FINANCIAL CONDITION
MERCER COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006

Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION
MERCER COUNTY

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MERCER COUNTY

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mercer County, (the County), as of and for the year ended December 31, 2006, 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mercer County, as of December 31, 2006, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund and Real Estate Assessment, Motor Vehicle, and Mental Retardation and Developmental Disabilities major special revenue funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

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In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2007, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards.* You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 30, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED

The discussion and analysis of Mercer County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the County's financial performance as a whole.

Using this Annual Report

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

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

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

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's most significant funds, with all other nonmajor funds presented in total in a single column. The County's major funds are the General, Real Estate Assessment, Motor Vehicle, Mental Retardation and Developmental Disabilities, Sanitary Sewer, and Solid Waste funds.

Reporting the County as a Whole

The statement of net assets and the statement of activities reflect how the County did financially during 2006, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balance of the governmental and business-type activities of the County at fiscal year end. The statement of activities compares cash disbursements with program receipts for each department of the County's governmental and business-type activities. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each department draws from the County's general receipts.

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

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

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

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

Reporting the County's Most Significant Funds

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

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

Proprietary Funds - Enterprise funds are used to report the operating activity of the business-type activities on the government-wide financial statements.

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

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net assets for 2006 and 2005.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current and Other Assets	$8,729,252	$5,494,980	$2,892,650	$2,734,372	$11,621,902	$8,229,352
Liabilities						
Current Liabilities		145,068				145,068
Net Assets						
Restricted	6,639,543	3,413,527			6,639,543	3,413,527
Unrestricted	2,089,709	1,936,385	2,892,650	2,734,372	4,982,359	4,670,757
Total Net Assets	$8,729,252	$5,349,912	$2,892,650	$2,734,372	$11,621,902	$8,084,284

The above table demonstrates that there was an increase in net assets for governmental activities, in the amount of $3,379,340, or 63 percent. This increase is primarily a result of collecting property taxes on a 2.42 mill levy passed by the voters in November 2005 with collections starting in 2006. In addition, in December 2006, the County issued $700,000 in bond anticipation notes for road improvements. These proceeds had not been spent by year end.

Net assets for the business-type activities increased 5.8 percent, not a significant amount.

Table 2 reflects the change in net assets for 2006 and 2005.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
Receipts						
Program Receipts						
Charges for Services	$3,283,228	$2,718,587	$1,911,327	$1,886,912	$5,194,555	$4,605,499
Operating Grants, Contributions, and Interest	15,951,622	12,841,003	89,530	92,471	16,041,152	12,933,474
Capital Grants, Contributions, and Interest	543,344	1,225,303			543,344	1,225,303
Total Program Receipts	19,778,194	16,784,893	2,000,857	1,979,383	21,779,051	18,764,276
General Receipts						
Property Taxes						
General Operating	1,804,945	1,618,211			1,804,945	1,618,211
Human Services – Mental Retardation and Developmental Disabilities	4,080,565	2,495,608			4,080,565	2,495,608
County Home			650,331	662,776	650,331	662,776
Sales Taxes	3,637,253	3,628,677			3,637,253	3,628,677
Payment in Lieu of Taxes	28,756		67,558		96,314	
Grants and Entitlements	1,211,135	1,121,531			1,211,135	1,121,531
Interest	625,824	372,082			625,824	372,082
Bonds Issued		60,225				60,225
Loans Issued				43,162		43,162
Notes Issued	1,088,950	462,400	40,650	104,400	1,129,600	566,800
Other	1,538,261	2,135,919	69,796	215,783	1,608,057	2,351,702
Total General Receipts	14,015,689	11,894,653	828,335	1,026,121	14,844,024	12,920,774
Total Receipts	33,793,883	28,679,546	2,829,192	3,005,504	36,623,075	31,685,050

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)

Table 2
Change in Net Assets
(Continued)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Program Disbursements						
General Government						
Legislative and Executive	4,540,809	4,580,441			4,540,809	4,580,441
Judicial	1,395,735	1,250,537			1,395,735	1,250,537
Public Safety	3,181,536	3,233,734			3,181,536	3,233,734
Public Works	8,297,936	6,846,992			8,297,936	6,846,992
Health	285,565	389,765			285,565	389,765
Human Services	11,243,920	9,911,786			11,243,920	9,911,786
Conservation and Recreation	236,430	69,318			236,430	69,318
Economic Development and Assistance	244,019	923,326			244,019	923,326
Capital Outlay	168,793	78,494			168,793	78,494
Debt Service						
Principal Retirement	733,792	659,987			733,792	659,987
Interest and Fiscal Charges	182,174	188,271			182,174	188,271
Sanitary Sewer			1,026,273	1,017,232	1,026,273	1,017,232
Solid Waste			235,999	202,679	235,999	202,679
Other Enterprise						
Water			9,268	3,350	9,268	3,350
County Home			722,492	697,115	722,492	697,115
Ambulance			580,716	578,245	580,716	578,245
Total Disbursements	30,510,709	28,132,651	2,574,748	2,498,621	33,085,457	30,631,272
Increase in Net Assets Before Advances	$3,283,174	$546,895	$254,444	$506,883	$3,537,618	$1,053,778
Advances	96,166	108,807	(96,166)	(108,807)		
Change in Net Assets	3,379,340	655,702	158,278	398,076	3,537,618	1,053,778
Net Assets at Beginning of Year	5,349,912	4,694,210	2,734,372	2,336,296	8,084,284	7,030,506
Net Assets at End of Year	$8,729,252	$5,349,912	$2,892,650	$2,734,372	$11,621,902	$8,084,284

Program receipts represented 59 percent of total receipts for governmental activities (the same as in the prior year), the most significant portion of which is operating grants and contributions. While there was basically no change in the total program receipts, a comparison to the 2005 program receipts reflects that there was a substantial increase in operating grants (related to the public works and human services programs) and a substantial decrease in capital grants and contributions (related to the public works program). The public works program, primarily, the Engineer, receives a significant amount of resources from state levied gasoline taxes and motor vehicle licenses. The human services program also received substantial grant resources to fund those programs.

General receipts, the primary sources of which are property taxes and sales taxes increased by 18 percent. A five-year 2.42 mill operating levy was approved by the voters in 2005 for mental retardation and mental disabilities services. Collection on the levy began in 2006 and it is expected to result in $1,748,000 each year in additional property tax receipts for those operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)

The programs which continue to account for the largest costs are legislative and executive (which are general government operations), public safety (sheriff), public works (engineer), and human services (primarily job and family services and mental retardation and development disabilities). These programs accounted for 89 percent of governmental disbursements in 2006, which is comparable to 2005. Increases in program disbursements occurred in public works and human services in 2006. More road and bridge projects resulted in the increase in public works disbursements. More services were provided to eligible citizens by job and family services and the mental retardation and developmental disabilities departments which resulted in the increase in human services disbursements.

Business-type activities are largely funded through program receipts. Program disbursements remained comparable to the prior year.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2006	**2005**	**2006**	**2005**
General Government				
Legislative and Executive	$4,540,809	$4,580,441	$3,159,682	$2,936,128
Judicial	1,395,735	1,250,537	731,501	608,802
Public Safety	3,181,536	3,233,734	2,556,137	2,381,924
Public Works	8,297,936	6,846,992	(480,728)	405,656
Health	285,565	389,765	220,855	324,924
Human Services	11,243,920	9,911,786	3,106,222	3,231,948
Conservation and Recreation	236,430	69,318	230,523	27,303
Economic Development and Assistance	244,019	923,326	123,564	504,321
Capital Outlay	168,793	78,494	168,793	78,494
Debt Service				
Principal Retirement	733,792	659,987	733,792	659,987
Interest and Fiscal Charges	182,174	188,271	182,174	188,271
Total Disbursements	$30,510,709	$28,132,651	$10,732,515	$11,347,758

For 2006, 35 percent of the services provided by the County were paid for through general receipts, compared to 40 percent in 2005. However, a review of the above table demonstrates that program receipts contributed significantly to several programs. The public works program was funded entirely with program receipts. Charges for services for the public works program consist of work performed by the County Engineer for townships and villages within the County. The public works program also receives a significant amount of operating grants and contributions from state levied shared gas taxes and motor vehicle licenses.

Program receipts provided 72 percent of the funding for the human service program in 2006. This is largely due to various grants restricted for human services related programs.

Governmental Funds Financial Analysis

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

Fund balance increased slightly in the General Fund.

Fund balance in the Real Estate Assessment fund increased by 27 percent resulting from fee collections exceeding disbursements.

