



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**FINANCIAL CONDITION - MERCER COUNTY
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REPORT OF INDEPENDENT ACCOUNTANTS

Mercer County
Central Services Building
220 W. Livingston Street
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Celina, Ohio 45822

To the Board of Commissioners:

We have audited the accompanying financial statements of Mercer County, Ohio, (the County) as of and for the year ended December 31, 1999. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-1-11, requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the County prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, can not be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of Mercer County, as of December 31, 1999, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

As more fully described in Notes 3 and 16 to the financial statements, the County invests in federal agency collateralized mortgage obligation securities whose book values as reflected in the accompanying financial statements at December 31, 1999, were determined to be substantially in excess of fair value. Management indicates its intent is to hold these investments to maturity, however, its ability to do so is unknown at this time.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2000 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of the audit committee, management, Board of Commissioners, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

May 19, 2000

**FINANCIAL CONDITION - MERCER COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
 CHANGES IN FUND CASH BALANCES-ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Types			Fiduciary	Total (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Project		Expendable Trust
Receipts:						
Taxes	\$4,546,266	\$1,519,010	\$0			\$6,065,276
Charges For Services	660,556	971,622	78,541			1,710,719
Licenses And Permits	5,451	9,647				15,098
Fines And Forfeitures	62,739	31,632				94,371
Intergovernmental Receipts	991,369	8,186,978				9,178,347
Special Assessments			219,748	136,114		355,862
All Other Receipts	666,601	510,614	8,041	100,108	16,521	1,301,885
Total Receipts	<u>6,932,982</u>	<u>11,229,503</u>	<u>306,330</u>	<u>236,222</u>	<u>16,521</u>	<u>18,721,558</u>
Disbursements:						
General Government						
Legislative And Executive	2,862,237	297,658		69,758		3,229,653
Judicial	1,011,679	529,742				1,541,421
Public Safety	1,988,090	239,668				2,227,758
Public Works	155,324	5,333,249				5,488,573
Health	31,716	2,864,261				2,895,977
Human Services	201,949	2,679,189				2,881,138
Conservation - Recreation		5,128			12,518	17,646
Miscellaneous	70,999				15,354	86,353
Capital Outlay				423,132		423,132
Debt Service						
Bond Principal Payment			177,950			177,950
Note Principal Payment			1,375,700			1,375,700
Interest And Fiscal Charges			347,071			347,071
Total Disbursements	<u>6,321,994</u>	<u>11,948,895</u>	<u>1,900,721</u>	<u>492,890</u>	<u>27,872</u>	<u>20,692,372</u>
Total Receipts Over (Under) Disbursements	610,988	(719,392)	(1,594,391)	(256,668)	(11,351)	(1,970,814)
Other Financing Sources (Uses)						
Proceeds of Notes		77,500	1,054,251	89,000		1,220,751
Operating Transfers-In		545,944	451,666			997,610
Operating Transfers-Out	(931,454)	(25,422)		(40,734)		(997,610)
Advances-In Not Repaid		16,238	220			16,458
Advances-Out Not Repaid	(8,220)	(1,921)				(10,141)
Other Financing Sources	326,431	162,299		17		488,747
Other Financing Uses	(170,910)		(810)	(5,233)		(176,953)
Total Other Financing Sources (Uses)	<u>(784,153)</u>	<u>774,638</u>	<u>1,505,327</u>	<u>43,050</u>		<u>1,538,862</u>
Total Receipts And Other Sources Over (Under) Disbursemet And Other Uses	(173,165)	55,246	(89,064)	(213,618)	(11,351)	(431,952)
Fund Cash Balance January 1	<u>1,490,478</u>	<u>3,868,745</u>	<u>754,649</u>	<u>653,143</u>	<u>115,586</u>	<u>6,882,601</u>
Fund Cash Balance December 31	<u>\$1,317,313</u>	<u>\$3,923,991</u>	<u>\$665,585</u>	<u>\$439,525</u>	<u>\$104,235</u>	<u>\$6,450,649</u>

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

FINANCIAL CONDITION - MERCER COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES-ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
Receipts:				
Charges For Services	\$959,411	\$1,598,485		\$2,557,896
Other Operating Receipts	18,093	0		18,093
Total Receipts	<u>977,504</u>	<u>1,598,485</u>	<u>0</u>	<u>2,575,989</u>
Disbursements:				
Personal Services	296,187	35,954		332,141
Contract Services	478,646	1,592,458		2,071,104
Supplies And Materials	72,817			72,817
Capital Outlay	134,510			134,510
Total Disbursements	<u>982,160</u>	<u>1,628,412</u>	<u>0</u>	<u>2,610,572</u>
Total Receipts Over (Under) Disbursements	(4,656)	(29,927)	0	(34,583)
Non-Operating Receipts (Disbursements)				
Grants	10,757			10,757
Other Non-Operating Revenue	36,566		53,908,036	53,944,602
Other Non-Operating Disbursements			<u>(53,624,167)</u>	<u>(53,624,167)</u>
Total Non-Operating Receipts (Disbursements)	<u>47,323</u>	<u>0</u>	<u>283,869</u>	<u>331,192</u>
Income Before Operating Transfers	42,667	(29,927)	283,869	296,609
Operating Transfers-Ins	231,874			231,874
Operating Transfers-Outs	(231,874)			(231,874)
Advances-In Not Repaid	1,921			1,921
Advances-Out Not Repaid	<u>(8,238)</u>			<u>(8,238)</u>
Net Income	36,350	(29,927)	283,869	290,292
Fund Cash Balance January 1	<u>704,569</u>	<u>64,966</u>	<u>2,668,294</u>	<u>3,437,829</u>
Fund Cash Balance December 31	<u><u>\$740,919</u></u>	<u><u>\$35,039</u></u>	<u><u>\$2,952,163</u></u>	<u><u>\$3,728,121</u></u>

