DEFIANCE COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2008

Mary Taylor, CPA
Auditor of State

DEFIANCE COUNTY

TABLE OF CONTENTS

TITLE	PAGE

DEFIANCE COUNTY

TABLE OF CONTENTS
(Continued)

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Defiance County, Ohio (the County), as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Defiance County, Ohio, as of December 31, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, Mental Retardation and Developmental Disabilities Fund, Job and Family Services Fund, Motor Vehicle and Gas Tax Fund, Emergency 911 Fund, and Senior Center Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2009, 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/are supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

One Government Center / Suite 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 20, 2009

The management's discussion and analysis of Defiance County's (the County) financial performance provides an overall review of the County's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- The total net assets of the County increased $3,017,442. Net assets of governmental activities increased $2,814,690, which represents a 3.39% increase over fiscal year 2007. Net assets of business-type activities increased $202,752 or 0.99% from fiscal year 2007.

- General revenues accounted for $15,463,330 or 49.00% of total governmental activities revenue. Program specific revenues accounted for $16,091,395 or 51.00% of total governmental activities revenue.

- The County had $28,725,106 in expenses related to governmental activities; $16,091,395 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of $15,463,330 were adequate to provide for these programs.

- The General Fund, the County's largest major governmental fund, had revenues and other financing sources of $11,760,224 in 2008, a decrease of $588,182 or 4.76% from 2007 revenues. The General Fund had expenditures and other financing uses of $11,507,102 in 2008, a decrease of $1,297,938 or 10.14% from 2007. The fund balance of the General Fund increased $253,122 during 2008.

- The Mental Retardation and Developmental Disabilities (MR/DD) Fund, a major governmental fund, had revenues of $4,332,301 in 2008, a decrease of $206,443 or 4.55% from 2007 revenues. The MR/DD Fund had expenditures of $4,457,455 in 2008, an increase of $343,360 or 8.35% from 2007. The MR/DD Fund balance decreased $125,154 during 2008.

- The Job and Family Services Fund, a major governmental fund, had revenues and other financing sources of $3,058,397 in 2008, a decrease of $398,521 or 11.53% from 2007 revenues. The Job and Family Services Fund had expenditures of $3,482,193 in 2008, an increase of $551,858 or 18.83% from 2007. A decrease in intergovernmental revenues and an increase in expenditures contributed to the Job and Family Services Fund balance decrease of $423,796 from 2007 to 2008.

- The Motor Vehicle License and Gas Tax Fund, a major governmental fund, had revenues and other financing sources of $4,773,986 in 2008, an increase of $77,315 or 1.65% from 2007 revenues. The Motor Vehicle License and Gas Tax Fund had expenditures of $4,154,886 in 2008, a decrease of $617,386 or 12.94% from 2007. The decrease in expenditures contributed to the Motor Vehicle License and Gas Tax Fund balance increase of $619,100 from 2007 to 2008.

- The Emergency 911 Fund, a major governmental fund, had revenues of $855,323 in 2008, a decrease of $69,633 or 7.53% from 2007 revenues. The Emergency 911 Fund had expenditures of $780,511 in 2008, a decrease of $2,838 or 0.36% from 2007. The Emergency 911 Fund balance increased $74,812 from 2007 to 2008.

- The Senior Center Fund, a major governmental fund, had revenues of $1,242,009 in 2008, a decrease of $42,471 or 3.31% from 2007 revenues. The Senior Center Fund had expenditures of $1,178,812 in 2008, a decrease of $23,085 or 1.92% from 2007. The Senior Center Fund balance increased $63,197 from 2007 to 2008.

- The County Improvement Fund, a major governmental fund, had revenues and other financing sources of $673,000 in 2008, a decrease of $864,000 or 56.21% from 2007 revenues. The County Improvement Fund had expenditures of $108,135 in 2008, a decrease of $155,958 or 59.05% from 2007. The County Improvement Fund balance increased $564,865 from 2007 to 2008.

- Net assets for the business-type activities, which are made up of the Landfill and Sewer enterprise funds, increased in 2008 by $202,752. This increase is due mainly to capital asset acquisitions by the Landfill enterprise fund.

- In the General Fund, the actual revenues and other financing sources were $2,643,338 higher than originally budgeted and actual expenditures were $2,269,898 less than the amount in the original budget. These positive variances are a result of the County's conservative budgeting process.

Using these Basic Financial Statements (BFS)

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

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

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets and the statement of activities answer the question, "How did we do financially during 2008?" These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Financial Statements

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

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the County as a whole. The table below provides a summary of the County's net assets at December 31, 2008 and 2007.

Net Assets

	Governmental Activities 2008	Business-Type Activities 2008	Governmental Activities 2007	Business-Type Activities 2007	2008 Total	2007 Total
Assets						
Current and Other Assets	$ 43,611,849	$ 13,472,622	$ 42,965,382	$ 14,808,258	$ 57,084,471	$ 57,773,640
Capital Assets, Net	55,583,860	11,156,346	54,260,528	9,650,220	66,740,206	63,910,748
Total Assets	99,195,709	24,628,968	97,225,910	24,458,478	123,824,677	121,684,388
Liabilities						
Other Liabilities	6,170,500	177,280	6,548,008	379,720	6,347,780	6,927,728
Long-Term Liabilities Outstanding	7,158,127	3,775,434	7,625,510	3,605,256	10,933,561	11,230,766
Total Liiabilities	13,328,627	3,952,714	14,173,518	3,984,976	17,281,341	18,158,494
Net Assets						
Invested in Capital Assets, Net of Related Debt	52,694,697	11,005,646	50,836,362	9,483,820	63,700,343	60,320,182
Restricted	26,004,001	1,578,267	25,160,297	1,452,449	27,582,268	26,612,746
Unrestricted	7,168,384	8,092,341	7,055,733	9,537,233	15,260,725	16,592,966
Total Net Assets	$ 85,867,082	$ 20,676,254	$ 83,052,392	$ 20,473,502	$ 106,543,336	$ 103,525,894

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2008, the County's assets exceeded liabilities by 106,543,336. This amounts to $85,867,082 in governmental activities and $20,676,254 in business-type activities. The County's finances continued to remain strong during 2008, despite the decline in the economy.

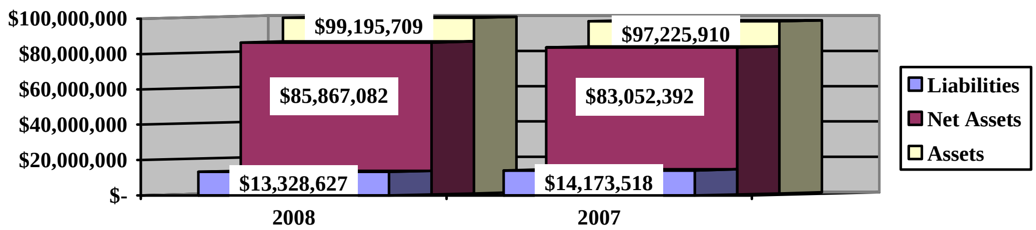
Capital assets reported on the government-wide statements represent the largest portion of the County's assets. At year-end, capital assets represented 53.90% of total governmental and business-type assets. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles, construction in progress, and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2008, were $63,700,343. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2008, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

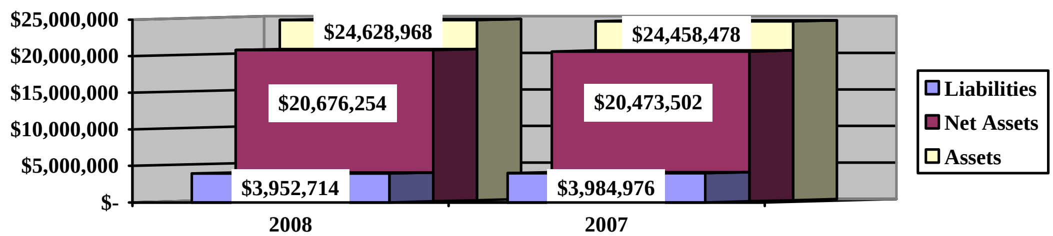
A portion of the County's net assets, $27,582,268 or 25.89%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of $15,260,725 or 14.32% may be used to meet the government's ongoing obligations to citizens and creditors.

The graphs below illustrate the District's assets, liabilities and net assets at December 31, 2008 and 2007, for the governmental activities and business-type activities:

Governmental Activities



Business-Type Activities



The table below shows the changes in net assets for fiscal year 2008 and 2007.

DEFIANCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)

Change in Net Assets

	Governmental Activities 2008	Business-Type Activities 2008	Governmental Activities 2007	Business-Type Activities 2007	Total 2008	Total 2007
Revenues						
Program Revenues:						
Charges for Services and Sales	$ 3,429,979	$ 3,558,579	$ 3,511,920	$ 4,373,316	$ 6,988,558	$ 7,885,236
Operating Grants and Contributions	12,110,910		12,160,096		12,110,910	12,160,096
Capital Grants and Contributions	550,506		371,007		550,506	371,007
Total Program Revenues	16,091,395	3,558,579	16,043,023	4,373,316	19,649,974	20,416,339
General Revenues:						
Property Taxes	4,789,355		5,139,097		4,789,355	5,139,097
Sales Tax	4,647,121		4,780,726		4,647,121	4,780,726
Unrestricted Grants	2,215,677		2,049,407		2,215,677	2,049,407
Investment Earnings	2,194,458	252,605	2,647,634	249,840	2,447,063	2,897,474
Revenue in Lieu of Taxes	80,000				80,000	
Other	1,536,719	25,030	1,479,279	139,630	1,561,749	1,618,909
Total General Revenues	15,463,330	277,635	16,096,143	389,470	15,740,965	16,485,613
Total Revenues	31,554,725	3,836,214	32,139,166	4,762,786	35,390,939	36,901,952

Change in Net Assets

	Governmental Activities 2008	Business-Type Activities 2008	Governmental Activities 2007	Business-Type Activities 2007	Total 2008	Total 2007
Expenses						
Program Expenses:						
General Government						
Legislative and Executive	5,992,904		5,592,531		5,992,904	5,592,531
Judicial	1,650,826		1,569,378		1,650,826	1,569,378
Public Safety	4,574,440		3,941,297		4,574,440	3,941,297
Public Works	3,927,760		5,675,796		3,927,760	5,675,796
Health	4,690,765		4,301,582		4,690,765	4,301,582
Human Services	7,030,877		6,671,740		7,030,877	6,671,740
Conservation and Recreation	2,065		5,755		2,065	5,755
Economic Development	615,590		385,042		615,590	385,042
Interest and Fiscal Charges	239,879		284,469		239,879	284,469
Landfill		2,997,037		2,934,415	2,997,037	2,934,415
Sewer		651,354		665,953	651,354	665,953
Total Expenses	28,725,106	3,648,391	28,427,590	3,600,368	32,373,497	32,027,958
Increase in Net Assets Before Transfers	2,829,619	187,823	3,711,576	1,162,418	3,017,442	4,873,994
Transfers	(14,929)	14,929	(206,399)	206,399		
Change in Net Assets	2,814,690	202,752	3,505,177	1,368,817	3,017,442	4,873,994
Net Assets at Beginning of Year	83,052,392	20,473,502	79,547,215	19,104,685	103,525,894	98,651,900
Net Assets at End of Year	$ 85,867,082	$ 20,676,254	$ 83,052,392	$ 20,473,502	$ 106,543,336	$ 103,525,894

Governmental Activities

Governmental net assets increased by $2,814,690 in 2008 over 2007. Revenues generated by governmental activities continue to exceed expenditures incurred by governmental activities.

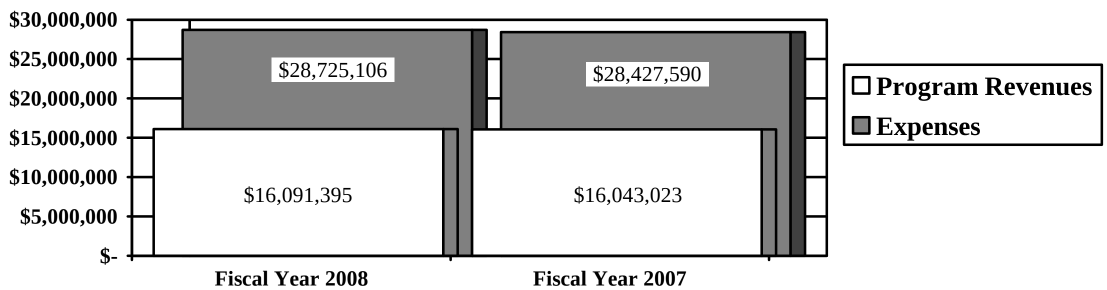
Human services expenses support the operations of Family Services (Public Assistance), Veteran Services, and the Children Services Board, and accounts for $7,030,877 of expenses, or 24.47% of total governmental expenses of the County. These expenses were funded by $137,914 in direct charges to users and $4,263,349 in operating grants and contributions in 2008. General government expenses, which includes legislative and executive and judicial programs, accounted for $7,643,730 or 26.61% of total governmental expenses. General government expenses were covered by $2,645,015 of direct charges to users in 2008.

The state and federal government contributed to the County revenues of $12,110,910 in operating grants and contributions and $550,506 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Operating grants and contributions of $4,263,349 or 35.20% subsidized human services programs.

