692	35,391
Total Governmental Activities		3,473,084		155,392	3,317,692	160,391

14. LONG-TERM OBLIGATIONS (Continued)

	Interest Rate	Balance 12/31/2006	Additions	Reductions	Balance 12/31/2007	Due Within One Year
Business-Type Activities						
Special Assessment Bonds						
1992 Southwest Sanitary Sewer (Original Amount $148,600)	5.0%	77,100		8,100	69,000	8,500
OPWC Loans						
1993 Northwood Collection System (Original Amount $55,600)		20,850		2,780	18,070	2,780
2003 Philothea Area Wastewater (Original Amount $300,000)		232,500		15,000	217,500	15,000
Total OPWC Loans		253,350		17,780	235,570	17,780
OWDA Loans						
1988 MCI (Original Amount $831,193)	2	219,582		38,182	181,400	38,945
2002 Staeger Road Sanitary Sewer (Original Amount $109,521)	3.64	84,502		4,724	79,778	4,898
2002 SR 129 and Burge Road (Original Amount $400,463)	3.49	324,655		20,941	303,714	17,157
2005 Lake Acres (Original Amount $248,037)	2.75	268,686		11,700	256,986	12,041
Total OWDA Loans		897,425		75,547	821,878	73,041
Ohio Water and Sewer Loans						
1991 Sandy Beach Area Sewer District (Original Amount $42,822)		42,822			42,822	
1992 Southwest Sewer (Original Amount $269,223)		269,223			269,223	
2001 Rotary SR 269 Sewer (Original Amount $110,167)		88,673			88,673	
Total Ohio Water and Sewer Loans		400,718			400,718	
Rural Industrial Park Loan						
2001 Rural Industrial Park - SR269 (Original Amount $200,000)	0-3%	200,000		14,474	185,526	17,853
Total Business-Type Activities		$1,828,593	$0	$115,901	$1,712,692	$117,174

A. General Obligation Bonds

All general obligation bonds are supported by the full faith and credit of Mercer County and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

B. 1998 Central Services

The bonds maturing in 2018 are subject to mandatory sinking fund redemption prior to maturity at a price of par plus accrued interest to the date of redemption, in the following principal amounts, on November 1 in each of the following years:

14. LONG-TERM OBLIGATIONS (Continued)

Year	Amount
2010	$140,000
2011	145,000
2012	150,000
2013	160,000
2014	165,000
2015	175,000
2016	185,000
2017	190,000

Unless previously redeemed, the remaining principal, in the amount of $200,000, will mature at stated maturity on November 1, 2018.

The bonds maturing in 2023 are subject to mandatory sinking fund redemption prior to maturity at a price of par plus accrued interest to the date of redemption, in the following principal amounts, on November 1 in each of the following years:

Year	Amount
2019	$210,000
2020	220,000
2021	235,000
2022	245,000

Unless previously redeemed, the remaining principal, in the amount of $260,000, will mature at stated maturity on November 1, 2023.

The bonds maturing November 1, 2009, and thereafter will be subject to optional redemption, in whole at any time or in part on any interest payment date, at the option of the County, on or after November 1, 2008, as follows:

Redemption Date	Redemption Price
November 1, 2008, through October 31, 2009	100.5%
November 1, 2009, and thereafter	100.0

C. Special Assessment Bonds

The special assessment bonds will be paid from the proceeds of the special assessments levied against those property owners who primarily benefited from the project. In the event that property owners fail to make their special assessment payments, the County is responsible for providing the resources to meet annual principal and interest payments. Special assessment debt is supported by the full faith and credit of Mercer County.

D. OPWC Loans

OPWC loans consist of monies owed to the Ohio Public Works Commission for the improvement and replacement of the County's infrastructure. OPWC loans are payable from the governmental debt service funds and from the gross revenues of the enterprise funds.

14. LONG-TERM OBLIGATIONS (Continued)

E. OWDA Loans

OWDA loans consist of monies owed to the Ohio Water Development Authority for various water and sewer projects. OWDA loans are payable solely from special assessments and the gross revenues of the enterprise funds.

