



**MERCER COUNTY FINANCIAL CONDITION
MERCER COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

FINANCIAL CONDITION - MERCER COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Commissioners:

We have audited the accompanying financial statements of Mercer County, (the County) as of and for the year ended December 31, 2000. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03, 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 1, the County prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, can not be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of Mercer County, as of December 31, 2000, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

As more fully described in Notes 3 and 15 to the financial statements, the County invests in federal agency collateralized mortgage obligation securities whose book values as reflected in the accompanying financial statements at December 31, 2000, were determined to be substantially in excess of fair value. Management indicates its intent is to hold these investments to maturity, however, its ability to do so is unknown at this time.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2001 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Jim Petro
Auditor of State

June 15, 2001

FINANCIAL CONDITION - MERCER COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES-ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types				Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Project	Fund Type Expendable Trust	
Cash Receipts:						
Taxes	\$4,698,070	\$2,512,932				\$7,211,002
Charges For Services	729,100	1,034,954	94,503			1,858,557
Licenses And Permits	4,797	9,956				14,753
Fines And Forfeitures	69,767	7,628				77,395
Intergovernmental Receipts	1,216,705	9,730,614	40,000	245,830		11,233,149
Special Assessments			204,302	111,681		315,983
All Other Receipts	729,756	1,222,247	3,965		32,210	1,988,178
Total Cash Receipts	<u>7,448,195</u>	<u>14,518,331</u>	<u>342,770</u>	<u>357,511</u>	<u>32,210</u>	<u>22,699,017</u>
Cash Disbursements:						
General Government						
Legislative And Executive	2,691,289	317,055				3,008,344
Judicial	1,005,382	645,443				1,650,825
Public Safety	1,852,886	248,201				2,101,087
Public Works	327,634	7,221,590				7,549,224
Health	37,547	3,470,364				3,507,911
Human Services	202,257	3,509,552				3,711,809
Conservation - Recreation		2,530			24,058	26,588
Miscellaneous	83,047				769	83,816
Capital Outlay				471,256		471,256
Debt Service:						
Bond Principal Payment			213,602			213,602
Note Principal Payment			1,332,982			1,332,982
Interest And Fiscal Charges			301,682			301,682
Total Cash Disbursements	<u>6,200,042</u>	<u>15,414,735</u>	<u>1,848,266</u>	<u>471,256</u>	<u>24,827</u>	<u>23,959,126</u>
Total Receipts Over (Under) Disbursement:	1,248,153	(896,404)	(1,505,496)	(113,745)	7,383	(1,260,109)
Other Financing Sources (Uses)						
Proceeds of Notes		973,300	1,111,200	69,000		2,153,500
Operating Transfers-In		562,105	598,878		922	1,161,905
Operating Transfers-Out	(1,070,605)	(22,087)		(64,213)		(1,156,905)
Advances-In Not Repaid		13,490		86,125		99,615
Advances-Out Not Repaid	(5,000)	(89,363)				(94,363)
Other Financing Sources	300,680	139,495				440,175
Other Financing Uses	(226,334)	(14)	(445)			(226,793)
Total Other Financing Sources (Uses)	<u>(1,001,259)</u>	<u>1,576,926</u>	<u>1,709,633</u>	<u>90,912</u>	<u>922</u>	<u>2,377,134</u>
Total Receipts And Other Sources Over (Under) Disbursement And Other Uses	246,894	680,522	204,137	(22,833)	8,305	1,117,025
Fund Cash Balance January 1	<u>1,317,313</u>	<u>4,065,561</u>	<u>665,585</u>	<u>297,955</u>	<u>104,235</u>	<u>6,450,649</u>
Fund Cash Balance December 31	<u>\$1,564,207</u>	<u>\$4,746,083</u>	<u>\$869,722</u>	<u>\$275,122</u>	<u>\$112,540</u>	<u>\$7,567,674</u>