General revenues totaled $15,463,330, and amounted to 49.00% of the total revenues of $31,554,725. These revenues primarily consist of property and sales tax revenue of $9,436,476, or 61.02% of total general revenues in 2008. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with operating grants consisting of local government revenue making up $2,215,677, or 14.33% of the total general revenues.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services, and the net cost of services for 2008 and 2007. That is, it identifies the cost of these services supported by general revenues (such as tax revenue and unrestricted state grants and entitlements). As can be seen in the graph below, the County is reliant upon general revenues to finance operations as program revenues are not sufficient to cover total expenses.

Governmental Activities – Program Revenues vs. Total Expenses



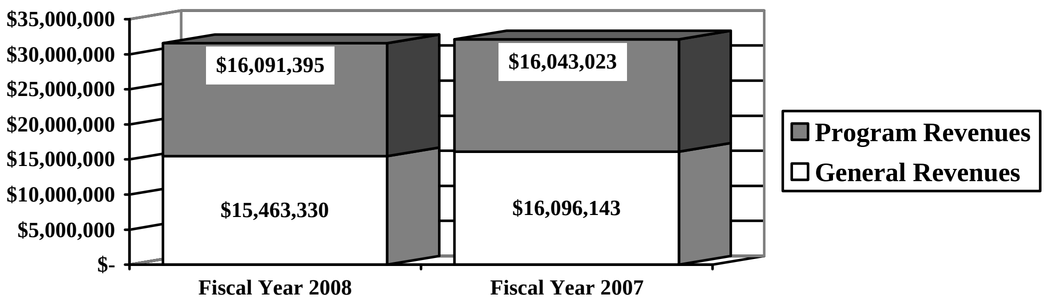
Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program Expenses:				
General Government				
Legislative and Executive	$ 5,992,904	$ 3,935,536	$ 5,592,531	$ 3,248,585
Judicial	1,650,826	898,955	1,569,378	802,013
Public Safety	4,574,440	4,344,963	3,941,297	3,715,810
Public Works	3,927,760	(2,067,448)	5,675,796	537,628
Health	4,690,765	2,592,272	4,301,582	2,121,523
Human Services	7,030,877	2,629,614	6,671,740	1,288,092
Conservation and Recreation	2,065	2,065	5,755	5,755
Economic Development	615,590	57,875	385,042	380,692
Interest and Fiscal Charges	239,879	239,879	284,469	284,469
Total	$ 28,725,106	$ 12,633,711	$ 28,427,590	$ 12,384,567

The dependence upon general revenues for governmental activities is apparent, with 43.98% of expenses supported through taxes and other general revenues during 2008.

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

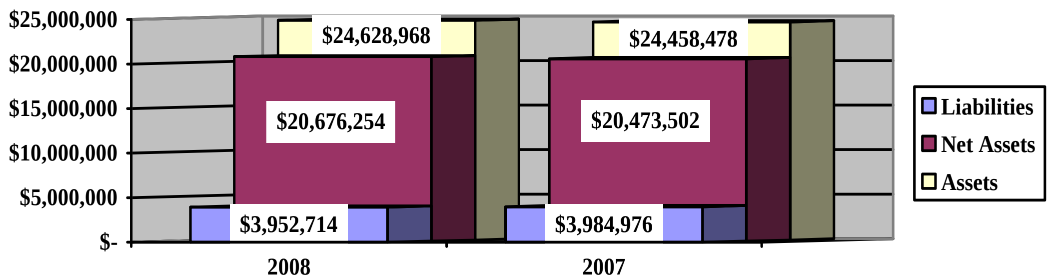
Governmental Activities – General and Program Revenues



Business-Type Activities

The Landfill and Sewer Funds are the County's enterprise funds. These operations had program revenues of $3,558,579, general revenues of $277,635, expenses of $3,648,391, and a transfer-in of $14,929 for fiscal year 2008. The net assets of the enterprise funds increased $202,752 or 0.99% during 2008. The following graph illustrates the assets, liabilities, and net assets of the County's business-type activities at December 31, 2008 and 2007:

Net Assets in Business – Type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The County's governmental funds reported a combined fund balance of $28,327,027, which is $779,958 above last year's total of $27,547,069. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2008 and 2007 for all major and nonmajor governmental funds.

	Fund Balance December 31, 2008	Fund Balance December 31, 2007	Increase/ (Decrease)
Major Funds:			
General	$ 8,727,859	$ 8,474,737	$ 253,122
Mental Retardation and Developmental Disabilities	3,063,640	3,188,794	(125,154)
Job and Family Services	294,018	717,814	(423,796)
Motor Vehicle License and Gas Tax	1,434,466	815,366	619,100
Emergency 911	598,539	523,727	74,812
Senior Center	798,637	735,440	63,197
County Improvement	4,610,745	4,045,880	564,865
Other Nonmajor Governmental Funds	8,799,123	9,045,311	(246,188)
Total	$ 28,327,027	$ 27,547,069	$ 779,958

General Fund

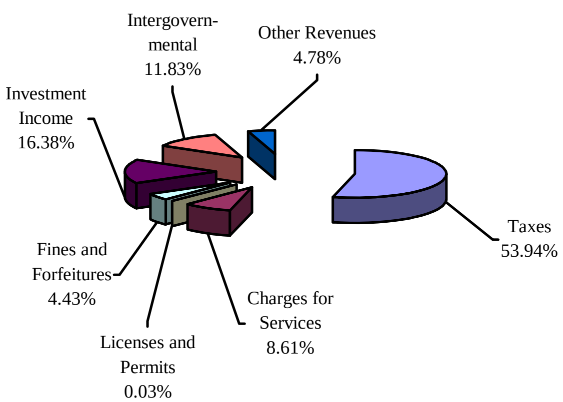
The County's General Fund balance increased $253,122. Although the fund balance increased, the County had lower revenues and greater expenditures in 2008 versus 2007. The primary reason for the increase in fund balance was that the County made $1,978,579 less in transfers-out to other funds in 2008 versus 2007. The table that follows assists in illustrating the revenues of the General Fund.

	2008 Amount	2007 Amount	Increase/ (Decrease)	Percentage Change
Revenues				
Taxes	$ 6,338,591	$ 6,596,840	$ (258,249)	(3.91) %
Charges for Services	1,011,855	1,295,957	(284,102)	(21.92) %
Licenses and Permits	2,945	2,792	153	5.48 %
Fines and Forfeitures	520,508	63,581	456,927	718.65 %
Intergovernmental	1,390,161	1,292,499	97,662	7.56 %
Investment Income	1,924,199	2,526,269	(602,070)	(23.83) %
Rent Income and Other	562,118	554,229	7,889	1.42 %
Total	$ 11,750,377	$ 12,332,167	$ (581,790)	(4.72) %

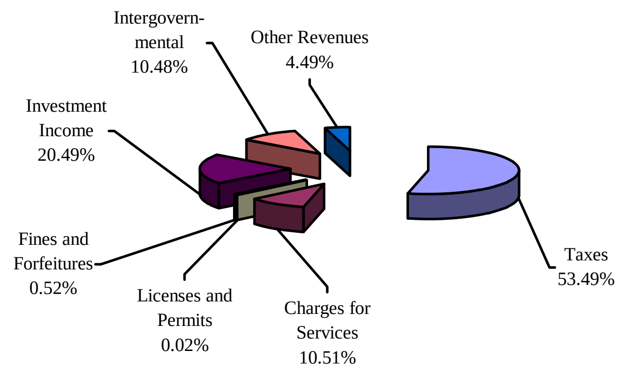
Tax revenue represents 53.94% of all General Fund revenue. Tax revenue decreased slightly by 3.91% from the prior year. The decrease in investment income is primarily due to a decrease in interest rates the County receives on its investments. The decrease in charges for services and the increase in fines and forfeitures are primarily due to the reporting in 2008 of certain courts costs and fines as fines and forfeitures revenue rather than charges for services revenue as they were reported in 2007. All other revenue remained comparable to 2007.

The graphs below illustrate the revenue of the general fund for 2008 and 2007:

Revenues – Fiscal Year 2008



Revenues – Fiscal Year 2007



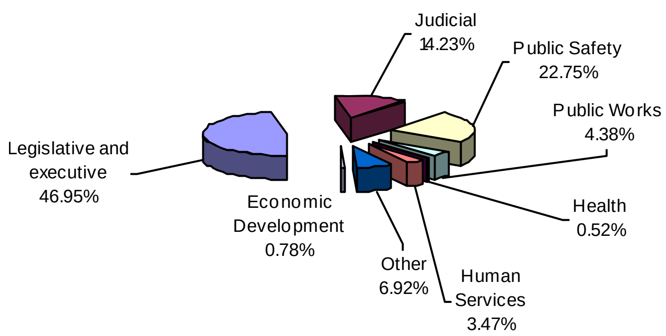
The table that follows assists in illustrating the expenditures of the General Fund.

	2008 Amount	2007 Amount	Increase/ (Decrease)	Percentage Change
Expenditures				
General Government				
Legislative and Executive	$ 4,381,737	$ 4,122,435	$ 259,302	6.29 %
Judicial	1,328,173	1,266,593	61,580	4.86 %
Public Safety	2,122,775	1,991,925	130,850	6.57 %
Public Works	408,443	118,780	289,663	243.87 %
Health	48,313	38,059	10,254	26.94 %
Human Services	323,609	310,958	12,651	4.07 %
Economic Development	72,765		72,765	100.00 %
Other	645,730	802,154	(156,424)	(19.50) %
Total	$ 9,331,545	$ 8,650,904	$ 680,641	7.87 %

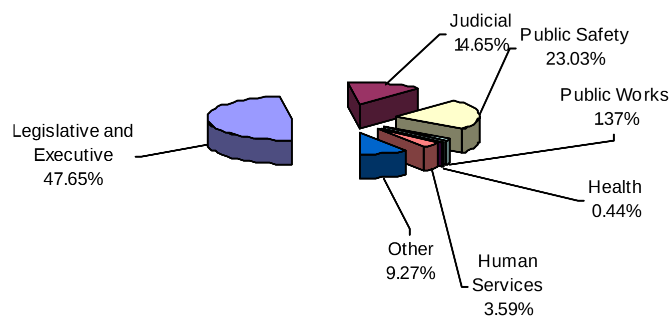
Other expenditures decreased and legislative and executive as well as economic development expenditures increased as the County classified amounts previously reported as other expenditures in 2007 as legislative and executive and economic development expenditures in 2008. Another significant variance was in the area of public works expenditures. Public works expenditures increased $289,663 or 243.87%. Public works expenditures include those of the County Engineer's department. All other expenditures remained comparable to the prior year.

The graphs below illustrate the expenditures of the general fund for 2008 and 2007:

Expenditures - Fiscal Year 2008



Expenditures - Fiscal Year 2007



Mental Retardation and Developmental Disabilities (MR/DD) Fund

The Mental Retardation and Developmental Disabilities (MR/DD) Fund, a major governmental fund, had revenues of $4,332,301 in 2008, a decrease of $206,443 or 4.55% from 2007 revenues. The MR/DD Fund had expenditures of $4,457,455 in 2008, an increase of $343,360 or 8.35% from 2007. The MR/DD Fund balance decreased $125,154 during 2008 due to expenditures being greater than revenues.

Job and Family Services Fund

The Job and Family Services Fund, a major governmental fund, had revenues and other financing sources of $3,058,397 in 2008, a decrease of $398,521 or 11.53% from 2007 revenues. The Job and Family Services Fund had expenditures of $3,482,193 in 2008, an increase of $551,858 or 18.83% from 2007, due to an increase in payroll and operating expenses. A decrease in intergovernmental revenues and an increase in expenditures contributed to the Job and Family Services Fund balance decrease of $423,796 from 2007 to 2008.

Motor Vehicle License and Gas Tax Fund

The Motor Vehicle License and Gas Tax Fund, a major governmental fund, had revenues and other financing sources of $4,773,986 in 2008, an increase of $77,315 or 1.65% from 2007 revenues. The Motor Vehicle License and Gas Tax Fund had expenditures of $4,154,886 in 2008, a decrease of $617,386 or 12.94% from 2007. The decrease in expenditures contributed to the Motor Vehicle License and Gas Fax Fund balance increase of $619,100 from 2007 to 2008.

Emergency 911 Fund

The Emergency 911 Fund, a major governmental fund, had revenues of $855,323 in 2008, a decrease of $69,633 or 7.53% from 2007 revenues, due to a decrease in property tax collections. The Emergency 911 Fund had expenditures of $780,511 in 2008, a decrease of $2,838 or 0.36% from 2007, due to expenditures for software and equipment improvements and repairs. The Emergency 911 Fund balance increased $74,812 from 2007 to 2008 due to revenues being greater than expenditures.

Senior Center Fund

The Senior Center Fund, a major governmental fund, had revenues of $1,242,009 in 2008, a decrease of $42,471 or 3.31% from 2007 revenues, due to a decrease in property tax collections but an increase in grant revenues. The Senior Center Fund had expenditures of $1,178,812 in 2008, a decrease of $23,085 or 1.92% from 2007. An increase in intergovernmental revenues and a decrease in expenditures contributed to the Senior Center Fund balance increase of $63,197 from 2007 to 2008.

County Improvement Fund

The County Improvement Fund, a major governmental fund, had revenues and other financing sources of $673,000 in 2008, a decrease of $864,000 or 56.21% from 2007 revenues, due to a decrease in transfers from other funds. The County Improvement Fund had expenditures of $108,135 in 2008, a decrease of $155,958 or 59.05% from 2007, due to less County improvement projects in 2008. The County Improvement Fund balance increased $564,865 from 2007 to 2008.