The Motor Vehicle fund experienced a 709 percent increase in net assets. The County had unspent note proceeds, in the amount of $700,000, for road improvements

Fund balance increased 582 percent in the Mental Retardation and Developmental Disabilities fund from the collection of an additional 2.42 mills in property tax receipts in 2006.

Business-Type Activities Financial Analysis

As can be seen on the statement of receipts, disbursements, and changes in fund net assets, the Sanitary Sewer enterprise fund decreased slightly in net assets from 2005. The Solid Waste enterprise fund experienced an insignificant increase in net assets for 2006.

Budgetary Highlights

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

The County's most significant budgeted fund is the General Fund. Changes from both the original budget to the final budget and from the final budget to actual receipts were not significant. The same can be said for disbursements.

Current Issues

The County created a TIF District in 2006 in order to entice the construction of a $8,400,000 dairy farm. Construction began in 2006 with completion expected in 2007. The County does not expect any revenue from the creation of the TIF District until 2008.

The design stage has started on Phase III of the Northeast Sanitary Sewer Extension. The project is estimated to cost approximately $2,081,000.

The County Commissioners passed a resolution to apply for a 0 percent loan through the Ohio Public Works Commission for the construction of the West Jefferson sewer line. The anticipated cost of the sewer line is $1,280,000.

A preliminary study for a new adult holding facility was completed in 2006. The estimated cost of a new facility is $12,000,000.

Requests for Information

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

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FINANCIAL CONDITION
MERCER COUNTY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2006

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	$8,222,620	$2,892,650	$11,115,270
Cash and Cash Equivalents in Segregated Accounts	506,632		506,632
Total Assets	8,729,252	2,892,650	11,621,902
Net Assets			
Restricted for			
Debt Service	8,725		8,725
Capital Projects	154,818		154,818
Other Purposes	6,476,000		6,476,000
Unrestricted	2,089,709	2,892,650	4,982,359
Total Net Assets	$8,729,252	$2,892,650	$11,621,902

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
MERCER COUNTY

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

		Program Receipts		
	Disbursements	**Charges for Services**	**Operating Grants, Contributions, and Interest**	**Capital Grants, Contributions, and Interest**
Governmental Activities				
General Government				
Legislative and Executive	$4,540,809	$1,345,121	$36,006	
Judicial	1,395,735	603,386	60,848	
Public Safety	3,181,536	130,678	494,721	
Public Works	8,297,936	955,223	7,280,097	$543,344
Health	285,565	64,710		
Human Services	11,243,920	184,110	7,953,588	
Conservation and Recreation	236,430		5,907	
Economic Development and Assistance	244,019		120,455	
Capital Outlay	168,793			
Debt Service				
Principal Retirement	733,792			
Interest and Fiscal Charges	182,174			
Total Governmental Activities	30,510,709	3,283,228	15,951,622	543,344
Business-Type Activities				
Sanitary Sewer	1,026,273	889,806		
Solid Waste	235,999	227,514		
Other Enterprise				
Water	9,268	16,811		
County Home	722,492	138,197	83,137	
Ambulance	580,716	638,999	6,393	
Total Business-Type Activities	2,574,748	1,911,327	89,530	
Total	$33,085,457	$5,194,555	$16,041,152	$543,344

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

Total General Receipts

Advances

Total General Receipts and Advances

Change in Net Assets

Net Assets at Beginning of Year - Restated (Note 3)

Net Assets at End of Year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Change in Net Assets		
Governmental Activities	**Business-Type Activities**	**Total**
($3,159,682)		($3,159,682)
(731,501)		(731,501)
(2,556,137)		(2,556,137)
480,728		480,728
(220,855)		(220,855)
(3,106,222)		(3,106,222)
(230,523)		(230,523)
(123,564)		(123,564)
(168,793)		(168,793)
(733,792)		(733,792)
(182,174)		(182,174)
(10,732,515)		(10,732,515)
	($136,467)	(136,467)
	(8,485)	(8,485)
	7,543	7,543
	(501,158)	(501,158)
	64,676	64,676
	(573,891)	(573,891)
(10,732,515)	(573,891)	(11,306,406)
1,804,945		1,804,945
4,080,565		4,080,565
	650,331	650,331
3,637,253		3,637,253
28,756	67,558	96,314
1,211,135		1,211,135
625,824		625,824
1,088,950	40,650	1,129,600
1,538,261	69,796	1,608,057
14,015,689	828,335	14,844,024
96,166	(96,166)	
14,111,855	732,169	14,844,024
3,379,340	158,278	3,537,618
5,349,912	2,734,372	8,084,284
$8,729,252	$2,892,650	$11,621,902

FINANCIAL CONDITION
MERCER COUNTY

STATEMENT OF MODIFIED CASH BASIS ASSETS, LIABILITIES, AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	General	Real Estate Assessment	Motor Vehicle
Assets			
Equity in Pooled Cash and Cash Equivalents	$2,089,709	$786,745	$1,116,361
Cash and Cash Equivalents in Segregated Accounts			
Restricted Assets			
Equity in Pooled Cash and Cash Equivalents	66,967		
Total Assets	$2,156,676	$786,745	$1,116,361
Fund Balances			
Reserved for Encumbrances	$319,128	$289,417	$2,277,224
Reserved for Unclaimed Monies	66,967		
Unreserved, Reported in			
General Fund	1,770,581		
Special Revenue Funds (Deficit)		497,328	(1,160,863)
Debt Service Funds			
Capital Projects Funds			
Total Fund Balances	$2,156,676	$786,745	$1,116,361

See accompanying notes to the basic financial statements.

Mental Retardation and Developmental Disabilities	Other Governmental	Total
$1,523,036	$2,639,802	$8,155,653
501,489	5,143	506,632
		66,967
$2,024,525	$2,644,945	$8,729,252
$72,698	$809,372	$3,767,839
		66,967
		1,770,581
1,951,827	1,702,480	2,990,772
	8,725	8,725
	124,368	124,368
$2,024,525	$2,644,945	$8,729,252

FINANCIAL CONDITION
MERCER COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	General	Real Estate Assessment	Motor Vehicle
Receipts			
Property Taxes	$1,804,945		
Sales Taxes	3,637,253		
Payment in Lieu of Taxes			
Special Assessments			
Charges for Services	1,228,396	$393,712	$590,132
Licenses and Permits	2,155		
Fines and Forfeitures	46,578		31,726
Intergovernmental	1,222,028		6,781,097
Interest	625,824		
Donations	2,896		
Other	763,826	35	31,735
Total Receipts	9,333,901	393,747	7,434,690
Disbursements			
Current			
General Government			
Legislative and Executive	4,234,715	225,801	
Judicial	1,074,887		
Public Safety	2,620,794		
Public Works	150,877		7,124,912
Health	222,337		
Human Services	371,733		
Conservation and Recreation	223,958		
Economic Development and Assistance	2,000		
Capital Outlay			
Debt Service			
Principal Retirement			
Interest and Fiscal Charges			
Total Disbursements	8,901,301	225,801	7,124,912
Excess of Receipts Over (Under) Disbursements	432,600	167,946	309,778
Other Financing Sources (Uses)			
Notes Issued			700,000
Advances In	119,265		1,200
Advances Out	(16,250)		(1,200)
Transfers In			
Transfers Out	(378,966)		(31,391)
Total Other Financing Sources (Uses)	(275,951)		668,609
Changes in Fund Balances	156,649	167,946	978,387
Fund Balances at Beginning of Year	2,000,027	618,799	137,974
Fund Balances at End of Year	$2,156,676	$786,745	$1,116,361

See accompanying notes to the basic financial statements.