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

FINANCIAL CONDITION - MERCER COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES-ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Proprietary Fund Types</u>		<u>Fiduciary</u> <u>Fund Type</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
	<u>Enterprise</u>	<u>Internal</u> <u>Service</u>	<u>Agency</u>	
Receipts:				
Charges For Services	\$1,246,251	\$1,854,286		\$3,100,537
Other Operating Receipts	6,777			6,777
Total Receipts	<u>1,253,028</u>	<u>1,854,286</u>		<u>3,107,314</u>
Disbursements:				
Personal Services	320,221	35,856		356,077
Contract Services	515,072	1,833,385		2,348,457
Supplies And Materials	50,215			50,215
Capital Outlay	27,449			27,449
Total Disbursements	<u>912,957</u>	<u>1,869,241</u>		<u>2,782,198</u>
Total Receipts Over (Under) Disbursements	340,071	(14,955)		325,116
Non-Operating Receipts (Disbursements)				
Grants	13,016			13,016
Other Non-Operating Revenue	5,912		51,462,603	51,468,515
Other Non-Operating Disbursements			(51,619,843)	(51,619,843)
Total Non-Operating Receipts (Disbursements)	<u>18,928</u>		<u>(157,240)</u>	<u>(138,312)</u>
Income Before Operating Transfers	358,999	(14,955)	(157,240)	186,804
Operating Transfers-Out			(5,000)	(5,000)
Advances-In Not Repaid	9,494			9,494
Advances-Out Not Repaid	(14,746)			(14,746)
Net Income/(Deficit)	353,747	(14,955)	(162,240)	176,552
Fund Cash Balance January 1	<u>740,919</u>	<u>35,039</u>	<u>2,952,163</u>	<u>3,728,121</u>
Fund Cash Balance December 31	<u>\$1,094,666</u>	<u>\$20,084</u>	<u>\$2,789,923</u>	<u>\$3,904,673</u>

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

FINANCIAL CONDITION - MERCER COUNTY

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2000**

<u>Fund Types/Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental:			
General Fund	\$7,763,355	\$7,748,875	(\$14,480)
Special Revenue Funds	17,315,530	16,193,231	(1,122,299)
Debt Service Funds	1,794,402	2,052,848	258,446
Capital Project Funds	292,898	426,511	133,613
Proprietary:			
Enterprise Funds	1,279,978	1,271,956	(8,022)
Internal Service Funds	1,874,213	1,854,286	(19,927)
Fiduciary:			
Trust Funds	<u>28,785</u>	<u>33,132</u>	<u>4,347</u>
Total (Memorandum Only)	<u><u>\$30,349,161</u></u>	<u><u>\$29,580,839</u></u>	<u><u>(\$768,322)</u></u>

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

MERCER COUNTY - FINANCIAL CONDITION

COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2000

<u>Fund Types/Fund</u>	<u>Prior Year Carryover Appropriations</u>	<u>2000 Appropriations</u>	<u>Total</u>
Governmental:			
General Fund	\$222,898	\$8,282,122	\$8,505,020
Special Revenue Funds	1,396,729	19,046,301	20,443,030
Debt Service Funds	16,875	1,851,751	1,868,626
Capital Project Funds	44,264	570,087	614,351
Proprietary:			
Enterprise Funds	63,227	1,174,798	1,238,025
Internal Service Funds	0	1,891,259	1,891,259
Fiduciary:			
Trust Funds	<u>2,434</u>	<u>26,000</u>	<u>28,434</u>
Total (Memorandum Only)	<u><u>\$1,746,427</u></u>	<u><u>\$32,842,318</u></u>	<u><u>\$34,588,745</u></u>

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

<u>Actual 2000 Disbursements</u>	<u>Encumbrances Outstanding At 12-31-00</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
\$7,496,981	\$280,045	\$7,777,026	\$727,994
15,436,836	1,298,112	16,734,948	3,708,082
1,848,711		1,848,711	19,915
535,469	498	535,967	78,384
912,957	83,675	996,632	241,393
1,869,241		1,869,241	22,018
<u>24,827</u>	<u>468</u>	<u>25,295</u>	<u>3,139</u>
<u><u>\$28,125,022</u></u>	<u><u>\$1,662,798</u></u>	<u><u>\$29,787,820</u></u>	<u><u>\$4,800,925</u></u>

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FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000**

1. REPORTING ENTITY AND BASIS OF PRESENTATION

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

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

A. Reporting Entity

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

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

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

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

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

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

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

FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

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

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

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

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

B. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03 to prepare its annual financial report in accordance with generally accepted accounting principles, the County chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

