



Mary Taylor, CPA
Auditor of State

**FINANCIAL CONDITION
MERCER COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the discretely presented component unit, and aggregate remaining fund information of Mercer County, (the County), as of and for the year ended December 31, 2008, which collectively comprised the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit Note 20 which is included as the discretely presented component unit and aggregate remaining fund information. Note 20 was audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to Note 20, is based on the report of the other auditors.

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

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to previously present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the discretely presented component unit and aggregate remaining fund information of Mercer County, as of December 31, 2008, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund, Motor Vehicle Fund, and Mental Retardation and Developmental Disabilities Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2009, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Mary Taylor, CPA
Auditor of State

September 4, 2009

**FINANCIAL CONDITION
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

The discussion and analysis of Mercer County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2008, within the limitations of cash basis accounting. The intent of this discussion and analysis is to look at the County's financial performance as a whole.

Using this Annual Report

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

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

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

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

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

Reporting the County as a Whole

The statement of net assets and the statement of activities reflect how the County did financially during 2008, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental and business-type activities of the County at year end. The statement of activities compares cash disbursements with program receipts for each department of the County's governmental and business-type activities. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each department draws from the County's general receipts.

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

**FINANCIAL CONDITION
MERCER COUNTY**

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

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

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

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

Reporting the County's Most Significant Funds

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

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

Enterprise Funds - The County's enterprise funds are used to report the operating activity of the business-type activities on the government-wide financial statements.

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

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net assets for 2008 and 2007.

Table 1 Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current and Other Assets	<u>\$17,633,629</u>	<u>\$9,621,386</u>	<u>\$3,508,425</u>	<u>\$3,155,059</u>	<u>\$21,142,054</u>	<u>\$12,776,445</u>
Net Assets						
Restricted	15,613,540	7,464,846			15,613,540	7,464,846
Unrestricted	2,020,089	2,156,540	3,508,425	3,155,059	5,528,514	5,311,599
Total Net Assets	<u>\$17,633,629</u>	<u>\$9,621,386</u>	<u>\$3,508,425</u>	<u>\$3,155,059</u>	<u>\$21,142,054</u>	<u>\$12,776,445</u>

**FINANCIAL CONDITION
MERCER COUNTY**

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

The above table demonstrates that there was an increase in net assets for governmental activities, in the amount of \$8,012,243, or 83 percent. The County issued \$10,500,000 in general obligation bonds during 2008 to construct an adult detention facility. The voters also passed a .5 percent sales tax to fund the construction and repayment of the debt related to the adult detention facility. Construction on the project started in July 2008 but is not anticipated to be completed until October 2009; therefore, there was \$7,881,209 remaining in the construction fund at year end.

Net assets for the business-type activities increased 11 percent due to receipts exceeding disbursements.

Table 2 reflects the change in net assets for 2008 and 2007.

**Table 2
Change in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Receipts						
Program Receipts						
Charges for Services	\$4,060,728	\$3,425,974	\$2,173,319	\$2,124,986	\$ 6,234,047	\$ 5,550,960
Operating Grants, Contributions, and Interest	14,874,216	15,826,256	169,889	110,686	15,044,105	15,936,942
Capital Grants, Contributions and Interest	169,286	7,500			169,286	7,500
Total Program Receipts	<u>19,104,230</u>	<u>19,259,730</u>	<u>2,343,208</u>	<u>2,235,672</u>	<u>21,447,438</u>	<u>21,495,402</u>
General Receipts						
Property Taxes						
General Operating	1,688,892	1,824,291			1,688,892	1,824,291
Human Services – Mental Retardation and Developmental Disabilities	3,783,329	4,145,079			3,783,329	4,145,079
County Home			622,905	675,785	622,905	675,785
Sales Taxes						
General Operating	4,006,063	3,763,501			4,006,063	3,763,501
Adult Detention Facility	1,047,123				1,047,123	
Grants and Entitlements	1,338,829	1,321,785			1,338,829	1,321,785
Interest	714,226	899,688			714,226	899,688
Other	1,954,747	1,604,783	84,774	62,884	2,039,521	1,667,647
Notes Issued	2,623,500	302,400			2,623,500	302,400
Bonds Issued	10,500,000				10,500,000	
Loans Issued	248,954		1,093,426		1,342,380	
Premium on Bonds Issued	212,144				212,144	
Total General Receipts	<u>28,117,807</u>	<u>13,861,507</u>	<u>1,801,105</u>	<u>738,669</u>	<u>29,918,912</u>	<u>14,600,176</u>
Total Receipts	<u>47,222,037</u>	<u>33,121,237</u>	<u>4,144,313</u>	<u>2,974,341</u>	<u>51,366,350</u>	<u>36,095,578</u>

(Continued)

**FINANCIAL CONDITION
MERCER COUNTY**

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

**Table 2
Change in Net Assets
(Continued)**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Program Disbursements						
General Government						
Legislative and Executive	5,183,619	4,884,732			5,183,619	4,884,732
Judicial	1,444,370	1,314,798			1,444,370	1,314,798
Public Safety	4,085,527	3,464,110			4,085,527	3,464,110
Public Works	8,115,248	8,855,540			8,115,248	8,855,540
Health	338,042	340,758			338,042	340,758
Human Services	12,536,695	11,811,282			12,536,695	11,811,282
Conservation and Recreation	231,536	249,822			231,536	249,822
Economic Development and Assistance	28,445	501,680			28,445	501,680
Capital Outlay	4,964,540	1,302			4,964,540	1,302
Debt Service						
Principal Retirement	1,652,792	544,342			1,652,792	544,342
Interest and Fiscal Charges	406,084	198,950			406,084	198,950
Issuance Costs	235,000				235,000	
Sanitary Sewer			1,958,284	1,040,087	1,958,284	1,040,087
Other Enterprise						
Water			12,016	163,364	12,016	163,364
Solid Waste			233,589	217,344	233,589	217,344
County Home			744,201	741,120	744,201	741,120
Ambulance			830,743	611,804	830,743	611,804
Total Disbursements	39,221,908	32,167,316	3,778,833	2,773,719	43,000,741	34,941,035
Increase in Net Assets						
Before Advances	8,000,129	953,921	365,480	200,622	8,365,609	1,154,543
Advances	12,114	(61,787)	(12,114)	61,787		
Change in Net Assets	8,012,243	892,134	353,366	262,409	8,365,609	1,154,543
Net Assets at Beginning						
Of Year	9,621,386	8,729,252	3,155,059	2,892,650	12,776,445	11,621,902
Net Assets at End of Year	\$17,633,629	\$9,621,386	\$3,508,425	\$3,155,059	\$21,142,054	\$12,776,445