Budgeting Highlights - General Fund

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

Budgetary information is presented for the General Fund, MR/DD Fund, Job and Family Services Fund, Motor Vehicle License and Gas Tax Fund, Emergency 911 Fund, and Senior Center Fund In the General Fund, the original budgeted revenues and other financing sources were $9,210,600 and were increased to $12,013,493 in the final budget. Actual revenues and other financing sources of $11,853,938 were less than the final budgeted revenues and other financing sources by $159,555 or 1.33%. This decrease is primarily due to less than anticipated receipts in interest revenue and other revenue. In the General Fund, the original budgeted appropriations were $15,184,248. These were increased to $17,987,141 in the final budget. Actual expenditures and other financing uses of $12,914,350 were less than final budgeted appropriations by $5,072,791 or 28.20%. Actual expenditures being lower than final budgeted expenditures are a result of the County's conservative budgeting practices.

Proprietary Funds

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

Capital Assets and Debt Administration

Capital Assets

At the end of 2008, the County had $66,740,206 (net of accumulated depreciation) invested in land and land improvements, buildings and improvements, machinery and equipment, vehicles, construction in progress, sewer lines, and infrastructure. Of this total, $55,583,860 was reported in governmental activities and $11,156,346 was reported in business-type activities.

The following table shows fiscal year 2008 balances compared to 2007:

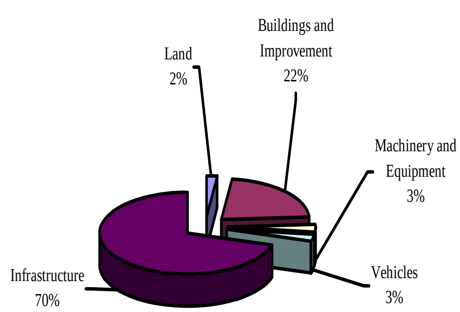
Capital Assets at December 31
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	$ 1,084,684	$ 1,084,684	$ 997,099	$ 997,099	$ 2,081,783	$ 2,081,783
Land Improvements			3,825,431		3,825,431	
Building and Improvements	12,143,505	12,019,328	387,629	394,220	12,531,134	12,413,548
Machinery and Equipment	1,762,964	1,847,439	679,563	870,725	2,442,527	2,718,164
Vehicles	1,537,830	1,454,769	60,309	53,012	1,598,139	1,507,781
Infrastructure	39,054,877	37,854,308			39,054,877	37,854,308
Sewer Lines			4,408,748	4,527,859	4,408,748	4,527,859
Construction in Progress			797,567	2,807,305	797,567	2,807,305
Total	$ 55,583,860	$ 54,260,528	$ 11,156,346	$ 9,650,220	$ 66,740,206	$ 63,910,748

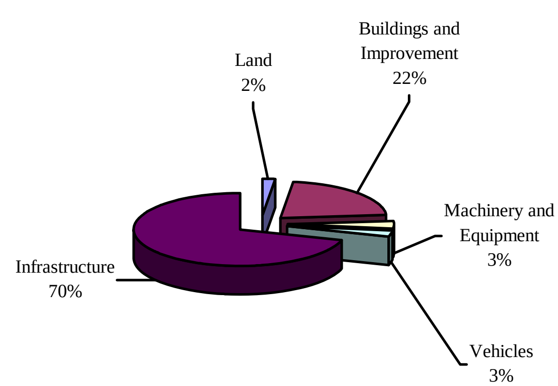
See Note 9 to the basic financial statements for detail on governmental activities and business-type activities capital assets.

The following graphs show the breakdown of governmental capital assets by category for 2008 and 2007.

Capital Assets - Governmental Activities 2008



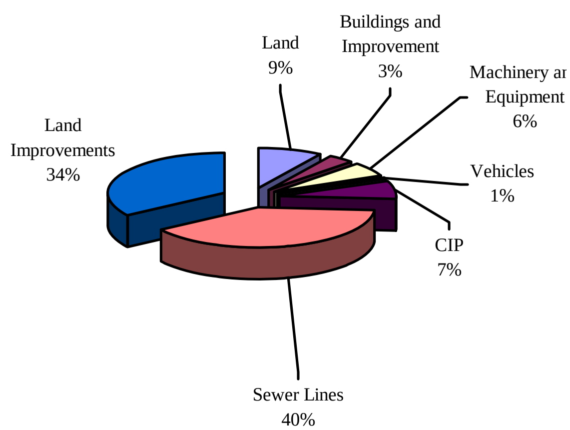
Capital Assets - Governmental Activities 2007



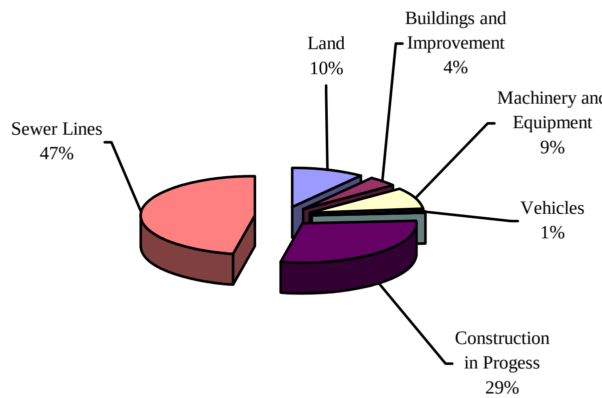
The County's largest capital asset category is infrastructure, which includes roads and bridges. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated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

The following graphs show the breakdown of business-type capital assets by category for 2008 and 2007.

Capital Assets - Business-Type Activities
2008



Capital Assets - Business-Type Activities
2007



The County's largest business-type capital asset category is sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the County's sewer lines (cost less accumulated depreciation) represents approximately 40% of the County's total business-type capital assets.

Debt Administration

At December 31, 2008 the County had $2,085,000 in general obligation bonds, $1,036,000 in special assessment bonds, $58,700 in sewer revenue bonds, OPWC loans of $245,726, OWDA loans of $990,870, Capmark commercial mortgage of $77,000, bond anticipation notes of $1,428,325, capital lease obligation of $92,083, and closure and post-closure liability outstanding of $3,527,314. Of this total, $1,756,049 is due within one year and $7,784,969 is due within greater than one year.

The following table summarizes the bonds and loans outstanding:

Outstanding Debt, at Year End

	Governmental Activities 2008	Business-Type Activities 2008	Governmental Activities 2007	Business-Type Activities 2007
Long-Term Obligations				
General Obligation Bonds	$ 2,070,000	$ 15,000	$ 2,205,000	$ 25,000
Special Assessment Bonds	1,036,000		1,085,000	
Sewer Revenue Bonds		58,700		59,400
Bond Anticipation Notes	1,428,325		1,600,000	
OPWC Loans	245,726		269,129	
OWDA Loans	990,870		1,054,028	
Capmark Commercial Mortgage		77,000		82,000
Capital Lease Obligations	92,083		119,166	
Closure and Postclosure		3,527,314		3,350,526
Total	$ 5,863,004	$ 3,678,014	$ 6,332,323	$ 3,516,926

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

Economic Factors and Next Year’s Budgets and Rates

The County’s estimated population for 2007 (the latest information available from the U.S. Census Bureau) was approximately 38,500.

As of December 31, 2008, as reported by the Ohio Job and Family Services Office of Workforce Development and Bureau of Labor Market Information the County’s unemployment rates was 9.6%, compared to the 7.7% unadjusted state rate and the 7.1% unadjusted national rate.

Contacting the County’s Financial Management

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

DEFIANCE COUNTY

STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	$ 27,905,134	$ 8,155,617	$ 36,060,751
Cash and cash equivalents in segregated accounts	24,949	325	25,274
Cash and cash equivalents with fiscal agent		2,161	2,161
Investments		4,925,190	4,925,190
Receivables (net of allowances for uncollectibles):			
Sales taxes	699,092		699,092
Real estate and other taxes	4,785,528		4,785,528
Accounts	286,577	340,718	627,295
Intergovernmental	5,623,057		5,623,057
Special assessments	2,155,520		2,155,520
Accrued interest	422,486	53,095	475,581
Loans	225,289		225,289
Internal balances	11,139	(11,139)	
Prepayments	901,104	5,083	906,187
Materials and supplies inventory	571,974	1,572	573,546
Capital assets:			
Land and construction in progress	1,084,684	1,794,666	2,879,350
Depreciable capital assets, net	54,499,176	9,361,680	63,860,856
Total capital assets	55,583,860	11,156,346	66,740,206
Total assets	99,195,709	24,628,968	123,824,677
Liabilities:			
Accounts payable	418,368	117,421	535,789
Accrued wages and benefits	313,802	12,059	325,861
Due to other governments	372,613	46,936	419,549
Accrued interest payable	31,952	864	32,816
Notes payable	150,000		150,000
Claims payable	229,765		229,765
Unearned revenue	4,654,000		4,654,000
Long-term liabilities:			
Due within one year	2,209,080	49,232	2,258,312
Due in more than one year	4,949,047	3,726,202	8,675,249
Total liabilities	13,328,627	3,952,714	17,281,341
Net assets:			
Invested in capital assets, net of related debt	52,694,697	11,005,646	63,700,343
Restricted for:			
Debt service	3,741,921		3,741,921
Capital projects	5,392,165		5,392,165
Other purposes	3,602,300		3,602,300
Human services programs	2,394,618		2,394,618
Public works projects	3,745,017		3,745,017
Public safety programs	4,028,329		4,028,329
Health services	3,099,651		3,099,651
Landfill closure and postclosure		1,578,267	1,578,267
Unrestricted	7,168,384	8,092,341	15,260,725
Total net assets	$ 85,867,082	$ 20,676,254	$ 106,543,336

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government:							
Legislative and executive	$ 5,992,904	$ 2,057,368			$ (3,935,536)		$ (3,935,536)
Judicial	1,650,826	587,647	$ 164,224		(898,955)		(898,955)
Public safety	4,574,440	16,706	212,771		(4,344,963)		(4,344,963)
Public works	3,927,760	506,096	4,938,606	$ 550,506	2,067,448		2,067,448
Health	4,690,765	117,998	1,980,495		(2,592,272)		(2,592,272)
Human services	7,030,877	137,914	4,263,349		(2,629,614)		(2,629,614)
Conservation and recreation	2,065				(2,065)		(2,065)
Economic development	615,590	6,250	551,465		(57,875)		(57,875)
Interest and fiscal charges	239,879				(239,879)		(239,879)
Total governmental activities	28,725,106	3,429,979	12,110,910	550,506	(12,633,711)		(12,633,711)
Business-Type Activities:							
Landfill	2,997,037	3,024,125				$ 27,088	27,088
Sewer	651,354	534,454				(116,900)	(116,900)
Total business-type activities	3,648,391	3,558,579				(89,812)	(89,812)
Total	$ 32,373,497	$ 6,988,558	$ 12,110,910	$ 550,506	(12,633,711)	(89,812)	(12,723,523)
		General Revenues:					
		Property taxes levied for:					
		General Fund			1,640,844		1,640,844
		Public Safety - Emergency 911			671,066		671,066
		Human Services - County Board of MR/DD			1,832,439		1,832,439
		Human Services - Senior Center			645,006		645,006
		Sales taxes			4,647,121		4,647,121
		Grants and entitlements not restricted to specific programs			2,215,677		2,215,677
		Investment earnings			2,194,458	252,605	2,447,063
		Revenue in lieu of taxes			80,000		80,000
		Miscellaneous			1,536,719	25,030	1,561,749
		Total general revenues			15,463,330	277,635	15,740,965
		Transfers			(14,929)	14,929	
		Total general revenues and transfers			15,448,401	292,564	15,740,965
		Change in net assets			2,814,690	202,752	3,017,442
		Net assets at beginning of year			83,052,392	20,473,502	103,525,894
		Net assets at end of year			$ 85,867,082	$ 20,676,254	$ 106,543,336

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

DEFIANCE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	General	Mental Retardation and Developmental Disabilities	Job and Family Services	Motor Vehicle and Gas Tax
Assets and Other Debits				
Assets:				
Equity in pooled cash and cash equivalents	$ 5,594,753	$ 2,930,427	$ 87,509	$ 612,843
Cash and cash equivalents in segregated accounts	24,924			
Receivables (net of allowance for uncollectibles):				
Sales taxes	699,092			
Real estate and other taxes	1,547,743	1,921,357		
Accounts	212,370		1,320	26,285
Intergovernmental	621,980	130,922	693,407	2,701,429
Special assessments				
Accrued interest	422,486			
Loans				
Interfund loans	2,552,775			
Due from other funds	33,007			
Prepayments	153,108	275,924	6,484	1,918
Materials and supplies inventory	68,110	11,375	8,127	427,131
Total assets	$ 11,930,348	$ 5,270,005	$ 796,847	$ 3,769,606
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 173,146	$ 30,446	$ 111,088	$ 13,086
Accrued wages and benefits	100,966	65,578	38,286	31,929
Compensated absences payable	15,616		7,324	
Due to other funds	3,216		10,231	
Due to other governments	153,069	59,617	46,044	37,546
Interfund loan payable				
Accrued interest payable				
Notes payable				
Deferred revenue	1,249,476	184,724	289,856	2,252,579
Unearned revenue	1,507,000	1,866,000		
Total liabilities	3,202,489	2,206,365	502,829	2,335,140
Fund Balances:				
Reserved for encumbrances	297,994	31,804	4,714	77,797
Reserved for unclaimed monies	103,660			
Reserved for prepayments	153,108	275,924	6,484	1,918
Reserved for materials and supplies inventory	68,110	11,375	8,127	427,131
Reserved for interfund loans	2,552,775			
Reserved for loans receivable				
Reserved for debt service				
Unreserved:				
Designated for retirement				
Undesignated (deficit), reported in:				
General fund	5,552,212			
Special revenue funds		2,744,537	274,693	927,620
Debt service funds				
Capital projects funds				
Total fund balances	8,727,859	3,063,640	294,018	1,434,466
Total liabilities and fund balances	$ 11,930,348	$ 5,270,005	$ 796,847	$ 3,769,606