F. Ohio Water and Sewer Loans

The Ohio Water and Sewer Loans were provided to the County for the deferral of special assessment collections on agricultural land. The loan principal is being deferred as long as the land is used for agriculture purposes. If the land is ever used for other than agricultural purposes, the loan is due and payable, the special assessments are then due and collectible by the County, and the monies collected are to be remitted to the Ohio Water and Sewer Rotary Commission (OWSRC) within one year of collection.

The loans are non-interest bearing as long as the land is used for agricultural purposes. If the land is ever used for other than agriculture purposes and the required special assessments are not remitted to OWSRC, the loans become interest bearing at an interest rate to be determined by OWSRC.

G. Rural Industrial Park Loan

The County has obtained a loan from the Rural Industrial Park Loan Program to acquire a public right-of-way and extend the sanitary and water main lines to serve the State Route 29 industrial corridor project. The Rural Industrial Park Loan will be paid from special assessments and the gross revenues of the Sanitary Sewer enterprise fund.

The Ohio Revised Code provides that net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 1 percent 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 shall never exceed a sum equal to 3 percent of the first $100,000,000 of assessed valuation, plus 1.5 percent of such valuation in excess of $100,000,000 and not in excess of $300,000,000, plus 2.5 percent of such valuation in excess of $300,000,000.

At December 31, 2007, the County's overall debt margin was $15,375,815 with an unvoted debt margin of $4,959,512.

The following is a summary of the County's future annual debt service requirements for governmental activities:

	General Obligation Bonds		OPWC Loans
Year	Principal	Interest	Principal
2008	$125,000	$146,705	$35,391
2009	130,000	137,455	35,392
2010	140,000	131,735	35,391
2011	145,000	124,945	35,392
2012	150,000	117,913	35,391
2013-2017	875,000	472,192	131,602
2018-2022	1,110,000	236,950	61,603
2023	260,000	13,000	12,530
	$2,935,000	$1,380,895	$382,692

14. LONG-TERM OBLIGATIONS (Continued)

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

	Special Assessment Bonds		OPWC Loans	OWDA Loans	
Year	Principal	Interest	Principal	Principal	Interest
2008	$8,500	$3,450	$17,780	$73,041	$23,926
2009	8,900	3,025	17,780	74,939	22,029
2010	9,300	2,580	17,780	76,888	20,079
2011	9,800	2,115	17,780	78,891	18,076
2012	10,300	1,625	17,780	59,675	16,006
2013-2017	22,200	1,680	79,170	213,939	58,028
2018-2022			67,500	207,725	21,118
2023-2024				36,779	1,274
	$69,000	$14,475	$235,570	$821,877	$180,536

	Rural Industrial Park Loan	
Year	Principal	Interest
2008	$17,853	$5,322
2009	18,396	4,779
2010	18,955	4,219
2011	19,532	3,643
2012	20,126	3,048
2013-2017	90,664	5,898
	$185,526	$26,909

15. INTERFUND TRANSFERS

During 2007, transfers were made from the General Fund, Motor Vehicle special revenue, and Other Governmental funds to Other Governmental funds, in the amount of $388,551, $59,020, and $83,142, respectively, to subsidize operations of other funds and as debt payments came due.

16. JOINTLY GOVERNED ORGANIZATIONS

A. Mercer County Regional Planning Commission

The Mercer County Regional Planning Commission (Commission) is a jointly governed organization among the County, the City of Celina, and townships and villages within the County. The Board is comprised of the Mercer County Engineer, Mercer County Health Commissioner, seven county members appointed by the County Commissioners (one for each of the two townships in the county), a representative from each municipal corporation wishing to participate, except that municipalities of city status are entitled to two representatives, and two citizens of Mercer County designated by the County Commissioners. The degree of control exercised by any participating government is limited to its representation on the Board.

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The Commission makes plans and maps of the region showing the Commission's recommendations for systems of transportation, highways, park and recreational facilities, water supply, sewerage and sewage disposal, garbage disposal, civic centers, and other public improvements which affect the development of the region as a whole, or more than one political subdivision within the region and which do not begin and terminate within the boundaries of any single subdivision. During 2007, the County did not contribute to the operations of the Commission. Financial information can be obtained from the Commission, 220 West Livingston Street, Room A201, Celina, Ohio 45822.