The most significant receipts during 2008 was from the new sales tax for the adult detention facility as well as from the issuance of the bond anticipation notes and general obligation bonds for its construction, in the amount of \$1,047,124, \$2,623,500, and \$10,500,000, respectively. Additional receipts, in the amount of \$212,144, resulted from premiums on the debt issued. These receipts totaled 30 percent of total receipts.

Program receipts remained very similar to the prior year with a decrease of less than 1 percent. For operating grants and contributions, the public works program, primarily the Engineer, receives a significant amount of resources from state levied gasoline taxes and motor vehicle licenses. The human services program also receives substantial grant resources to fund those programs.

General receipts for governmental activities, net of debt proceeds, consist primarily of property taxes and sales taxes. Property taxes decreased from the elimination of tangible personal property taxes. Sales taxes increased from the voters passing a .5 percent sales tax for the construction and the payment of debt on the adult detention facility.

**FINANCIAL CONDITION
MERCER COUNTY**

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

The programs which continue to account for the largest costs are legislative and executive (which are general government operations), public safety (sheriff), public works (engineer), and human services (primarily job and family services and mental retardation and development disabilities). These programs accounted for 76 percent of governmental disbursements in 2008.

Most program disbursements did not change significantly from 2007. In 2008, the economic development and assistance program costs were lower due to the issuance of two revolving loans in 2007. Capital outlay increased from the first year of construction on the adult detention facility.

Business-type activities are largely funded through program receipts. During 2008, business-type activities program revenues did not increase significantly. The County issued OWDA loans during 2008 for the construction of Northwood sewer system and the Marion Township sewer system. Disbursements increased primarily from the contractual services related to these sewer system improvements.

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

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
General Government				
Legislative and Executive	\$5,183,619	\$4,884,732	\$3,541,994	\$3,342,763
Judicial	1,444,370	1,314,798	764,069	732,856
Public Safety	4,085,527	3,464,110	3,031,243	2,733,803
Public Works	8,115,258	8,855,540	(100,987)	328,524
Health	338,042	340,758	270,425	275,020
Human Services	12,536,695	11,811,282	5,215,617	4,166,818
Conservation and Recreation	231,536	249,822	226,042	224,432
Economic Development and Assistance	28,445	501,680	(89,141)	385,817
Capital Outlay	4,964,540	1,302	4,964,540	1,302
Debt Service				
Principal Retirement	1,652,792	544,342	1,652,792	544,342
Interest and Fiscal Charges	406,084	198,950	406,084	198,950
Issuance Costs	235,000		235,000	
Total Disbursements	\$39,221,908	\$32,167,316	\$20,117,678	\$12,934,627

For 2008, 51 percent of the services provided by the County were paid for through general receipts, compared to 40 percent in 2007. The increase in services provided through general receipts is principally related to debt service. However, a review of the above table demonstrates that program receipts contributed significantly to several programs. All of the public works and economic development and assistance programs were funded with program receipts. Charges for services for the public works program consist of work performed by the County Engineer for townships and villages within the County. The public works program also receives a significant amount of operating grants and contributions from state levied shared gas taxes and motor vehicle licenses. The economic development and assistance program was paid with interest from revolving loans.

**FINANCIAL CONDITION
MERCER COUNTY**

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

Program receipts provided 58 percent of the funding for the human service program in 2008 which is lower than the 65 percent in 2007. Although disbursements increased by 6 percent, state budget cuts reduced the operating grants for operations of the child support enforcement agency, children services, mental retardation and developmental disabilities board, and the workforce investment act, along with a reduction in charges for services program revenues related to the mental retardation and developmental disabilities board.

Governmental Funds Financial Analysis

The County's major governmental funds are the General Fund, the Motor Vehicle, and Mental Retardation and Developmental Disabilities special revenue funds, and the Adult Detention Facility capital projects fund.

Changes in the General Fund were not significant.

Changes in the Motor Vehicle fund were not significant.

Fund balance decreased 16 percent in the Mental Retardation and Developmental Disabilities fund. State budget cuts decreased intergovernmental receipts in 2008. Charges for services receipts also decreased and disbursements increased 12 percent in 2008.

In 2008, the County issued notes and bonds for the construction of a new adult detention facility. The voters also passed a .5 percent sales tax to be used for the construction of the new facility and the repayment of the debt. Construction is anticipated to be completed in October 2009.

Business-Type Activities Financial Analysis

As can be seen on the statement of revenues, expenses, and changes in fund net assets, net assets in the Sanitary Sewer enterprise fund increased 11 percent from 2007 due to rate increases adopted in 2007.

Budgetary Highlights

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

The County's most significant budgeted fund is the General Fund. Changes in receipts from the original budget to the final budget were not significant. Changes from the final budget to actual receipts were primarily the result of additional sales taxes, charges for services, and miscellaneous receipts. Changes from the original budget to the final budget and the final budget to actual disbursements were not significant.

Current Issues

The County created a tax incremental financing district in 2006 in order to entice the construction of a \$8,400,000 dairy farm. Construction began in 2006 with completion expected in 2009. The County will begin collection of an estimated \$1,018,000 in TIF receipts over a ten-year period in 2009.