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Emergency 911	Senior Center	County Improvement	Other Governmental Funds	Total Governmental Funds
$ 609,614	$ 795,803	$ 4,610,745	$ 10,889,066	$ 26,130,760
			25	24,949
				699,092
672,714	643,714			4,785,528
			46,602	286,577
46,615	95,518		1,333,186	5,623,057
			2,155,520	2,155,520
				422,486
			225,289	225,289
			67,000	2,619,775
			3,216	36,223
24,473	532		438,665	901,104
1,412	14,822		40,997	571,974
$ 1,354,828	$ 1,550,389	$ 4,610,745	$ 15,199,566	$ 44,482,334
$ 2,534	$ 18,232		$ 69,836	$ 418,368
15,842	11,831		49,370	313,802
				22,940
			21,174	34,621
19,082	14,437		42,818	372,613
			2,619,775	2,619,775
			1,061	1,061
			150,000	150,000
63,831	81,252		3,446,409	7,568,127
655,000	626,000			4,654,000
756,289	751,752		6,400,443	16,155,307
10,444	27,546	72,280	290,400	812,979
				103,660
24,473	532		438,665	901,104
1,412	14,822		40,997	571,974
			67,000	2,619,775
			203,036	203,036
			1,977,230	1,977,230
			51,907	51,907
				5,552,212
562,210	755,737		5,634,720	10,899,517
			(239,482)	(239,482)
		4,538,465	334,650	4,873,115
598,539	798,637	4,610,745	8,799,123	28,327,027
$ 1,354,828	$ 1,550,389	$ 4,610,745	$ 15,199,566	$ 44,482,334

DEFIANCE COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2008

Total governmental fund balances		$	28,327,027
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			55,583,860
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Sales tax receivable	363,911		
Real estate and other taxes receivable	127,832		
Intergovernmental receivable	4,588,511		
Special assessments receivable	2,155,520		
Accrued interest receivable	332,353		
Total			7,568,127
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets. The net assets of the internal service fund are:			1,544,609
An interfund receivable is recorded in governmental activities to reflect underpayments to the internal service fund by the business-type activities.			9,537
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds payable	(2,070,000)		
Special assessment bonds payable	(1,036,000)		
Notes payable	(1,428,325)		
OPWC loan payable	(245,726)		
OWDA loans payable	(990,870)		
Compensated absences	(1,272,183)		
Capital leases payable	(92,083)		
Accrued interest payable	(30,891)		
Total			(7,166,078)
Net assets of governmental activities		$	85,867,082

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

DEFIANCE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	General	Mental Retardation and Developmental Disabilities	Job and Family Services	Motor Vehicle and Gas Tax
Revenues:				
Property taxes	$ 1,633,231	$ 1,821,278		
Sales taxes	4,705,360			
Special assessments				
Charges for services	1,011,855			$ 19,792
Licenses and permits	2,945			
Fines and forfeitures	520,508			28,385
Intergovernmental	1,390,161	2,407,139	$ 2,880,630	4,401,388
Investment income	1,924,199			14,814
Rental income	295,355			
Revenue in lieu of taxes				
Other	266,763	103,884	69,958	98,802
Total revenues	11,750,377	4,332,301	2,950,588	4,563,181
Expenditures:				
Current:				
General government:				
Legislative and executive	4,381,737			
Judicial	1,328,173			
Public safety	2,122,775			
Public works	408,443			3,843,697
Health	48,313	4,457,455		
Human services	323,609		3,482,193	
Economic development	72,765			
Other	645,730			
Capital outlay				
Debt service:				
Principal retirement				300,000
Interest and fiscal charges				11,189
Total expenditures	9,331,545	4,457,455	3,482,193	4,154,886
Excess (deficiency) of revenues over (under) expenditures	2,418,832	(125,154)	(531,605)	408,295
Other financing sources (uses):				
Sale of capital assets	9,847			
Premium on issuance of notes				806
Issuance of notes				200,000
Transfers in			107,809	9,999
Transfers out	(2,175,557)			
Total other financing sources (uses)	(2,165,710)		107,809	210,805
Net change in fund balances	253,122	(125,154)	(423,796)	619,100
Fund balances at beginning of year	8,474,737	3,188,794	717,814	815,366
Fund balances at end of year	$ 8,727,859	$ 3,063,640	$ 294,018	$ 1,434,466

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Emergency 911	Senior Center	County Improvement	Other Governmental Funds	Total Governmental Funds
$ 667,668	$ 641,569			$ 4,763,746
				4,705,360
			$ 652,650	652,650
		$ 7,000	1,010,259	2,048,906
			117,236	120,181
			155,386	704,279
185,302	584,983		2,544,873	14,394,476
			30,981	1,969,994
			132,607	427,962
			80,000	80,000
2,353	15,457		738,832	1,296,049
855,323	1,242,009	7,000	5,462,824	31,163,603
			629,050	5,010,787
			268,785	1,596,958
780,511			1,674,219	4,577,505
			118,314	4,370,454
			124,750	4,630,518
	1,178,812		1,884,773	6,869,387
			542,354	615,119
			123,704	769,434
		108,135	1,118,912	1,227,047
			1,597,644	1,897,644
			243,162	254,351
780,511	1,178,812	108,135	8,325,667	31,819,204
74,812	63,197	(101,135)	(2,862,843)	(655,601)
				9,847
			4,571	5,377
			1,228,325	1,428,325
		666,000	1,891,707	2,675,515
			(507,948)	(2,683,505)
		666,000	2,616,655	1,435,559
74,812	63,197	564,865	(246,188)	779,958
523,727	735,440	4,045,880	9,045,311	27,547,069
$ 598,539	$ 798,637	$ 4,610,745	$ 8,799,123	$ 28,327,027

DEFIANCE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2008

Net change in fund balances - total governmental funds		$ 779,958
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period:		
Capital outlay	3,650,271	
Depreciation expense	(2,077,984)	
Total		1,572,287
The effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(248,955)
Note issuances are other financing sources in the funds, but they increase long-term liabilities on the statement of net assets:		
Bond anticipation notes		(1,428,325)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Sales taxes	(58,239)	
Property taxes	25,609	
Intergovernmental	482,617	
Special assessments	(283,329)	
Investment income	224,464	
Total		391,122
Principal payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets:		
General obligation bonds	135,000	
Special assessment bonds	49,000	
Loans payable	86,561	
Capital lease payable	27,083	
Notes payable	1,600,000	
Total		1,897,644
In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.		9,095
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Compensated absences		(7,074)
The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund (plus the $13,198 internal activity) is allocated among the governmental activities.		(151,062)
Change in net assets of governmental activities		$ 2,814,690

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Property taxes	$ 1,610,000	$ 1,668,788	$ 1,668,788	
Sales taxes	3,600,000	4,704,543	4,704,543	
Charges for services	923,900	1,036,324	1,038,664	$ 2,340
Licenses and permits	2,400	2,920	2,945	25
Fines and forfeitures	87,900	492,432	497,519	5,087
Intergovernmental	1,220,000	1,320,727	1,376,022	55,295
Investment income	1,500,000	1,998,821	1,820,403	(178,418)
Rental income	150,000	259,088	295,355	36,267
Other	114,400	475,148	394,992	(80,156)
Total revenues	9,208,600	11,958,791	11,799,231	(159,560)
Expenditures:				
Current:				
General government:				
Legislative and executive	4,698,387	4,765,117	4,521,419	243,698
Judicial	1,454,240	1,487,452	1,357,515	129,937
Public safety	2,584,070	2,625,633	2,118,621	507,012
Public works	755,080	670,970	613,504	57,466
Health	75,270	67,270	47,307	19,963
Human services	724,150	346,150	327,409	18,741
Economic development and assistance	73,000	73,000	72,765	235
Other	1,879,770	1,781,105	642,133	1,138,972
Total expenditures	12,243,967	11,816,697	9,700,673	2,116,024
Excess (deficiency) of revenues over (under) expenditures	(3,035,367)	142,094	2,098,558	1,956,464
Other financing sources (uses):				
Advances in		44,860	44,860	
Advances out		(1,038,120)	(1,038,120)	
Transfers out	(100,000)	(2,275,557)	(2,175,557)	100,000
Sale of capital assets	2,000	9,842	9,847	5
Contingencies	(2,840,281)	(2,856,767)		2,856,767
Total other financing sources (uses)	(2,938,281)	(6,115,742)	(3,158,970)	2,956,772
Net change in fund balance	(5,973,648)	(5,973,648)	(1,060,412)	4,913,236
Fund balance at beginning of year	5,754,964	5,754,964	5,754,964	
Prior year encumbrances appropriated	$ 218,684	$ 218,684	218,684	
Fund balance at end of year			$ 4,913,236	$ 4,913,236

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES FUND FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Property taxes	$ 1,909,000	$ 1,909,000	$ 1,842,345	$ (66,655)
Charges for services	352,800	352,800	18,624	(334,176)
Intergovernmental	2,113,930	2,035,974	2,407,139	371,165
Other	31,500	31,500	85,260	53,760
Total revenues	4,407,230	4,329,274	4,353,368	24,094
Expenditures:				
Current:				
Health	5,739,683	5,664,702	4,430,012	1,234,690
Net change in fund balance	(1,332,453)	(1,335,428)	(76,644)	1,258,784
Fund balance at beginning of year	2,830,450	2,830,450	2,830,450	
Prior year encumbrances appropriated	30,317	30,317	30,317	
Fund balance at end of year	$ 1,528,314	$ 1,525,339	$ 2,784,123	$ 1,258,784

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) JOB AND FAMILY SERVICES FUND FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
Revenues:				
Intergovernmental	$ 3,940,000	$ 2,793,664	$ 2,795,592	$ 1,928
Other	533,067	236,009	89,095	(146,914)
Total revenues	4,473,067	3,029,673	2,884,687	(144,986)
Expenditures:				
Current:				
Human services	5,163,437	3,694,452	3,466,671	227,781
Deficiency of revenues under expenditures	(690,370)	(664,779)	(581,984)	82,795
Other financing sources:				
Transfers in	133,400	107,809	107,809	
Net change in fund balance	(556,970)	(556,970)	(474,175)	82,795
Fund balance at beginning of year	479,462	479,462	479,462	
Prior year encumbrances appropriated	$ 77,508	$ 77,508	77,508	
Fund balance at end of year			$ 82,795	$ 82,795

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) MOTOR VEHICLE AND GAS TAX FUND FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Charges for services	$ 1,000	$ 357	$ 357	
Fines and forfeitures	10,000	27,519	27,526	$ 7
Intergovernmental	4,215,000	4,106,964	4,245,662	138,698
Investment income	12,000	14,814	14,814	
Other	13,000	134,607	101,271	(33,336)
Total revenues	4,251,000	4,284,261	4,389,630	105,369
Expenditures:				
Current:				
Public works	4,668,115	4,502,182	4,085,893	416,289
Debt service:				
Principal retirement	300,000	300,000	300,000	
Interest and fiscal charges	12,000	12,000	11,189	811
Total expenditures	4,980,115	4,814,182	4,397,082	417,100
Deficiency of revenues under expenditures	(729,115)	(529,921)	(7,452)	522,469
Other financing sources:				
Issuance of notes	400,000	200,806	200,806	
Transfers in	9,999	9,999	9,999	
Total other financing sources	409,999	210,805	210,805	
Net change in fund balance	(319,116)	(319,116)	203,353	522,469
Fund balance at beginning of year	145,690	145,690	145,690	
Prior year encumbrances appropriated	$ 173,426	$ 173,426	173,426	
Fund balance at end of year			$ 522,469	$ 522,469

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) EMERGENCY 911 FUND FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Property taxes	$ 845,000	$ 680,213	$ 680,213	
Intergovernmental		185,302	185,302	
Other		2,353	2,353	
Total revenues	845,000	867,868	867,868	
Expenditures:				
Current:				
Public safety	1,329,462	1,352,330	782,641	$ 569,689
Net change in fund balance	(484,462)	(484,462)	85,227	569,689
Fund balance at beginning of year	475,816	475,816	475,816	
Prior year encumbrances appropriated	$ 8,646	$ 8,646	8,646	
Fund balance at end of year			$ 569,689	$ 569,689

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SENIOR CENTER FUND FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Property taxes	$ 700,000	$ 652,636	$ 652,636	
Intergovernmental	522,434	578,228	578,228	
Other	8,215	15,304	15,538	$ 234
Total revenues	1,230,649	1,246,168	1,246,402	234
Expenditures:				
Current:				
Human services	1,924,547	1,940,066	1,216,421	723,645
Net change in fund balance	(693,898)	(693,898)	29,981	723,879
Fund balance at beginning of year	666,446	666,446	666,446	
Prior year encumbrances appropriated	$ 27,452	$ 27,452	27,452	
Fund balance at end of year			$ 723,879	$ 723,879

