



**Auditor of State
Betty Montgomery**

FINANCIAL CONDITION - MERCER COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Board of Commissioners
Mercer County
Central Services Building
220 W. Livingston Street
Room A201
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, 2002. 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 (B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot 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, 2002, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2003 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.

This report is intended solely for the information and use of the audit committee, management, Board of County 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.

The accompanying federal awards expenditures schedule is presented for 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 general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 21, 2003

MERCER COUNTY - FINANCIAL CONDITION

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, 2002

	Governmental Fund Types				Fiduciary Funds	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Project	Expendable Trust	
Receipts:						
Taxes	\$4,795,907	\$2,653,612				\$7,449,519
Charges For Services	890,526	886,468	90,405			1,867,399
Licenses And Permits	4,398	9,703				14,101
Fines And Forfeitures	50,061	31,707				81,768
Intergovernmental Receipts	1,203,284	13,418,224	110,000	341,340		15,072,848
Special Assessments		41,610	218,413	119,956		379,979
All Other Receipts	531,836	1,520,297	16,149	295	26,372	2,094,949
Total Receipts	7,476,012	18,561,621	434,967	461,591	26,372	26,960,563
Disbursements:						
General Government						
Legislative And Executive	1,986,879	430,601				2,417,480
Judicial	1,140,148	587,008				1,727,156
Public Safety	1,993,838	241,519				2,235,357
Public Works	512,627	8,363,184				8,875,811
Health	43,592	4,815,985				4,859,577
Human Services	232,004	5,081,660				5,313,664
Conservation - Recreation					12,495	12,495
Miscellaneous	1,002,179				269	1,002,448
Capital Outlay		362,051		955,127		1,317,178
Debt Service:						
Bond Principal Payment			194,944			194,944
Note Principal Payment			2,311,606			2,311,606
Interest And Fiscal Charges			331,287			331,287
Total Disbursements	6,911,267	19,882,008	2,837,837	955,127	12,764	30,599,003
Total Receipts Over (Under) Disbursements	564,745	(1,320,387)	(2,402,870)	(493,536)	13,608	(3,638,440)
Other Financing Sources (Uses)						
Proceeds of Notes			1,379,600	584,559		1,964,159
Operating Transfers-In		586,319	1,158,861		5,909	1,751,089
Operating Transfers-Out	(809,891)	(832,547)		(72,909)		(1,715,347)
Advances-In Not Repaid	7,700	29,648				37,348
Advances-Out Not Repaid	(31,900)	(16,190)				(48,090)
Other Financing Sources	262,157	256,923		6,000		525,080
Other Financing Uses	(337,361)					(337,361)
Total Other Financing Sources (Uses)	(909,295)	24,153	2,538,461	517,650	5,909	2,176,878
Total Receipts And Other Sources Over (Under) Disbursement And Other Uses	(344,550)	(1,296,234)	135,591	24,114	19,517	(1,461,562)
Fund Cash Balance January 1	2,099,815	4,833,547	697,960	90,958	110,108	7,832,388
Fund Cash Balance December 31	\$1,755,265	\$3,537,313	\$833,551	\$115,072	\$129,625	\$6,370,826

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

MERCER COUNTY - FINANCIAL CONDITION

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, 2002

	Proprietary	Fund Types	Fiduciary Funds	Total
	Enterprise	Internal Service	Agency	(Memorandum Only)
Receipts:				
Charges For Services	\$1,150,140	\$1,999,346		\$3,149,486
Other Operating Receipts	19,706			19,706
Total Receipts	1,169,846	1,999,346		3,169,192
Disbursements:				
Personal Services	349,873	14,044		363,917
Contract Services	608,240	1,973,697		2,581,937
Supplies And Materials	70,321			70,321
Capital Outlay	35,636			35,636
Total Disbursements	1,064,070	1,987,741		3,051,811
Total Receipts Over Disbursements	105,776	11,605		117,381
Non-Operating Receipts (Disbursements)				
Grants	1,655			1,655
Other Non-Operating Revenue	10,777		56,130,912	56,141,689
Other Non-Operating Disbursements			(55,810,675)	(55,810,675)
Total Non-Operating Receipts (Disbursements)	12,432		320,237	332,669
Income Before Operating Transfers	118,208	11,605	320,237	450,050
Advances-in Not Repaid	81,646			81,646
Advances-out Not Repaid	(70,904)			(70,904)
Operating Transfers-Out	(35,742)			(35,742)
Net Income	93,208	11,605	320,237	425,050
Fund Cash Balance January 1	1,230,721	13,867	2,924,618	4,169,206
Fund Cash Balance December 31	\$1,323,929	\$25,472	\$3,244,855	\$4,594,256