Mental Retardation and Developmental Disabilities	Other Governmental	Total
$4,080,565		$5,885,510
		3,637,253
	$28,756	28,756
	317,925	317,925
90,146	492,915	2,795,301
	69,653	71,808
	19,890	98,194
2,270,962	7,255,451	17,529,538
	143,341	769,165
2,618	27,708	33,222
41,842	700,823	1,538,261
6,486,133	9,056,462	32,704,933
	80,293	4,540,809
	320,848	1,395,735
	560,742	3,181,536
	1,022,147	8,297,936
	63,228	285,565
4,758,253	6,113,934	11,243,920
	12,472	236,430
	242,019	244,019
	168,793	168,793
	733,792	733,792
	182,174	182,174
4,758,253	9,500,442	30,510,709
1,727,880	(443,980)	2,194,224
	388,950	1,088,950
	17,820	138,285
	(24,669)	(42,119)
	548,623	548,623
	(138,266)	(548,623)
	792,458	1,185,116
1,727,880	348,478	3,379,340
296,645	2,296,467	5,349,912
$2,024,525	$2,644,945	$8,729,252

FINANCIAL CONDITION
MERCER COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Over (Under)**
Receipts				
Property Taxes	$1,684,000	$1,751,973	$1,771,200	$19,227
Sales Taxes	3,500,000	3,500,000	3,637,253	137,253
Charges for Services	1,072,800	1,072,800	1,194,220	121,420
Licenses and Permits	4,100	4,100	2,155	(1,945)
Fines and Forfeitures	46,000	46,000	46,377	377
Intergovernmental	1,157,000	1,170,549	1,202,594	32,045
Interest	400,000	400,000	602,772	202,772
Donations			2,896	2,896
Other	746,727	753,638	763,231	9,593
Total Receipts	8,610,627	8,699,060	9,222,698	523,638
Disbursements				
Current				
General Government				
Legislative and Executive	4,621,200	4,780,628	4,420,571	360,057
Judicial	1,086,710	1,133,374	1,091,660	41,714
Public Safety	2,758,411	2,791,558	2,757,696	33,862
Public Works	152,996	156,572	151,561	5,011
Health	230,986	242,186	222,337	19,849
Human Services	408,698	387,298	375,487	11,811
Conservation and Recreation	223,958	223,958	223,958	
Economic Development and Assistance	2,000	2,000	2,000	
Total Disbursements	9,484,959	9,717,574	9,245,270	472,304
Excess of Receipts Under Disbursements	(874,332)	(1,018,514)	(22,572)	995,942
Other Financing Sources (Uses)				
Advances In	110,000	110,000	119,265	9,265
Advances Out		(18,176)	(16,250)	1,926
Transfers Out	(95,000)	(379,566)	(378,966)	600
Total Other Financing Sources (Uses)	15,000	(287,742)	(275,951)	11,791
Changes in Fund Balance	(859,332)	(1,306,256)	(298,523)	1,007,733
Fund Balance at Beginning of Year	1,702,473	1,702,473	1,702,473	
Prior Year Encumbrances Appropriated	296,537	296,537	296,537	
Fund Balance at End of Year	$1,139,678	$692,754	$1,700,487	$1,007,733

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
MERCER COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
REAL ESTATE ASSESSMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts			Variance with
	Original	**Final**	**Actual**	**Final Budget Over (Under)**
Receipts				
Charges for Services	$325,000	$325,000	$385,821	$60,821
Other			35	35
Total Receipts	325,000	325,000	385,856	60,856
Disbursements				
Current				
General Government				
Legislative and Executive	695,556	707,037	515,746	191,291
Changes in Fund Balance	(370,556)	(382,037)	(129,890)	252,147
Fund Balance at Beginning of Year	486,745	486,745	486,745	
Prior Year Encumbrances Appropriated	139,831	139,831	139,831	
Fund Balance at End of Year	$256,020	$244,539	$496,686	$252,147

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
MERCER COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
MOTOR VEHICLE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Receipts				
Charges for Services	$623,164	$623,164	$578,965	($44,199)
Fines and Forfeitures	31,989	31,989	31,622	(367)
Intergovernmental	9,243,086	9,243,086	6,781,097	(2,461,989)
Other	10,120	10,120	31,735	21,615
Total Receipts	9,908,359	9,908,359	7,423,419	(2,484,940)
Disbursements				
Current				
Public Works	10,674,285	11,287,679	9,408,556	1,879,123
Excess of Receipts Under Disbursements	(765,926)	(1,379,320)	(1,985,137)	(605,817)
Other Financing Sources (Uses)				
Notes Issued	700,000	700,000	700,000	
Advances In			1,200	1,200
Advances Out		(1,200)	(1,200)	
Transfers Out	(31,391)	(31,391)	(31,391)	
Total Other Financing Sources (Uses)	668,609	667,409	668,609	1,200
Changes in Fund Balance	(97,317)	(711,911)	(1,316,528)	(604,617)
Fund Balance (Deficit) at Beginning of Year	(472,675)	(472,675)	(472,675)	
Prior Year Encumbrances Appropriated	610,649	610,649	610,649	
Fund Balance (Deficit) at End of Year	$40,657	($573,937)	($1,178,554)	($604,617)

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
MERCER COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts			Variance with
	Original	**Final**	**Actual**	**Final Budget Over (Under)**
Receipts				
Property Taxes	$4,100,000	$4,244,342	$4,013,205	($231,137)
Charges for Services	72,000	72,000	90,146	18,146
Intergovernmental	2,036,000	2,065,537	2,232,561	167,024
Donations	10,000	10,000	2,618	(7,382)
Other	24,000	24,000	17,753	(6,247)
Total Receipts	6,242,000	6,415,879	6,356,283	(59,596)
Disbursements				
Current				
Human Services	6,335,118	6,508,997	5,179,135	1,329,862
Changes in Fund Balance	(93,118)	(93,118)	1,177,148	1,270,266
Fund Balance at Beginning of Year	53,743	53,743	53,743	
Prior Year Encumbrances Appropriated	63,118	63,118	63,118	
Fund Balance at End of Year	$23,743	$23,743	$1,294,009	$1,270,266

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
MERCER COUNTY

STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
ENTERPRISE FUNDS
DECEMBER 31, 2006

	Sanitary Sewer	Solid Waste	Other Enterprise	Total
Assets				
Equity in Pooled Cash and Cash Equivalents	$1,614,131	$618,659	$659,860	$2,892,650
Net Assets				
Unrestricted	$1,614,131	$618,659	$659,860	$2,892,650

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
MERCER COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Sanitary Sewer	Solid Waste	Other Enterprise	Total
Operating Revenues				
Charges for Services	$889,806	$227,514	$794,007	$1,911,327
Other	28,976	3,760	37,060	69,796
Total Operating Revenues	918,782	231,274	831,067	1,981,123
Operating Expenses				
Personal Services	200,400	62,879	501,382	764,661
Contractual Services	491,182	170,414	633,593	1,295,189
Materials and Supplies	54,924	2,706	177,501	235,131
Claims				
Debt Service				
Principal Retirement	235,800			235,800
Total Operating Expenses	982,306	235,999	1,312,476	2,530,781
Operating Income (Loss)	(63,524)	(4,725)	(481,409)	(549,658)
Non-Operating Revenues (Expenses)				
Property Taxes			650,331	650,331
Payment in Lieu of Taxes	67,558			67,558
Grants			85,637	85,637
Donations			3,893	3,893
Notes Issued	40,650			40,650
Interest Expense	(43,967)			(43,967)
Total Non-Operating Revenues (Expenses)	64,241		739,861	804,102
Income (Loss) Before Advances and Transfers	717	(4,725)	258,452	254,444
Advances In		10,820	10,000	20,820
Advances Out	(16,525)		(100,461)	(116,986)
Changes in Net Assets	(15,808)	6,095	167,991	158,278
Net Assets at Beginning of Year	1,629,939	612,564	491,869	2,734,372
Net Assets at End of Year	$1,614,131	$618,659	$659,860	$2,892,650

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
MERCER COUNTY

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Sanitary Sewer	Solid Waste	Other Enterprise	Total
Increases (Decreases) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	$889,806	$227,514	$794,007	$1,911,327
Cash Payments for Personal Services	(200,400)	(62,879)	(501,382)	(764,661)
Cash Payments for Contractual Services	(491,182)	(170,414)	(633,593)	(1,295,189)
Cash Payments for Supplies	(54,924)	(2,706)	(177,501)	(235,131)
Cash Received from Other Revenues	28,976	3,760	37,060	69,796
Net Cash Provided by (Used for) Operating Activities	172,276	(4,725)	(481,409)	(313,858)
Cash Flows from Noncapital Financing Activities				
Property Taxes			650,331	650,331
Payment in Lieu of Taxes	67,558			67,558
Grants			85,637	85,637
Donations			3,893	3,893
Advances In		10,820	10,000	20,820
Advances Out	(16,525)		(100,461)	(116,986)
Interest Paid on Outstanding Advance	(5,814)			(5,814)
Net Cash Provided by Noncapital Financing Activities	45,219	10,820	649,400	705,439
Cash Flows from Capital and Related Financing Activities				
Proceeds from Special Assessment Notes	40,650			40,650
Principal Paid on Special Assessment Notes	(104,400)			(104,400)
Interest Paid on Special Assessment Notes	(3,644)			(3,644)
Principal Paid on Special Assessment Bonds	(7,700)			(7,700)
Interest Paid on Special Assessment Bonds	(4,240)			(4,240)
Principal Paid on OPWC Loans	(17,780)			(17,780)
Principal Paid on OWDA Loans	(105,920)			(105,920)
Interest Paid on OWDA Loans	(30,269)			(30,269)
Net Cash Used for Capital and Related Financing Activities	(233,303)			(233,303)
Net Increase (Decrease) in Cash and Cash Equivalents	(15,808)	6,095	167,991	158,278
Cash and Cash Equivalents at Beginning of Year	1,629,939	612,564	491,869	2,734,372
Cash and Cash Equivalents at End of Year	$1,614,131	$618,659	$659,860	$2,892,650

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
MERCER COUNTY

STATEMENT OF MODIFIED CASH BASIS FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2006

Assets	
Equity in Pooled Cash and Cash Equivalents	$3,627,097
Cash and Cash Equivalents in Segregated Accounts	205,138
Total Assets	3,832,235
Net Assets	
Undistributed Assets	$3,832,235

See accompanying notes to the basic financial statements.