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

**FINANCIAL CONDITION - MERCER COUNTY
 COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 1999**

Fund Types/Fund	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental:			
General Fund	\$6,893,759	\$7,259,413	\$365,654
Special Revenue Funds	12,789,368	12,015,246	(774,122)
Debt Service Funds	2,143,307	1,812,247	(331,060)
Capital Project Funds	336,839	325,239	(11,600)
Proprietary:			
Enterprise Funds	1,013,700	1,256,701	243,001
Internal Service Funds	1,716,165	1,598,485	(117,680)
Fiduciary:			
Trust Funds	<u>14,836</u>	<u>16,521</u>	<u>1,685</u>
		16521	
Total (Memorandum Only)	<u><u>\$24,907,974</u></u>	<u><u>\$24,283,852</u></u>	<u><u>(\$624,122)</u></u>

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

**FINANCIAL CONDITION - MERCER COUNTY
 COMBINED STATEMENT OF DISBURSEMENTS AND
 ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
 FOR THE YEAR ENDED DECEMBER 31, 1999**

Fund Types/Fund	Prior Year Carryover Appropriations	1999 Appropriations	Total
Governmental:			
General Fund	\$235,178	\$7,937,886	\$8,173,064
Special Revenue Funds	670,814	14,508,623	15,179,437
Debt Service Funds	617,508	1,745,909	2,363,417
Capital Project Funds	72,125	837,848	909,973
Proprietary:			
Enterprise Funds	30,550	1,386,904	1,417,454
Internal Service Funds	125,862	1,637,421	1,763,283
Fiduciary:			
Trust Funds	<u>28</u>	<u>35,598</u>	<u>35,626</u>
Total (Memorandum Only)	<u>\$1,752,065</u>	<u>\$28,090,189</u>	<u>\$29,842,254</u>

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

<u>Actual 1999 Disbursements</u>	<u>Encumbrances Outstanding At 12-31-99</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
\$7,424,358	\$222,898	\$7,647,256	\$525,808
11,974,317	1,396,729	13,371,046	1,808,391
1,901,531	16,875	1,918,406	445,011
538,857	44,264	583,121	326,852
1,214,034	63,227	1,277,261	140,193
1,628,412	0	1,628,412	134,871
<u>27,872</u>	<u>2,434</u>	<u>30,306</u>	<u>5,320</u>
<u>\$24,709,381</u>	<u>\$1,746,427</u>	<u>\$26,455,808</u>	<u>\$3,386,446</u>

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**FINANCIAL CONDITION - MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

1. REPORTING ENTITY AND BASIS OF PRESENTATION

Mercer County, Ohio (the County), was established in 1824. The County operates under the direction of a three-member elected Board of Commissioners. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, and a Probate/Juvenile Court Judge.

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

A. REPORTING ENTITY

Governmental Accounting Standards Board Codification (GASB) Section 2100 indicates that the criteria for including a potential component unit within the reporting entity is the County Commissioner's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of this ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the accountability for fiscal matters and the ability to influence operations significantly.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the County or whether the activity is conducted within the geographic boundaries of the County and is generally available to its residents.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the County is able to exercise oversight responsibility.

Based on the criteria established by Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards (GAFRS), the financial activities of the various potential component units are (1) part of the reporting entity of the County and included in the financial statements; (2) reported as Agency funds in the financial statements; (3) Joint Ventures and disclosed in the notes to the financial statements; or (4) excluded from the reporting entity.

The Mercer County Board of Mental Retardation and Developmental Disabilities is included as a part of the reporting entity and is presented in the financial statements, although governed by its own board, the County Commissioners have oversight responsibility.

The County Treasurer, as the custodian of public funds, invests all public monies held on deposit in the County treasury. In the case of separate agencies, boards and commissions as listed below, the County serves as fiscal agent but does not exercise primary oversight responsibility. Accordingly, the activity of the following districts and entities have been included in the County's financial statements as Agency Funds:

District Board of Health
Tri-County Mental Health Board
Soil and Water Conservation District
Lakefield Airport Authority

FINANCIAL CONDITION - MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

A. REPORTING ENTITY (Continued)

Although the following entities meet the scope of public service criterion, the County exercises no oversight responsibility. The entities may be related to the County in that the organizations may share the County name or the County may provide resources to support them as monies are available. The governing authorities of these entities are selected independently of Mercer County officials. Each individual governing authority may: (1) designate its own management; (2) have total control over their operations; (3) be solely responsible for reviewing, approving and revising its own budget; (4) have the ability to issue and be responsible for its own debt; (5) function as fiscal manager by controlling the collection and disbursement of funds and holding title to assets; and (6) have the ability to generate their own revenue. The following organizations are to be excluded from the reporting entity:

Mercer County Board of Education
Mercer County Agricultural Society
Mercer County Law Library Association
Mercer County Council on Aging
Mercer County Historical Society
Mercer County Community Improvement Corporation
Mercer County Cooperative Extension Services
Auglaize and Mercer Counties Convention and Visitors Bureau

C. A. Industries, Inc. is a legally separate, not-for-profit corporation, served by a board appointed by the Mercer County Board of MRDD. The workshop, under contractual agreement with the Mercer County Board of Mental Retardation and Developmental Disabilities, provides sheltered employment for mentally retarded or handicapped individuals in Mercer County. The Mercer County Board of MRDD provides the workshop with personnel necessary for the operation of the habilitation services to the clients, land and buildings for the operation of the center, maintenance and repair of the buildings, and professional staff to supervise and train clients of the C. A. Industries, Inc. Based on the significant services and resources provided by the County to the workshop and the workshop's sole purpose of providing assistance to the retarded and handicapped adults of Mercer County, the workshop is a component unit of Mercer County. However, the County reports on the cash basis of accounting which does not reflect component units within the financial statements and related note disclosures. Separately issued financial statements can be obtained from the C. A. Industries, Inc. at P.O. Box 137, Celina, Ohio 45822.

Mercer County is associated with six organizations which are defined as an insurance purchasing pool, jointly governed organizations, and a related organization. These organizations include: County Commissioners Association of Ohio Worker's Compensation Group Rating Plan, Tri-County Mental Health Board, Job Training Partnership Consortium, West Central Ohio Network, West Central Partnership, Inc., and Mercer County District Library.