The design stage has been completed on Phase III of the Northeast Sanitary Sewer Extension; however, due to issues with infiltration in a specific area of this extension, the project has been postponed until further engineering studies are conducted. This project is expected to begin in 2010. The project is estimated to cost approximately \$2,081,000. The County Commissioners were awarded an Ohio Water Development Authority loan, in the amount of \$52,500, on June 28, 2007, for planning. The loan is to be repaid over five years and is interest free. No drawdowns have been received on this loan.

**FINANCIAL CONDITION
MERCER COUNTY**

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

During 2008, the County Commissioners were awarded an OWDA loan for the design of the Northwood Subdivision collection system to eliminate the increasing inflow/infiltration the system has been experiencing. After the design of the system has been completed, the County Commissioners will decide whether to continue with this project.

The County Commissioners proceeded with the Marion Township sewer project to design a wastewater collection facility for the un-sewered areas of the Village of Maria Stein. The County Commissioners had been awarded an OWDA loan in prior years, in the amount of \$262,500, for the planning and design phase of the project. No drawdowns have been made on the loan.

On March 10, 2009, the County issued \$2,500,000 in bond anticipation notes to construct and equip a new adult detention facility. The notes mature on March 9, 2010, and have with an interest rate of 2.75 percent.

On May 1, 2009, the County issued bond anticipation notes, in the amount of \$156,200, to partially retire notes previously issued for various ditches and improvements to the fairgrounds. The notes have an interest rate of 2.67 percent and mature on April 30, 2010.

Request for Information

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

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**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2008**

	Governmental Activities	Business- Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$16,856,611	\$3,508,425	\$20,365,036
Cash and Cash Equivalents in Segregated Accounts	487,074		487,074
Cash and Cash Equivalents with Escrow Agent	289,944		289,944
Total Assets	17,633,629	3,508,425	21,142,054
Net Assets			
Restricted for:			
Debt Service	24,820		24,820
Capital Projects	8,218,607		8,218,607
Other Purposes	7,370,113		7,370,113
Unrestricted	2,020,089	3,508,425	5,528,514
Total Net Assets	\$17,633,629	\$3,508,425	\$21,142,054

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Program Receipts</u>			
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	
Governmental Activities				
General Government				
Legislative and Executive	\$5,183,619	\$1,605,645	\$35,980	
Judicial	1,444,370	621,450	58,851	
Public Safety	4,085,527	246,255	638,743	\$169,286
Public Works	8,115,258	1,323,597	6,892,648	
Health	338,042	67,617		
Human Services	12,536,695	184,928	7,136,150	
Conservation and Recreation	231,536		5,494	
Economic Development and Assistance	28,445	11,236	106,350	
Capital Outlay	4,964,540			
Debt Service				
Principal Retirement	1,652,792			
Interest and Fiscal Charges	406,084			
Issuance Costs	235,000			
Total Governmental Activities	<u>39,221,908</u>	<u>4,060,728</u>	<u>14,874,216</u>	<u>169,286</u>
Business-Type Activities				
Sanitary Sewer	1,958,284	1,023,452		
Other Enterprise				
Water	12,016	23,811		
Solid Waste	233,589	211,330		
County Home	744,201	160,620	139,129	
Ambulance	830,743	754,106	30,760	
Total Business-Type Activities	<u>3,778,833</u>	<u>2,173,319</u>	<u>169,889</u>	
Total	<u>\$43,000,741</u>	<u>\$6,234,047</u>	<u>\$15,044,105</u>	<u>\$169,286</u>

General Receipts

Property Taxes Levied for:

General Operating
Human Services-Mental Retardation
and Developmental Disabilities
County Home
Sales Taxes
 General Operating
 Adult Detention Facility
Grants and Entitlements not Restricted to Other Programs
Interest
Other
Notes Issued
Bonds Issued
Loans Issued
Premium on Bonds Issued
Total General Receipts
Advances
Total General Receipts and Advances

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See accompanying notes to the basic financial statements.

**Net (Disbursements) Receipts and
Change in Net Assets**

Governmental Activities	Business-Type Activities	Total
(\$3,541,994)		(\$3,541,994)
(764,069)		(764,069)
(3,031,243)		(3,031,243)
100,987		100,987
(270,425)		(270,425)
(5,215,617)		(5,215,617)
(226,042)		(226,042)
89,141		89,141
(4,964,540)		(4,964,540)
(1,652,792)		(1,652,792)
(406,084)		(406,084)
(235,000)		(235,000)
<u>(20,117,678)</u>		<u>(20,117,678)</u>
	(\$934,832)	(934,832)
	11,795	11,795
	(22,259)	(22,259)
	(444,452)	(444,452)
	(45,877)	(45,877)
	<u>(1,435,625)</u>	<u>(1,435,625)</u>
<u>(20,117,678)</u>	<u>(1,435,625)</u>	<u>(21,553,303)</u>
1,688,892		1,688,892
3,783,329		3,783,329
	622,905	622,905
4,006,063		4,006,063
1,047,123		1,047,123
1,338,829		1,338,829
714,226		714,226
1,954,747	84,774	2,039,521
2,623,500		2,623,500
10,500,000		10,500,000
248,954	1,093,426	1,342,380
212,144		212,144
<u>28,117,807</u>	<u>1,801,105</u>	<u>29,918,912</u>
12,114	(12,114)	
<u>28,129,921</u>	<u>1,788,991</u>	<u>29,918,912</u>
8,012,243	353,366	8,365,609
9,621,386	3,155,059	12,776,445
<u>\$17,633,629</u>	<u>\$3,508,425</u>	<u>\$21,142,054</u>

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>General</u>	<u>Motor Vehicle</u>	<u>Mental Retardation and Developmental Disabilities</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,020,089	\$821,922	\$1,831,281
Cash and Cash Equivalents in Segregated Accounts			479,800
Restricted Assets			
Equity in Pooled Cash and Cash Equivalents	88,329		
Cash and Cash Equivalents with Escrow Agent			
Total Assets	<u>2,108,418</u>	<u>821,922</u>	<u>2,311,081</u>
Fund Balances			
Reserved for Encumbrances	284,695	616,212	174,933
Reserved for Unclaimed Monies	88,329		
Unreserved, Reported in			
General Fund	1,735,394		
Special Revenue Funds		205,710	2,136,148
Debt Service Funds			
Capital Projects Funds (Deficit)			
Total Fund Balances	<u>\$2,108,418</u>	<u>\$821,922</u>	<u>\$2,311,081</u>

See accompanying notes to the basic financial statements.