B. Tri-County Mental Health Board (Alcohol, Drug Addiction, and Mental Health Services Board of Mercer, Paulding, and Van Wert Counties)

The Tri-County Mental Health Board is a jointly governed organization among Mercer, Paulding, and Van Wert Counties. The Tri-County Mental Health Board provides leadership in planning for and supporting community-based alcohol, drug addiction, and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting, and advocating for the rights of persons as consumers of alcohol, drug addiction, and mental health services. The Board of Trustees consists of eighteen members; four members appointed by the Director of the Ohio Department of Mental Health, four members appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services, and ten members appointed by the County Commissioners of Mercer, Paulding, and Van Wert counties in the same proportion as the County's population. During 2007, a tax levy provided $623,076 for the operations of the organization. Financial information can be obtained from the Mercer County Auditor, 101 North Main Street, Room 105, Celina, Ohio 45822-1794.

C. West Central Ohio Network

The West Central Ohio Network (West CON) is a regional council of governments comprised of the boards of Mental Retardation and Developmental Disabilities (MRDD) of Auglaize, Darke, Logan, Mercer, Miami, Shelby, Union, and Hardin Counties. The Board of Directors is made up of the superintendents from each of these MRDD Boards. West CON is the administrator of supported living programs for each of these Boards of MRDD. The degree of control exercised by any participating government is limited to its representation on the Board. Financial information can be obtained from the West Central Ohio Network, 315 East Court Street, Sidney, Ohio 45365.

D. West Central Partnership, Inc.

The West Central Partnership, Inc. (Partnership) is a jointly governed organization among Allen, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The Partnership was formed to administer local loan programs in these counties for the Ohio Department of Development. The Board of Trustees consists of nine members, including a County Commissioner from each member county and the Director of Region 3, West Central SBDC Partnership. Financial information can be obtained from the West Central Partnership, Inc., 545 West Market Street, Suite 305, Lima, Ohio 45801.

17. INSURANCE POOLS

A. County Commissioners Association of Ohio Service Corporation

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

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 participants. The group executive committee consists of nine members. Two members are the president and the treasurer of the CCAOSC; the remaining seven members are representatives of the participants. These seven 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. Midwest Pool Risk Management Agency, Inc.

The Midwest Pool Risk Management Agency, Inc. (Pool) was created under Section 2744.081 of the Ohio Revised Code to establish a risk sharing insurance program for Auglaize, Hancock, Mercer, Shelby, and Van Wert Counties. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by the Pool. These coverages include comprehensive general liability, automobile liability, certain property insurance, and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Pool are managed by an elected board of not more than five trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over budgeting and financing of the Pool is limited to its voting authority and any representation it may have on the board of trustees.

C. Midwest Employee Benefit Consortium

The County participates in the Midwest Employee Benefit Consortium (MEBC), an insurance purchasing pool for medical and life insurance. MEBC is made up of Auglaize, Hancock, Mercer, Shelby, and Van Wert Counties. The County pays premiums to MEBC for employee medical and life insurance benefits. MEBC is responsible for the administration of the program.

MEBC is governed by a Board of Trustees consisting of one county commissioner from each participating member. Each participant decides which plans offered by the Board of Trustees will be extended to its employees. Participation in MEBC is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums.

18. RELATED ORGANIZATION

The Mercer County District Library is a district political subdivision of the State of Ohio created under Chapter 3311.05 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Mercer County Commissioners and the Common Pleas Court Judge. The Board of Trustees possess its own contracting and budgeting authority, hires and fires personnel, and does not depend on Mercer County for operational subsidies. Although the Mercer County Commissioners serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees.

19. C.A. GROUP

C.A. Group
Statement of Net Assets
December 31, 2007

Assets	
Equity in Pooled Cash and Cash Equivalents	$ 744,007
Accounts Receivable	156,026
Intergovernmental Receivable	11,663
Other Assets	832
Depreciable Capital Assets	121,582
Total Assets	1,034,110
Liabilities	
Accounts Payable	7,109
Accrued Wages Payable	24,271
Intergovernmental Payable	1,630
Total Liabilities	33,010
Net Assets	
Unrestricted	$1,001,100

C.A. Group
Statement of Revenues, Expenses, and Changes
in Fund Net Assets
For the Year Ended December 31, 2007