B. BASIS OF ACCOUNTING

Although required by Ohio Administrative Code Section 117-1-11 to prepare its annual financial report in accordance with generally accepted accounting principles, the County chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

FINANCIAL CONDITION - MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

B. BASIS OF ACCOUNTING (Continued)

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

C. FUND ACCOUNTING

The County maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

GOVERNMENTAL FUNDS

General Fund

The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds

To account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.

Capital Projects Funds

To account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

Debt Service Funds

To account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For purposes of this report, these funds have been classified into the proper groups, if practicable.

PROPRIETARY FUNDS

Enterprise Funds

To account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

FINANCIAL CONDITION - MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

C. FUND ACCOUNTING (Continued)

Internal Service Fund

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

FIDUCIARY FUNDS

Trust and Agency Funds

To account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust funds and agency funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(As Required by Various Statutes)

A. BUDGETARY PROCESS

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year.

Prior to December 31, the County must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources.

The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1 unencumbered fund balances. However, those fund balances are available for appropriations.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

FINANCIAL CONDITION - MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continue)
(As Required by Various Statutes)

A. BUDGETARY PROCESS(Continue)

4. Encumbrances

The County is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

B. PROPERTY, PLANT AND EQUIPMENT

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

C. CASH AND CASH EQUIVALENTS

Cash balances of the County's funds are pooled and invested in long- and short-term investments in order to provide improved cash management. Investments are stated at cost.

In accordance with authorized investment laws, the County invests in various Federal Agency mortgaged-backed securities, such as collateralized mortgage obligations and interest-only strips. These securities are reported at cost as Federal Agency mortgage obligation securities in the disclosure of custodial risk. (See Note 3)

Interest is distributed to the General Fund, the Revolving Loan Special Revenue Fund, and the Bunge Park Expendable Trust Fund. Interest revenue earned during 1999 amounted to \$649,873.

D. ACCUMULATED UNPAID VACATION AND SICK LEAVE

Accumulated unpaid vacation and sick pay are not accrued under the cash basis of accounting described in Note 1. At December 31, 1999, and in accordance with the County's sick leave policy, management estimates that \$1,190,462 in sick leave and \$694,245 in vacation leave has been accumulated by the employees of the County. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees. It is not practicable to determine the actuarial value of these benefits as of December 31, 1999.

E. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

FINANCIAL CONDITION - MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

3. DEPOSITS AND INVESTMENTS

Moneys held by the County are classified by State Statute into two categories. Active moneys are public moneys determined to be necessary to meet current demand upon the County treasury. Active moneys 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.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio;
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio;

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

FINANCIAL CONDITION - MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

3. DEPOSITS AND INVESTMENTS (Continued)

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

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

At year-end, the County had \$92,733 in undeposited cash on hand; this amount is uninsured and uncollateralized.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits

At year-end, the carrying amount of the County's deposits was \$1,440,046 and the bank balance was \$2,529,309. Of the bank balance, \$759,793 was covered by federal deposit insurance and \$1,769,516 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the County's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the County to a successful claim by the Federal Deposit Insurance Corporation.

Investments

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

The County held significant amounts of collateralized mortgage obligation securities at December 31, 1999. These securities have declined in fair value by \$380,913, because current interest rates have increased. With these type of securities, the effect of continued increases in interest rates is a significant decrease in interest earnings and an increase in the maturity of the investment which results in a fair value decline. Should interest rates decrease, the effect may reverse in relation to the decrease.

Management intends to hold the collateralized mortgage obligations to maturity. If management is able to hold these securities to maturity, the securities may yield less than market rates of interest, but should not result in a loss of principal. The accompanying financial statements do not reflect a write down for the decline in fair value. See Note 16.

FINANCIAL CONDITION - MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

3. DEPOSITS AND INVESTMENTS (Continued)

	Category 2	Carrying Value	Fair Value
Federal Agency Securities:	\$6,991,360	\$6,991,360	\$6,610,447
STAR Ohio	<u>1,654,631</u>	<u>1,654,631</u>	<u>1,654,631</u>
Total	<u>\$6,991,360</u>	<u>\$8,645,991</u>	<u>\$8,265,078</u>

4. DEBT OBLIGATIONS

Debt outstanding at December 31, 1999 consisted of the following:

General Obligation Note	
Principal Outstanding	\$953,057
Interest Rates	3.90 - 4.62%
Special Assessment Notes	
Principal Outstanding	\$352,694
Interest Rates	3.90 - 4.71%
Special Assessment Bonds	
Principal Outstanding	\$148,700
Interest Rates	5.0 - 7.78%
Ohio Public Works Commission Loan	
Principal Outstanding	\$382,520
Interest Free	
Ohio Water Development Authority Loan	
Principal Outstanding	\$938,477
Interest Rates	2.00 - 7.89%
General Obligation Bond	
Principal Outstanding	\$3,700,000
Interest Rate	5.30 - 5.40%
Ohio Water & Sewer Loan	
Principal Outstanding	\$312,045
Interest Free	

All outstanding notes at December 31 had been issued as allowed by law. The general obligation notes are of the bond anticipation type and have been renewed.

**FINANCIAL CONDITION - MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

4. DEBT OBLIGATIONS (Continued)

The general obligation notes were used to finance the improvements of the Northeast sanitary sewer system, purchase of land for an industrial park at the Mercer County Airport, finance street improvements for the Marion Township Industrial Park. The Mercer County Commissioners intend to issue bonds to pay off the notes.

Outstanding special assessment note proceeds were used to finance the improvement of the Kyle Prairie Ditch, Bryanvilla Ditch, McMichael Ditch, and Strober Ditch. These notes are payable from the proceeds of special assessments against benefitted property owners.

Outstanding special assessment bonds consisted of the Grand Lake Sanitary Sewer and the Southwest Sanitary Sewer construction issues which are payable from the proceeds of assessments against benefitted property in the improved areas.