Adult Detention Facility	Other Governmental	Total
\$7,591,265	\$4,503,725	\$16,768,282
	7,274	487,074
		88,329
289,944		289,944
<u>7,881,209</u>	<u>4,510,999</u>	<u>17,633,629</u>
8,334,115	2,604,260	12,014,215
		88,329
		1,735,394
	1,776,594	4,118,452
	24,820	24,820
(452,906)	105,325	(347,581)
<u>\$7,881,209</u>	<u>\$4,510,999</u>	<u>\$17,633,629</u>

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	General	Motor Vehicle	Mental Retardation and Developmental Disabilities
Receipts			
Property Taxes	\$1,688,892		\$3,783,329
Sales Taxes	4,006,063		
Payment in Lieu of Taxes			
Special Assessments			
Charges for Services	1,460,802	\$808,352	94,006
Licenses and Permits	2,593		
Fines and Forfeitures	52,774	38,869	
Intergovernmental	1,371,237	6,531,008	1,700,320
Interest	714,226		
Donations	1,076		2,593
Other	724,773	86,405	41,553
Total Receipts	10,022,436	7,464,634	5,621,801
Disbursements			
Current			
General Government			
Legislative and Executive	4,652,051		
Judicial	1,133,072		
Public Safety	3,155,023		
Public Works	162,727	7,520,203	
Health	273,450		
Human Services	415,878		6,062,613
Conservation and Recreation	217,500		
Economic Development and Assistance	2,000		
Capital Outlay			
Debt Service			
Principal Retirement			
Interest and Fiscal Charges			
Issuance Costs			
Total Disbursements	10,011,701	7,520,203	6,062,613
Excess of Receipts Over (Under) Disbursements	10,735	(55,569)	(440,812)
Other Financing Sources (Uses)			
Notes Issued			
Bonds Issued			
Loans Issued	248,954		
Premium on Bonds Issued			
Advances In	225,240	800	
Advances Out	(185,135)	(7,973)	
Transfers In	1,027		
Transfers Out	(430,327)	(31,391)	
Total Other Financing Sources (Uses)	(140,241)	(38,564)	
Changes in Fund Balances	(129,506)	(94,133)	(440,812)
Fund Balances at Beginning of Year	2,237,924	916,055	2,751,893
Fund Balances at End of Year	\$2,108,418	\$821,922	\$2,311,081

See accompanying notes to the basic financial statements.

Adult Detention Facility	Other Governmental	Total
		\$5,472,221
\$1,047,123		5,053,186
	\$11,236	11,236
	456,363	456,363
	1,046,220	3,409,380
	70,153	72,746
	19,360	111,003
	6,481,996	16,084,561
169,286	110,444	993,956
	14,371	18,040
11,250	1,090,766	1,954,747
<u>1,227,659</u>	<u>9,300,909</u>	<u>33,637,439</u>
	531,568	5,183,619
	311,298	1,444,370
	930,504	4,085,527
	432,328	8,115,258
	64,592	338,042
	6,058,204	12,536,695
	14,036	231,536
	26,445	28,445
4,602,744	361,796	4,964,540
	1,652,792	1,652,792
5,850	400,234	406,084
	235,000	235,000
<u>4,608,594</u>	<u>11,018,797</u>	<u>39,221,908</u>
<u>(3,380,935)</u>	<u>(1,717,888)</u>	<u>(5,584,469)</u>
1,500,000	1,123,500	2,623,500
10,477,144	22,856	10,500,000
		248,954
	212,144	212,144
120,170	74,105	420,315
(120,170)	(94,923)	(408,201)
	1,261,258	1,262,285
(715,000)	(85,567)	(1,262,285)
<u>11,262,144</u>	<u>2,513,373</u>	<u>13,596,712</u>
7,881,209	795,485	8,012,243
	3,715,514	9,621,386
<u>\$7,881,209</u>	<u>\$4,510,999</u>	<u>\$17,633,629</u>

**FINANCIAL CONDITION
MERCER COUNTY**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$1,740,000	\$1,740,000	\$1,686,835	(\$53,165)
Sales Taxes	3,600,000	3,600,000	4,006,063	406,063
Payment in Lieu of Taxes	10,000	10,000		(10,000)
Charges for Services	1,308,500	1,308,500	1,457,689	149,189
Licenses and Permits	3,000	3,000	2,593	(407)
Fines and Forfeitures	44,000	44,000	52,867	8,867
Intergovernmental	1,290,000	1,290,000	1,384,341	94,341
Interest	700,000	700,000	722,753	22,753
Donations	1,000	1,000	1,076	76
Other	736,088	426,088	724,601	298,513
Total Receipts	9,432,588	9,122,588	10,038,818	916,230
Disbursements				
Current				
General Government				
Legislative and Executive	5,201,595	5,272,272	4,796,902	475,370
Judicial	1,143,211	1,201,287	1,139,603	61,684
Public Safety	2,974,244	3,346,534	3,297,854	48,680
Public Works	158,700	163,621	163,402	219
Health	273,606	275,106	274,950	156
Human Services	446,688	448,712	420,997	27,715
Conservation and Recreation	217,500	217,500	217,500	
Economic Development and Assistance	2,000	2,000	2,000	
Total Disbursements	10,417,544	10,927,032	10,313,208	613,824
Excess of Receipts				
Under Disbursements	(984,956)	(1,804,444)	(274,390)	1,530,054
Other Financing Sources (Uses)				
Loans Issued		248,954	248,954	
Advances In	172,000	172,000	225,240	53,240
Advances Out	(114,570)	(185,135)	(185,135)	
Transfers In			1,027	1,027
Transfers Out	(134,592)	(430,327)	(430,327)	
Operating Transfers - Out to Component Unit				
Total Other Financing Sources (Uses)	(77,162)	(194,508)	(140,241)	54,267
Changes in Fund Balance	(1,062,118)	(1,998,952)	(414,631)	1,584,321
Fund Balance at Beginning of Year	1,580,048	1,580,048	1,580,048	
Prior Year Encumbrances Appropriated	506,173	506,173	506,173	
Fund Balance at End of Year	\$1,024,103	\$87,269	\$1,671,590	\$1,584,321