Operating Revenues	
Charges for Services	$ 939,316
Contributions	471,547
Other Operating Revenues	91,725
Total Operating Revenues	1,502,588
Operating Expenses	
Personnel Services	734,212
Contractual Services	2,991
Materials and Supplies	241,456
Depreciation	23,526
Other	471,547
Total Operating Expenses	1,473,732
Operating Income	28,856

(Continued)

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

19. C.A. GROUP (Continued)

**C.A. Group
Statement of Revenues, Expenses, and Changes
in Fund Net Assets
For the Year Ended December 31, 2007
(Continued)**

Gain on Sale of Assets	4,543
Interest	26,590
Donations	674
Total Non-Operating Revenues	31,807
Increase in Net Assets Before Discontinued Operations	60,663
Loss from Operations of Discontinued Lawncare Business	(3,450)
Change in Net Assets	57,213
Net Assets at Beginning of Year	943,887
Net Assets at End of Year	$1,001,100

**C.A. Group
Statement of Cash Flows
December 31, 2007**

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Continuing Operations	
Cash Received from Customers	$882,092
Cash Payments for Personal Services	(732,082)
Cash Payments to Suppliers	(245,600)
Cash Received from Other Revenues	91,725
Net Cash Used for Continuing Operations	(3,865)
Discontinued Operations	
Cash Received from Customers	1,440
Cash Payments to Supplies	(105)
Net Cash Provided by Discontinued Operations	1,335
Net Cash Used for Operating Activities	(2,530)
Cash Flows from Non-capital Financing Activities	
Cash Received from Donations	674
Cash Flows from Capital Financing Activities	
Sale of Capital Assets	6,268
Acquisition of Capital Assets	(111,044)
Net Cash Used for Capital Financing Activities	(104,776)

(Continued)

19. C.A. GROUP (Continued)

C.A. Group
Statement of Cash Flows
December 31, 2007
(Continued)

Cash Flows from Investing Activities	
Interest	26,590
Net Decrease in Cash and Cash Equivalents	(80,042)
Cash and Cash Equivalents at Beginning of Year	824,049
Cash and Cash Equivalents at End of Year	744,007
Reconciliation of Operating Income to Net Cash Used for Operating Activities	
Operating Income	28,856
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities	
Continuing Operations	
Depreciation	23,526
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(57,225)
Decrease in Accounts Payable	(1,354)
Increase in Accrued Wages Payable	2,130
Increase in Intergovernmental Payable	202
Net Cash Used by Continuing Operations	(3,865)
Discontinuing Operations	
Decrease in Net Assets from Discontinued Operations	(3,450)
Depreciation	3,345
Accounts Receivable	1,440
Net Cash Provided by Discontinued Operations	1,335
Net Cash Used for Operating Activities	($ 2,530)

A. Summary of Significant Accounting Policies

1. Basis of Presentation

Financial statement presentation follows the recommendations of Governmental Accounting Standards Board (GASB) Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”.

2. Measurement Focus and Basis of Accounting

C.A. Group is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net assets. C.A. Group uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time they are incurred.

19. C.A. GROUP (Continued)

3. Materials and Supplies Inventory

Inventory is presented at the lower of actual cost or market and is expensed when used. Inventory consists of expendable supplies held for consumption.

B. Deposits and Investments

Custodial credit risk for deposits is the risk that in the event of bank failure, C. A. Group will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $462,556 of the C. A. Group's bank balance of $756,098 was exposed to custodial credit risk because it was uninsured and collateralized.

C. Capital Assets

Property and equipment are recorded at cost. It is C.A. Group's policy to capitalize items with a useful life in excess of three years and having a value of over $500. Donated assets are capitalized at fair value on the date donated. Depreciation is calculated on a straight line basis over the useful life of the asset, which ranges from three to fifteen years.

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

	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007
Depreciable Capital Assets				
Equipment	$174,888	$10,334	($12,449)	$172,773
Vehicles	71,103	100,710		171,813
Total Depreciable Capital Assets	245,991	111,044	(12,449)	344,586
Less Accumulated Depreciation for				
Equipment	(135,754)	(10,972)	10,724	(136,002)
Vehicles	(71,103)	(15,899)		(87,002)
Total Accumulated Depreciation	(206,857)	(26,871)	10,724	(223,004)
Depreciable Capital Assets, Net	$ 39,134	$84,173	($ 1,725)	$121,582

D. Risk Management

C.A. Group 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. During 2007, C.A. Group contracted with the Ohio School Plan for commercial, directors and officers liability, and individual fidelity bond; and with Erie Insurance for property and general liability, medical liability, and uninsured motorist auto liability.