The Ohio Public Works Commission loans were used to finance the Northwood Collection System construction, the Karch/Tama bridge replacement, and the Siegrist-Jutte & Kuhn Road bridge replacement.

The Ohio Water Development Authority loans were used to finance the Montezuma Club Island Sanitary Sewer construction project. Property and revenue of the sewer district have been pledged to repay these loans.

The General Obligation Bond was used to finance the Central Services Building improvements.

The Ohio Water and Sewer Loans were used to finance the Southwest Sewer Project and Sandy Beach Sewer Project. These loans are payable from the proceeds of special assessment against benefitted property owners.

The annual requirements to amortize all bonded debt outstanding as of December 31, 1999, including interest payments of \$3,021,893 are as follows:

Year Ending December 31	Special Assessment Bond	Ohio Water Development Authority (O.W.D.A.) Loans	Ohio Public Works Commission (O.P.W.C.) Loan	General Obligation Bond
2000	\$38,854	\$152,379	\$24,311	\$281,600
2001	11,900	146,652	24,311	282,360
2002	11,900	140,926	24,311	282,855
2003	11,885	135,199	24,311	283,085
2004	11,955	129,472	24,311	283,050
2005-2009	59,675	333,194	121,555	1,410,450
2010-2014	59,600	106,434	120,168	1,407,720
2015-2019	0	0	19,242	1,407,000
2020-2023	0	0	0	1,132,970
Total	<u>\$205,769</u>	<u>\$1,144,256</u>	<u>\$382,520</u>	<u>\$6,771,090</u>

**FINANCIAL CONDITION - MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

4. DEBT OBLIGATIONS (Continued)

The County has also received two loan agreements from the Ohio Water and Sewer Rotary Commission in regard to the construction of two sewer districts. These loans provide funding assistance for that portion of the project for which collections of assessments from certain owners of undeveloped property located within an agricultural district are exempted pursuant to Section 929.03 of the Ohio Revised Code, subject to the performance of certain terms and conditions of repayment. As part of the agreement, upon change of the use of any parcel pursuant to Section 1525-1-06 of the Administrative Code would require repayment to the Ohio Water and Sewer Rotary Commission for the full amount of the assessment for the portion of the property for which the use has changed pursuant to Division C of Section 929.03 of the Ohio Revised Code. The first loan was used to finance the Sandy Beach Sewer System construction and at the end of the year the original loan amount forty two thousand eight hundred twenty two thousand dollars (\$42,822) remains outstanding. The second loan was used to finance the Southwest Sewer System construction for a term not to exceed twenty years and is payable from the proceeds of assessments against benefitted property in the improved area for the property for which the use has not changed and interest is to be paid from the General Fund at a rate per annum equal to the rate of interest published as the 20-bond index rate in "The Bond Buyer" minus four percent per annum, or at a rate of five percent per annum, which ever is greater, for any monies not repaid to the Commission within one year of the date of the disqualification of the property for the continual deferment which requires such repayment, and such interest shall continue until such repayment is made. At the end of the year ,the original amount of the Southwest Sewer loan (\$269,223) two hundred sixty nine thousand two hundred twenty three dollars remains outstanding.

The annual requirements to amortize all note debt outstanding as of December 31, 1999, including interest payments of \$57,505, are as follows:

Year Ending December 31	General Obligation Notes	Special Assessment Notes
2000	<u>\$994,912</u>	<u>\$368,344</u>

5. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last reappraisal was completed for tax year 1999.

Real property taxes become a lien on all non-exempt real property located in the County on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property, for the calendar year ended December 31, 1999, was \$8.79 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$6.8633 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$8.2308 per \$1,000 of assessed valuation for all other real property. Real property owners tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

FINANCIAL CONDITION - MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

5. PROPERTY TAX (Continued)

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 1999, was \$8.79 per \$1,000 of assessed valuation.

Real Property - 1998 Valuation

Residential/Agricultural	\$503,575,650
Commercial/Industrial	72,120,470
Public Utilities	28,720

Tangible Personal Property

General - 1999 Valuation	62,678,254
Public Utilities - 1998 Valuation	<u>30,417,640</u>

Total Valuation	<u>\$668,820,734</u>
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The Mercer County Treasurer collects property tax on behalf of all taxing districts within the County. The Mercer County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

6. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 1999, the County contracted with Midwest Pool Management, Inc. for liability, property and crime insurance.

Coverages provided by the insurance pool are as follows:

Liability

(A) General, Auto, Law and Nursing Home Liability Combined (per occurrence)	\$1,000,000
(B) Public Official Errors and Omissions Liability (per occurrence - included above) Aggregate	1,000,000 1,000,000
(C) Excess Liability, General, Liquor, Auto, Law, Public Official Liability and Miscellaneous Errors and Omissions	4,000,000
Property (per occurrence)	174,168,831
Flood and Earthquake (annual aggregate)	35,000,000
Boiler and Machinery (annual aggregate)	30,000,000
Crime Insurance:	
Faithful Performance	250,000
Money and Securities	250,000
Employee Dishonesty	250,000
Depositors Forgery	250,000

FINANCIAL CONDITION - MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

6. RISK MANAGEMENT (Continued)

The County pays all elected officials' bonds by statute.

Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. For 1998, the County participated in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program (CCAO), a workers' compensation insurance purchasing pool (See Note 11). The intent of the CCAO is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the CCAO. Each participant pays its workers' compensation premium to the State based on the rate for the CCAO rather than its individual rate. In order to allocate the savings derived by formation of the CCAO, and to maximize the number of participants in the CCAO, annually the CCAO's executive committee calculates the total savings which accrued to the CCAO through its formation. This savings is then compared to the overall savings percentage of the CCAO. The CCAO's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the CCAO is limited to counties that can meet the CCAO's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the CCAO. Each year, the County pays an enrollment fee to the CCAO to cover the costs of administering the CCAO.

The County may withdraw from the CCAO if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Worker's Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the CCAO prior to the withdrawal, and any participant leaving the CCAO allows representatives of the CCAO to access loss experience for three years following the last year of participation.