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
MOTOR VEHICLE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Charges for Services	\$635,477	\$635,477	\$820,433	\$184,956
Fines and Forfeitures	35,000	35,000	38,967	3,967
Intergovernmental	8,492,929	8,492,929	6,531,008	(1,961,921)
Other	47,272	47,272	86,405	39,133
Total Receipts	<u>9,210,678</u>	<u>9,210,678</u>	<u>7,476,813</u>	<u>(1,733,865)</u>
Disbursements				
Current				
Public Works	<u>9,247,037</u>	<u>9,675,525</u>	<u>8,140,964</u>	<u>1,534,561</u>
Excess of Receipts Under Disbursements	<u>(36,359)</u>	<u>(464,847)</u>	<u>(664,151)</u>	<u>(199,304)</u>
Other Financing Sources (Uses)				
Advances In			800	800
Advances Out		(7,973)	(7,973)	
Transfers Out	<u>(31,391)</u>	<u>(31,391)</u>	<u>(31,391)</u>	
Total Other Financing Sources (Uses)	<u>(31,391)</u>	<u>(39,364)</u>	<u>(38,564)</u>	<u>800</u>
Changes in Fund Balance	(67,750)	(504,211)	(702,715)	(198,504)
Fund Balance at Beginning of Year	530,535	530,535	530,535	
Prior Year Encumbrances Appropriated	<u>366,781</u>	<u>366,781</u>	<u>366,781</u>	
Fund Balance at End of Year	<u>\$829,566</u>	<u>\$393,105</u>	<u>\$194,601</u>	<u>(\$198,504)</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
MERCER COUNTY**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$4,070,000	\$4,070,000	\$3,781,630	(\$288,370)
Charges for Services	180,000	180,000	94,006	(85,994)
Intergovernmental	1,262,000	1,262,000	1,543,144	281,144
Donations	10,000	10,000	2,593	(7,407)
Other	20,000	20,000	18,182	(1,818)
Total Receipts	<u>5,542,000</u>	<u>5,542,000</u>	<u>5,439,555</u>	<u>(102,445)</u>
Disbursements				
Current				
Human Services	<u>7,342,000</u>	<u>7,386,816</u>	<u>6,009,874</u>	<u>1,376,942</u>
Changes in Fund Balance	(1,800,000)	(1,844,816)	(570,319)	1,274,497
Fund Balance at Beginning of Year	1,809,373	1,809,373	1,809,373	
Prior Year Encumbrances Appropriated	<u>187,518</u>	<u>187,518</u>	<u>187,518</u>	
Fund Balance at End of Year	<u><u>\$196,891</u></u>	<u><u>\$152,075</u></u>	<u><u>\$1,426,572</u></u>	<u><u>\$1,274,497</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF FUND NET ASSETS - CASH BASIS
ENTERPRISE FUNDS
DECEMBER 31, 2008**