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2008

	Business-Type Activities - Enterprise Funds			Governmental Activity - Internal Service Fund
	Landfill	Sewer	Total	
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	$ 7,476,161	$ 552,160	$ 8,028,321	$ 1,774,374
Cash with fiscal agent		2,161	2,161	
Cash and cash equivalents in segregated accounts	225	100	325	
Receivables (net of allowance for uncollectibles):				
Accounts	252,786	87,932	340,718	
Prepayments	3,197	1,886	5,083	
Materials and supplies inventory	1,497	75	1,572	
Total current assets	7,733,866	644,314	8,378,180	1,774,374
Noncurrent assets:				
Restricted assets:				
Equity in pooled cash and cash equivalents	127,296		127,296	
Investments	4,925,190		4,925,190	
Accrued interest receivable	53,095		53,095	
Capital assets:				
Land and construction in progress	991,731	802,935	1,794,666	
Depreciable capital assets, net	4,525,694	4,835,986	9,361,680	
Total noncurrent assets	10,623,006	5,638,921	16,261,927	
Total assets	18,356,872	6,283,235	24,640,107	1,774,374
Liabilities:				
Current liabilities:				
Accounts payable	65,618	51,803	117,421	
Accrued wages and benefits	9,168	2,891	12,059	
Compensated absences payable	23,577	4,955	28,532	
Due to other funds		1,602	1,602	
Due to other governments	43,887	3,049	46,936	
Accrued interest payable		864	864	
Claims payable				229,765
General obligation bonds payable		15,000	15,000	
Revenue bonds		700	700	
Capmark commercial mortgage payable		5,000	5,000	
Total current liabilities	142,250	85,864	228,114	229,765
Long-term liabilities:				
Liabilities payable from restricted assets:				
Closure and postclosure payable	3,527,314		3,527,314	
Revenue bonds		58,000	58,000	
Capmark commercial mortgage payable		72,000	72,000	
Compensated absences	39,980	28,908	68,888	
Total long-term liabilities	3,567,294	158,908	3,726,202	
Total liabilities	3,709,544	244,772	3,954,316	229,765
Net assets:				
Invested in capital assets, net of related debt	5,517,425	5,488,221	11,005,646	
Restricted for closure and postclosure	1,578,267		1,578,267	
Unrestricted	7,551,636	550,242	8,101,878	1,544,609
Total net assets	$ 14,647,328	$ 6,038,463	$ 20,685,791	$ 1,544,609
Net assets reported for business-type activities on the statement of net assets is different because it includes a proportionate share of the balance of the internal service fund.			(9,537)	
Net assets of business-type activities			$ 20,676,254	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-Type Activities - Enterprise Funds			Governmental Activity - Internal Service Fund
	Landfill	Sewer	Total	
Operating revenues:				
Charges for services	$ 3,024,125	$ 534,454	$ 3,558,579	$ 2,064,287
Other	25,030		25,030	
Total operating revenues	3,049,155	534,454	3,583,609	2,064,287
Operating expenses:				
Personal services	436,928	148,525	585,453	
Contract services	1,421,527	314,093	1,735,620	
Materials and supplies	471,647	15,288	486,935	
Other	262,233	24,600	286,833	
Claims				2,228,547
Closure and postclosure	176,788		176,788	
Depreciation	218,677	136,398	355,075	
Total operating expenses	2,987,800	638,904	3,626,704	2,228,547
Operating income (loss)	61,355	(104,450)	(43,095)	(164,260)
Nonoperating revenues (expenses):				
Interest revenue	252,605		252,605	
Loss on disposal of capital assets	(745)		(745)	
Interest expense and fiscal charges		(7,744)	(7,744)	
Total nonoperating revenues (expenses)	251,860	(7,744)	244,116	
Net income (loss) before transfers	313,215	(112,194)	201,021	(164,260)
Capital contributions		6,939	6,939	
Transfers in		7,990	7,990	
Change in net assets	313,215	(97,265)	215,950	(164,260)
Net assets at beginning of year	14,334,113	6,135,728		1,708,869
Net assets at end of year	$ 14,647,328	$ 6,038,463		$ 1,544,609
The change in net assets reported for business-type activities on the statement of activities is different because it includes a proportionate share of the net income of the internal service fund.			(13,198)	
Change in net assets of business-type activities			$ 202,752	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

DEFIANCE COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-Type Activities - Enterprise Funds			Governmental Activity - Internal Service Fund
	Landfill	Sewer	Total	
Cash flows from operating activities:				
Cash received from sales/service charges	$ 3,118,956	$ 537,168	$ 3,656,124	$ 2,064,287
Cash received from other operating revenue	25,030		25,030	
Cash payments for personal services	(440,425)	(126,280)	(566,705)	
Cash payments for contract services	(1,621,964)	(323,527)	(1,945,491)	
Cash payments for materials and supplies	(469,969)	(15,023)	(484,992)	
Cash payments for claims				(2,209,082)
Cash payments for other expenses	(262,233)	(24,600)	(286,833)	
Net cash provided by (used in) operating activities	349,395	47,738	397,133	(144,795)
Cash flows from noncapital financing activities:				
Cash received from transfers in		7,990	7,990	
Net cash provided by noncapital financing activities		7,990	7,990	
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(1,834,428)	(20,579)	(1,855,007)	
Principal payments on bonds		(10,700)	(10,700)	
Interest payments on bonds		(3,695)	(3,695)	
Principal payments on Capmark commercial mortgage		(5,000)	(5,000)	
Interest payments on Capmark commercial mortgage		(4,100)	(4,100)	
Net cash used in capital and related financing activities	(1,834,428)	(44,074)	(1,878,502)	
Cash flows from investing activities:				
Cash received from interest	210,093		210,093	
Net cash provided by maturities of investments	4,349,544		4,349,544	
Net cash payments for purchases of investments	(4,785,389)		(4,785,389)	
Net cash used in investing activities	(225,752)		(225,752)	
Net increase (decrease) in cash and cash equivalents	(1,710,785)	11,654	(1,699,131)	(144,795)
Cash and cash equivalents at beginning of year	9,314,467	542,767	9,857,234	1,919,169
Cash and cash equivalents at end of year	$ 7,603,682	$ 554,421	$ 8,158,103	$ 1,774,374

DEFIANCE COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-Type Activities - Enterprise Funds			Governmental Activity - Internal Service Fund
	Landfill	Sewer	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 61,355	$ (104,450)	$ (43,095)	$ (164,260)
Adjustments:				
Depreciation	218,677	136,398	355,075	
Changes in assets and liabilities:				
Decrease in accounts receivable	94,831	2,714	97,545	
(Increase) decrease in prepayments	27,514	(34)	27,480	
Decrease in inventories	1,678	265	1,943	
(Decrease) in accounts payable	(208,649)	(9,096)	(217,745)	
Increase in accrued wages and benefits	3,066	785	3,851	
Increase in landfill closure and postclosure care liability	176,788		176,788	
(Decrease) in due to other funds	(25,000)	(304)	(25,304)	
Increase in claims payable				19,465
Increase in due to other governments	10,361	1,144	11,505	
Increase (decrease) in compensated absences payable	(11,226)	20,316	9,090	
Net cash provided by (used in) operating activities	$ 349,395	$ 47,738	$ 397,133	$ (144,795)

Non-Cash Investing Activity:

In 2008, there was an increase in the fair value of investments in the Landfill enterprise fund, in the amount of $43,082.

In 2008, the Sewer fund received $6,939 in capital contributions from governmental funds.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DEFIANCE COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2008

		Agency
Assets:		
Equity in pooled cash and cash equivalents	$	7,463,505
Cash in segregated accounts		925,994
Receivables:		
Real estate and other taxes		27,340,478
Due from other governments		2,160,319
Special assessments		307,427
Total assets	$	38,197,723
Liabilities:		
Due to other governments	$	32,330,924
Undistributed monies		5,860,437
Accounts payable		6,362
Total liabilities	$	38,197,723

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE COUNTY AND REPORTING ENTITY

A. The County

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

B. Reporting Entity

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

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

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

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

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

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

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

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

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

County Improvement Fund - This fund accounts for transfers received from other funds to be used for various capital projects throughout the County.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. The County did not have any trust funds in 2008. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's agency funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

C. Measurement Focus

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

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

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

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

<u>*Unearned Revenue and Deferred Revenue*</u> - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance 2009 operations, and other revenues received in advance of the year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2008 are recorded as deferred revenue on the governmental fund financial statements.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. Budgetary Process

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

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

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

F. Cash and Investments

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During 2008, the County invested in nonnegotiable certificates of deposit, federal agency securities, U.S. Treasury notes, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, except for nonnegotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on December 31, 2008.

Interest earnings are allocated to County funds according to state statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2008 was $1,924,199, which includes $1,693,843 assigned from other County funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Inventory

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

I. Loans Receivable

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

J. Restricted Assets

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets

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

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

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

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

L. Interfund Receivables/Payables

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

M. Compensated Absences

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

N. Accrued Liabilities and Long-Term Obligations

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

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

O. Net Assets

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

P. Fund Balance Reserves and Designations

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Operating Revenues and Expenses

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

R. Capital Contributions

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

S. Interfund Transactions

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

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither one of these types of events occurred during 2008.

U. Estimates

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2008, the County has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations" and GASB Statement No. 50, "Pension Disclosures".

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the County; however, certain disclosures related to postemployment benefits (see Note 14) have been modified to conform to the new reporting requirements.

GASB Statement No. 49 establishes the enhancement of the usefulness and comparability of pollution remediation obligations. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the County.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the County.

B. Deficit Fund Balances

Nonmajor Governmental Funds	
Economic Development Special Revenue Fund	$ 1,825
Interview Room Recording Equipment Special Revenue Fund	1,015
Auglaize Sewer Debt Service Fund	239,482
Auglaize Sewer Capital Projects Fund	67,989
Airport Capital Projects Fund	30,781
Farmer-Mark Tile Project Capital Projects Fund	422
Black Ditch Capital Projects Fund	24,575

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

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

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

	Change in Fund Balance					
	General	Mental Retardation and Developmental Disabilities	Job and Family Services	Motor Vehicle and Gas Tax	Emergency 911	Senior Center
Budget basis	$ (1,060,412)	$ (76,644)	$ (474,175)	$ 203,353	$ 85,227	$ 29,981
Net adjustment for revenue accuals	(48,854)	(21,067)	65,901	173,551	(12,545)	(4,393)
Net adjustment for expenditure accruals	(28,666)	(89,693)	(20,236)	151,822	(10,848)	(7,387)
Net adjustment for other sources/(uses)	993,260					
Adjustment for encumbrances	397,794	62,250	4,714	90,374	12,978	44,996
GAAP basis	$ 253,122	$ (125,154)	$ (423,796)	$ 619,100	$ 74,812	$ 63,197

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

4. Bonds and other obligations of the State of Ohio or Ohio Local governments;

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 items 1 and 2, above, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool, State Treasury Asset Reserve of Ohio (STAR Ohio);

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year-end, the County had $136,003 in undeposited cash on hand which is included on the financial statements of the County as part of "Equity in Pooled Cash and Cash Equivalents".

B. Cash with Fiscal Agent

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

C. Cash in Segregated Accounts

At year-end, the County had $951,268 in cash and cash equivalents deposited separate from the County's internal investment pool. This amount is included in the amount of deposits with financial institutions below.

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

D. Deposits with Financial Institutions

At December 31, 2008, the carrying amount of all County deposits, including cash in segregated accounts, was $39,072,213. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2008, $26,289,230 of the County's bank balance of $39,169,308 was exposed to custodial risk as discussed below, while $12,880,078 was covered by the Federal Deposit Insurance Corporation.

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

E. Investments

As of December 31, 2008, the County had the following investments and maturities:

		Investment Maturities			
Investment Type	Fair Value	6 months or less	13 to 18 months	19 to 24 months	Greater than 24 months
Federal Home Loan Bank	$ 4,208,488		$ 2,068,236	$ 1,037,127	$ 1,103,125
Federal Home Loan Mortgage Corporation	1,005,266		1,005,266		
Federal National Mortgage Association	2,211,288		1,211,288		1,000,000
U.S. Treasury Note	137,164				137,164
STAR Ohio	2,630,292	$ 2,630,292			
Total	$ 10,192,498	$ 2,630,292	$ 4,284,790	$ 1,037,127	$ 2,240,289

The weighted average maturity of investments is 1.47 years.

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

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

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

Concentration of Credit Risk: The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2008:

Investment Type	Fair Value	% of Total
Federal Home Loan Bank	$ 4,208,488	41.29
Federal Home Loan Mortgage Corporation	1,005,266	9.86
Federal National Mortgage Association	2,211,288	21.69
U.S. Treasury Note	137,164	1.35
STAR Ohio	2,630,292	25.81
Total	$ 10,192,498	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2008.

Cash and Investments per Note	
Carrying amount of deposits	$ 39,072,213
Investments	10,192,498
Cash with fiscal agent	2,161
Cash on hand	136,003
Total	$ 49,402,875

Cash and Investments per Statement of Net Assets	
Governmental Activities	$ 27,930,083
Business-Type Activities	13,083,293
Agency Funds	8,389,499
Total	$ 49,402,875

NOTE 6 - RECEIVABLES

Receivables at December 31, 2008, consisted of accounts (billings for user charged services); sales taxes; accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; interfund loans; property taxes; loans; and special assessments. All receivables are considered collectible in full and within one year, except for loans and special assessments. Special assessments, in the amount of $2,155,520, will not be received within one year.