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from the prior year.

E. Significant Concentration of Business with Two Customers

Two customers provide approximately 34 percent of the service revenue to C.A. Group. If canceled, the volume of business would have a severe impact on the production operations of C.A. Group. However, management would still carry on mental retardation programs regardless of services it could lose until new customers were secured. Management is unsure of the risk of these companies canceling during the next year or thereafter.

19. C.A. GROUP (Continued)

F. Discontinued Operations

The C.A. Group discontinued its lawn care services in March 2007. The C.A. Group converted some of the equipment to general use and sold the rest of the equipment of CA Lawn Service, in the amount of $6,268, an unrelated party.

20. RELATED PARTY TRANSACTIONS

During 2007, Mercer County provided facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of its programs to C.A. Group. C.A. Group, a component unit of Mercer County, reported $471,547 for such contributions.

21. CONTINGENT LIABILITIES

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These 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 Commissioners believe such disallowances, if any, will be immaterial.

Several other claims and lawsuits are pending against the County. In the opinion of the County Prosecuting Attorney, any potential liability would not have a material adverse effect on the financial statements.

22. SUBSEQUENT EVENTS

On March 11, 2008, the County issued bond anticipation notes, in the amount of $1,500,000, to construct and equip an adult detention facility. The notes have an interest rate of 2.75 percent and mature on March 10, 2009.

On May 2, 2008, the County issued bond anticipation notes, in the amount of $213,000, to partially retire notes previously issued for improvements in the Marion Township Industrial Park, the fairgrounds, and various ditches within the County, in the amount of $238,800. The notes have an interest rate of 2.71 percent and mature on May 1, 2009.

On May 28, 2008, the County issued $10,500,000 in general obligation bonds to construct and equip a new adult detention facility. The bonds are to be repaid with a voted one-half percent sales tax. The interest rate on the bonds ranges from 3 to 5 percent and the final maturity of the bonds is December 1, 2022.

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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
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
(Passed through Ohio Department of Development)			
Community Development Block Grants:			
Community Development Block Grants/State's Program	B-C-05-050-1	14.228	$57,500
	B-F-06-050-1		385,142
	B-F-05-050-1		1,481
	B-E-04-050-1		12,031
Total			$456,154
HOME Investment Partnership	B-C-05-050-2	14.239	206,426
Total U.S. Department of Housing and Urban Development			$662,580
U.S. DEPARTMENT OF JUSTICE			
(Direct)			
Bulletproof Vest Partnership	N/A	16.607	4,780
	N/A		1,735
	N/A		5,344
Total			11,859
(Passed through Attorney General's Crime Victim Services)			
Crime Victim Assistance	2007VAGENE068T	16.575	5,902
	2006VAGENE068T		20,898
State Victims Assistance Act	2007SAGENE068T		698
	2006SAGENE068T		6,057
Total			33,555
(Passed through Office of Criminal Justice Services)			
Edward Byrne Memorial Justice Assistance	2006-JG -C01-6421	16.738	39,818
	2006-JG-LLE-5165		20,000
Total			59,818
Total U.S. Department of Justice			105,232
U.S. DEPARTMENT OF HOMELAND SECURITY			
(Passed through Ohio Emergency Management Agency)			
Pre-Disaster Mitigation	S03-F02-54-0204	97.047	2,865
(Passed through Ohio Department of Public Safety)			
Emergency Management Performance	2007-EM-E-7-0024	97.042	31,904
Citizens Corp Grants	2005-GC-T5-0001	97.053	750
	2006-GC-T6-0051		2,348
Total			3,098
Homeland Security Grant Program	2006-GE-T5-0001	97.073	42,399
Total			45,497
Total U.S. Department of Homeland Security			80,266
U.S. DEPARTMENT OF TRANSPORTATION			
(Passed through Ohio Department of Public Safety)			
State and Community Highway Safety	HEVO-2007-54-00-00-00440-00	20.600	14,408
(Passed through Ohio Department of Transportation)			
Highway Planning and Construction	PID #22887	20.205	70,663
	PID #25413		120,820
	PID #25415		361,425
	PID #25416		289,553
	PID #25417		305,355
	PID #25418		182,289
	PID #25420		17,598
	PID #25422		193,655
	PID #25426		15,975
	PID #75174		148,281
	PID #78657		239,787
	PID #79573		1,466
	PID #79574		13,914
	PID #79581		1,541
	PID #79582		3,135
	PID #78659		132,833
	PID #81975		16,965
	CRD-4054-007-071		96,000
Total			2,211,255
Total U.S. Department of Transportation			2,225,663