	<u>Sanitary Sewer</u>	<u>Other Enterprise</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$1,808,432</u>	<u>\$1,699,993</u>	<u>\$3,508,425</u>
Net Assets			
Unrestricted	<u>\$1,808,432</u>	<u>\$1,699,993</u>	<u>\$3,508,425</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Sanitary Sewer	Other Enterprise	Total
Operating Revenues			
Charges for Services	1,023,452	1,149,867	\$2,173,319
Other	35,608	49,166	84,774
Total Operating Revenues	<u>1,059,060</u>	<u>1,199,033</u>	<u>2,258,093</u>
Operating Expenses			
Personal Services	248,171	599,217	847,388
Contractual Services	1,466,386	890,818	2,357,204
Materials and Supplies	81,724	330,514	412,238
Debt Service			
Principal Retirement	117,176		117,176
Total Operating Expenses	<u>1,913,457</u>	<u>1,820,549</u>	<u>3,734,006</u>
Operating Loss	<u>(854,397)</u>	<u>(621,516)</u>	<u>(1,475,913)</u>
Non-Operating Revenues (Expenses)			
OWDA Loans Issued	1,093,426		1,093,426
Property Taxes		622,905	622,905
Grants		147,629	147,629
Donations		22,260	22,260
Interest Expense	(44,827)		(44,827)
Total Non-Operating Revenues (Expenses)	<u>1,048,599</u>	<u>792,794</u>	<u>1,841,393</u>
Income Before Advances	194,202	171,278	365,480
Advances In		4,228	4,228
Advances Out	(15,175)	(1,167)	(16,342)
Changes in Net Assets	179,027	174,339	353,366
Net Assets at Beginning of Year	<u>1,629,405</u>	<u>1,525,654</u>	<u>3,155,059</u>
Net Assets at End of Year	<u>\$1,808,432</u>	<u>\$1,699,993</u>	<u>\$3,508,425</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF CASH FLOWS - CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Sanitary Sewer	Other Enterprise	Total
Increases (Decreases) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	\$1,023,452	\$1,149,867	\$2,173,319
Cash Payments for Personal Services	(248,171)	(599,217)	(847,388)
Cash Payments for Contractual Services	(1,466,386)	(890,818)	(2,357,204)
Cash Payments for Supplies	(81,724)	(330,514)	(412,238)
Cash Received from Other Revenues	35,608	49,166	84,774
Net Cash Used for Operating Activities	<u>(737,221)</u>	<u>(621,516)</u>	<u>(1,358,737)</u>
Cash Flows from Non-capital Financing Activities			
Cash Received from Property Taxes		622,905	622,905
Cash Received from Grants		147,629	147,629
Cash Received from Donations		22,260	22,260
Cash Received from Advances In		4,228	4,228
Cash Payments for Advances Out	(15,175)	(1,167)	(16,342)
Interest Paid on Outstanding Advance	(11,688)		(11,688)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(26,863)</u>	<u>795,855</u>	<u>768,992</u>
Cash Flows from Capital and Related Financing Activities			
Principal Paid on Special Assessment Bonds	(8,500)		(8,500)
Interest Paid on Special Assessment Bonds	(3,450)		(3,450)
Principal Paid on OPWC Loans	(17,780)		(17,780)
Proceeds of OWDA Loans	1,093,426		1,093,426
Principal Paid on OWDA Loans	(73,042)		(73,042)
Interest Paid on OWDA Loans	(23,924)		(23,924)
Principal Paid on Rural Industrial Park Loan	(17,854)		(17,854)
Interest Paid on Rural Industrial Park Loan	(5,765)		(5,765)
Net Cash Provided by Capital and Related Financing Activities	<u>943,111</u>		<u>943,111</u>
Net Increase in Cash and Cash Equivalents	179,027	174,339	353,366
Cash and Cash Equivalents at Beginning of Year	<u>1,629,405</u>	<u>1,525,654</u>	<u>3,155,059</u>
Cash and Cash Equivalents at End of Year	<u>\$1,808,432</u>	<u>\$1,699,993</u>	<u>\$3,508,425</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF CASH BASIS FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2008**

Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,169,435
Cash and Cash Equivalents in Segregated Accounts	<u>468,019</u>
 Total Assets	 <u><u>\$3,637,454</u></u>
 Net Assets	
Undistributed Assets	<u><u>\$3,637,454</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

1. REPORTING ENTITY

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

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

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

A. Primary Government

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

B. Component Units

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

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

1. REPORTING ENTITY (Continued)

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Fund Financial Statements

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

B. Fund Accounting

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

1. Governmental Funds

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

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

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

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

Adult Detention Facility Fund - This fund accounts for sales tax receipts and debt proceeds used to construct a new adult detention facility.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Proprietary Funds

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

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

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

The other enterprise funds of the County account for charges for services, property taxes, and operating grants for water treatment, solid waste management, the county home, and ambulance services.

3. Fiduciary Funds

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

C. Basis of Accounting

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

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

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

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

E. Cash and Investments

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

Cash and cash equivalents that are held separately within departments of the County and not held by the County Treasurer are recorded as "Cash and Cash Equivalents in Segregated Accounts".

Cash and cash equivalents that are held separately by an escrow agent for the payment of retainage to contractors upon project completion are recorded as "Cash and Cash Equivalents with Escrow Agent".

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2008 were \$714,226 which includes \$629,695 assigned from other County funds.

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

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

F. Restricted Assets

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

The County has resources set aside in separate escrow accounts whose use is limited to the payment of retainage to contractors.

G. Capital Assets

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

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include resources restricted for the upkeep of the County's roads and bridges, child support and welfare services, services for the handicapped and mentally disabled, and activities of the County's courts. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. The County did not have any net assets restricted by enabling legislation at December 31, 2008.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Fund Balance Reserves

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

L. Operating Receipts and Disbursements

Operating receipts are those receipts that are generated directly from the primary activity of the enterprise funds. For the County, these receipts are charges for services for sanitary sewer services, water treatment, solid waste management, the county home, and ambulance services. Operating disbursements are the necessary costs incurred to provide the service that is the primary activity of the fund. All receipts and disbursements not meeting these definitions are reported as non-operating.

M. Internal Activity

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

Internal allocations of overhead disbursements from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

3. COMPLIANCE

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry zero-coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. 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 similar securities, or cash, equal value for equal value;
9. Up to twenty-five percent of the County's average portfolio in either of the following:
 - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed 10 percent of the value of the outstanding commercial paper of the issuing corporation, and which mature within two hundred seventy days after purchase;
 - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within one hundred eighty days after purchase;

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

10. Up to 15 percent of the County's average portfolio in notes issued by United States corporations or by depository institutions that are doing business under authority granted by the United States provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and
12. Up to 1 percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

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

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

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.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$4,043,116 of the County's bank balance of \$17,136,237 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

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

	Total	Less Than Six Months	Two Years	Three Years
U. S. Treasury Bills	\$ 990,849	\$ 990,849		
Federal Home Loan Bank Notes	1,986,981	490,824	\$ 996,432	\$ 499,725
Federal Home Loan Bank Bonds	1,026,614		1,026,614	
Federal Farm Credit Bank Notes	494,399			494,399
Federal Farm Credit Bank Bonds	1,000,000		1,000,000	
Federal National Mortgage Association Notes	998,720		499,500	499,220
Federal Home Loan Mortgage Corporation Notes	500,000		500,000	
Star Ohio	967,629	967,629		
Total Investments	\$7,965,192	\$2,449,302	\$4,022,546	\$1,493,344

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the County Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless matched to a specific obligation or debt of the County.