Beginning January 1, 1994, the County elected to enter into an agreement with Van Wert, Hancock, and Auglaize counties to form the Midwest Employee Benefit Consortium, a risk-sharing pool, to provide for health, dental and life insurance. Since then, Shelby County has also become a member. The Pool is governed by a Board of Trustees consisting of five trustees, appointed by each member from the County Commissioners. The Board elects a President, Vice President, Treasurer, and Secretary. The Board is responsible for its own financial matters and the Pool maintains its own books of account. Budgeting and financing of the Pool is subject to the approval of the Board. Settled claims have not exceeded coverage in the last three years.

The County pays monthly contributions to the Pool, which are used to purchase excess loss insurance for the Pool, pay current claims and related claim settlement expenses and to establish and maintain sufficient reserves. The plan is non-contributing for employees and is owned and operated by the Pool. The members' contributions represent 115 percent of the expected costs of the Pool, which will allow the Pool to establish excess reserves for future operations. The funds are maintained in a bank trust account established for the sole purpose and benefit of the Pool's operations.

The Pool has entered into an agreement for individual and aggregate excess loss coverage with a commercial insurance carrier. The individual excess loss coverage has been structured to indemnify the Pool for medical claims paid to an individual in excess of \$75,000 per year, with an individual lifetime maximum of \$925,000 per person per year. The aggregate excess loss coverage has been structured to indemnify the Pool for aggregate claims in excess of 120 percent of projected claims. In the event that the losses of the consortium in any year exceeds amounts paid to the Pool, together with all stop-loss, reinsurance and other coverage then in effect, then the payment of all uncovered losses shall revert to and be the sole obligation of all county members of the Pool. No such loss has occurred in the past three years.

FINANCIAL CONDITION - MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

6. RISK MANAGEMENT (Continued)

The County currently has no specified percentage share of the Pool. The only time at which a percentage share would be calculated occurs if the Pool votes to terminate. After a vote to terminate the Pool, the Board would wind-up the Pool's business as quickly as practicable, but in any event would complete this process no later than twelve months after the termination date. During such period, the Pool would continue to pay all claims and expenses until the Pool's funds are exhausted. After payment of all claims and expenses, or upon the termination of the aforesaid twelve month period, any remaining surplus funds held by the Pool would be distributed according to the determination of the Board. The County's payment for health insurance coverage to the Midwest Employee Benefit Consortium in 1999 was \$1,551,016.

7. LOCAL SALES TAX

For the purpose of providing additional general revenues, the Mercer County Commissioners have levied a tax at the rate of one percent upon certain retail sales made in the County. Tax receipts are credited to the general fund and amounted to \$3,030,973 for 1999.

8. DEFINED BENEFIT PENSION PLANS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

Mercer County contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement. Law enforcement employees contribute 9.0% of covered salary. The 1999 employer contribution rate for local government employer units, was 13.55% of covered payroll. The law enforcement employer rate was 16.70% of covered payroll. The contribution rates are determined actuarially. Mercer County's contributions paid to PERS during the years ended December 31, 1999, 1998, and 1997 were \$1,799,843, \$1,672,426, and \$1,617,910, respectively. All required payments of contributions have been made through December 31, 1999.

B. STATE TEACHERS RETIREMENT SYSTEM

Mercer County contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, and survivor benefits based on eligible service credit to members and beneficiaries. Benefits are established by Ohio Rev. Code Chapter 3307. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and Mercer County is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Mercer County's contributions paid to STRS during the years ended December 31, 1999, 1998, and 1997 were \$15,984, \$17,691, and \$23,767 respectively. All required payments of contributions have been made through December 31, 1999.

FINANCIAL CONDITION - MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

9. POSTEMPLOYMENT BENEFITS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 1999 employer contribution rate was 13.55 percent of covered payroll for employees not engaged in law enforcement; 4.2 percent was the portion that was used to fund health care for the year 1999. The law enforcement employer rate for 1999 was 16.70 percent and 4.2 percent was used to fund health care.

For 1999, benefits were funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1999, OPEB expenditures made by PERS were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. At December 31, 1999, the total number of benefit recipients eligible for OPEB through PERS was 128,062. The County's actual contributions paid during 1999 which were used to fund OPEB were \$330,508.

B. STATE TEACHERS RETIREMENT SYSTEM

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 2% of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$2,807 of contributions paid during 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

10. DEFERRED COMPENSATION PLANS

Mercer County employees and elected officials may participate in either of two state-wide deferred compensation plans created in accordance with Internal Revenue Code Section 457, one offered by the State of Ohio, the other by the County Commissioners Association of Ohio. Participation is on a voluntary payroll deduction basis. Each plan permits deferral of compensation until future years. According to the plans, the deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

FINANCIAL CONDITION - MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

10. DEFERRED COMPENSATION PLANS (Continued)

All compensation deferred under the Ohio Public Employees Deferred Compensation Board plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are, until paid or made available to the employee or other beneficiary, solely the property and rights of the County (without being restricted to the provisions of benefits under the plan), subject only to the claims of the County's general creditors. Participants rights under the plans are equal to those of general creditors of the County in an amount equal to December 31, 1998 the fair market value of the deferred account for each participant. The Plan Agreements state that the County and the Ohio Public Employees Deferred Compensation Board have no liability for losses incurred under the plan with the exception of fraud or wrongful taking.

11. PUBLIC ENTITY RISK POOLS

COUNTY COMMISSIONERS ASSOCIATION OF OHIO WORKERS' COMPENSATION GROUP RATING PLAN

The County is participating in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program as established under the Section 4123.29 of the Ohio Revised Code. The County Commissioners' Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners' Association of Ohio (CCAO) as a group 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 the 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 the month of December each year. No participants can have more than one member on the group executive committee in any year, and each elected member shall be a County Commissioner.