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1. REPORTING ENTITY

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

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

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

A. Primary Government

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

B. Component Units

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt, or the levying of taxes.

C.A. Group - C.A. Group is a legally separate, not-for-profit corporation, served by a board appointed by the Mercer County Board of Mental Retardation and Developmental Disabilities (MRDD). C.A. Group, under a contractual agreement with the Mercer County Board of MRDD, provides sheltered employment for mentally retarded or handicapped adults in Mercer County. The Mercer County Board of MRDD provides C.A. Group with personnel necessary for the operation of the habilitation services to the clients, land and buildings for the operation of the center, maintenance and repair of the buildings, and professional staff to supervise and train clients of C.A. Group. Based on the significant services and resources provided by the County to C.A. Group and C.A. Group's sole purpose of providing assistance to the retarded and handicapped adults of Mercer County, C.A. Group is a component unit of Mercer County. Its exclusion from the County's financial statements would cause the financial statements to be misleading. C.A. Group operates on a fiscal year ending December 31. Information about this component unit is presented in Note 20 to the basic financial statements. Further information for C.A. Group can be obtained from C.A. Group at P.O. Box 137, Celina, Ohio 45822.

1. REPORTING ENTITY (Continued)

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

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

The County participates in four jointly governed organizations, three insurance pools, and a related organization. These organizations are presented in Notes 17, 18, and 19 to the basic financial statements. These organizations are:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Fund Financial Statements

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

B. Fund Accounting

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

1. Governmental Funds

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Funds

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

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

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

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

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

3. Fiduciary Funds

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

C. Basis of Accounting

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

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

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the department object level for the General Fund and the fund level for all other funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

While reporting financial position, results of operations, and changes in fund balance on the modified cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual for the General, Real Estate Assessment, Motor Vehicle, and MR/DD Funds, 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 modified cash basis are that:

1. Revenues are recorded when actually received in cash (budget basis) as opposed to the modified cash basis when accruals of certain revenues received an not posted or accumulated for dispersal to the funds are recorded.

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the certain transactions are recognized on the modified cash basis.

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

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

Net Change in Fund Balances

	General	Real Estate Assessment	Motor Vehicle	MR/DD
Modified Cash Basis	$156,649	$167,946	$ 978,387	$1,727,880
Increase/(Decrease):				
Accrued revenues at December 31, 2006 received during 2007	(112,417)	(7,891)	(11,271)	(168,843)
Accrued revenues at December 31, 2005 received during 2006	1,214		0	38,993
Accrued expenditures at December 31, 2006 paid during 2007	24,644	528	(6,420)	348,184
Accrued expenditures at December 31, 2005 paid during 2006	(49,485)	(1,056)	0	(696,368)
Outstanding Encumbrances	(319,128)	(289,417)	(2,277,224)	(72,698)
Budget Basis	($298,523)	($129,890)	($1,316,528)	$1,177,148

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments

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

Cash and cash equivalents that are held separately within departments of the County are recorded as "Cash and Cash Equivalents in Segregated Accounts".

During 2006, the County invested in nonnegotiable certificates of deposit, federal agency securities, and STAR Ohio**.** All investments are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 were $625,824 which includes $544,626 assigned from other County funds.

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

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

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that have a legal restriction on their use are reported as restricted.

G. Capital Assets

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

H. Compensated Absences

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

I. Long-Term Obligations

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include resources restricted for the upkeep of the County's roads and bridges, child support and welfare services, services for the handicapped and mentally disabled, and activities of the County's courts. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. The County did not have any net assets restricted by enabling legislation at December 31, 2006.

K. Fund Balance Reserves

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

L. Operating Receipts and Disbursements

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

M. Internal Activity

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

Internal allocations of overhead disbursements from one function to another or within the same function are eliminated on the statement of activities.

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

3. CORRECTION OF AN ERROR AND RESTATEMENT OF NET ASSETS

The County incorrectly recorded internal service fund activity in prior years. The restatement had the following effect on net assets as previously reported.

	Governmental Activities
Net Assets, December 31, 2005	$5,400,404
Internal Service Fund	(50,492)
Adjusted Net Assets, December 31, 2005	$5,349,912

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2006, the General Obligation Bond Anticipation Notes debt service fund had a deficit fund balance, in the amount of $29. Transfers made into the fund were not sufficient to cover the principal and interest requirements.

B. Compliance

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

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 demands upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Monies held by the County which are not considered active are classified as inactive. Beginning June 15, 2004, inactive monies may be deposited or invested in the following securities provided a written investment policy has been filed with the Ohio Auditor of State:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero coupon Unites States treasury security that is a direct obligation of the United States;

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

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

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

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

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

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

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

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

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

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

5. DEPOSITS AND INVESTMENTS (Continued)

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

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $3,327,442 of the County's bank balance of $8,422,513 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

B. Investments

As of December 31, 2006, the County had the following investments:

	Total	Less Than Six Months	Six Months to One Year	More Than One Year
Federal Home Loan Mortgage Corporation Notes	$2,999,796	$ 999,647	$500,000	$1,500,149
Federal National Mortgage Association Notes	2,519,040	0	499,892	2,019,148
Federal Home Loan Bank Bonds	2,397,881	500,000	0	1,897,881
STAR Ohio	290,966	290,966	0	0
Total Investments	$8,207,683	$1,790,613	$999,892	$5,417,178

Interest rate risk arises because potential purchases of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the County Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless matched to a specific obligation or debt of the County.

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

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

5. DEPOSITS AND INVESTMENTS (Continued)

	Fair Value	Percentage of Portfolio
Federal Home Loan Mortgage Corporation Notes	$2,999,796	36.55%
Federal National Mortgage Association Notes	2,519,040	30.69
Federal Home Loan Bank Notes	2,397,881	29.22

6. PERMISSIVE SALES AND USE TAX

The County Commissioners, by resolution, imposed a 1 percent tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of tangible personal property in the County, including motor vehicles not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies, to the State Auditor, the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month.

7. PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax revenues received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2004, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

7. PROPERTY TAXES (Continued)

The full tax rate for all County operations for the year ended December 31, 2006, was $11.86 per $1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential/Agriculture	$618,421,610
Commercial/Industrial/Mineral	88,607,190
Public Utility Property	
Real	68,190
Personal	22,989,830
Tangible Personal Property	68,911,931
Total Assessed Value	$798,998,751

8. INTERFUND ACTIVITY

During 2006, the County made a number of cash advances to various funds. As of December 31, 2006, $399,949 of the advances had not been repaid. Cash advances are generally made to provide working capital for operations or projects or to provide cash flow resources. With the exception of $6,900 due to the General Fund from the Sanitary Sewer enterprise fund, all amounts are expected to be repaid within one year.

9. 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 2006, the County contracted with the Midwest Pool Risk Management Agency, Inc. for insurance coverage. Coverage provided was as follows:

General Liability	$2,000,000
Law Enforcement Professional Liability	2,000,000
Public Officials Errors and Omissions Liability	2,000,000
Automobile Liability	2,000,000
Ohio Stop Gap (Additional Workers' Compensation Coverage)	2,000,000
Excess Liability	5,000,000
Building and Contents	250,000,000
Earthquake	100,000,000
Flood	50,000,000
Comprehensive Boiler and Machinery	50,000,000

There has been no significant reduction in insurance coverage from 2005, and settled claims have not exceeded this coverage in the past three years.