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

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

	Fair Value	Percentage of Portfolio
U. S. Treasury Bills	\$ 990,849	12.44%
Federal Home Loan Bank	3,013,595	37.83
Federal Farm Credit Bank	1,494,399	18.76
Federal National Mortgage Association	998,720	12.54
Federal Home Loan Mortgage Corporation	500,000	6.28

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

5. PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax revenues received in 2008 represent the collection of 2007 taxes. Real property taxes received in 2008 were levied after October 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2008 represent the collection of 2007 taxes. Public utility real and tangible personal property taxes received in 2008 became a lien on December 31, 2006, were levied after October 1, 2007, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

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

The full tax rate for all County operations for the year ended December 31, 2008, was \$11.86 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	
Residential/Agriculture	\$636,361,700
Commercial/Industrial/Mineral	89,318,080
Public Utility Property	
Real	56,590
Personal	19,621,200
Tangible Personal Property	<u>21,680,840</u>
Total Assessed Value	<u><u>\$767,038,410</u></u>

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

6. PERMISSIVE SALES AND USE TAX

The County Commissioners, by resolution, imposed a 1 percent tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of tangible personal property in the County, including motor vehicles not subject to the sales tax. On November 6, 2007, the voters approved a .5 percent sales tax to construct a new adult detention facility. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. A warrant payable to the County is to be made within five days of the certification.

7. PAYMENT IN LIEU OF TAXES

According to State law, the County has entered into agreements with a number of property owners under which the County has granted property tax exemptions to those property owners and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the County to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if their taxes had not been exempted. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by those owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners.

8. INTERFUND ACTIVITY

During 2008, the County made a number of cash advances to various funds. As of December 31, 2008, \$648,949 of the advances had not been repaid. Cash advances are generally made to provide working capital for operations or projects or to provide cash flow resources. Advances expected to be repaid within one year are \$32,868 to the General Fund from Other Governmental Funds, and \$15,175 from the Sewer fund and \$1,167 from Other Governmental Funds to the Solid Waste fund.

9. RISK MANAGEMENT

A. Property and Liability

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2008, the County contracted with the Midwest Pool Risk Management Agency, Inc. for insurance coverage.

Coverage provided was as follows:

General Liability	\$2,000,000
Automobile Liability	2,000,000
Ohio Stop Gap (Additional Workers' Compensation Coverage)	2,000,000
Excess Liability	5,000,000
Building and Contents	42,159,070
Earthquake	100,000,000
Flood	50,000,000
Comprehensive Boiler and Machinery	50,000,000

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

9. RISK MANAGEMENT (Continued)

There has been no significant reduction in insurance coverage from 2007 and settled claims have not exceeded this coverage in the past three years.

For 2008, the County participated in the Midwest Pool Risk Management Agency, Inc. (Pool), a risk sharing insurance program, with five counties participating in the Pool. Each participant pays annual premiums to the Pool based on the types of coverage selected.

B. Workers Compensation

For 2008, the County participated in the County Commissioners Association of Ohio Service Corporation, a workers' compensation group rating plan (Plan). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the Plan. Each county pays its workers' compensation premium to the State based on the rate for the Plan rather than the county's individual rate.

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

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

C. Medical and Life Insurance

The County participates in the Midwest Employee Benefit Consortium (MEBC), a public entity shared risk pool consisting of five counties. Each member pays premiums to MEBC for employee medical and life insurance premiums. MEBC is responsible for the management and operation of the program. Upon withdrawal, the County is responsible for the payment of all MEBC liabilities to its employees, dependents, and designated beneficiaries accruing as a result of the withdrawal. Upon termination of MEBC, all member claims will be paid without regard to the member's account balance. The MEBC Board of Trustees has the right to return monies to an exiting member subsequent to the settlement of all expenses and claims.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

10. SIGNIFICANT CONTRACTUAL COMMITMENTS

The County had the following contractual commitments outstanding as of December 31, 2008:

<u>Contractor</u>	<u>Purpose</u>	<u>Commitment</u>
Midwest Accessibility Products	Wheelchair Lift	\$25,000
Vulcan Enterprises	Adult Detention Facility	242,808
Peterson Construction	Adult Detention Facility	5,123,225
GM Mechanical	Adult Detention Facility	1,343,264
Ohio Plumbing and Electrical	Adult Detention Facility	626,988
Sidney Electric	Adult Detention Facility	770,758
Shremshock Architects	Adult Detention Facility	195,197
VTF Excavation	Union City Road Improvement	77,358
Hanson Pipe and Precast	Huwer Road Improvement	47,979
United Precast	Post Road	55,404
Jutte Excavating, Inc.	Burrville Road Bridge Replacement	265,017
United Precast	St. Anthony Road	88,263
Cy Schwieterman, Inc.	Blythe Group Ditch	107,307
Tom's Construction	Amstutz-Downey-Evers Ditch	124,766
Fanning and Howey	Northwood Sewer	55,000
Fanning and Howey	Marion Township Sewer	250,000
Fanning and Howey	West Jefferson Sewer	11,400
Tom's Construction	West Jefferson Sewer	31,975
Tumbusch Construction	West Jefferson Sewer	43,476
Fanning and Howey	Northeast Sewer Plant	40,000
Smith-Comesky	East Jefferson Water	8,051

11. DEFINED BENEFIT PENSION PLANS

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent.

The County's contribution rate for 2008 was 14 percent of covered payroll, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.4 percent of covered payroll. The County's contribution equal to 7 percent of covered payroll was allocated to fund the postemployment health care plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the County of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The County's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 was \$773,197, \$876,804, and \$968,438, respectively; 96 percent has been contributed for 2008 and 100 percent for 2007 and 2006. Contributions to the member-directed plan for 2008 were \$18,032 made by the County and \$12,880 made by the plan members.

12. POSTEMPLOYMENT BENEFITS

Plan Description - OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

To qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment health care.