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

FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

C. Fund Accounting

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

1. Governmental Funds

General Fund

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

Special Revenue Funds

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

Capital Projects Funds

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

Debt Service Funds

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

2. Proprietary Funds

Enterprise Funds

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

FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

Internal Service Fund

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

3. Fiduciary Funds

Trust and Agency Funds

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Budgetary Process

1. Budget

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

2. Estimated Resources

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

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

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

3. Appropriations

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

FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Encumbrances

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

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

B. Property, Plant And Equipment

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

C. Cash And Cash Equivalents

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

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

Interest is distributed to the General Fund, the Revolving Loan Special Revenue Fund, and the Bunge Park Expendable Trust Fund. Interest revenue earned during 2000 amounted to \$728,352.

D. Accumulated Unpaid Vacation And Sick Leave

Accumulated unpaid vacation and sick pay are not accrued under the cash basis of accounting described in Note 1. At December 31, 2000, and in accordance with the County's sick leave policy, management estimates that \$1,306,490 in sick leave and \$737,513 in vacation leave has been accumulated by the employees of the County. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees. It is not practicable to determine the actuarial value of these benefits as of December 31, 2000.

E. Total Columns on Financial Statements

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

FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

3. DEPOSITS AND INVESTMENTS

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

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

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

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

FINANCIAL CONDITION - MERCER COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2000

(Continued)

3. DEPOSITS AND INVESTMENTS (Continued)

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

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

At year-end, the County had \$161,124 in undeposited cash on hand; this amount is uninsured and uncollateralized.

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

A. Deposits

At year-end, the carrying amount of the County's deposits was \$2,991,551 and the bank balance was \$4,366,761. Of the bank balance, \$672,203 was covered by federal deposit insurance, \$1,552,518 was covered by pledged collateral and \$2,142,040 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the County's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the County to a successful claim by the Federal Deposit Insurance Corporation.

B. Investments

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

The County held significant amounts of collateralized mortgage obligation securities at December 31, 2000. These securities have declined in fair value by \$182,433, because current interest rates have increased. With these type of securities, the effect of continued increases in interest rates is a significant decrease in interest earnings and an increase in the maturity of the investment which results in a fair value decline. Should interest rates decrease, the effect may reverse in relation to the decrease.

Management intends to hold the collateralized mortgage obligations to maturity. If management is able to hold these securities to maturity, the securities may yield less than market rates of interest, but should not result in a loss of principal. The accompanying financial statements do not reflect a write down for the decline in fair value. (See Note 15.)

FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

	Category 2	Carrying Value	Fair Value
Federal Agency Securities:	\$7,058,405	\$7,058,405	\$6,875,972
STAR Ohio	<u> </u>	<u>1,261,267</u>	<u>1,261,267</u>
Total	<u>\$7,058,405</u>	<u>\$8,319,672</u>	<u>\$8,137,239</u>

4. DEBT OBLIGATIONS

Debt outstanding at December 31, 2000 consisted of the following:

General Obligation Note	
Principal Outstanding	\$1,792,050
Interest Rates	5.00 - 6.25%
Special Assessment Notes	
Principal Outstanding	\$361,450
Interest Rates	5.00 - 5.93%
Special Assessment Bonds	
Principal Outstanding	\$118,000
Interest Rates	5.0 - 7.78%
Ohio Public Works Commission Loan	
Principal Outstanding	\$435,188
Interest Free	
Ohio Water Development Authority Loan	
Principal Outstanding	\$832,656
Interest Rates	2.00 - 7.89%
General Obligation Bond	
Principal Outstanding	\$3,620,000
Interest Rate	5.30 - 5.40%
Ohio Water & Sewer Loan	
Principal Outstanding	\$312,045
Interest Free	

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

The general obligation notes were used to finance the improvements of the Northeast sanitary sewer system, construction of trunk sanitary sewer and water main lines to service an industrial corridor (State Route 29), improvement to the Fairgrounds, including construction of a restroom and shower facility, street and related drainage and sanitary sewer improvements in the Mercer County Renoir-Visions Area, acquisition of real estate for economic development, and improvements in the Marion Township Industrial Park, including street, drainage and sanitary sewer improvements. The Mercer County Commissioners intend to issue bonds to pay off the notes.

FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

4. DEBT OBLIGATIONS (Continued)

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

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

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

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

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

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

The annual requirements to amortize all long- term and bonded debt outstanding as of December 31, 2000, including interest payments of \$2,803,069 are as follows:

Year Ending December 31	Special Assessment Bond	Ohio Water Development Authority (O.W.D.A.) Loans	Ohio Public Works Commission (O.P.W.C.) Loan	General Obligation Bond
2001	\$11,900	\$146,652	\$28,158	\$ 265,863
2002	11,900	140,926	28,158	267,663
2003	11,885	135,199	28,158	269,220
2004	11,955	129,472	28,158	270,485
2005	11,905	124,973	28,158	276,495
2006-2010	59,650	250,795	140,790	1,360,205
2011-2015	47,720	63,861	127,955	1,346,248
2016-2020	0	0	25,653	1,343,503
2021-2023	<u>0</u>	<u>0</u>	<u>0</u>	<u>815,250</u>
Total	<u>\$166,915</u>	<u>\$991,878</u>	<u>\$435,188</u>	<u>\$6,214,932</u>

FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

4. DEBT OBLIGATIONS (Continued)

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

The annual requirements to amortize all note debt outstanding as of December 31, 2000, including interest payments of \$109,959, are as follows:

Year Ending December 31	General Obligation Notes	Special Assessment Notes
2001	<u>\$1,882,862</u>	<u>\$380,597</u>

5. PROPERTY TAX

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

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

The full tax rate applied to real property, for the calendar year ended December 31, 2000, was \$8.79 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$6.8633 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$8.2308 per \$1,000 of assessed valuation for all other real property. Real property owners tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

5. PROPERTY TAX (Continued)

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2000, was \$8.79 per \$1,000 of assessed valuation.

Real Property - 1999 Valuation

Residential/Agricultural	\$510,405,660
Commercial/Industrial	75,409,820
Public Utilities	68,020

Tangible Personal Property

General - 2000 Valuation	63,648,516
Public Utilities - 1999 Valuation	<u>29,859,420</u>

Total Valuation \$679,391,436

The Mercer County Treasurer collects property tax on behalf of all taxing districts within the County. The Mercer County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

6. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2000, the County contracted with Midwest Pool Management, Inc. for liability, property and crime insurance.

Coverages provided by the insurance pool are as follows:

Liability	
(A) General, Auto, Law and Nursing Home Liability Combined (per occurrence)	\$5,000,000
(B) Public Official Errors and Omissions Liability (per occurrence - included above)	1,000,000
Aggregate	5,000,000
(C) Excess Liability, General, Liquor, Auto, Law, Public Official Liability and Miscellaneous Errors and Omissions	5,000,000
Property (per occurrence)	184,634,770
Flood and Earthquake (annual aggregate)	35,000,000
Boiler and Machinery (annual aggregate)	30,000,000
Crime Insurance:	
Faithful Performance	250,000
Money and Securities	250,000
Employee Dishonesty	250,000
Depositors Forgery	250,000

The County pays all elected officials' bonds by statute.

FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

6. RISK MANAGEMENT (Continued)

Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. For 2000, the County participated in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program (CCAO), a workers' compensation insurance purchasing pool (See Note 10). The intent of the CCAO is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the CCAO. Each participant pays its workers' compensation premium to the State based on the rate for the CCAO rather than its individual rate. In order to allocate the savings derived by formation of the CCAO, and to maximize the number of participants in the CCAO, annually the CCAO's executive committee calculates the total savings which accrued to the CCAO through its formation. This savings is then compared to the overall savings percentage of the CCAO. The CCAO's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the CCAO is limited to counties that can meet the CCAO's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the CCAO. Each year, the County pays an enrollment fee to the CCAO to cover the costs of administering the CCAO.