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

MERCER COUNTY - FINANCIAL CONDITION

COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2002

Fund Types/Fund	Budget	Actual	Variance Favorable/ (Unfavorable)
Governmental:			
General Fund	\$8,041,405	\$7,738,169	(\$303,236)
Special Revenue Funds	23,143,830	19,404,863	(3,738,967)
Debt Service Funds	3,019,524	2,973,428	(46,096)
Capital Project Funds	316,894	1,052,150	735,256
Proprietary:			
Enterprise Funds	1,253,652	1,182,278	(71,374)
Internal Service Funds	2,005,711	1,999,346	(6,365)
Fiduciary:			
Trust Funds	<u>27,335</u>	<u>32,281</u>	<u>4,946</u>
Total (Memorandum Only)	<u>\$37,808,351</u>	<u>\$34,382,515</u>	<u>(\$3,425,836)</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, 2002

Fund Types/Fund	Prior Year Carryover Appropriations	2002 Appropriations	Total
Governmental:			
General Fund	\$292,119	\$9,008,745	\$9,300,864
Special Revenue Funds	2,385,028	23,936,686	26,321,714
Debt Service Funds	280	2,838,777	2,839,057
Capital Project Funds	5,075	308,598	313,673
Proprietary:			
Enterprise Funds	85,309	1,393,494	1,478,803
Internal Service Funds		2,005,721	2,005,721
Fiduciary:			
Trust Funds	421	21,000	21,421
Total (Memorandum Only)	<u>\$2,768,232</u>	<u>\$39,513,021</u>	<u>\$42,281,253</u>

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

Actual 2002 Disbursements	Encumbrances Outstanding At 12-31-02	Total	Variance Favorable/ (Unfavorable)
\$8,058,519	\$441,457	\$8,499,976	\$800,888
20,714,555	1,300,546	22,015,101	4,306,613
2,837,837		2,837,837	1,220
1,028,036	622	1,028,658	(714,985)
1,099,812	91,642	1,191,454	287,349
1,987,741		1,987,741	17,980
<u>12,764</u>	<u>1,566</u>	<u>14,330</u>	<u>7,091</u>
<u><u>\$35,739,264</u></u>	<u><u>\$1,835,833</u></u>	<u><u>\$37,575,097</u></u>	<u><u>\$4,706,156</u></u>

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FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

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, 2002
(Continued)**

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

A. REPORTING ENTITY (Continued)

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

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

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

Mercer County is associated with nine organizations which are defined as insurance purchasing pools, jointly governed organizations, a joint venture, and a related organization. These organizations include: Mid West Risk Management Agency, Inc., Midwest Employee Benefit Consortium, County Commissioners Association of Ohio Worker's Compensation Group Rating Plan, Tri-County Mental Health Board, West Central Ohio Network, West Central Partnership, Inc., Workforce Investment Act Consortium – Ohio Area #8, Mercer County Regional Planning Commission, and Mercer County District Library.

B. BASIS OF ACCOUNTING

Although required by Ohio Administrative Code Section 117-2-3 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, 2002
(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:

GOVERNMENTAL FUNDS

General Fund

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

Special Revenue Funds

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

Capital Projects Funds

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

Debt Service Funds

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

PROPRIETARY FUNDS

Enterprise Funds

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

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.

FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

C. FUND ACCOUNTING (Continued)

FIDUCIARY FUNDS

Trust and Agency Funds

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

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

A. BUDGETARY PROCESS

1. Budget

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

2. Estimated Resources

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

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

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

3. Appropriations

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

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.

FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

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

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. During fiscal year 2002, investments were limited to STAROhio, nonnegotiable certificates of deposit, and various Federal Agency securities. All investments are reported at cost. (See Note 3)

The County has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2002.

Interest is distributed to the General Fund, Community Housing Improvement Grant Fund, Revolving Loan Special Revenue Fund, Pre-pay Investment Earnings Fund, and Northeast Sanitary Sewer EDA Debt Fund. Interest revenue earned during 2002 amounted to \$530,706.

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, 2002, and in accordance with the County's sick leave policy, management estimates that \$ 1,371,172 in sick leave and \$777,547 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, 2002.

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.

3. DEPOSITS AND INVESTMENTS

The Treasurer is responsible for selecting depositories and investing funds. Monies held by the County are classified by State Statute into two categories. Active monies are public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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.

FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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

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

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.

FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

At year-end, the County had \$93,772 in undeposited cash on hand; this amount is uninsured and uncollateralized.

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

Deposits

At year-end, the carrying amount of the County's deposits was \$6,472,066 and the bank balance was \$7,117,906. Of the bank balance, \$757,215 was covered by federal deposit insurance and \$6,360,691 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the County's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the County to a successful claim by the Federal Deposit Insurance Corporation.

Investments

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

	Category 2	Carrying Value	Fair Value
Federal Agency Securities	<u>\$3,217,211</u>	\$3,217,211	\$3,251,935
STAR Ohio		<u>1,182,033</u>	<u>1,182,033</u>
Total	<u>\$3,217,211</u>	<u>\$4,399,244</u>	<u>\$4,433,968</u>

4. DEBT OBLIGATIONS

Debt outstanding at December 31, 2002, consisted of the following:

General Obligation Note	
Principal Outstanding	\$1,161,200
Interest Rates	2.30 – 3.447%
Special Assessment Notes	
Principal Outstanding	\$396,800
Interest Rates	2.55 – 3.344%
Special Assessment Bonds	
Principal Outstanding	\$105,700
Interest Rates	5.00%

FINANCIAL CONDITION - MERCER COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002 (Continued)

4. DEBT OBLIGATIONS (Continued)

Ohio Public Works Commission Loan	
Principal Outstanding	\$678,868
Interest Free	
Ohio Water Development Authority Loan	
Principal Outstanding	\$720,788
Interest Rates	2.00 - 7.89%
General Obligation Bond	
Principal Outstanding	\$3,455,000
Interest Rate	4.15 - 5.00%
Ohio Water & Sewer Commission Loan	
Principal Outstanding	\$422,212
Interest Free	
Rural Industrial Park Loan Program - Director of Development of the State of Ohio	
Principal Outstanding	\$200,000
Interest Rate	0.00 - 3.00%

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 costs of making improvements to various ditches within the County; construction of trunk sanitary sewer and water main lines to service an industrial corridor (State Route 29); constructing a new wastewater collection system, lagoons and sanitary sewer force main in the Village of Philothea; and improvements to the Fairgrounds, including construction of a restroom and shower facility. The Mercer County Commissioners intend to renew the notes within statutory limitations or issue bonds to pay off the notes.

Outstanding special assessment note proceeds were used to finance making the Northeast Grand Lake sewer improvements in the County, including construction, equipping, engineering and land acquisition costs; making street and related drainage and sanitary sewer improvements in the Renoir-Visions area of the County; and making improvements to the Marion Township Industrial Park, including street, drainage and sanitary sewer improvements. These notes are payable from the proceeds of special assessments against benefited property owners.

Outstanding special assessment bonds for the construction of the southwest sanitary sewer collection system of the Montezuma Club Island is payable from the proceeds of assessments against benefited property in the improved areas.

The Ohio Public Works Commission (OPWC) loans were used to finance the Northwood collection system construction, and three road bridge replacement projects. As of December 31, 2002, the County had entered into a promissory note for \$60,000 for the five county bridge replacement; however, the construction was not completed by fiscal year and is not included in the outstanding debt schedule below.