Continued

FINANCIAL CONDITION
MERCER COUNTY

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

Federal Grantor/ ***Pass Through Grantor*** **Program Title**	**Pass Through Entity Number**	**Federal CFDA Number**	**Disbursements**
U.S. DEPARTMENT OF LABOR			
(Passed through Ohio Department of Job & Family Services)			
Workforce Investment Act (WIA) Cluster:			
WIA - Adult	N/A	17.258	582,780
WIA - Adult Administration	N/A	17.258	57,775
WIA - Adult Total			640,555
WIA -Incumbent Worker Training	N/A	17.258	5,000
WIA - Adult Total			645,555
WIA - Youth	N/A	17.259	383,603
WIA - Youth Administration	N/A	17.259	38,029
WIA - Youth Total			421,632
WIA - Dislocated Worker/Rapid Response	N/A	17.260	217,707
WIA - Dislocated Worker Administration	N/A	17.260	21,583
WIA - Dislocated Worker/Rapid Response Total			239,290
WIA - Vet Short Term Training (VSTP)	N/A	17.260	11,491
WIA - VSTP Administration	N/A	17.260	658
WIA - VSTP Total			12,149
WIA - Veterans Rapid Response (VR2)	N/A	17.260	9,822
WIA - VR2 Administration	N/A	17.260	2,725
WIA - Veterans Rapid Response (VR2) Total			12,547
WIA - Dislocated Worker/Rapid Response Total			263,986
Total			1,331,173
Workforce Services		17.207	8,724
Total U.S. Department of Labor			1,339,897
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
(Passed through Ohio Department of MRDD)			
Social Services Block Grant	MR-54 (07)	93.667	15,048
	MR-54 (08)		7,744
Total			22,792
Medical Assistance Program - I/O Waiver	5400015	93.778	53,308
Medical Assistance Pogram L1 Waiver	5400015		163,635
Medical Assistance Program: TCM	5400015		241,207
Total			458,150
Medical Assistance Program: TCM - SCHIP	5400015	93.767	468
(Passed through Ohio Department of Job & Family Services)			
Emergency Service Assistance	N/A	93.556	22,360
Adopt Ohio Credit	N/A	93.556	48,234
Total			70,594
Independent Living	N/A	93.674	498
Title VI-B Allocation	N/A	93.645	56,928
Child Abuse and Neglect State Grant	N/A	93.669	1,932
Total U.S. Department of Health and Human Services			611,362
Total Federal Assistance			$5,025,000

The accompanying notes to this schedule are an integral part of this schedule.

FINANCIAL CONDITION
MERCER COUNTY

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

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

NOTE C - 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. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County (passed through the Ohio Department of Development). The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2007, the gross amount of loans outstanding under this program totaled $2,350,304. Delinquent amounts due were $26,594

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Mary Taylor, CPA
Auditor of State

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

Financial Condition
Mercer County
Mercer County Commissioners
Central Services Building
220 West Livingston Street, Room A201
Celina, Ohio 45822

To the Board of County 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 Mercer 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 August 21, 2008, wherein, we noted the County uses a comprehensive basis of accounting other than generally accepted accounting principles. 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 certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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 deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-002 and 2007-003.

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www.auditor.state.oh.us

**Internal Control Over Financial Reporting
(Continued)**

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, of the significant deficiencies described above, we believe finding 2007-003 is also a material weakness.

We also noted certain internal control matters that we reported to the County's management in a separate letter dated August 21, 2008.