12. JOINTLY GOVERNED ORGANIZATIONS

A. ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD OF MERCER, PAULDING AND VAN WERT COUNTIES (Tri-County Mental Health Board)

The Tri-County Mental Health Board is a jointly governed organization among Mercer, Paulding and Van Wert counties. The Tri-County Mental Health Board provides leadership in planning for and supporting community-based alcohol, drug addiction and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting and advocating for the rights of persons as consumers of alcohol, drug addiction and mental health services. The ability to influence operations depends on the County's representation on the Board. The Board of Trustees consists of eighteen members: four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services and the remaining ten members are appointed by the County Commissioners of Mercer, Paulding and Van Wert counties in the same proportion as the County's population bears to the total population of the three counties combined. During 1999, a tax levy provided \$ 974,395 for the operations of the organization.

FINANCIAL CONDITION - MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

12. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. JOB TRAINING PARTNERSHIP CONSORTIUM

The Governor has designated Allen, Auglaize, Hardin and Mercer Counties as a Service Delivery Area. A Job Training Partnership Agreement between Allen, Auglaize, Hardin and Mercer County Consortium and the Private Industry Council (PIC) was entered into pursuant to the provisions of the Job Training Partnership Act of 1982 (the Act) Public Law 97-300. Funds for the operations of the JTPA are received through grant revenues from the State of Ohio. The Allen County Job Training Partnership #2 Office has been designated by the PIC as the Administrative Entity, responsible for the administration of the job training plan as formulated by the combined efforts of the Administrative Entity, the Chief Elected Official from each of the four counties and the PIC. Each Board of County Commissioners must choose a Chief Elected Official (CEO) to represent the County in the JTPA.

The CEO is responsible for approving job training plans, grants, policies and operating guidelines for the administration of the programs, delegation of duties for the programs and appointment or termination of the Director of the Job Training Partnership #2 Office. The PIC is responsible for assisting the CEO's in approving job training plans, grants, policies, and operating guidelines for the administration of the training programs and the adoption of a Code of Regulations (By-Laws).

The County did not contribute to the Job Training Partnership Consortium in 1999 and does not anticipate any future contributions. Complete financial statements can be obtained from JTPA, Allen County, Ohio.

C. WEST CENTRAL OHIO NETWORK

The West Central Ohio Network (West CON) is a regional council of government. West CON is comprised of the boards of Mental Retardation and Developmental Disabilities (MRDD) of several counties, including, Auglaize, Darke, Logan, Mercer, Miami, Shelby, Union, and Hardin. The Board of Directors is made up of the Superintendents from each of these MRDD Boards, and the degree of control exercised by any participating government is limited to its representation on the Board.

West CON is the administrator and fiscal agent of Supported Living funds for each of these Boards of Mental Retardation and Developmental Disabilities. For 1999, the County contributed \$164,160 for the operation of West CON.

D. WEST CENTRAL PARTNERSHIP, INC.

The West Central Partnership, Inc. (the Partnership) is a jointly governed organization among Allen, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The Partnership was formed to administer local loan programs in these counties for the State of Ohio Department of Development using 166 funds and raising money for such purposes and to expend, contribute, disburse, or otherwise handle and dispose of the same for such purpose. The Board of Trustees consists of nine members, including a County Commissioner from each of the member county and the Director of Region 3, West Central SBDC Partnership. The County was not required to contribute any fund to the Partnership in 1999.

**FINANCIAL CONDITION - MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

13. RELATED ORGANIZATION

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

14. CONTRACTUAL COMMITMENTS

The County had entered into the following contractual commitment as of December 31, 1999:

Chuck Samples	Fort Recovery Street Extension Project	\$ 82,532
Phoenix Fabricators & Erection	Village of Rockford Water Tower	235,000
Reliable Construction	Chickasaw Qwik Stop	95,900

The all of the above contractual commitments were encumbered against the Special Revenue fund type at December 31, 1999.

15. PENDING LITIGATION

The County is party to various legal proceedings. The County is of the opinion that ultimate disposition of claims will not have material effect, if any, on the financial condition of the County.

16. SUBSEQUENT EVENTS

Investments

The County's investment in collateralized mortgage obligation type securities have declined in fair value because current interest rates have increased. With these type of securities, the effect of continued increases in interest rates is a significant decrease in interest earnings and fair value. Should interest rates decrease, the effect may reverse in relation to the decrease.

Through April 30, 2000, \$1,382,890 matured, of collateralized mortgage obligations held at December 31, 1999. For those securities held at December 31, 1999, and still held at the April 30, 2000, the carrying and net realizable values are as follows:

	Carrying Value	Fair Value	Difference
Federal Agency Securities Collateralized Mortgage Obligations	\$5,608,469	\$5,228,947	\$(379,522)

If held to maturity, a possible term of thirty years in some cases, the agency securities should recover the principal amount invested; however, if interest rates continue to increase, any loss would depend on the County's ability to hold the investments to maturity and still maintain the cash flow to fund the operations of the County.

**FINANCIAL CONDITION - MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

16. SUBSEQUENT EVENTS (Continued)

Bond Anticipation Notes

The County Commissions approved the following bond anticipation notes subsequent to year end:

Date	Issue	Amount
January 4, 2000	Acquiring of Real Estate (Airport)	\$270,000
February 10, 2000	Byanvilla Ditch	\$77,200
February 10, 2000	State Route 19 Industrial Corridor	\$800,000
May 2, 2000	Albers Ditch	\$10,500
May 2, 2000	McMichael Ditch	\$32,000
May 2, 2000	Niekamp-Flaute Ditch	\$33,100
May 2, 2000	McMichael Ditch	\$37,000
May 2, 2000	Stober Ditch	\$92,000