For 2006, the County participated in the County Commissioners Association of Ohio Service Corporation, a workers' compensation group rating plan (Plan). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the Plan. Each county pays its workers' compensation premium to the State based on the rate for the Plan rather than the county's individual rate.

9. RISK MANAGEMENT (Continued)

In order to allocate the savings derived by the formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

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

10. SIGNIFICANT CONTRACTUAL COMMITMENTS

The County had the following contractual commitments outstanding as of December 31, 2006:

Contractor	Purpose	Commitment
Jutte Excavating	Kremer Hoying Road	$132,950
Jutte Excavating	Celina-Mendon Road	70,050
Rosengarten Construction	Tama/Township Line/Hawk Road	97,199
Baker and Schultz, Inc.	Wabash County Road	185,509
Robert Martens	Wabash County Road	17,408
Brumbaugh Construction	St. Anthony County Road	181,462
Robert Martens	St. Anthony County Road	18,266
Brumbaugh Construction	Meyer Township Road	4,135
Robert Martens	Meyer Township Road	10,601
Baker and Schultz, Inc.	Hasis Road	375,561
Robert Martens	Hasis Road	15,233
Brumbaugh Construction	Schroeder Township Road	15,048
Robert Martens	Schroeder Township Road	17,541
Brumbaugh Construction	Clune-Stucke County Road	127,140
Robert Martens	Clune-Stucke County Road	9,815
Baker and Schultz, Inc.	Purdy Township Road	289,358
Robert Martens	Purdy Township Road	12,353
Baker and Schultz, Inc.	Manley Road	320,622
Robert Martens	Manley Road	10,319

11. DEFINED BENEFIT PENSION PLANS

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

For the year ended December 31, 2006, members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9 percent of their annual covered salary to fund pension obligations. Members participating in the traditional plan, who were in law enforcement, contributed 10.1 percent of their annual covered salary. The County's contribution rate for pension benefits for 2006 was 13.7 percent, except for those plan members in law enforcement. For those classifications, the County's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were $988,207, $1,027,410, and $973,303, respectively; 88 percent has been contributed for 2006 and 100 percent has been contributed for 2005 and 2004. Contributions to the member-directed plan for 2006 were $19,769 made by the County and $12,987 made by plan members.

12. POST-EMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Post-employment Benefit (OPB) as described in GASB Statement No. 12, "Disclosure of Information on Post-employment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 employer contribution rate was 13.7 percent of covered payroll (16.93 percent for law enforcement and public safety); 4.5 percent was the portion used to fund health care.

12. POST-EMPLOYMENT BENEFITS (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase .5 to 6 percent annually for the next nine years and 4 percent annually after nine years.

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

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006 which were used to fund post-employment benefits was $483,362. The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for the payment of benefits at December 31, 2005 (the latest information available), was $11.1 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were $31.3 billion and $20.2 billion, respectively.

In September 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

13. COMPENSATED ABSENCES

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

14. NOTES PAYABLE

The changes in the County's notes payable during 2006 were as follows:

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Within One Year
Governmental Activities						
Bond Anticipation Notes						
Airport Improvement	2.446%	$126,000		$126,000		
Road Improvement	3.98		$ 700,000		$700,000	
Various Purpose Series 2005a	3.18	93,550		93,550		
Various Purpose Series 2006a	4.675		49,800		49,800	$33,975
Various Purpose Series 2005b	3.095	224,400		224,400		
Various Purpose Series 2006b	4.54		241,200		241,200	18,225
Total Bond Anticipation Notes		443,950	991,000	443,950	991,000	52,200
Special Assessment Notes						
Marion Township Industrial Park	3.18	38,650		38,650		
Marion Township Industrial Park	4.675		20,900		20,900	20,900
Various Purpose Series 2005c	3.5	105,800		105,800		
Various Purpose Series 2006c	4.36		64,200		64,200	
Street/Utility	4.36		12,850		12,850	
Total Special Assessment Notes		144,450	97,950	144,450	97,950	20,900
Total Governmental Activities		$588,400	$1,088,950	$588,400	$1,088,950	$73,100
Business-Type Activities						
Special Assessment Notes						
Various Purpose Series 2005c	3.5%	$104,400		$104,400		
Various Purpose Series 2006c	4.36		$40,650		$ 40,650	
Total Business-Type Activities		$104,400	$40,650	$104,400	$ 40,650	$0

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

On March 31, 2004, the County issued bond anticipation notes, in the amount of $126,000, to acquire real property for the County airport. The notes had an interest rate of 2.446 percent and in 2006 were paid from the General Obligation Bond Anticipation Note debt service fund.

On May 6, 2005, the County issued bond anticipation notes, in the amount of $93,550, to partially retire notes previously issued to construct various ditches. The notes had an interest rate of 3.18 percent and in 2006 were paid from the Ditch Special Assessment Notes debt service fund.

On August 5, 2005, the County issued bond anticipation notes, in the amount of $224,400, to partially retire notes previously issued to construct various ditches and make improvements to the fairgrounds, including the construction of new restroom and shower facilities. The notes had an interest rate of 3.095 percent and in 2006 were paid from the Ditch Special Assessment Notes debt service fund and the General Obligation Bond Anticipation Note debt service fund, in the amount of $166,200 and $58,200, respectively.

14. NOTES PAYABLE (Continued)

On May 6, 2005, the County issued special assessment notes, in the amount of $38,650, to partially retire notes previously issued to make improvements in the Marion Township Industrial Park, including street drainage and sanitary sewer improvements. The notes had an interest rate of 3.18 percent and in 2006 were paid from the Marion Township Industrial Park debt service fund.

On September 23, 2005, the County issued special assessment notes, in the amount of $210,200, to partially retire notes previously issued to make improvements to the Northeast Grand Lake sewer, to pay a portion of the cost of improvements in the Renoir-Visions area of the County, to pay for the costs related to the Sites Davis Ditch, and to pay for a portion of the cost of improvements to the St. Mary's River. The notes had an interest rate of 3.5 percent and in 2006 were paid from the General Obligation Bond Anticipation Note debt service fund and the Sanitary Sewer enterprise fund, in the amount of $105,800 and $104,400, respectively.

On December 15, 2006, the County issued bond anticipation notes, in the amount of $700,000, to make road improvements within the County. The notes have an interest rate of 3.98 percent and mature on December 12, 2008.

On May 5, 2006, the County issued bond anticipation notes, in the amount of $70,700, to partially retire notes previously issued for improvements in the Marion Township Industrial Park and for various ditches within the County. The notes have an interest rate of 4.675 percent and mature on May 4, 2007.

On August 4, 2006, the County issued bond anticipation notes, in the amount of $241,200, to partially retire notes previously issued to construct various ditches and make improvements to the fairgrounds. The notes have an interest rate of 4.54 percent and mature on August 3, 2007.

On September 22, 2006, the County issued bond anticipation notes, in the amount of $117,700 to partially retire notes previously issued for improvements to the Northeast Grand Lake Sewer and for improvements to the Sites Davis Ditch and the St. Marys River area. The notes have an interest rate of 4.36 percent and mature on September 21, 2007.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

15. LONG-TERM OBLIGATIONS

The County's long-term debt activity for the year ended December 31, 2006, was as follows:

	Interest Rate	Balance 12/31/2005	Additions	Reductions	Balance 12/31/2006	Due Within One Year
Governmental Activities						
General Obligation Bonds						
1998 Central Services	4.2-7.4%	$3,165,000	$0	$110,000	$3,055,000	$120,000
(Original Amount $3,750,000)						
OPWC Loans						
1995 Karch/Tama	0	78,332	0	8,704	69,628	8,703
(Original Amount $174,070)						
1997 Siegrist-Jutte and Kahn Road Bridge	0	134,691	0	12,828	121,863	12,828
(Original Amount $256,554)						
2001 Four Bridge Replacement	0	57,734	0	3,849	53,885	3,849
(Original Amount $76,979)						
2002 Home Waterline Improvement	0	70,000	0	4,000	66,000	4,000
(Original Amount $80,000)						
2002 Five Bridge Replacement	0	54,000	0	3,000	51,000	3,000
(Original Amount $60,000)						
2005 Six Bridge Repair	0	58,719	0	3,011	55,708	3,011
(Original Amount $60,225)						
Total OPWC Loans		453,476	0	35,392	418,084	35,391
Total Governmental Activities		$3,618,476	$0	$145,392	$3,473,084	$155,391
Business-Type Activities						
Special Assessment Bonds						
1992 Southwest Sanitary Sewer	5.0%	$84,800	$0	$7,700	$77,100	$8,100
(Original Amount $148,600)						
OPWC Loans						
1993 Northwood Collection System	0	23,630	0	2,780	20,850	2,780
(Original Amount $55,600)						
2003 Philothea Area Wastewater	0	247,500	0	15,000	232,500	15,000
(Original Amount $300,000)						
Total OPWC Loans		271,130	0	17,780	253,350	17,780
OWDA Loans						
1988 MCI	2.0%	$257,016	$0	$37,434	$219,582	$38,182
(Original Amount $831,193)						
1990 MCI	7.89	36,291	0	36,291	0	0
(Original Amount $1,233,890)						
2002 Staeger Road Sanitary Sewer	3.64	89,059	0	4,557	84,502	4,724