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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated August 21, 2008.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the County's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, Board of County Commissioners, and 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

August 21, 2008

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

Financial Condition
Mercer County
Mercer County Commissioners
Central Services Building
220 West Livingston Street, Room A201
Celina, Ohio 45388

To the Board of County Commissioners:

Compliance

We have audited the compliance of Mercer 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.

As described in finding 2007-004 in the accompanying schedule of findings, the County did not comply with requirements regarding cash management applying to its Community Development Block Grant Program. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above applying to each of its major federal programs for the year ended December 31, 2007.

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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.

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

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as finding 2007-004 to be a significant deficiency.

A material weakness is significant deficiency, or combination of significant deficiencies, that result 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. We consider finding 2007-004, described in the accompanying schedule of findings, to be a material weakness.

The County's response to the finding we identified 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 also noted a matter involving internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated August 21, 2008.

We intend this report solely for the information and use of the audit committee, management, Board of County 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

August 21, 2008

FINANCIAL CONDITION
MERCER 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)?**	Yes
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	Yes
(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**	Qualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	Yes
(d)(1)(vii)	**Major Programs (list):**	Community Development Block Grants CFDA #14.228 Highway Planning and Construction CFDA #20.205
(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 2007-001

Noncompliance

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Administrative Code Section 117-2-3(B), requires the County to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the County prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the County may be fined and subject to various other administrative remedies for its failure to fie the required financial report.

In order to present financial statements that report assets, liabilities and the disclosures required to accurately present the County's financial condition, the County should prepare their annual financial statements in accordance with generally accepted accounting principles.

Officials Response:

Mercer County believes that reporting on a GAAP basis is cost prohibitive. Therefore, the County switched to an OCBOA modified cash basis of reporting, which meets management's needs without substantial additional costs.

FINDING NUMBER 2007-002

Significant Deficiency

Real Estate Taxes/Personal Property Taxes/Manufactured Home Taxes Reconciliations

Mercer County is required to collect and distribute to the taxing district's within the County the amounts paid by the State for public utility property tax loss and rollback and homestead exemption.

The County's real estate tax fund balances on the financial accounting system at December 31, 2007, did not agree with the real estate receipts collected and undistributed at year end per the property tax system. It was determined that the differences are partially attributed to:

1. The County Auditor's office received the following monies from the State which were receipted into the County's Real Estate Tax fund during 2006, but not distributed to the County taxing districts by the end of 2007.

    - $37,930 public utility property tax loss reimbursement
    - $18,521 homestead and rollback distribution for the February settlement, and
    - $71.19 manufactured home rollback;

FINDING NUMBER 2007-002
(Continued)

2. The County Auditor's office received the following monies from the State which were receipted into the County's Real Estate Tax fund during 2007, but not distributed to the taxing districts during 2007.

   - $37,930 public utility property tax loss reimbursement;

3. The County's Real Estate Tax Funds (9520, 9521 & 9590) did not reconcile to the undistributed amounts at December 31, 2007, by $168,374.41; and

4. The County's Real Estate Overpay Fund 9521 on the financial accounting system reported a $89.59 negative fund cash balance at December 31, 2007 (the Real Estate Overpay Fund was negative all year beginning with a deficit of $100,034.45 at January 1, 2007).

Furthermore, the County's personal property tax fund (9509) balance on the financial accounting system at December 31, 2007, did not agree with the personal property tax receipts recorded as collected and undistributed at year end per the property tax system by $82,900. The 2007 $10,000 tangible personal property tax exemption in the amount of $65,200 was not distributed during 2007. The reason(s) for the remaining $17,700 difference was not readily determinable; however, it was comparable to the difference at December 31, 2006.

The County's manufactured home tax fund (9527) balance on the financial accounting system at December 31, 2007, did not agree with the manufactured home tax receipts recorded as collected and undistributed at year end per the manufactured home tax system by $28,120.79.

The failure to promptly distribute all rollback / homestead and public utility property tax loss reimbursement, in addition to the lack of reconciling the activity of the real estate tax, personal property, and manufactured home funds on the financial accounting system with the activity of the property tax system each month, has resulted in differences when attempting to reconcile their activity at year end. This has also resulted in the County's failure to make the required distributions and settlements for personal property, real estate, and manufactured home revenues to the County subdivisions by the dates required.