The Ohio Water Development Authority (OWDA) loans were used to finance the Montezuma Club Island sanitary sewer construction project, Staeger Road sanitary sewer extension construction, and the Lift Station No. 5 forcemain extension project. The scheduled payments include only payments required for OWDA loans for the Montezuma Club Island Sanitary Sewer construction project and the Staeger Road Sanitary Sewer Extension Project.

FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

4. DEBT OBLIGATIONS (Continued)

As of December 31, 2002, the County has drawn \$394,810 of the approved \$400,196 for the Lift Station No. 5 OWDA Loan. There is no amortization schedule for this loan because money is still being disbursed; however, the first and second installment payments were made during 2002 with the principal amount paid of \$14,131. This loan is not included in the outstanding debt schedule below and the schedule of payments will be adjusted to reflect any revisions in amounts actually borrowed. Property and revenue of the sewer district have been pledged to repay these loans.

The general obligation bond was issued for the purpose of renovating a building for the use as County offices known as the Central Services Building.

The County has entered into a cognovit promissory note with the Director of Development of the State of Ohio from the Rural Industrial Park Loan Program for the purpose of acquiring public right-of-way and extending the sanitary and water main lines to serve the State Route 29 industrial corridor project.

The annual requirements to amortize long-term debt outstanding as of December 31, 2002, including interest payments of \$2,418,712 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) Loans	Rural Industrial Park Loan Program	General Obligation Bond
2003	\$11,885	\$142,956	\$29,080	\$0	\$269,220
2004	11,955	137,230	43,160	0	270,485
2005	11,905	131,503	43,160	0	276,495
2006	11,940	89,485	43,160	0	273,725
2007	11,955	50,331	43,161	19,312	275,585
2008-2012	59,595	230,369	215,801	115,873	1,348,752
2013-2017	23,880	38,787	172,874	96,561	1,347,193
2018-2022	0	23,273	88,472	0	1,346,950
2023	0	0	0	0	273,000
Total	\$143,115	\$843,934	\$678,868	\$231,746	\$5,681,405

The County has also received three loan agreements from the Ohio Water and Sewer Rotary Commission in regard to the construction of three 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 benefited 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

FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

4. DEBT OBLIGATIONS (Continued)

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 third loan was used to finance the State Route 29 Industrial Corridor Project. At the end of the year, the original amount of the State Route 29 Industrial Corridor Project loan (\$110,167) one hundred ten thousand one hundred sixty seven dollars remains outstanding.

The annual requirements to amortize all note debt outstanding as of December 31, 2002, including interest payments of \$47,386 are as follows:

Year Ending December 31	General Obligation Notes	Special Assessment Notes
2002	<u>\$1,161,200</u>	<u>\$396,800</u>

On March 28, 2001, Mercer County issued \$600,000 in Health Care Facilities Revenue Bonds on behalf of Foundations Behavioral Health Services, Inc. for the purpose of financing or refinancing costs of acquiring constructing, installing and equipping property comprising "hospital facilities". The project is to be owned by the Foundations Behavioral Health Services, Inc, an Ohio non-profit corporation (the "Corporation") as defined in Section 140.01 of the Ohio Revised Code. The project is the subject of a sublease dated as of March 1, 2001 between Mercer County and the Corporation, which was executed and delivered in order to provide improved health care and treatment for the residents of the Issuer.

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, 2002, 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 \$6.8460 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$8.2391 per \$1,000 of assessed valuation for all other real property. Real property owner's 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.

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, 2002, was \$8.79 per \$1,000 of assessed valuation.

Real Property - 2001 Valuation

Residential/Agricultural	\$529,358,390
Commercial/Industrial	79,625,580
Public Utilities	42,970

FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

5. PROPERTY TAX (Continued)

Tangible Personal Property

General - 2002 Valuation	\$66,603,676
Public Utilities - 2001 Valuation	<u>24,875,080</u>
 Total Valuation	 <u>\$700,505,696</u>

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 2002, 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)	\$4,000,000
(B) Public Official Errors and Omissions Liability (per occurrence - included above) Aggregate	1,000,000 4,000,000
(C) Excess Liability, General, Liquor, Auto, Law, Public Official Liability and Miscellaneous Errors and Omissions	4,000,000
Property	39,252,883
Flood and Earthquake (annual aggregate)	35,000,000
Boiler and Machinery (annual aggregate)	31,500,000
Crime Insurance:	
Money and Securities	250,000
Employee Dishonesty	250,000
Depositors Forgery	250,000

The County pays all elected officials' bonds by statute.