Loans receivable represent low interest loans for housing and development projects granted to eligible County property owners and businesses under the Federal Community Block Grant program. The loans have an annual interest rate of 0 to 8.5 % and are to be repaid over periods ranging from five to ten years. During 2008, principal in the amount of $64,279 was repaid. Loans outstanding at December 31, 2008, were $225,289. Loans receivable, in the amount of $203,036 will not be received within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	
Major Funds	
General Fund	
Local government	$ 442,577
Homestead and rollback	124,082
Other intergovernmental receivables	55,321
Total General Fund	621,980
Mental Retardation and Developmental Disabilities Fund	
Homestead and rollback	130,922
Job and Family Services Fund	
Grants	693,407
Motor Vehicle and Gas Tax Fund	
Motor vehicle license tax	863,789
Gasoline tax	1,207,910
Grants	629,730
Total Motor Vehicle and Gas Tax Fund	2,701,429
Emergency 911 Fund	46,615
Senior Center	
Homestead and rollback	44,863
Grants	50,655
Total Senior Center Fund	95,518
Total Major Funds	$ 4,289,871

NOTE 6 – RECEIVABLES (Continued)

Nonmajor Funds		
Children Services Fund	$	99,550
Community Development Block Grant Fund		578,000
Sarah's House Fund		89,144
WIA Fund		496,067
Terrorism Planning Fund		49,970
FEMA Certification Fund		6,395
Regional Jail Fund		7,003
Wireless 911 Fund		7,057
Total Nonmajor Funds		1,333,186
Total Governmental Activities	$	5,623,057
Agency Funds		
Library local government	$	732,711
Local government		598,780
Board of health		
Permissive motor vehicle license		108,109
Motor vehicle license tax		182,388
Gasoline tax		538,331
Total Agency Funds	$	2,160,319

NOTE 7 - PERMISSIVE SALES AND USE TAX

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

Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the taxes to be returned to the County. The Tax Commissioner's certification must be made within 45 days after the end of each month.

NOTE 8 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2008 public utility property taxes became a lien December 31, 2007, were levied after October 1, 2008, and are collected in 2009 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the County due to the phasing out of the tax. In calendar years 2008-2010, the County will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2008 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2008 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all County operations for the year ended December 31, 2008, was $8.91 per $1,000 of assessed value. The assessed values of real property, tangible personal property, and public utility property upon which 2008 property tax receipts were based are as follows:

NOTE 8 - PROPERTY TAXES (Continued)

Real Property	
Residential/Agricultural	$ 504,013,785
Commercial/Industrial/Mineral	109,591,170
Tangible Personal Property	24,718,900
Public Utility	
Real	343,640
Personal	53,217,290
Total Assessed Value	$ 691,884,785

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008, was as follows:

Governmental Activities:	Balance 12/31/07	Additions	Disposals	Balance 12/31/08
Capital Assets, Not Being Depreciated:				
Land	$ 1,084,684			$ 1,084,684
Total Capital Assets, Not Being Depreciated	1,084,684			1,084,684
Capital Assets, Being Depreciated:				
Buildings and Improvements	14,596,273	$ 420,375		15,016,648
Roads and Bridges	54,582,574	2,627,455	$ (247,373)	56,962,656
Machinery and Equipment	5,655,145	260,892	(259,348)	5,656,689
Vehicles	3,378,289	341,549	(194,792)	3,525,046
Total Capital Assets, Being Depreciated	78,212,281	3,650,271	(701,513)	81,161,039
Less: Accumulated Depreciation:				
Buildings and Improvements	(2,576,945)	(296,198)		(2,873,143)
Roads and Bridges	(16,728,266)	(1,206,661)	27,148	(17,907,779)
Machinery and Equipment	(3,807,706)	(328,476)	242,457	(3,893,725)
Vehicles	(1,923,520)	(246,649)	182,953	(1,987,216)
Total Accumulated Depreciation	(25,036,437)	(2,077,984)	452,558	(26,661,863)
Total Capital Assets Being Depreciated, Net	53,175,844	1,572,287	(248,955)	54,499,176
Governmental Activities Capital Assets, Net	$54,260,528	$ 1,572,287	$ (248,955)	$55,583,860

NOTE 9 - CAPITAL ASSETS (Continued)

Business-Type Activities:	Balance 12/31/07	Additions	Disposals	Balance 12/31/08
Capital Assets, Not Being Depreciated:				
Land	$ 997,099			$ 997,099
Construction in Progress	2,807,305	$ 142,659	$ (2,152,397)	797,567
Total Capital Assets, Not Being Depreciated	3,804,404	142,659	(2,152,397)	1,794,666
Capital Assets, Being Depreciated:				
Land Improvements		3,851,105		3,851,105
Buildings	594,204			594,204
Sewer Lines	5,955,553			5,955,553
Machinery and Equipment	2,684,053		(20,055)	2,663,998
Vehicles	164,362	20,579	(15,060)	169,881
Total Capital Assets, Being Depreciated	9,398,172	3,871,684	(35,115)	13,234,741
Less: Accumulated Depreciation:				
Land Improvements		(25,674)		(25,674)
Buildings	(199,984)	(6,591)		(206,575)
Sewer Lines	(1,427,694)	(119,111)		(1,546,805)
Machinery and Equipment	(1,813,328)	(190,417)	19,310	(1,984,435)
Vehicles	(111,350)	(13,282)	15,060	(109,572)
Total Accumulated Depreciation	(3,552,356)	(355,075)	34,370	(3,873,061)
Total Capital Assets, Being Depreciated, Net	5,845,816	3,516,609	(745)	9,361,680
Business-Type Activities Capital Assets, Net	$ 9,650,220	$ 3,659,268	$ (2,153,142)	$ 11,156,346

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

Governmental Activities:	
Legislative and executive	$ 177,949
Conservation and recreation	2,065
Health	74,634
Human services	181,154
Judicial	4,785
Public safety	129,664
Public works	1,507,733
Total Depreciation Expense - Governmental Activities	$ 2,077,984

Business-Type Activities:	
Landfill	$ 218,677
Sewer	136,398
Total Depreciation Expense - Business-Type Activities	$ 355,075

NOTE 10 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended December 31, 2008, consisted of the following, as reported on the fund financial statements:

Transfers from General Fund to:	Amount
Nonmajor governmental funds	$1,391,749
Job and Family Services Fund	107,809
Motor Vehicle and Gas Tax Fund	9,999
County Improvement Fund	666,000
Transfers from nonmajor governmental funds to:	
Sewer Fund	7,990
Nonmajor governmental funds	499,958
Total	$2,683,505

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

Transfers between governmental and business-type activities on the statement of activities also includes the transfer of contributed capital assets, in the amount of $6,939, from the governmental funds to the enterprise funds during 2008.

B. Due from/to other funds consisted of the following at December 31, 2008, as reported on the fund financial statements:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental fund	$ 21,174
General Fund	Job and Family Services Fund	10,231
General Fund	Sewer Fund	1,602
Nonmajor governmental fund	General Fund	3,216
Total		$ 36,223

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

C. Interfund loans payable/receivable consisted of the following at December 31, 2008:

NOTE 10 - INTERFUND TRANSACTIONS (Continued)

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	$ 2,552,775
Nonmajor governmental fund	Nonmajor governmental funds	67,000
Total		$ 2,619,775

The interfund loan balances result from resources provided by the receivable fund to the payable fund to provide cash flow resources until anticipated revenues are received. At December 31, 2008, the General Fund had an interfund receivable of $2,552,775.

Other governmental funds had an interfund receivable, in the amount of $67,000, to provide cash flow resources until the receipt of special assessments in other governmental funds.

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

NOTE 11 - RISK MANAGEMENT

A. General Liability

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

Property	$ 61,759,688
Equipment Breakdown	100,000,000
General Liability	1,000,000
Commercial Crime	1,000,000
Excess Liability	7,000,000
Automobile Liability	1,000,000
Law Enforcement Liability	1,000,000
Errors and Omission Liability	1,000,000

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

B. Health Benefits

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

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

NOTE 11 - RISK MANAGEMENT (Continued)

Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at December 31, 2008 is estimated by a third party administrator at $229,765. The changes in the claims liability for 2008 and 2007 were:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Year
2008	$ 210,300	$ 2,228,547	$(2,209,082)	$ 229,765
2007	46,050	1,963,607	(1,799,357)	210,300

C. Workers' Compensation

For 2008, the County participated in the County Commissioners Association Service Corporation (Plan), a workers' compensation insurance purchasing pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, annually the Plan's executive committee calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants.

Participation in the Plan is limited to counties that can meet the Plans' selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program. The County may withdraw from the Plan if written notice is provided 60 days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal and any participant leaving the Plan allows representatives of the Plan to access loss experience for three years following the last year of participation.

NOTE 12 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The County has outstanding contracts for professional services and construction. The following amounts remain on these contracts as of December 31, 2008:

Vendor	Contract Amount	Amount Paid as of 12/31/08	Outstanding Balance
Miller Brothers	$ 1,734,771	$ (1,702,653)	$ 32,118
Mannik and Smith Group, Inc.	913,000	(752,845)	160,155
Meck-McDonald	129,816	(22,356)	107,460
Gerken Paving	82,766	(70,581)	12,185
Poggemeyer Design Group	209,650	(104,305)	105,345
Stark's Inc.	257,800		257,800

NOTE 13 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and contribution rates were consistent across all three plans. The 2008 member contribution rates were 10% for members in state and local classifications. Public safety and law enforcement members contributed 10.1%.

The County’s contribution rate for 2008 was 14%, except for those plan members in law enforcement or public safety, for whom the County’s contribution was 17.4% of covered payroll. For 2008, a portion equal to 7% of covered payroll was allocated to fund the post-employment health care plan.

NOTE 13 - PENSION PLANS (Continued)

The County's contribution rate for pension benefits for 2008 was 7%, except for those plan members in law enforcement and public safety. For those classifications, the County's pension contributions were 10.4% of covered payroll. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2008, 2007, and 2006 were $876,505, $999,219, and $1,029,095, respectively; 93.7% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For 2008, plan members were required to contribute 10% of their annual covered salaries. The County was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2008, 2007, and 2006 were $108,853, $112,757, and $99,828, respectively; 100% has been contributed for years 2008, 2007 and 2006.

NOTE 14 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14% of covered payroll (17.4% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care for 2008 was 7% of covered payroll.

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were $844,077, $638,802, and $509,278, respectively; 93.7% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, 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.

NOTE 14 - POSTRETIREMENT BENEFIT PLANS (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The County contributes to the cost sharing, multiple employer defined benefit Health Plan (the “Plan”) administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined Pension Plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The County’s contributions for health care for the fiscal years ended December 31, 2008, 2007, and 2006 were $8,373, $8,054, and $7,679, respectively; 100% has been contributed for years 2008, 2007 and 2006.

NOTE 15 - OTHER BENEFITS

A. Compensated Absences

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

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

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

B. Health Care Benefits

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

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

NOTE 16 - NOTES PAYABLE

The County's notes activity for the year ended December 31, 2008, was as follows:

	Interest Rate	Balance 12/31/07	Additions	Deductions	Balance 12/31/08
Governmental Activities:					
Short-Term Notes					
Carryall Tile	3.75%	$ 30,705		$ (30,705)	
Lost Creek Ditch	3.75%	180,000		(180,000)	
Peterson Ditch	3.75%	46,700		(46,700)	
Dowe Ditch	3.75%	20,250		(20,250)	
Highland Ditch	3.80%	26,193		(26,193)	
Black Ditch	3.11%		$ 150,000		$ 150,000
Total Short-Term Notes		$ 303,848	$ 150,000	$ (303,848)	$ 150,000

The Peterson Ditch note, Highland Ditch note, Lost Creek Ditch note, Dowe Ditch note, and Black Ditch note were issued for ditch improvements. The Carryall Tile note was to finance a sewer repair. All of the County's general obligation notes are backed by the full faith and credit of the County and have a maturity of one year.