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

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

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

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

FINANCIAL CONDITION - MERCER COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2000

(Continued)

6. RISK MANAGEMENT (Continued)

The County currently has no specified percentage share of the Pool. The only time at which a percentage share would be calculated occurs if the Pool votes to terminate. After a vote to terminate the Pool, the Board would wind-up the Pool's business as quickly as practicable, but in any event would complete this process no later than twelve months after the termination date. During such period, the Pool would continue to pay all claims and expenses until the Pool's funds are exhausted. After payment of all claims and expenses, or upon the termination of the aforesaid twelve month period, any remaining surplus funds held by the Pool would be distributed according to the determination of the Board. The County's payment for health insurance coverage to the Midwest Employee Benefit Consortium in 2000 was \$1,791,711.

7. LOCAL SALES TAX

For the purpose of providing additional general revenues, the Mercer County Commissioners have levied a tax at the rate of one percent upon certain retail sales made in the County. Tax receipts are credited to the general fund and amounted to \$3,121,534 for 2000.

8. DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

All County employees, other than teachers, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report that may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations; law enforcement employees contribute 9 percent. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. For plan members, other than those engaged in law enforcement, the County was required to contribute 10.84 percent of covered salary for 2000. The County contribution for law enforcement employees for 2000 was 15.7 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The County's contributions to PERS for the years ended December 31, 2000, 1999, and 1998 were \$1,729,823, \$1,799,843, and \$1,672,426, respectively. All required payments of contributions have been made through December 31, 2000.

B. State Teachers Retirement System

Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

FINANCIAL CONDITION - MERCER COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2000 (Continued)

8. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and Mercer County is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Mercer County's contributions paid to STRS during the years ended December 31, 2000, 1999, and 1998 were \$11,492, \$15,984, and \$17,691 respectively. All required payments of contributions have been made through December 31, 2000.

9. POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The employer contribution rate was rolled back for the year 2000. For local government employer units the rate was 10.84% of covered payroll; 4.30% was the portion that was used to fund health care for the year. The law enforcement employer rate was 15.70% and 4.30% was used to fund health care for the year.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. 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.

The number of active contributing participants was 401,339. The County's actual contributions for 2000 which were used to fund postemployment benefits were \$361,805. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve. For Mercer County, this amount equaled \$4,077 for fiscal year 2000.

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

10. PUBLIC ENTITY RISK POOLS

County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

The County is participating in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program as established under the Section 4123.29 of the Ohio Revised Code. The County Commissioners' Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners' Association of Ohio (CCAO) as a group purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates; approving the selection of a third party administrator; reviewing and approving proposed third party fees, fees for risk management services, and general management fees; determining ongoing eligibility of each participant; and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of the CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in the month of December each year. No participants can have more than one member on the group executive committee in any year, and each elected member shall be a County Commissioner.

FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

11. JOINTLY GOVERNED ORGANIZATIONS

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

The Tri-County Mental Health Board is a jointly governed organization among Mercer, Paulding and Van Wert counties. The Tri-County Mental Health Board provides leadership in planning for and supporting community-based alcohol, drug addiction and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting and advocating for the rights of persons as consumers of alcohol, drug addiction and mental health services. The ability to influence operations depends on the County's representation on the Board. The Board of Trustees consists of eighteen members: four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services and the remaining ten members are appointed by the County Commissioners of Mercer, Paulding and Van Wert counties in the same proportion as the County's population bears to the total population of the three counties combined. During 2000, a tax levy provided \$1,194,506 for the operations of the organization.

B. West Central Ohio Network

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

West CON is the administrator and fiscal agent of Supported Living funds for each of these Boards of Mental Retardation and Developmental Disabilities. For 2000, the County contributed \$174,005 for the operation of West CON.

C. West Central Partnership, Inc.

The West Central Partnership, Inc. (the Partnership) is a jointly governed organization among Allen, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The Partnership was formed to administer local loan programs in these counties for the State of Ohio Department of Development using 166 funds and raising money for such purposes and to expend, contribute, disburse, or otherwise handle and dispose of the same for such purpose. The Board of Trustees consists of nine members, including a County Commissioner from each of the member county and the Director of Region 3, West Central SBDC Partnership. The County was not required to contribute any fund to the Partnership in 2000.

12. 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.

FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

13. CONTRACTUAL COMMITMENTS

The County had entered into the following contractual commitment as of December 31, 2000:

Brumbaugh Construction	Erastus Durbin Road Bridge	\$ 9,853
Brumbaugh Construction	Wabash Road Bridge	11,604
E.J. Meyer, Inc	Fairground Road Improvement	52,987

The all of the above contractual commitments were encumbered against the Special Revenue fund type at December 31, 2000.