15. LONG-TERM OBLIGATIONS (Continued)

	Interest Rate	Balance 12/31/2005	Additions	Reductions	Balance 12/31/2006	Due Within One Year
Business-Type Activities (Continued)						
(Original Amount $109,521)						
2002 SR 129 and Burge Road	3.49	340,883	0	16,228	324,655	16,800
(Original Amount $400,463)						
2005 Lake Acres	2.75	280,096	0	11,410	268,686	11,727
(Original Amount $248,037)						
Total OWDA Loans		1,003,345	0	105,920	897,425	71,433
Ohio Water and Sewer Loans						
1991 Sandy Beach Area Sewer District	0	42,822	0	0	42,822	0
(Original Amount $42,822)						
1992 Southwest Sewer	0	269,223	0	0	269,223	0
(Original Amount $269,223)						
2001 Rotary SR 269 Sewer	0	88,673	0	0	88,673	0
(Original Amount $110,167)						
Total Ohio Water and Sewer Loans		400,718	0	0	400,718	0
Rural Industrial Park Loan						
2001 Rural Industrial Park - SR269	0-3	200,000	0	0	200,000	14,474
(Original Amount $200,000)						
Total Business-Type Activities		$1,959,993	$0	$131,400	$1,828,593	$111,787

A. General Obligation Bonds

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

B. 1998 Central Services

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

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

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

15. LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

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

C. Special Assessment Bonds

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

D. OPWC Loans

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

E. OWDA Loans

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

F. Ohio Water and Sewer Loans

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

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

15. LONG-TERM OBLIGATIONS (Continued)

G. Rural Industrial Park Loan

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

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

At December 31, 2006, the County's overall debt margin was $14,665,269 with an unvoted debt margin of $4,180,288.

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

	General Obligation Bonds		OPWC Loans
Year	Principal	Interest	Principal
2007	$120,000	$155,585	$35,392
2008	125,000	146,705	35,391
2009	130,000	137,455	35,392
2010	140,000	131,735	35,391
2011	145,000	124,945	35,392
2012-2016	835,000	512,690	153,134
2017-2021	1,055,000	289,115	65,451
2022-2023	505,000	38,250	22,541
	$3,055,000	$1,536,480	$418,084

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

	Special Assessment Bonds		OPWC Loans	OWDA Loans	
Year	Principal	Interest	Principal	Principal	Interest
2007	$8,100	$3,855	$17,780	$71,433	$25,925
2008	8,500	3,450	17,780	73,286	24,073
2009	8,900	3,025	17,780	75,192	22,167
2010	9,300	2,580	17,780	77,148	20,210
2011	9,800	2,115	17,780	79,160	18,198
2012-2016	32,500	3,305	81,950	229,512	65,698
2017-2021	0	0	75,000	237,451	28,713
2022-2024	0	0	7,500	54,243	2,653
	$77,100	$18,330	$253,350	$897,425	$207,637

15. LONG-TERM OBLIGATIONS (Continued)

	Rural Industrial Park Loan	
Year	Principal	Interest
2007	$14,474	$4,838
2008	17,853	5,322
2009	18,396	4,779
2010	18,955	4,219
2011	19,532	3,643
2012-2016	106,941	8,932
2017	3,849	14
	$200,000	$31,747

16. INTERFUND TRANSFERS

During 2006, the following transfers were made:

		Transfers Out			
		General Fund	Motor Vehicle	Other Governmental	Total
Transfers In	Governmental Activities				
	Other Governmental	$378,966	$31,391	$138,266	$548,623

During 2006, the General Fund made transfers to other governmental funds in the amount of $378,966; $103,692 to subsidize operations of other funds and $275,274 as debt payments came due. The Motor Vehicle special revenue fund made transfers to other governmental funds, in the amount of $31,391 as debt payments came due. Other governmental funds made transfers to other governmental funds, in the amount of $138,266; $7,724 to distribute monies to other funds as allowed by State law and to move resources from discontinued funds to other funds as applicable and $130,542 as debt payments came due.

17. JOINTLY GOVERNED ORGANIZATIONS

A. Mercer County Regional Planning Commission

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

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The Commission makes plans and maps of the region showing the Commission's recommendations for systems of transportation, highways, park and recreational facilities, water supply, sewerage and sewage disposal, garbage disposal, civic centers, and other public improvements which affect the development of the region as a whole, or more than one political subdivision within the region and which do not begin and terminate within the boundaries of any single subdivision. During 2006, the County did not contribute to the operations of the Commission. The Commission is not accumulating significant financial resources and is not experiencing financial stress that may cause an additional financial benefit to or burden on members in the future. Financial information can be obtained from the Commission, 220 West Livingston Street, Room A201, Celina, Ohio 45822.

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

The Tri-County Mental Health Board is a jointly governed organization among Mercer, Paulding, and Van Wert Counties. The Tri-County Mental Health Board provides leadership in planning for and supporting community-based alcohol, drug addiction, and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting, and advocating for the rights of persons as consumers of alcohol, drug addiction, and mental health services. The Board of Trustees consists of eighteen members; four members appointed by the Director of the Ohio Department of Mental Health, four members appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services, and ten members appointed by the County Commissioners of Mercer, Paulding, and Van Wert counties in the same proportion as the County's population. During 2006, a tax levy provided $457,472 for the operations of the organization. Financial information can be obtained from the Mercer County Auditor, 101 North Main Street, Room 105, Celina, Ohio 45822-1794.

C. West Central Ohio Network

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

D. West Central Partnership, Inc.

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

18. INSURANCE POOLS

A. County Commissioners Association of Ohio Service Corporation

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

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

B. Midwest Pool Risk Management Agency, Inc.

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

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

C. Midwest Employee Benefit Consortium

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

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

19. 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.

20. C.A. GROUP

C.A. Group
Statement of Net Assets
December 31, 2006

Assets	
Equity in Pooled Cash and Cash Equivalents	$824,049
Accounts Receivable	95,548
Intergovernmental Receivable	16,356
Other Assets	832
Depreciable Capital Assets	39,134
Total Assets	975,919
Liabilities	
Accounts Payable	8,463
Accrued Wages Payable	22,141
Intergovernmental Payable	1,428
Total Liabilities	32,032
Net Assets	
Unrestricted	$943,887

C.A. Group
Statement of Revenues, Expenses, and Changes
in Fund Net Assets
For the Year Ended December 31, 2006

Operating Revenues	
Charges for Services	$ 909,573
Contributions	385,372
Other Operating Revenues	74,832
Total Operating Revenues	1,369,777
Operating Expenses	
Personnel Services	596,949
Contractual Services	178,003
Materials and Supplies	26,118
Sales and Marketing	190
Bad Debt	357
Depreciation	10,293
Other	385,372
Total Operating Expenses	1,197,282
Operating Income	172,495

(Continued)

20. C.A. GROUP (Continued)

C.A. Group
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended December 31, 2006
(Continued)

Non-Operating Revenues (Expenses)	
Loss on Sale of Assets	($ 1,745)
Interest	23,320
Donations	1,194
Total Non-Operating Revenues (Expenses)	22,769
Change in Net Assets	195,264
Net Assets at Beginning of Year	748,623
Net Assets at End of Year	$ 943,887

C.A. Group
Statement of Cash Flows
December 31, 2006

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	$900,417
Cash Payments for Personal Services	(590,045)
Cash Payments to Suppliers	(208,713)
Cash Received from Other Revenues	74,832
Net Cash Provided by Operating Activities	176,491
Cash Flows from Non-capital Financing Activities	
Cash Received from Donations	1,194
Cash Received from Deposits	648
Net Cash Provided by Non-capital Financing Activities	1,842
Cash Flows from Capital Financing Activities	
Sale of Capital Assets	$ 100
Acquisition of Capital Assets	(17,189)
Net Cash Used for Capital Financing Activities	(17,089)
Cash Flows from Investing Activities	
Purchase of Investments	(57)
Sale of Investments	100,655
Interest	21,211
Net Cash Provided by Investing Activities	121,809
Net Increase in Cash and Cash Equivalents	283,053
Cash and Cash Equivalents at Beginning of Year	540,996
Cash and Cash Equivalents at End of Year	$824,049

20. C.A. GROUP (Continued)

C.A. Group
Statement of Cash Flows
December 31, 2006
(Continued)

Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	$172,495
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	10,293
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(7,709)
Increase in Intergovernmental Receivable	(1,447)
Decrease in Accounts Payable	(4,293)
Increase in Accrued Wages Payable	6,904
Increase in Intergovernmental Payable	248
Net Cash Provided by Operating Activities	$176,491

A. Summary of Significant Accounting Policies

1. Basis of Presentation

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

2. Measurement Focus and Basis of Accounting

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

3. Materials and Supplies Inventory

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

B. Deposits and Investments

Custodial credit risk for deposits is the risk that in the event of bank failure, C. A. Group will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $540,633 of the C. A. Group’s bank balance of $829,860 was exposed to custodial credit risk because it was uninsured and collateralized.