**FINANCIAL CONDITON - MERCER COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999**

Federal Grantor/ Pass Through Grantor County Department Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education</i>						
Mercer County Home						
Food Disburibution	N/A	10.550	\$0	\$111	\$0	\$111
Total			0	111	0	111
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
<i>Passed through Ohio Department of Development</i>						
Board of County Commissioners						
Community Development Block Grants:						
Community Development Block Grants/State's Program	B-E-98-050-1	14.228	201,086	0	201,086	0
	B-E-99-050-1		50,000	0	0	0
	B-E-99-050-2		77,500	0	77,500	0
	B-E-99-050-3		154,000	0	90,492	0
	B-E-96-050-1		(3,846)	0	0	0
	B-F-98-050-1		133,500	0	107,183	0
	B-F-97-050-1		19,000	0	19,212	0
	B-F-99-050-1		2,500	0	2,500	0
	B-I-96-050-1		(1,000)	0	0	0
	B-C-99-050-1		7,000	0	6,623	0
	B-C-96-050-1		8,000	0	12,892	0
Total			647,740	0	517,488	0
Board of County Commissioners						
HOME Investment Partnership	B-C-96-050-2	14.239	15,500	0	15,623	0
Direct						
HOME Investment Partnership	B-C-96-050-2	14.239	148,099	0	148,099	0
Total			163,599	0	163,722	0
Total Department of Housing and Urban Development			811,339	0	681,210	0
U.S. DEPARTMENT OF JUSTICE						
<i>(Passed through Attorney General's Crime Victim Services)</i>						
Mercer County Prosecutor's Department						
Crime Victim Assistance	99-VAGENE068T	16.575	39,070	0	39,070	0
<i>(Passed through Office of Criminal Justice Services)</i>						
Mercer County Prosecutor's Department						
Violence Against Women Formula Grant	98-WF-VA-8116	16.588	19,313	0	19,313	0
Mercer County Sheriff's Department						
Law Enforcement Block Grant	97-LE-LEB-3023	16.592	14,355	0	14,288	0
	98-LE-LEB-3023		9,000	0	7,818	0
			23,355	0	22,106	0
Direct						
Mercer County Sheriff's Department						
Public Safety Partnership and Community Policing Grant	95 CFWX 2609	16.710	47,449	0	47,068	0
Total Department of Justice			129,187	0	127,557	0
U.S. DEPARTMENT OF TRANSPORTATION						
<i>(Passed through Ohio Department of Transportation)</i>						
Board of County Commissioners						
Highway Planning and Construction	9078	20.205	4,000	0	2,028	0
Total Department of Transportation			4,000	0	2,028	0
FEDERAL EMERGENCY MANGEMENT AGENCY						
<i>(Passed through Ohio Department of Highway Safety)</i>						
Mercer County Emergency Management						
Emergency Management State & Local Assistance	FY'98	83.534	975	0	0	0
	FY'99		23,579	0	12,252	0
	FY'00		0	0	13,939	0
Total Federal Emergency Management Agency			24,554	0	26,191	0

(Continued)

**FINANCIAL CONDITON - MERCER COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

Federal Grantor/ Pass Through Grantor County Department Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF EDUCATION						
Special Education Cluster (Passed through Ohio Department of Education)						
Cheryl Ann School						
Special Education Grants to States	071597-6B-SF-00P	84.027	3,409	0	3,409	0
	071597-6B-SF-99P		7,070	0	7,636	0
Special Education Preschool Grant	071597-S1-00P	84.173	8,627	0	6,530	0
	071597-S1-99P		<u>0</u>	<u>0</u>	<u>3,529</u>	<u>0</u>
Total Department of Education - Special Education Cluster			19,106	0	21,104	0
UNITED STATES DEPARTMENT OF HUMAN SERVICES						
(Passed through Ohio Department of MRDD)						
Cheryl Ann School						
Social Services Block Grant	MR-54 (99)	93.667	37,783	0	37,783	0
	MR-54 (00)		<u>19,124</u>	<u>0</u>	<u>19,124</u>	<u>0</u>
Total			56,907	0	56,907	0
Cheryl Ann School						
Medical Assistance Program	5400015	93.778	217,075	0	217,075	0
(Passed through Ohio Department of Human Services)						
Children Support Enforcement Agency						
Grants to States for Access and Visitation Programs	G-98-09-580	93.597	75,000	0	40,500	0
(Passed through Ohio Department of Human Services)						
Probate/Juvenile Court						
State Court Improvement Program	N/A	93.586	95,700	0	35,866	0
(Passed through Ohio Department of Human Services)						
Human Services						
Independent Living	N/A	93.674	2,899	0	2,899	0
(Passed through Ohio Department of Human Services)						
Human Services						
Child Welfare Services State Grant	N/A	93.645	45,065	0	45,065	0
(Passed through Ohio Department of Human Services)						
Child Abuse and Neglect State Grant						
	N/A	93.669	<u>2,000</u>	<u>0</u>	<u>2,000</u>	<u>0</u>
Total Department of Human Services			<u>494,646</u>	<u>0</u>	<u>400,312</u>	<u>0</u>
Total Federal Assistance			<u>\$1,482,832</u>	<u>\$111</u>	<u>\$1,258,402</u>	<u>\$111</u>

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

FINANCIAL CONDITION - MERCER COUNTY
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 1999

NOTE A—SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—MATCHING REQUIREMENTS

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

NOTE C-FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed.

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

These loans are collateralized by mortgages on the property. At December 31, 1999, the gross amount of loans outstanding under this program were \$1,925,892.21.

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REPORT ON COMPLIANCE AND INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Mercer County
Central Services Building
220 W. Livingston Street
Rm A201
Celina, Ohio 45822

To the Board of Commissioners:

We have audited the financial statements of Mercer County, Ohio, (the County) as of and for the year ended December 31, 1999, and have issued our report thereon dated May 19, 2000, wherein we noted that the County has continued to follow the basis of accounting previously prescribed by the Auditor of State rather than generally accepted accounting principles which is now required. Also within that report we noted that the County has certain investments whose book values, as reported in the financial statements, are substantially in excess of fair value. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-60254-001 through 1999-60254-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated May 19, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-60254-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated May 19, 2000.

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



Jim Petro
Auditor of State

May 19, 2000



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

Mercer County
Central Services Building
220 W. Livingston Street
Rm A201
Celina, Ohio 45822

To the Board of Commissioners:

Compliance

We have audited the compliance of Mercer 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 are applicable to its major federal programs for the year ended December 31, 1999. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Mercer County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 1999.