14. PENDING LITIGATION

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

15. SUBSEQUENT EVENTS

A. Investments

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

Through May 31, 2001, \$3,475,333 matured, of collateralized mortgage obligations held at December 31, 2000.

For those securities held at December 31, 2000, and still held at the May 31, 2001, the carrying and net realizable values are as follows:

	Carrying Value	Fair Value	Difference
Federal Agency Securities			
Collateralized Mortgage			
Obligations	\$3,574,339	\$3,399,115	\$(175,224)

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

FINANCIAL CONDITION - MERCER COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)

15. SUBSEQUENT EVENTS (Continued)

B. Bond Anticipation Notes

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

<u>Date</u>	<u>Issue</u>	<u>Amount</u>
February 22, 2001	Bryanvilla Ditch	\$70,550
February 22, 2001	State Route 19 Industrial Corridor	\$1,185,000
March 30, 2001	Sanitary Sewer Improvements	\$150,000
May 10, 2001	Albers Ditch	\$8,050
May 10, 2001	McMichael Ditch	\$28,800
May 10, 2001	Niekamp-Flaute Ditch	\$29,350
May 10, 2001	Springer Ditch	\$17,750
May 10, 2001	Kahlig-Broering Ditch	\$21,400
May 10, 2001	Williams-Davis Ditch	\$19,250
May 10, 2001	Shively Heckler Ditch	\$12,400
May 10, 2001	McMichael Ditch	\$31,750
May 10, 2001	Stober Ditch	\$82,750
June 19, 2001	Marion Township	\$83,100

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MERCER COUNTY FINANCIAL CONDITON

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2000

Federal Grantor/ Pass Through Grantor County Department Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>(Passed through Ohio Department of Development)</i>			
Board of County Commissioners			
Community Development Block Grants:			
Community Development Block Grants/State's Program	B-E-99-050-1	14.228	\$235,000
	B-E-99-050-3	14.228	83,508
	B-F-98-050-1	14.228	31,817
	B-F-99-050-1	14.228	121,874
	B-C-99-050-1	14.228	<u>78,611</u>
Total			550,810
Direct			
HOME Investment Partnership	B-C-99-050-2	14.239	134,984
Total Department of Housing and Urban Development			<u>685,794</u>
U.S. DEPARTMENT OF JUSTICE			
<i>(Passed through Attorney General's Crime Victim Services)</i>			
Mercer County Prosecutor's Department			
Crime Victim Assistance	99-VAGENE068T	16.575	25,545
	01-VAGENE068	16.575	<u>7,246</u>
Total			32,791
<i>(Passed through Office of Criminal Justice Services)</i>			
Mercer County Prosecutor's Department			
Violence Against Women Formula Grant	98-WF-VA2-8116	16.588	0
	99-WF-VA2-8116	16.588	<u>19,892</u>
Total			19,892
Direct			
Mercer County Sheriff's Department			
Law Enforcement Block Grant	97-LE-LEB-3023	16.592	67
	98-LE-LEB-3023	16.592	<u>1,182</u>
Total			1,249
Direct			
Mercer County Sheriff's Department			
Public Safety Partnership and Community Policing Grant	95 CFWX 2609	16.710	<u>25,807</u>
Total Department of Justice			79,739
U.S DEPARTMENT OF TRANSPORTATION			
<i>(Passed through Ohio Department of Transportation)</i>			
Board of County Commissioners			
Highway Planning and Construction	9078	20.205	2,530
	MER-VAR-GR PID#21068	20.205	176,217
	MER CR31A-4.94B PID#19993	20.205	283,305
	MER CR51A-9.99B PID#19993	20.205	216,385
	MER CR146-0.000 PID#16272	20.205	<u>588,508</u>
Total Department of Transportation			1,266,945

(Continued)