The County participates in the Midwest Employee Benefit Consortium (MEBC), an insurance purchasing pool consisting of five counties (See Note 11). Each member pays premiums to the MEBC for employee medical and life insurance premiums. The MEBC is responsible for the management and operation of the program. Upon withdrawal, the County is obligated for the payment of supplementary payments attributable to years during which the County was a member of the MEBC. Such supplementary payments may include, but are not limited to, sums sufficient to pay claims, retain reserve levels and pay for continuing claims administration. In addition, the County will continue to be responsible for all other obligations of membership attributable to such prior years. The MEBC Board of Trustees has the right to return monies to an exiting member subsequent to the settlement of all expenses and claims. The County's payment for health insurance coverage to the Midwest Employee Benefit Consortium in 2002 was \$1,946,048.

FINANCIAL CONDITION - MERCER COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002 (Continued)

6. RISK MANAGEMENT (Continued)

Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. For 2002, the County participated in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program (CCAO), a workers' compensation insurance purchasing pool (See Note 11). The intent of the CCAO is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the CCAO. Each participant pays its workers' compensation premium to the State based on the rate for the CCAO rather than its individual rate. In order to allocate the savings derived by formation of the CCAO, and to maximize the number of participants in the CCAO, annually the CCAO's executive committee calculates the total savings which accrued to the CCAO through its formation. This savings is then compared to the overall savings percentage of the CCAO. The CCAO's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the CCAO is limited to counties that can meet the CCAO's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the CCAO. Each year, the County pays an enrollment fee to the CCAO to cover the costs of administering the CCAO.

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

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 \$3,166,458 for 2002.

8. DEFINED BENEFIT PENSION PLANS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement and public safety. Law enforcement employees contribute 10.1% of covered salary. Public Safety division members contribute at 9%. The 2002 employer contribution rate for local government employer units, the rate was 13.55% of covered payroll. For law enforcement and public safety, the employer rate was 16.70% of covered payroll. The contribution rates are determined actuarially. Mercer County's contributions paid to OPERS during the years ended December 31, 2002, 2001, and 2000 were \$2,114,714, \$1,959,419, and \$1,729,823, respectively. All required payments of contributions have been made through December 31, 2002.

FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. STATE TEACHERS RETIREMENT SYSTEM

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

Plan members are required to contribute 9.3% of their annual covered salary and Mercer County is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Mercer County's contributions paid to STRS during the years ended December 31, 2002, 2001, and 2000 were \$14,061, \$13,722, and \$11,492 respectively. All required payments of contributions have been made through December 31, 2002.

9. POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Ohio Public Employees Retirement System of Ohio (OPERS) 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. For local government employer units the rate was 13.55% of covered payroll; 5.00% was the portion that was used to fund health care for the year. The law enforcement and public safety employer rate was 16.70% and 5% was used to fund health care for the year.

For 2002, benefits were funded on an advance-funded actuarially determined basis. OPEB are financed through employer contributions and investment earnings.

The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. As of December 31, 2001, the unaudited estimated net assets available for future OPEB payments were \$11.6 billion. At December 31, 2001 the total number of active contributing participants eligible for OPEB through OPERS was 402,041. The County's actual contributions paid during 2002 which were used to fund OPEB were \$392,458.

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.

FINANCIAL CONDITION - MERCER COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002 (Continued)

9. POSTEMPLOYMENT BENEFITS (Continued)

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 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve. For Mercer County, this amount equaled \$2,398 for 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.011 billion at June 30, 2002. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

10. DEFERRED COMPENSATION PLANS

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

11. PUBLIC ENTITY INSURANCE POOLS

MID WEST POOL RISK MANAGEMENT AGENCY, INC.

The Mid West Pool Risk Management Agency, Inc., (the Pool) is an Ohio nonprofit corporation established by five counties for the purpose of establishing an insurance program. 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' error 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 the budgeting and financing of the Pool is limited to its voting authority and any representation it may have on the board of trustees.