Internal Control Over Compliance

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

Mercer County
Report on Compliance With Requirements Applicable to
Each Major Federal Program and Internal Control
Over Compliance in Accordance With OMB Circular A-133
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance, not requiring inclusion in this report, that we have reported to management of the County in a separate letter dated May 19, 2000.

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



Jim Petro
Auditor of State

May 19, 2000

**FINANCIAL CONDITION - MERCER COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 1999**

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Community Home Investment Partnership Grant, CFDA #14.239 and Medical Assistance Program, CFDA #93.778
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**FINANCIAL CONDITION - MERCER COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
(Continued)**

DECEMBER 31, 1999

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

Finding Number	1999-60254-001
-----------------------	----------------

Ohio Administrative Code Section 117-1-11, requires the County to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

However, the County prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omits assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

The County should prepare their 2000 financial statements in accordance with generally accepted accounting principles.

Finding Number	1999-60254-002
-----------------------	----------------

17 C.F.R. Section 240.15c2-12 requires the issuer and/or obligated persons (i.e., entities directly or contingently responsible for repaying the securities) must agree in writing, to provide to all approved Nationally Recognized Municipal Security Information Repositories (NRMSIR's) and to the State Information Depository (SID): Annual financial information and operating data, timely material event notices and Audited financial statements, when and if available. The official statement and Continuing Disclosure Certificate for the 1998 County Building Bonds requires Mercer County to meet the requirements listed above not later than August 1 beginning with fiscal year ending 1998 and continuing with each fiscal year thereafter.

The County failed to file the annual financial information and the audited financial statements with the NRMSIR's and the SID.

The County should implement procedures to ensure the annual financial information and the audited financial statements are filed with the NRMSIRs and the SID.

**FINANCIAL CONDITION - MERCER COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
(Continued)**

DECEMBER 31, 1999

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

Finding Number	1999-60254-003
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Transfer In/Out Transactions, Annual Report and System Reports

The County did not properly classify all interfund transactions (operating transfers) as a transfer of funds, and several transfers were reflected as appropriation adjustments rather than as an expenditure and/or revenue. Numerous transactions were required to be reclassified to properly reflect the activity among funds. In addition to improper posting of transfers, various system generated reports produced were not in agreement as follows: While the Fund Report and Fund History Reports were in agreement, these reports did not agree to the Appropriation History, Revenue History, Revenue Report or Appropriation Report generated for the same period. The Annual Report compiled by the County did not agree with any of the various system reports without research of the variances between the amounts and adjustments recorded by both County personnel and audit. Also, various adjustment were made to the compiled annual report to reflect reimbursements as reductions of expenditures rather than properly posting these transactions on the accounting system.

These accounting and reporting methods caused misstatement of the financial statements. The lack of agreement between the various system accounting reports could result in misstatement of the financial statements due to reliance on an incorrect system report. The lack of agreement among the various system reports calls into question the reliability of data and reports generated from the County accounting system and could also result in County personnel making inappropriate decisions if relying on an incorrect system report.

The County should assure that the various system generated accounting reports are in agreement, accurately reflect all transactions, and perform periodic checks of the various system generated reports to ensure the accuracy of the reports. In addition, county personnel should be adequately trained to properly enter all transactions into the accounting system including transfers and reduction of expenditure transactions. The following descriptions could be used as a guide for proper identification:

- a. Operating transfers often reflect ongoing operating subsidies between two different funds.
- b. Advances often reflect loans between funds and should be repaid within one year. If the advance is not repaid within the same fiscal year it should be recorded as an advance in/out on the annual report in the correct fund.
- c. A reimbursement is an expenditure or expense initially made in one fund, but properly attributable to another. The proper accounting for reimbursements is to record an expenditure or expense in the reimbursing fund, and a reduction of an expenditure or expense in the reimbursed fund, when the entire transaction occurs within the same fiscal year.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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NONE

**FINANCIAL CONDITION - MERCER COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 1999**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1998-60254-001	Ohio Admin. Code Section 117-1-11 Not filing financial statements on GAAP basis	No	Not corrected- The County officials do not feel it is cost effective for conversion and future reporting needs
1998-60254-002	Ohio Rev Code 117.28 Overpayment on vacation payoff	Yes	Corrected - Amount was repaid
1998-60254-003	Ohio Rev Code 117.28 Overpayment on vacation payoff	Yes	Corrected - Amount was repaid

FINANCIAL CONDITION - MERCER COUNTY

CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315 (c)
DECEMBER 31, 1999

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1999-60254-003	<p>The County is aware of the problems in the financial reports and has been working on correcting them for the past 2 years. There are some procedural problems involving a large volume of very detailed transactions which makes it a very time consuming project. We have corrected several and are working the bugs out of others. The actions we are taking to improve financial reporting and comply with state codes are as follows:</p> <p>1) Using additional line items in our chart of accounts. Currently, there are not enough line items to properly classify transactions. This involves working closely with department finance personnel as budgetary relies on them to determine how to accurately classify revenue and expenses.</p> <p>2) Implementing procedures to check reports for accuracy on a more frequent basis. We will review reports weekly or monthly and make corrections at this time rather than only at year end. Also, we have been working with the treasurers office to balance with them more frequently to ensure the accuracy of fund/bank balances and to help the monthly closing proceed more efficiently.</p> <p>3) Adding classification code to our chart of accounts line items. These codes will comply with the Ohio Administrative Code and enable us to properly classify each transaction at the time it is initiated and also to run automated financial reports cutting the time to prepare them. Previously there was no coding in the chart of accounts so this is also very time consuming.</p> <p>4) Data Processing has been working with the budgetary division to help solve past and existing problems. The present MFCD budgetary software more than adequately can handle the accounting needs as indicated above. We have and will continue to work closely with all aspects of the financial accounting activity.</p>	January 2001	Mark Giesige, County Auditor



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MERCER COUNTY FINANCIAL CONDITION

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 13, 2000**