20. C.A. GROUP (Continued)

C. Capital Assets

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

Capital asset activity for the year ended December 31, 2006, was as follows:

	Balance 12/31/2005	Additions	Reductions	Balance 12/31/2006
Depreciable Capital Assets				
Equipment	$160,774	$17,189	($ 3,075)	$174,888
Vehicles	154,242	0	(83,139)	71,103
Total Depreciable Capital Assets	315,016	17,189	(86,214)	245,991
Less Accumulated Depreciation for				
Equipment	(126,691)	(10,293)	1,230	(135,754)
Vehicles	(154,242)	0	83,139	(71,103)
Total Accumulated Depreciation	(280,933)	(10,293)	84,369	(206,857)
Depreciable Capital Assets, Net	$ 34,083	$ 6,896	($ 1,845)	$39,134

D. Risk Management

C.A. Group is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, C.A. Group contracted with the Ohio School Plan for commercial, directors and officers liability, and individual fidelity bond; and with Erie Insurance for property and general liability, medical liability, and uninsured motorist auto liability.

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

E. Significant Concentration of Business with Two Customers

Two customers provide approximately 45 percent of the service revenue to C.A. Group. If canceled, the volume of business would have a severe impact on the production operations of C.A. Group. However, management would still carry on mental retardation programs regardless of services it could lose until new customers were secured. Management is unsure of the risk of these companies canceling during the next year or thereafter.

21. RELATED PARTY TRANSACTIONS

During 2006, Mercer County provided facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of its programs to C.A. Group. C.A. Group, a component unit of Mercer County, reported $385,372 for such contributions.

22. CONTINGENT LIABILITIES

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the County Commissioners believe such disallowances, if any, will be immaterial.

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

23. SUBSEQUENT EVENTS

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

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SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006

Federal Grantor/ ***Pass Through Grantor*** **Program Title**	**Pass Through Entity Number**	**Federal CFDA Number**	**Disbursements**
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
(Passed through Ohio Department of Development)			
Community Development Block Grants:			
Community Development Block Grants/State's Program	B-C-05-050-1	14.228	$42,677
	B-C-03-050-1		13,546
	B-F-05-050-1		113,767
	B-F-04-050-1		118,271
	B-E-04-050-1		487,969
Total			776,230
(Direct)			
HOME Investment Partnership	B-C-05-050-2	14.239	162,774
	B-C-03-050-2		37,400
Total			200,174
Total U.S. Department of Housing and Urban Development			976,404
U.S. DEPARTMENT OF JUSTICE			
(Passed through Attorney General's Crime Victim Services)			
Crime Victim Assistance	2005VAGENE068T	16.575	19,688
	2006VAGENE068T		4,364
State Victims Assistance Act	2005SAGENE068T		2,742
	2006SAGENE068T		1,293
Total			28,087
(Passed through Office of Criminal Justice Services)			
Law Enforcement Assistance - Byrne Grant	2005-JG-CO1-6421	16.579	35,887
Law Enforcement Block Grant	2004-LE-LEB-3638	16.592	16,159
Total U.S. Department of Justice			80,133
U.S DEPARTMENT OF HOMELAND SECURITY			
(Passed through Ohio Emergency Management Agency)			
State Domestic Preparedness Equipment Support Program	2004-GE-T4-0025	97.004	1,014
Homeland Security Cluster:			
Citizens Corp Grants	2005-GC-T5-0001	97.053	4,713
Homeland Security Grant Program	2005-GE-T5-0001	97.073	105,516
Total			110,229
(Passed through Ohio Department of Public Safety)			
Emergency Management Performance Grant	2006-EM-TS-0001	97.042	28,259
Total U.S. Department of Homeland Security			139,502
U.S DEPARTMENT OF TRANSPORTATION			
(Passed through Ohio Department of Transportation)			
Highway Planning and Construction	CRD-4054-006-061	20.205	98,265
	MER CR 135-0.00		81,556
	MER CR 151-0.30		167,613
	MER TR 230-2.52		6,046
	MER CR 170-8.85		264,368
	MER PM FY 07		1,865
	MER TR 121-0.44		403
	MER CR 31A-4.43		355,435
	MER TR 130- 3.12		553,347
	MER CR 110-3.17		460,844
	MER TR 111B-1.17		419,293
	MER TR 220-2.22		303
	MER CR 13 -0.00		274
	MER TR 41 -4.59		274
	MER CR 170-8.14		274
	MER CR 226A-0.00		470
Total U.S. Department of Transportation			2,410,630

Continued

FINANCIAL CONDITION
MERCER COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006

Federal Grantor/ ***Pass Through Grantor*** **Program Title**	**Pass Through Entity Number**	**Federal CFDA Number**	**Disbursements**
UNITED STATES ELECTION ASSISTANCE COMMISSION			
(Passed through Ohio Secretary of State)			
Voter Registration System Grant	N/A	39.011	6,712
Voter Education and Poll Worker Training	N/A	39.011	1,735
Total U.S. Election Assistance Commission			8,447
UNITED STATES DEPARTMENT OF LABOR			
(Passed through Ohio Department of Job & Family Services)			
Workforce Investment Act (WIA) Cluster:			
WIA - Adult	N/A	17.258	605,807
WIA - Adult Administration	N/A	17.258	66,157
WIA - Adult Total			671,964
WIA - Youth	N/A	17.259	376,154
WIA - Youth Administration	N/A	17.259	42,659
WIA - Youth Total			418,813
WIA - Dislocated Worker/Rapid Response	N/A	17.260	197,891
WIA - Dislocated Worker Administration	N/A	17.260	30,476
WIA - Dislocated Worker/Rapid Response Total			228,367
WIA - Vet Short Term Training (VSTP)	N/A	17.260	9,800
WIA - VSTP Administration	N/A	17.260	2,989
WIA - VSTP Total			12,789
WIA - Veterans Rapid Response (VR2)	N/A	17.260	7,964
Total			249,120
WIA - Pilots, Demonstrations & Research Projects	N/A	17.261	7,040
Workforce Services		17.207	7,023
Total U.S. Department of Labor			1,353,960
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
(Passed through Ohio Department of MRDD)			
Social Services Block Grant	MR-54 (07)	93.667	15,595
	MR-54 (06)	93.667	15,652
Total			31,247
Medical Assistance Program: CAFS	5400015 - 2006	93.778	645,620
Medical Assistance Program: TCM	5400015 - 2006	93.778	360,541
Total			1,006,161
Medical Assistance Program: TCM - SCHIP	5400015 - 2005	93.767	1,281
(Passed through Ohio Department of Job & Family Services)			
Emergency Service Assistance	N/A	93.556	95,231
Access Visitation Grant	G-67-09-1031	93.597	10,552
Independent Living	N/A	93.674	1,272
Title VI-B Allocation	N/A	93.645	48,978
Child Abuse and Neglect State Grant	N/A	93.669	2,000
Total U.S. Department of Health and Human Services			1,196,722
Total Federal Assistance			$6,165,798

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

FINANCIAL CONDITION
MERCER COUNTY

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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

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

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low moderate income households and to eligible persons. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County (passed through the Ohio Department of Development). The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2006, the gross amount of loans outstanding under this program totaled $2,256,652. Delinquent amounts due were $21,267.