MIDWEST EMPLOYEE BENEFIT CONSORTIUM

The County participates in the Midwest Employee Benefit Consortium (MEBC), an insurance purchasing pool consisting of five counties. The MEBC is responsible for the administration of the program and processing of all claims for each member. The County pays premiums to the MEBC for employee medical and life insurance benefits.

The 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 the MEBC is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums.

FINANCIAL CONDITION - MERCER COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002 (Continued)

11. PUBLIC ENTITY INSURANCE POOLS (Continued)

COUNTY COMMISSIONERS ASSOCIATION OF OHIO WORKERS' COMPENSATION GROUP RATING PLAN

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

12. JOINTLY GOVERNED ORGANIZATIONS

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

The Tri-County Mental Health Board is a jointly governed organization among Mercer, Paulding and Van Wert counties. The Tri-County Mental Health Board provides leadership in planning for and supporting community-based alcohol, drug addiction and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting and advocating for the rights of persons as consumers of alcohol, drug addiction and mental health services. The ability to influence operations depends on the County's representation on the Board. The Board of Trustees consists of eighteen members: four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services and the remaining ten members are appointed by the County Commissioners of Mercer, Paulding and Van Wert counties in the same proportion as the County's population bears to the total population of the three counties combined. During 2002, a tax levy provided \$447,797 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 2002, the County contributed \$282,871 for the operation of West CON.

FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 funds to the Partnership in 2002.

D. WORKFORCE INVESTMENT ACT CONSORTIUM – OHIO AREA #8

The Board of County Commissioners of Mercer, Auglaize and Hardin counties are parties to an agreement to operate WIA as a consortium. Each Board of Commissioners designates one Commissioner to serve as their representative for the region. The representatives of each Board meet in conjunction with the Workforce Investment Board to approve and take action as needed for the proper operation of WIA. One of the three representatives is designated as the Chief Elected Official for the region.

The Workforce Investment Board is responsible for developing “one-stop” service delivery systems for the local area. The one-stop system is a network of required partners delivering training/employment services and activities defined in the law. Auglaize and Hardin County appoint no more than five members to the Mercer County Workforce Investment Board. The majority of their appointments shall be private sector representatives. The Board for each County approves local programming as long as the programs fall within the scope of the law and policies established by the Board. Mercer County serves as the grant recipient and fiscal agent for the area.

13. JOINT VENTURE

MERCER COUNTY REGIONAL PLANNING COMMISSION

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

The Commission shall have the power and duty to make 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 in the municipality. The County contributed \$7,000 (64 percent) during 2002 for the operations of the Commission. The Commission is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Complete financial statements can be obtained from the Commission located at 220 West Livingston Street, Room A201, Celina, Ohio 45822.

FINANCIAL CONDITION - MERCER COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

14. 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.

15. CONTRACTUAL COMMITMENTS

The County had entered into the following contractual commitment as of December 31, 2002:

Knapp Restoration	Phase II Restoration – Rotunda	\$ 88,000
Jutte Excavating	3 Bridges	117,159
Prestress Services	4 Bridges	42,400

The above contractual commitments were encumbered against either the General or Special Revenue fund type at December 31, 2002.

16. 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.

17. SUBSEQUENT EVENTS

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

Date	Issue	Amount
February 20, 2003	Water & Sewer Lines – Industrial Corridor	\$218,500
February 20, 2003	Bruns-Gerdes Ditch Improvements	\$66,100

MERCER COUNTY FINANCIAL CONDITON
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002