NOTE 17 - LONG-TERM OBLIGATIONS

The original issue date, interest rate, original issue amount and balance at December 31, 2008 for the County's long-term obligations are as follows:

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

	Original Issue Date	Interest Rate	Original Issue Amount	Balance 12/31/08
General Obligation Bonds:				
Various Purpose Improvements	1999	3.9 - 5.6%	$ 2,675,000	$ 1,745,000
Various Purpose Improvements	2005	5.25%	375,000	340,000
Special Assessment Bonds:				
Brunersburg Sewer	2002	4.75	837,531	666,000
Platter Creek	2004	2.25 - 5.0	425,000	370,000
Bond Anticipation Notes:				
Bridge Repair	2007	3.75-4.32	300,000	200,000
Building Acquisition	2007	3.75-4.32	1,300,000	1,002,080
Carryall Tile	2008	2.5	26,550	26,550
Lost Creek Ditch	2008	3.1	69,375	69,375
Peterson Ditch	2008	2.5	38,190	38,190
Dowe Ditch	2008	2.5	13,180	13,180
Highland Ditch	2008	3.1	18,950	18,950
Beetree Ditch	2008	2.5	60,000	60,000
Revenue Bonds:				
Sewer	2005	4.1	60,000	58,700
OPWC Loans:				
Evansport Water	1999	0	468,050	245,726
OWDA Loans:				
Express Sewer	2002	1.5	1,356,038	990,870
Capmark Commercial Mortgage:				
Sewer	1980	5	146,300	77,000

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

The County’s long-term obligations activity for the year ended December 31, 2008, was as follows:

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

Governmental Activities:	Balance 12/31/07	Additions	Reductions	Balance 12/31/08	Due Within One Year
General Obligation Bonds:					
Various Purpose Improvements	$ 2,205,000		$ (135,000)	$ 2,070,000	$ 140,000
Special Assessment Bonds:					
Brunersburg Sewer	700,000		(34,000)	666,000	35,700
Platter Creek	385,000		(15,000)	370,000	15,000
Total Special Assessment Bonds	1,085,000		(49,000)	1,036,000	50,700
Other Long-Term Obligations:					
Bond Anticipation Note Payable	1,600,000	$ 1,428,325	(1,600,000)	1,428,325	1,428,325
OPWC Loans Payable	269,129		(23,403)	245,726	23,402
OWDA Loans Payable	1,054,028		(63,158)	990,870	64,108
Capital Lease Obligations	119,166		(27,083)	92,083	28,814
Compensated Absences	1,293,187	548,419	(546,483)	1,295,123	473,731
Total Other Long-Term Obligations	4,335,510	1,976,744	(2,260,127)	4,052,127	2,018,380
Total Governmental Activities Long-Term Obligations	$ 7,625,510	$ 1,976,744	$ (2,444,127)	$ 7,158,127	$ 2,209,080

Business-Type Activities:	Balance 12/31/07	Additions	Reductions	Balance 12/31/08	Due Within One Year
General Obligation Bonds:					
Various Purpose Improvements	$ 25,000		$ (10,000)	$ 15,000	$ 15,000
Revenue Bonds:					
Sewer	59,400		(700)	58,700	700
Other Long-Term Obligations:					
Capmark Commercial Mortgage	82,000		(5,000)	77,000	5,000
Closure and Postclosure Liability	3,350,526	$ 176,788		3,527,314	
Compensated Absences	88,330	43,705	(34,615)	97,420	28,532
Total Other Long-Term Obligations	3,520,856	220,493	(39,615)	3,701,734	33,532
Total Business-Type Activities Long-Term Obligations	$ 3,605,256	$ 220,493	$ (50,315)	$ 3,775,434	$ 49,232

General Obligation Bonds:

A. Various Purpose General Obligation Bonds, Series 1999

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

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

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

The general obligation bonds are also subject to prior redemption on or after December 1, by and at the sole option of the County, either in whole or in part on any date, in integral multiples of $5,000 plus accrued interest to the redemption date. The date each bond may be called and the redemption prices, expressed as percentages of the principal amount redeemed, are set forth below:

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

Redemption Dates	Various Purpose Improvements
December 1, 2009 to November 30, 2010	101.0%
December 1, 2010 to November 30, 2011	100.5
December 1, 2011 and thereafter	100.0

B. Various Purpose General Obligation Bonds, Series 2005

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

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

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

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

The term bonds maturing on December 1, 2025, are subject to mandatory sinking fund redemption, pursuant to the terms of the mandatory sinking fund redemption requirements of the County. The mandatory redemption is to occur on December 1 in each of the years 2008 through 2025 (with the balance of $185,000 to be paid at stated maturity on December 1, 2025), at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

Year	Amount	Year	Amount
2009	$ 5,000	2018	$ 10,000
2010	5,000	2019	10,000
2011	5,000	2020	10,000
2012	10,000	2021	10,000
2013	10,000	2022	15,000
2014	10,000	2023	15,000
2015	10,000	2024	15,000
2016	10,000	2025	15,000
2017	10,000		

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

Special Assessment Bonds:

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

Revenue Bonds:

In 2005, the County issued sewer revenue bonds in the amount of $60,000 for the Green Acres sewer system. The bonds, being repaid from the Sewer enterprise fund with charges for sewer service, are backed by the full faith and credit of the County should these revenues be insufficient to service the bond debt requirements.

OPWC Loans Payable:

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

OWDA Loans Payable:

The County has entered into debt financing arrangements through the Ohio Water Development Authority (OWDA) to fund construction of wastewater facilities. The amounts due to the OWDA are payable solely from the Express Sewer debt service fund. The loan agreements function similar to a line-of-credit agreement. At December 31, 2008, the County has outstanding borrowings of $990,870. The loan agreement requires semi-annual payments based on the actual amount owed.

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

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

In 1980, the County obtained a loan through the GMAC Commercial Mortgage Corporation, in the amount of $146,300, for the Evansport sewer system. In 2006, Capmark Financial Group, Incorporated acquired GMAC Commercial Mortgage Corporation. The loan, being repaid from the Sewer enterprise fund with charges for sewer service, is backed by the full faith and credit of the County should these revenues be insufficient to service the mortgage debt requirements.

Bond Anticipation Notes Payable:

In 2008, the County entered into bond anticipation notes for $1,428,328 to finance bridge repairs and building improvements for the Defiance County East Campus building and ditch improvements. The bond anticipation notes are backed by the full faith and credit of the County. In accordance with FASB Statement No. 6, "Classification of Short-Term Obligations Expected to Be Refinanced", the bond anticipation notes are reported as long-term obligations as the County has consummated refinancing a long-term basis prior to the issuance of the financial statements.

Compensated Absences Payable:

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

Capital Lease Obligation:

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

Legal Debt Margin

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

The effect of the debt limitations described above is an overall debt margin of $14,425,744 at December 31, 2008.

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

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

	Governmental Activities					
	General Obligation Bonds			Special Assessment Bonds		
Year Ended	Principal	Interest	Total	Principal	Interest	Total
2009	$ 140,000	$ 113,980	$ 253,980	$ 50,700	$ 48,816	$ 99,516
2010	90,000	106,943	196,943	52,800	46,542	99,342
2011	95,000	101,955	196,955	59,300	44,142	103,442
2012	105,000	96,688	201,688	61,600	41,501	103,101
2013	115,000	90,447	205,447	63,600	38,570	102,170
2014 - 2018	645,000	355,907	1,000,907	362,300	145,063	507,363
2019 - 2023	710,000	165,065	875,065	355,700	50,240	405,940
2024 - 2025	170,000	10,041	180,041	30,000	1,500	31,500
Total	$ 2,070,000	$ 1,041,026	$3,111,026	$ 1,036,000	$ 416,374	$1,452,374

	Governmental Activities						
	Bond Anticipation Notes Payable			OPWC Loans	OWDA Loans		
Year Ended	Principal	Interest	Total	Principal	Principal	Interest	Total
2009	$ 1,428,325	$ 36,238	$ 1,464,563	$ 23,402	$ 64,108	$ 14,624	$ 78,732
2010				23,403	65,073	13,659	78,732
2011				23,402	66,053	12,679	78,732
2012				23,403	67,048	11,684	78,732
2013				23,402	68,058	10,674	78,732
2014 - 2018				117,013	355,970	37,690	393,660
2019 - 2022				11,701	304,560	10,379	314,939
Total	$ 1,428,325	$ 36,238	$ 1,464,563	$ 245,726	$ 990,870	$ 111,389	$ 1,102,259

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

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

	Business-Type Activities								
	General Obligation Bonds			Revenue Bonds			Capmark Commercial Mortgage		
Year Ended	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2009	$ 15,000	$ 750	$ 15,750	$ 700	$ 2,421	$ 3,121	$ 5,000	$ 3,850	$ 8,850
2010				700	2,392	3,092	5,000	3,600	8,600
2011				800	2,364	3,164	5,000	3,350	8,350
2012				800	2,331	3,131	6,000	3,100	9,100
2013				800	2,298	3,098	6,000	2,800	8,800
2014 - 2018				4,700	10,948	15,648	34,000	9,350	43,350
2019 - 2023				5,600	9,913	15,513	16,000	1,200	17,200
2024 - 2028				7,000	8,638	15,638			
2029 - 2033				8,500	7,079	15,579			
2034 - 2038				10,500	5,167	15,667			
2039 - 2043				12,700	2,830	15,530			
2044 - 2046				5,900	463	6,363			
Total	$ 15,000	$ 750	$ 15,750	$ 58,700	$ 56,844	$ 115,544	$ 77,000	$ 27,250	$ 104,250

Conduit Debt:

In 2001, the County issued $2,325,000 in Adjustable Rate Demand Economic Development Revenue Refunding Bonds. The proceeds were used for the refunding of economic development revenue bonds issued in 1982 to acquire and construct a supermarket. The County is not obligated in any way to pay the debt charges on the bonds from any of its funds, and therefore, the debt has been excluded entirely from the County's debt presentation. As of December 31, 2008, $2,325,000 of these bonds were outstanding.

In 2005, the County issued $700,000 in Ohio Economic Development Revenue Bonds for the purpose of making a loan to assist the Defiance Area YMCA in financing a portion of the cost of acquiring, constructing, improving, installing, and equipping gymnasiums and related facilities. The County is not obligated in any way to pay the debt charges on the bonds from any of its funds, and therefore, the debt has been excluded entirely from the County's debt presentation. As of December 31, 2008, $639,974 of these bonds were outstanding.

In 2007, the County issued $1,407,600 in Health Care Facilities Revenue Bonds. The proceeds were used to provide Hospital Facilities at the lowest possible cost to service the residents of the Public Hospital Agencies, which hospital facilities will be available for the service of the general public. The County is not obligated in any way to pay the debt charges on the bonds from any of its funds, and therefore, the debt has been excluded entirely from the County's debt presentation. As of December 31, 2008, $1,361,555 of these bonds were outstanding.

NOTE 18 - CLOSURE AND POSTCLOSURE CARE COSTS

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

NOTE 18 - CLOSURE AND POSTCLOSURE CARE COSTS (Continued)

The $3,527,314 reported as landfill closure and postclosure costs payable at December 31, 2008, represents the cumulative amount reported to date based on the use of 17% of the estimated capacity of the landfill. The County will recognize the remaining estimated costs of closure and post closure of $4,574,886 as the remaining estimated capacity is filled. This amount is based on what it would cost to perform all closure and postclosure care in 2008. For financial assurance purposes, Ohio EPA requires closure and postclosure costs to be reported based on the worst case scenario of when closure will occur. For 2008, the liabilities total $1,743,203 for closure and $1,784,111 for postclosure costs. The County expects the landfill to have a remaining life of 113 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to either make annual contributions to an EPA controlled trust fund or demonstrate financial assurance through the "Local Government Financial Test". For 2008, the County met the Local Government Financial Test requirements.

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

NOTE 19 - CAPITALIZED LEASE - LESSEE DISCLOSURE

During 2007, the County entered into a capitalized lease for an excavator. This lease agreement meets the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the statement of net assets. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in 2008 totaled $27,083 paid by the Ditch Maintenance fund (a nonmajor governmental fund).

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of December 31, 2008:

Year Ending December 31,	Amount
2009	$ 34,698
2010	34,698
2011	34,698
Total minimum lease payments	104,094
Less amount representing interest	(12,011)
Total	$ 92,083

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

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

The Northwest Ohio Juvenile Detention, Training, and Rehabilitation Center (Center) is a jointly governed organization among Defiance, Fulton, Henry, and Williams Counties. The Center's board of trustees consists of thirteen members; three from each County and one at-large member. The board of trustees exercises total control over the operation of the Center including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the Center. In 2008, Defiance County contributed $343,085 for the Center's operations which represents 22% of total contributions. Information can be obtained from Nancy J. Yackee, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

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

The Four County Board of Alcohol, Drug Addiction, and Mental Health Services (ADAMHS) is a jointly governed organization among Defiance, Fulton, Henry, and Williams Counties to provide alcohol, drug addition, and mental health services to individuals in the four counties. The governing board of ADAMHS consists of eighteen members; four members appointed by the Ohio Director of Alcohol and Drug Addition Services, four members appointed by the Ohio Director of Mental Health Services, Defiance and Fulton County Commissioners appointing three members each, and Henry and Williams County Commissioners appointing two members each. The governing board exercises total control over the operation of the ADAMHS including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the ADAMHS. In 2008, Defiance County contributed $641,006 in property taxes for the ADAMHS's operation which represents 5% of total contributions. Information can be obtained from Marlene J. Goodwin, Defiance County Auditor, 221 Clinton Street, Defiance, Ohio 43512.

C. Corrections Commission of Northwest Ohio

Corrections Commission of Northwest Ohio (CCNO) is a jointly governed organization among Defiance, Fulton, Henry, Lucas, and Williams Counties and the City of Toledo. CCNO was established to provide jail space for convicted criminals in the five counties and the City of Toledo and to provide a correctional center for the inmates. CCNO was created in 1986 and occupancy started in 1991. The commission team consists of eighteen members; one judge, one chief law enforcement officer, and one county commissioner or administrative official from each entity. The commission team exercises total control over the operation of CCNO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for CCNO. In 2008, Defiance County contributed $1,448,866 for CCNO's operations which represents 9% of total contributions. Information can be obtained from Tonya Justus, Fiscal Manager, Corrections Commission of Northwest Ohio, 03151 County Road 2425, Route 1, Box 100-A, Stryker, Ohio 43557.