MERCER COUNTY FINANCIAL CONDITON

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2000**

Federal Grantor/ Pass Through Grantor County Department Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
FEDERAL EMERGENCY MANGEMENT AGENCY			
(Passed through Ohio Department of Emergency Management Agency)			
Mercer County Emergency Management			
Emergency Management State & Local Assistance	CY'00	83.534	14,000
	CY'00	83.552	<u>25,028</u>
Total Federal Emergency Management Agency			39,028
UNITED STATES DEPARTMENT OF EDUCATION			
Special Education Cluster			
(Passed through Ohio Department of Education)			
County Board of MR/DD (Cheryl Ann School)			
Special Education Preschool Grant	071597-PG-S1-00P	84.173	2,097
UNITED STATES DEPARTMENT OF HUMAN SERVICES			
(Passed through Ohio Department of MRDD)			
County Board of MR/DD (Cheryl Ann School)			
Social Services Block Grant	MR-54 (01)	93.667	14,124
	MR-54 (00)		<u>39,642</u>
Total			53,766
County Board of MR/DD (Cheryl Ann School)			
Medical Assistance Program	5400015	93.778	216,270
(Passed through Ohio Department of Job and Family Services)			
Children Support Enforcement Agency			
Grants to States for Access and Visitation Programs	G-98-09-580	93.597	47,508
(Passed through the Supreme Court of Ohio)			
Probate/Juvenile Court			
State Court Improvement Program/ Family Court Pilot	N/A	93.586	144,179
(Passed through Ohio Department of Job and Family Services)			
Job and Family Services/Human Services			
Child Welfare Services State Grant	N/A	93.645	39,510
(Passed through Ohio Department of Job and Family Services)			
Job and Family Services/Human Services			
Child Abuse and Neglect State Grant	N/A	93.669	2,000
Family Violence Prevention and Services Grant	N/A	93.591	<u>479</u>
Total Department of Job and Family Services			503,713
UNITED STATES DEPARTMENT OF LABOR			
(Passed through Ohio Department of Job and Family Services)			
Job and Family Services/Human Services			
Workforce Investment ACT Grant	N/A	17.255	<u>182,082</u>
Total Federal Assistance			<u><u>\$2,759,397</u></u>

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

FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2000**

NOTE A—SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—MATCHING REQUIREMENTS

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

NOTE C—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, 2000, the gross amount of loans outstanding under this program were \$2,144,249.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Commissioners:

We have audited the financial statements of Mercer County, (County) as of and for the year ended December 31, 2000, and have issued our report thereon dated June 15, 2001, wherein we noted that the County has continued to follow the basis of accounting previously prescribed by the Auditor of State rather than accounting principles generally accepted in the United States of America which is now required. Also within that report we noted that the County has certain investments whose book values, as reported in the financial statements, are substantially in excess of fair value. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-60254-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated June 15, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated June 15, 2001.

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

Jim Petro
Auditor of State

June 15, 2001



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

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

To the Board of Commissioners:

Compliance

We have audited the compliance of Mercer County, (County) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2000. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 obtain reasonable assurance about whether material noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Mercer County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2000.

Internal Control Over Compliance

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

**Internal Control Over Compliance
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance, not requiring inclusion in this report, that we have reported to management of the County in a separate letter dated June 15, 2001.

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

Jim Petro
Auditor of State

June 15, 2001

FINANCIAL CONDITION - MERCER COUNTY

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Highway Planning and Construction, CFDA #20.205 and Medical Assistance Program, CFDA #93.778
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

FINANCIAL CONDITION - MERCER COUNTY

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2000
(Continued)**

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

Finding Number	2000-60254-001
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Ohio Administrative Code Section 117-2-03 requires the County to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

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

The County should prepare their 2001 financial statements in accordance with accounting principles generally accepted in the United States of America.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

FINANCIAL CONDITION - MERCER COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-60254-001	Ohio Admin. Code Section 117-1-11 Not filing financial statements on GAAP basis	No	Not corrected - The County officials do not feel it is cost effective for conversion and future reporting needs
1999-60254-002	17 C.F.R. Section 240.15c2-12 not providing annual financial information to all NRMSIR's or to SID's	Yes	Corrected - filed for 2000
1999-60254-003	Properly classifying interfund transactions	No	Partially corrected -significant reduction in audit reclassification adjustments - many have been reclassified by the County when preparing their financial report for 2000.



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MERCER COUNTY FINANCIAL CONDITION

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 12, 2001