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>			
Community Development Block Grants:			
Community Development Block Grants/State's Program			
	B-F-00-050-1	14.228	\$43,598
	B-F-01-050-1	14.228	169,889
	B-F-02-050-1	14.228	5,535
	B-W-00-050-1	14.228	171,745
	B-E-01-050-1	14.228	178,742
	B-C-01-050-1	14.228	<u>104,345</u>
Total			673,854
Direct			
HOME Investment Partnership	B-C-01-050-2	14.239	50,000
	B-C-99-050-2	14.239	<u>141,529</u>
Total			<u>191,529</u>
Total Department of Housing and Urban Development			865,383
U.S. DEPARTMENT OF COMMERCE			
Direct			
Public Works and Economic Development Cluster:			
Economic Adjustment Assistance	06-79-02982	11.307	<u>75,958</u>
Total Department of Commerce			75,958
U.S. DEPARTMENT OF JUSTICE			
<i>(Passed through Attorney General's Crime Victim Services)</i>			
Crime Victim Assistance	2002VAGENE068	16.575	35,308
	2003VAGENE068	16.575	<u>11,240</u>
Total			46,548
<i>(Passed through Office of Criminal Justice Services)</i>			
Violence Against Women Formula Grant	2001-WF-VA2-8116	16.588	11,493
	2002-WF-VA2-8116	16.588	<u>20,409</u>
Total			31,902
<i>(Passed through Ohio Emergency Management Agency)</i>			
DOJ Equipment Grant	FY01	16.007	37,068
Direct			
Law Enforcement Block Grant	00-LE-LEB-3460	16.592	25,000
Direct			
Bulletproof Vest Partnership Grant	n/a	16.607	3,353
Direct			
Public Safety Partnership and Community Policing Grant	95 CFWX 2609	16.710	<u>7,774</u>
Total Department of Justice			151,645
U.S. DEPARTMENT OF TRANSPORTATION			
<i>(Passed through Ohio Department of Transportation)</i>			
Highway Planning and Construction	PID#19994	20.205	394,526
	PID#24375	20.205	254,577
	PID#20273	20.205	256
	PID#21284	20.205	178,297
	PID#21285	20.205	154,537
	PID#20274	20.205	63,220
	PID#21293	20.205	71,870
	PID#20272	20.205	61,025
	PID#20275	20.205	167,009
	PID#19996	20.205	<u>923,268</u>
Total			2,268,585
<i>(Passed through Ohio Department of Natural Resources)</i>			
Recreational Trails Program	PID #RTP-2001-32	20.219	<u>37,000</u>
Total Department of Transportation			2,305,585

MERCER COUNTY FINANCIAL CONDITON
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002

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 Public Safety)			
Emergency Mangement Performance Grant	FY'02	83.552	20,003
Emergency Mangement Performance Grant - Terrorism		83.552	<u>2,355</u>
Total Federal Emergency Management Agency			22,358
UNITED STATES DEPARTMENT OF LABOR			
(Passed through Ohio Department of Job & Family Services)			
WIA Cluster:			
Workforce Investment Act - Youth	N/A		454,068
Workforce Investment Act - Youth Administration	N/A		<u>9,060</u>
Workforce Investment Act - Youth Total		17.259	463,128
Workforce Investment Act - Adult	N/A		456,900
Workforce Investment Act - Adult Administration	N/A		<u>9,292</u>
Workforce Investment Act - Adult Total		17.258	466,192
Workforce Investment Act - Dislocated Worker	N/A		247,066
Workforce Investment Act - Dislocated Wroker Administration	N/A		<u>4,879</u>
Workforce Investment Act - Dislocated Worker Total		17.260	<u>251,945</u>
Total WIA Cluster			1,181,265
(Passed through Ohio Department of Job & Family Services)			
JTPA - Adult	N/A	17.250	<u>13,773</u>
Total Department of Labor			1,195,038
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
(Passed through Ohio Department of MRDD)			
Social Services Block Grant	MR-54 (02)	93.667	20,645
	MR-54 (03)	93.667	<u>20,583</u>
Total			41,228
(Passed through Ohio Department of MRDD)			
Medical Assistance Program	5400015	93.778	530,197
(Passed through Ohio Department of Job & Family Services)			
Emergency Service Assistance	N/A	93.556	33,881
(Passed through Ohio Department of Job & Family Services)			
Independent Living	N/A	93.674	4,666
(Passed through Ohio Department of Job & Family Services)			
Title VI-B Allocation	N/A	93.645	42,251
(Passed through Ohio Department of Job & Family Services)			
Child Abuse and Neglect State Grant	N/A	93.669	<u>2,000</u>
Total Department of Job & Family Services			<u>654,223</u>
Total Federal Assistance			<u><u>\$5,270,190</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, 2002

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, 2002, the gross amounts of loans outstanding under this program are \$1,766,510. Delinquent amounts due are \$330,086.