The County Auditor's and County Treasurer's offices should work together each month to verify that the Real Estate Tax, Personal Property Tax and Manufactured Tax fund balances per the financial accounting system are in balance with the property tax system. Also, the County Treasurer's office should obtain a detailed receipt and disbursement transaction report for these funds from the County Auditor's office at least monthly to review the transactions posted to determine that the monies receipted into these funds match with the monies paid out of the funds for tax refunds.

Officials Response:

The County Auditor and Treasurer offices will reconcile monthly on all tax fund balances and also after settlement to catch any undistributed money or other problems. This has been worked on throughout the year with the help of the State Auditor and was delayed because of conversion issues to the new tax accounting system.

FINDING NUMBER 2007-003

Material Weakness

Purchase Orders

All purchase orders should be reviewed by the issuing departments prior to year end to determine whether they still represent valid purchase commitments and whether the County totally or partially cancelled the purchase commitment. Our testing of outstanding purchase orders at December 31, 2007, noted that $187,189 of the outstanding purchase orders were not for valid purchase commitments and were subsequently closed in 2008.

The failure to monitor the outstanding purchase orders resulted in an overstatement of outstanding encumbrances and an understatement of available unencumbered fund balances at year end. The accompanying financial statements required an audit adjustment to the Motor Vehicle and Gas Tax Fund's reserve for encumbrances to correct for the invalid outstanding purchase orders outstanding at December 31, 2007.

The County Auditor's office should initiate a review of outstanding purchase orders prior to year end to determine they still represent valid purchase commitments.

Officials Response:

We will send a memo to department heads requesting all P.O.'s to be cancelled unless it is a December expense to be paid in January (only the amount to be paid should be left open) or a valid contract. Also we will review the P.O. List after cancellations are finished to look for large amounts and contact department directly questioning the P.O.'s.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2007-004
CFDA Title and Number	CFDA #14.228 – Community Development Block Grant
Federal Award Number / Year	B-F-06-050-1, B-C-05-050-1 and B-E-04-050-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance / Material Weakness - Cash Management

24 CFR Section 85.21(c) states that grantees and sub-grantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or sub-grantee.

Furthermore, **Ohio Department of Development, Office of Housing and Community Partnerships Financial Management Rules and Regulations, Section (A)(3)(f)** states that Grantee must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than $5,000 within fifteen days of receipt of any funds.

FINDING NUMBER 2007-004

We noted the following:

- Grant Number B-F-06-050-1 - On March 28, 2007, $22,000 in grant funds were received that was not disbursed below $5,000 until June 29, 2007. On June 19, 2007, $276,400 in grant funds were received that was not disbursed below $5,000 until June 2, 2008.

- Grant Number B-C-05-050-1 – On June 4, 2007, $37,000 in grant funds were received that was not disbursed below $5,000 until November 14, 2007.

- Grant Number B-E-04-050-1 – On November 15, 2006, $403,000 in grant funds were received that was not disbursed below $5,000 until November 29, 2007, when the final payment was made.

The County should develop a cash management system to monitor the fifteen day rule regarding the prompt disbursement of Community Development Block Grant funds. The County should then submit Requests for Payments for current cash needs and monitor the receipts, disbursements, and balances of the Community Development Block Grant funds to avoid excessive federal fund cash balances.

Officials Response:

In the future the Program Coordinator will try and work closer with the project start dates and when the pay requests will be expected in her office.

FINANCIAL CONDITION
MERCER 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	Finding for Recovery – duplicate payment approved and remitted by the MRDD and County Auditor	Yes	
2006-002	ORC 117.38 and OAC 117-2-03 (B) – failure to file financial statements prepared in accordance with generally accepted accounting principles (GAAP).	No	See Finding Number 2007-001
2006-003	Failure to reconcile monthly between the County Treasurer and County Auditor	Yes	
2006-004	Failure to reconcile between the finance system and subsidiary property tax system	No	See Finding Number 2007-002

FINANCIAL CONDITION
MERCER COUNTY

CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315(c)
DECEMBER 31, 2007

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2007-004	In the future the Program Coordinator will try and work closer with the project start dates and when the pay requests can be expected in our office.	9/1/08	Susan McKanna Program Coordinator

Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

MERCER 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
SEPTEMBER 16, 2008

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