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Mary Taylor, CPA
Auditor of State

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

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

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mercer County, (the County), as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 30, 2007, wherein, we noted the County uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-002 and 2006-004.

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Internal Control Over Financial Reporting
(Continued)

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-002 is also material a material weakness.

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

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated August 30, 2007.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 30, 2007

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

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

To the Board of County Commissioners:

Compliance

We have audited the compliance of Mercer County, (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2006. 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 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, 2006.

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.

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Internal Control Over Compliance
(Continued)

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 entity's ability to administer a federal program such that there is more than a remote likelihood that the entity'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.

However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated August 30, 2007.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 30, 2007

FINANCIAL CONDITION
MERCER COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2006

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2006-001

FINDING FOR RECOVERY REPAID UNDER AUDIT

Michael Overman, Mercer County MRDD Superintendent, approved payment of $3,897 to West Central Ohio Network for shared administrative costs (the Board's assessment for calendar year 2006) twice. The authorization of this duplicate payment caused the County to issue payment for the agreed upon services per warrant number 92083 on February 9, 2006, and warrant number 92943 and also on March 9, 2006. As a result, a duplicate payment was rendered to the vendor for the calendar year 2006 shared administrative costs.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery is herby issued, for money illegally expended against Michael Overman, MRDD Superintendent, in the amount of $3,897, and in favor of Mercer County's MRDD Fund.

The finding was repaid and credited to the County MRDD Fund on June 28, 2007, per pay-in number 8599. West Central Ohio Network returned the overpayment to the Mercer County MRDD on check number 42606 on June 21, 2007, in the amount of $3,897 when it was brought to their attention.

FINDING NUMBER 2006-002

MATERIAL WEAKNESS – MATERIAL CITATION:

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

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

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

Official's Response:

Mercer County has not gone to GAAP reporting because it is cost prohibitive. The County has switched to OCBOA reporting which meets management's needs without substantial additional costs.

FINDING NUMBER 2006-003

SIGNIFICANT DEFICIENCY – MATERIAL CITATION:

Ohio Rev Code Section 319.15 states on the first business day of each month, the county auditor shall prepare in duplicate a statement of the finances of the county for the preceding month, showing the amount of money received to the credit of each fund and account, the amount disbursed from each, the balance remaining to the credit of each, and the balance of money in the treasury and depository. After careful comparison with the county treasurer's balances, he shall submit such statement to the board of county commissioners, which shall place it on file and post one copy in the auditor's office, such copy to remain posted for at least thirty days for the inspection of the public.

Ohio Rev Code 321.09 states that each business day, the county treasurer shall make a statement to the county auditor for the preceding day, showing the amount of taxes received and credited to the various undivided tax funds, the amount received on auditor's draft, the amount received from all other sources, the total amount deposited in the depository, the total amount paid by check on the depository, the total amount paid out in cash, the balance in the depository, and the balance in the county treasury.

The Treasurer's office reconciled the County Treasurer book balance to the manually prepared Form 6; however, it did not reconcile with the bank balances. Also, the County Auditor's and County Treasurer's Offices did not perform procedures to verify that they were balanced with each other. A four column reconciliation prepared by the Auditor of State, determined that the Treasurer's side balances of the County's software system was incorrect and that it was necessary to adjust Fund 9999 in order to decrease the December 31, 2005 and 2006 balances in the amount of $77,529 because a July 2004 direct deposit was not recorded on the Treasurer's side.

The lack of accurate monthly reconciliations / balancing being performed between the County Auditor's and County Treasurer's Offices resulted in the following during 2006:

- The outstanding warrants reports were not accurate.
- The Treasurer's side of the County's software system was incorrect and it was necessary to adjust Fund 9999 in order to decrease the December 31, 2005 balance in the amount of $77,529 because the July, 2004 payroll direct deposit amount was not recorded on the Treasurer's side of the system or appropriately reflected on the Form 6. During 2006 an attempt was made to correct this difference on the software system, however, the attempt failed.
- The County Auditor's Office voided warrants that were not on the County Treasurer's outstanding warrant report, which caused additional reconciling problems.

The Treasurer's office should prepare an accurate Form 6 daily to be given to the Auditor's office. At month's end, the Treasurer's office should reconcile with the bank and the Auditor's office should balance with the Treasurer's office. After the offices are balanced, Fund Reports (including the Auditor/Treasurer Reconciliation Report) should be run and distributed to the Board of County Commissioners and the Tri County Alcohol, Drug Addition and Mental Health Board.

Official's Response:

This is a situation that has been ongoing and was a result of problems encountered with software conversion. We have worked with Auditor of State Local Government Services and identified most of the issues. The County Auditor and County Treasurer offices are making necessary comparisons at month end. We plan to have the outstanding warrants and Fund 9999 adjustment corrected soon.

FINDING NUMBER 2006-004

SIGNIFICANT DEFICIENCY:

Reconciliation of Financial Accounting System and Subsidiary Property Tax System

The County's property tax funds (real, personal property, and manufactured home) balances on the financial accounting system at December 31, 2006, did not agree with the respective property tax receipts collected and undistributed at fiscal year end per the property tax system due to the following:

- **Real Property:** (1) the County Auditor's office received monies from the State which were receipted into the County's Real Estate Tax fund during 2006 and not distributed by year end: $37,930 public utility property tax loss reimbursement, $18,521 homestead and rollback distribution for the February settlement, and $71.19 manufactured home rollback, (2) in March 2006 the County Treasurer's office rolled over $258,103.36 from the Pre-Tax to Real Estate on the tax system; however, only $103.36 was recorded on the Form 7 and posted to the County financial accounting system, and (3) the County's Real Estate Tax Fund 9521 on the finance system presents a negative $100,034 fund cash balance at December 31, 2006, which was determined to be primarily due to a 2005 payment of $92,671 paid from the wrong fund.

- **Personal Property:** The reason for the difference was not readily determinable; however, it was determined that the amount distributed to the County Home and County MRDD for the 2006 $10,000 personal property exemption was not supported by the property tax systems generated settlement report. A negative distribution of $126.32 was the allocation for one of the Township's for the June personal property settlement, and the negative amount was not reduced from the October personal property settlement; therefore, in total the County Auditor overpaid the Township in 2006.

The failure to distribute all rollback / homestead and public utility property tax loss reimbursements, distribute the appropriate amounts for the personal property taxes and the $10,000 personal property tax exemption; in addition to the lack of monitoring and reconciling the financial activity of the property tax funds (real, personal and manufactured home) on the finance accounting system with the activity of the property tax system has resulted in a difference in the activity reported by the two computer systems and has allowed discrepancies to occur and go undetected.

The County Auditor and County Treasurer should implement procedures to periodically monitor and reconcile the property tax funds receipt and disbursement activity in both the financial accounting system and the property tax system. In addition, the following issues should be evaluated and the necessary corrections posted to the County's financial accounting system; (1) the $92,671 payment inappropriately made from Fund 9521, (2) the township receiving personal property tax overpayment in 2006 should have their October 2007 personal property settlement distribution reduced by $126.32, and in the future the County Auditor should settle any negative distributions in the subsequent settlement, and (3) both the County Auditor and County Treasurer should reconcile the property tax funds between the financial accounting system and the subsidiary property tax system and search previous years for additional errors.

Official's Response:

We are currently in the process of correcting the errors to monitor the tax funds and reconcile between the County Auditor and County Treasurer's office. And the County Treasurer's office has gone back over the 2004, 2005 and 2006 daily receipt records to verify the receipts posted to the finance accounting system agree with the property tax system.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

FINANCIAL CONDITION
MERCER COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2005-001	ORC 117.38 and OAC 117-2-03 (B) – failure to file financial statements prepared in accordance with generally accepted accounting principles (GAAP).	No	See Finding Number 2006-002
2005-002	Ohio Rev. Code Section 319.15 - the county auditor did not compare their month end balances with the county treasurer's balances.& Ohio Rev. Code Section 321.09 - The Treasurer's office reconciled the County Treasurer book balance to the manually prepared Form 6; however, did not (1) accurately reconcile with the bank or (2) balance with the County Auditor's book balance.	No	See Finding Number 2006-003
2005-003	Ohio Rev. Code Section 5705.36(A)(1) – the County Auditor did not prepare the Certificate of the Total Amount from All Sources Available for Expenditures and Balances for 2005.	Yes	N/A
2005-004	Ohio Rev. Code Section 5705.36(A)(2) & (4) – estimated revenue was greater than actual revenue.	No	Partially corrected – Reported in a separate letter to management of the County.

Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 4, 2007

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