Auditor of State Betty Montgomery

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

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

To the Board of Commissioners:

We have audited the financial statements of Mercer County, Ohio, (the County), as of and for the year ended December 31, 2002, and have issued our report thereon dated May 21, 2003, wherein we noted that the County has continued to follow the basis of accounting previously prescribed by the Auditor of State rather than generally accepted accounting principles which is now required. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated May 21, 2003.

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 within 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 others matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated May 21, 2003.

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Board of Commissioners
Mercer County
Independent Accountants' Report on Compliance and
on Internal Control Required by *Government Auditing Standards*
Page 2

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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 21, 2003



Auditor of State Betty Montgomery

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

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

To the Board of Commissioners:

Compliance

We have audited the compliance of Mercer County, Ohio, (the County), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2002. 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, 2002. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the County in a separate letter dated May 21, 2003.

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.

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www.auditor.state.oh.us

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 that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated May 21, 2003.

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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 21, 2003

FINANCIAL CONDITION - MERCER COUNTY

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2002**

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):	Community Development Block Grant: CFDA #14.228 Highway Planning and Construction Grant: CFDA# 20.205
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

FINANCIAL CONDITION - MERCER COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2002
(Continued)

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

Finding Number	2002-001
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Ohio Admin. 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 prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit 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 2003 financial statements in accordance with generally accepted accounting principles.

Finding Number	2002-002
-----------------------	-----------------

Ohio Admin. Code Section 117-2-02 (A) states all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code. OAC 117-2-02 (B), states the management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure that the following five assertions are achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it:

- (1) Existence/occurrence,
- (2) Completeness: That all account balances and transactions that should be included in the financial records are included,
- (3) Rights and obligations,
- (4) Valuation/allocation, and:
- (5) Presentation and disclosure: that financial statement elements are properly classified and described and appropriate disclosures are made as required by generally accepted accounting principles, or as prescribed by the auditor of state for entities that do not follow generally accepted accounting principles.

The County did not record in their records or in their 2002 annual report Issue II receipts and expenditures of \$91,128, Westcon receipts and disbursements of \$202,235, OWDA funds of \$274,156, LPA federal projects amounting to \$327,197 paid directly to contractors, and recorded LPA payments in the amount of \$956,900 twice in two different fund types.

Auditor of State Bulletin #2000-008 requires that when the County benefits from a loan or grant in which payments are made directly to the contractor by the loaner and grantor, the County should record the revenue and a corresponding expenditure in the appropriate fund at the time the payment is issued to the loaner or grantor. Applicable budgetary procedures such as estimated receipts and appropriations should also be carried out for these revenues and expenditures.

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

DECEMBER 31, 2002

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

Finding Number	2002-003
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Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Capital Project Fund Type had expenditures exceeding appropriations by \$716,065 at year-end. In addition, the MVGT Fund had expenditures exceeding appropriations by \$280,367 at year-end due to the County not appropriating the LPA payments made directly to the vendors.

A periodic comparison between appropriations and expenditures should be performed in order to determine that expenditures do not exceed appropriations. If expenditures do exceed appropriations, then the necessary appropriation amendments should be obtained. Also, any direct payments made to the vendors on construction contracts by a grantor agency should be appropriated by the County.

3. FINDINGS AND QUESTIONED COST FOR FEDERAL AWARDS

None

FINANCIAL CONDITION - MERCER COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-60254-001	ORC 117.28 - Finding for Recovery – overpayment on severance payoff	Yes	Repaid on May 30, 2002.
2001-60254-002	Ohio Admin. Code Section 117-2-03 - 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 – see finding number 2002-001
2001-60254-003	Ohio Admin Code 117-2-02(A) - Not recording all financial activity on the financial statements and in the County's records	No	Not corrected - see finding number 2002-002



**Auditor of State
Betty Montgomery**

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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 15, 2003**