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. Four County Solid Waste District

The Four County Solid Waste District (District) is a jointly governed organization among Defiance, Fulton, Paulding, and Williams Counties to make disposal of waste in the four-county area more comprehensive in terms of recycling, incinerating, and landfilling. The District was created in 1989. The board of directors consists of twelve members; the three commissioners from each county. The board of directors exercises total control over the operation of the District including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the District. In 2008, Defiance County contributed $87,690 for the District's operations which represents 23% of total contributions. Information can be obtained from Deborah Nester, Williams County Auditor, One Courthouse Square, Bryan, Ohio 43506.

E. Multi-Area Narcotics Task Force

The Multi-Area Narcotics Task Force (Task Force) is a jointly governed organization among Defiance, William, Fulton, and Putnam Counties and the Cities of Defiance and Bryan. The Task Force is jointly controlled by the chief law enforcement officer of each respective entity. The main source of revenue for the Task Force is from federal grants and local matching funds from the entities. The County has no ongoing financial interest or responsibility for the Task Force. In 2008, Defiance County contributed $25,000 for the Task Force's operations which represents 20% of total contributions. Information can be obtained from the Defiance County Sheriff's office, 113 Beide Street, Defiance, Ohio 43512.

F. Quadco Rehabilitation Center

The Quadco Rehabilitation Center (Quadco) is a jointly governed organization among Defiance, Fulton, Henry, and Williams Counties. Quadco Rehabilitation Center is a nonprofit corporation which provides services and facilities for training physically and mentally disabled persons. Quadco is responsible for contracting with various agencies to obtain funding to operate the organization. Quadco is governed by an eight-member board composed of two appointees made by each of the four County Boards of Mental Retardation and Developmental Disabilities (County Boards of MRDD). This board, in conjunction with the County Boards of MRDD, assesses the needs of adult mentally challenged and developmentally disabled residents of each County and sets priorities based on available funds. The County provides resources to the Board based on units of service provided to the County. Quadco exercises total control over the operation of Quadco including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for Quadco. In 2008, Defiance County contributed $860,358 for Quadco's operations which represents 22% of total contributions. Information can be obtained from Terry Fruth, CFO, Quadco Rehabilitation Center, 427 North Defiance Street, Stryker, Ohio 43557.

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

G. Maumee Valley Planning Organization

Maumee Valley Planning Organization (MVPO) is a jointly governed organization among Defiance, Fulton, Henry, Paulding, and Williams Counties. MVPO is an organization established to improve the social and economic conditions of the region through development and conservation. MVPO is governed by a fifteen member executive council composed of the three county commissioners, the mayor of the largest municipality, three mayors selected by the committee of mayors that represent the incorporated cities and villages, the township trustee association president, the regional planning commission chairman, and two members at large to represent business, industry, labor, agricultural, low income, minority groups, education, and consumer protection activities. The County provides resources to the executive council based on a membership fee and services provided to the County. MVPO exercises total control over the operation of MVPO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for MVPO. In 2008, Defiance County contributed $125,398 for MVPO's operations which represents 17% of total contributions. Information can be obtained from Nancy J. Yackee, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

H. Community Improvement Corporation of Defiance County

Community Improvement Corporation of Defiance County (CIC) is a jointly governed organization among Defiance County, the City of Defiance, and the respective villages and townships of Defiance County. The purpose of the CIC is to promote and encourage the establishment and growth of industrial, commercial, distribution, and research facilities within member subdivisions. CIC is governed by a board of trustees consisting of fifteen self-appointed members. Not less than two-fifths of the members are to be composed of elected officials. Five of these trustees include: a member of the Board of County Commissioners of Defiance County, the Auditor of Defiance County, the Mayor or his/her designated elected official of the City of Defiance, the Mayor or his/her designated elected official of the Village of Hicksville, and the President of the Defiance County Trustees. The remaining members represent private residents of Defiance County or employees of Defiance County businesses or firms. The County provides resources to the board of trustees based on a membership fee. CIC exercises total control over the operation of CIC including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the CIC. In 2008, Defiance County contributed $50,000 for CIC's operations which represents 18% of total contributions. Information can be obtained from the Jerry Hayes, Executive Director, 1300 East Second Street, Suite 201, Defiance, Ohio 43512.

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

I. Northwest Ohio Waiver Administration Council (NOWAC)

The Northwest Ohio Waiver Administration Council (NOWAC) is a jointly governed organization created under the provisions of Chapter 167 of the Ohio Revised Code. NOWAC is organized as a voluntary organization of local County Boards of Mental Retardation and Developmental Disabilities in Defiance County, Williams County, Allen County, Henry County, Fulton County, Van Wert County, and Paulding County. Each of the participating counties has equal representation and no financial responsibility. NOWAC's purpose is to foster a cooperative effort in regional planning, programming, and the implementation of regional plans and programs. Its primary function is to oversee and obtain contracted services for its clientele in member counties. These services include various types of assistance provided by outside individuals or health care organizations for living maintenance of disabled clients so they can remain in their homes. Defiance County contributed $1,103,763 towards NOWAC's operation in 2008. Complete financial statements can be obtained from the Northwest Ohio Waiver Administration Council, 1804 Elmwood Drive, Defiance, Ohio 43512-2511.

NOTE 21 - INSURANCE POOLS

A. County Commissioners Association Service Corporation

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

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

B. Northern Buckeye Education Council Employee Insurance Benefits Program

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

NOTE 22 - RELATED ORGANIZATION

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

Although the County has no obligation to provide financial resources to the Airport Authority, the County Commissioners have in prior years allocated certain funds to the Airport Authority. In 2008, the County contributed $25,200 to the Airport Authority.

NOTE 23 - CONTINGENT LIABILITIES

A. Litigation

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

B. Federal and State Grants

For the period January 1, 2008, to December 31, 2008, the County received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the County believes such disallowances, if any, would be immaterial.

NOTE 24 – SUBSEQUENT EVENTS

On May 28, 2009, Defiance County was awarded a grant in the amount of $3,208,000 and a loan in the amount of $1,977,000 from the United States Department of Agriculture for the Auglaize River Project to build a wastewater and sewer collection system.

DEFIANCE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
National School Lunch Program			
Non Cash Assistance (Commodities)		10.555	$ 2,200
Cash Assistance	065946-LLP4-2008	10.555	8,393
Cash Assistance	065946-LLP4-2009	10.555	4,901
Total U.S. Department of Agriculture			15,494
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Special Education Cluster:			
Special Education - Grants to States	065946-6BSF-2008	84.027	63,009
Special Education - Preschool Grant	065946-PGD106	84.173A	3,000
Special Education - Preschool Grant	065946-PGS1-2008	84.173	26,754
Total Special Education - Preschool Grant			29,754
Total Special Education Cluster			92,763
State Grants for Innovative Programs	065946-C2S1-2008	84.298	197
Total U.S. Department of Education			92,960
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through Ohio Department of Public Safety Emergency Management Agency			
Homeland Security Cluster:			
State Homeland Security Program	2007-GE-T7-0030	97.067	6,898
Citizens Corp Program Grant	2006-GC-T6-0051	97.053	7,337
	2007-GE-T7-0030	97.067	1,013
Total Homeland Security Cluster			15,248
Emergency Management Performance Grant	2008-EM-E8-0002	97.042	41,319
Total U.S. Department of Homeland Security			56,567
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through The Area Office of Aging			
Aging Cluster:			
Grants for Supportive Services and Senior Centers		93.044	30,494
Special Programs for the Aging -Title III Part C- Nutrition Services		93.045	151,699
Total Aging Cluster			182,193
Special Programs for the Aging - Title III Part D - Disease Prevention and Health Promotion		93.043	6,825

(Continued)

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
Alzheimer Disease Demonstration Grants to States FY 07		93.051	18,828
Alzheimer Disease Demonstration Grants to States FY 08		93.051	20,755
Total Alzheimers Disease Demonstration Grant			39,583
Total Area Office of Aging			228,601
Passed Through Ohio Department of Health			
Social Services Block Grant		93.667	31,589
Passed Through the Ohio Department of Mental Retardation and Development Disabilities			
Medical Assistance Program (Medicaid: Title XIX)		93.778	579,399
Medical Assistance Program (TCM)		93.778	95,825
Total Passed Through the Ohio Department of Mental Retardation and Development Disabilities			675,224
Total U.S. Department of Health and Human Services			935,414
U.S. DEPARTMENT OF LABOR			
Passed Through Montgomery County WIA Area 7			
Workforce Investment Act Cluster:			
Workforce Investment Act - Adult	N/A	17.258	179,717
Workforce Investment Act - Adult Administration	N/A	17.258	3,219
Total Workforce Investment Act - Adult			182,936
Workforce Investment Act - Youth	N/A	17.259	56,733
Workforce Investment Act - Youth Administration	N/A	17.259	1,016
Total Workforce Investment Act - Youth			57,749
Workforce Investment Act - Dislocated Worker	N/A	17.260	91,708
Workforce Investment Act - Dislocated Worker - Rapid Response	N/A	17.260	4,515
Workforce Investment Act - Dislocated Worker Administration	N/A	17.260	1,723
Workforce Investment Act - Workkeys	N/A	17.260	3,000
Workforce Investment Act - Workkeys Administrative	N/A	17.260	54
Total Workforce Investment Act - Dislocated Worker			101,000
Total Workforce Investment Act Cluster			341,685
Workforce Investment Act - Worforce Service Month	N/A	17.225	3,500
Workforce Investment Act - Workforce Serive Month Administrative	N/A	17.225	63
Total Workforce Investment Act - Workforce Service Month			3,563
Total U.S. Department of Labor			345,248

(Continued)

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

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 Grant (Formula Grant)	B-F-06-019-1	14.228	2,000
Community Development Block Grant (Formula Grant)	B-F-07-019-1	14.228	74,080
Community Development Block Grant (Economic Development)	B-E-05-019-1	14.228	113,465
Community Development Block Grant (Chip)	B-C-06-019-1	14.228	78,338
Total Community Development Block Grant			267,883
Home Investment Partnerships Program (Chip)	B-C-06-019-2	14.239	283,887
Total U.S. Department of Housing and Urban Development			551,770
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through Ohio Department of Transportation			
Highway Planning and Construction	08N048-2	20.205	72,883
	08NO48-1	20.205	245,347
Total U.S. Department of Transportation			318,230
U.S. DEPARTMENT OF JUSTICE			
Passed Through the Office of Criminal Justice Services			
Crime Victims Assistance	2007 VAGENE061T	16.575	1,038
	2007 VAGENE061T	16.575	47,418
Total Crime Victims Assistance			48,456
Bryne Formula Grant Program	2004-DG-D0V-V7688	16.579	2,892
Edward Bryne Justice Assistance Grant Formula Program	2007-JG-A01-6407	16.738	80,000
Total U.S. Department of Justice			131,348
U.S. ELECTION ASSISTANCE COMMISSION			
Passed Through the Office of the Ohio Secretary of State			
Voter Education and Poll Worker Training Grant	05-SOS-HAVA-20	39.011	978
HAVA Title II, 251 - March Paper Ballots		90.401	1,493
Total U.S. Election Assistance Commission			2,471
Total			**$ 2,449,502**

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

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

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD.

These loans are collateralized by mortgages on the property and by uniform commercial codes on equipment. At December 31, 2008, the gross amount of loans outstanding under this program was $225,289. Delinquent amounts due are $80,430.

NOTE E - MATCHING REQUIREMENTS

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

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

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

To the Board of Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Defiance County, Ohio (the County), as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 20, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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. We believe the significant deficiency described above is not a material weakness.

We also noted certain internal control matters that we reported to the County's management in a separate letter dated August 20, 2009.

Compliance and Other Matters

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

We did note certain noncompliance matters that we reported to the County's management in a separate letter dated August 20, 2009.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 20, 2009

Mary Taylor, CPA
Auditor of State

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

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

To the Board of Commissioners:

Compliance

We have audited the compliance of Defiance County, Ohio (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, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the Defiance County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2008. In a separate letter to the County's management dated August 20, 2009 we reported other matters related to federal noncompliance not requiring inclusion in this report.

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.

One Government Center / Suite 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

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

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

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 20, 2009

DEFIANCE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2008

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)?**	**No**
(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)?**	**No**
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	**No**
(d)(1)(iv)	**Were there any other significant deficiencies in internal control reported for major federal programs?**	**No**
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	**Unqualified**
(d)(1)(vi)	**Are there any reportable findings under § .510?**	**No**
(d)(1)(vii)	**Major Programs (list):**	Medical Assistance Program CFDA 93.778, Highway Planning and Construction Cluster CFDA 20.205, and Home Investment Partnership Program CFDA 14.239
(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 2008-001

Significant Deficiency

Monitoring Financial Statements

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

FINDING NUMBER 2008-001
(Continued)

The 2008 financial statements contained material errors, such as the following:

- Intergovernmental revenue was understated and deferred revenue was overstated in the Job and Family Services Fund by $400,000.

- Undistributed monies were overstated and due to other governments were understated by $1,796,729 in the Agency Funds.

- Revenue in lieu of taxes in the amount of $80,000 was included in other revenue instead of a more descriptive line item.

The financial statements and accounting records have been adjusted to reflect these corrections.

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

Officials' Response:

The County Auditor's office implemented various policies, procedures, and reviews which greatly reduced the number of audit adjustments.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

DEFIANCE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2007-001	Material Weakness regarding monitoring of financial statements.	No	Partially Corrected. Included as a significant deficiency in the current report as finding 2008-001. County made significant improvement reducing the number of audit adjustments from 29 to 3.

Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

DEFIANCE COUNTY

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 29, 2009

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us