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The County's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2008, 2007, and 2006 was \$791,229, \$591,534, and \$483,362, respectively; 96 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

13. COMPENSATED ABSENCES

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

14. NOTE OBLIGATIONS

The changes in the County's note obligations during 2008 were as follows:

	Interest Rate	Balance 12/31/2007	Additions	Reductions	Balance 12/31/2008
Governmental Activities					
Bond Anticipation Notes					
Road Improvement	3.98%	\$ 700,000		\$700,000	
Road Improvement	2.74		\$ 700,000		\$700,000
Various Purpose Series 2007a	4.21	238,800		238,800	
Various Purpose Series 2008	2.71		213,000		213,000
Adult Detention Facility	2.75		1,500,000		1,500,000
Total Bond Anticipation Notes		<u>938,800</u>	<u>2,413,000</u>	<u>938,800</u>	<u>2,413,000</u>
Special Assessment Notes					
Various Purpose Series 2007	4.14	53,750		53,750	
Street/Utility	4.14	9,850		9,850	
Various Purpose Series 2008	2.52		210,500		210,500
Total Special Assessment Notes		<u>63,600</u>	<u>210,500</u>	<u>63,600</u>	<u>210,500</u>
Total Governmental Activities		<u>\$1,002,400</u>	<u>\$2,623,500</u>	<u>\$1,002,400</u>	<u>\$2,623,500</u>

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

14. NOTE OBLIGATIONS (Continued)

On December 15, 2006, the County issued bond anticipation notes, in the amount of \$700,000, to make road improvements within the County. The notes had an interest rate of 3.98 percent and in 2008 were paid from the General Obligation Bond Anticipation Note debt service fund with the proceeds of \$700,000 in bond anticipation notes issued on December 12, 2008. These notes have an interest rate of 2.74 percent and mature on December 11, 2009. The notes are to be repaid with receipts from a tax incremental financing agreement with the properties affected and will be paid from the General Obligation Bond Anticipation Note debt service fund.

On May 4, 2007, the County issued bond anticipation notes, in the amount of \$238,800, to partially retire notes previously issued for various ditches and improvements to the fairgrounds. The notes had an interest rate of 4.21 percent and in 2008 were paid from the Ditch Special Assessment Notes debt service fund and the General Obligation Bond Anticipation Note debt service fund. These notes were partially retired with the proceeds of \$213,000 in bond anticipation notes issued on May 2, 2008. The notes have an interest rate of 2.71 percent and matured on May 1, 2009. The notes will be paid from the Ditch Special Assessment Notes debt service fund and the General Obligation Bond Anticipation Note debt service fund.

On March 11, 2008, the County issued bond anticipation notes, in the amount of \$1,500,000, for the construction of an adult detention facility. The notes have an interest rate of 2.75 percent and matured on March 10, 2009. The notes will be paid from the General Obligation Bond Anticipation Note debt service fund.

On September 21, 2007, the County issued bond anticipation notes, in the amount of \$63,600, to retire notes previously issued for improvements to the Sites Davis Ditch, the St. Marys River area, and the Visions Industrial Park. The notes had an interest rate of 4.14 percent and in 2008 were paid from the Ditch Special Assessment Notes debt service fund and the St. Marys River Notes debt service fund.

On September 19, 2008, the County issued bond anticipation notes, in the amount of \$210,500, for additional improvements to the Sites Davis Ditch and the St. Marys River area. The notes have an interest rate of 2.52 percent and will mature on September 18, 2009. The notes will be paid from the Ditch Special Assessment Notes debt service fund and the St. Marys River Notes debt service fund.

15. LONG-TERM OBLIGATIONS

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

	<u>Interest Rate</u>	<u>Balance 12/31/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2008</u>	<u>Due Within One Year</u>
Governmental Activities						
General Obligation Bonds						
1998 Central Services (Original Amount \$3,750,000)	4.2-7.4%	\$2,935,000		\$125,000	\$ 2,810,000	\$130,000
Adult Detention Facility (Original Amount \$10,500,000)	3 - 5		\$10,500,00	490,000	10,010,000	490,000
Total General Obligation Bonds		<u>2,935,000</u>	<u>10,500,000</u>	<u>615,000</u>	<u>12,820,000</u>	<u>620,000</u>
OPWC Loans						
1995 Karch/Tama (Original Amount \$174,070)		60,924		8,704	52,220	8,703
1997 Siegrist-Jutte and Kahn Road Bridge (Original Amount \$256,554)		109,035		12,828	96,207	12,828
2001 Four Bridge Replacement (Original Amount \$76,979)		50,036		3,849	46,187	3,849
2002 Home Waterline Improvement (Original Amount \$80,000)		62,000		4,000	58,000	4,000
2002 Five Bridge Replacement (Original Amount \$60,000)		48,000		3,000	45,000	3,000
2005 Six Bridge Repair (Original Amount \$60,225)		52,697		3,011	49,686	3,011
Total OPWC Loans		<u>382,692</u>		<u>35,392</u>	<u>347,300</u>	<u>35,391</u>
Sheriff Loan	6.92		248,954		248,954	88,585
Total Governmental Activities		<u>3,317,692</u>	<u>10,748,954</u>	<u>650,392</u>	<u>13,416,254</u>	<u>743,976</u>
Business-Type Activities						
Special Assessment Bonds						
1992 Southwest Sanitary Sewer (Original Amount \$148,600)	5.0%	69,000		8,500	60,500	8,900
OPWC Loans						
1993 Northwood Collection System (Original Amount \$55,600)		18,070		2,780	15,290	2,780
2003 Philothea Area Wastewater (Original Amount \$300,000)		217,500		15,000	202,500	15,000
Total OPWC Loans		<u>235,570</u>		<u>17,780</u>	<u>217,790</u>	<u>17,780</u>

(Continued)

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

	<u>Interest Rate</u>	<u>Balance 12/31/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2008</u>	<u>Due Within One Year</u>
OWDA Loans						
1988 MCI (Original Amount \$831,193)	2	181,400		38,946	142,454	39,725
2002 Staeger Road Sanitary Sewer (Original Amount \$109,521)	3.64	79,778		4,898	74,880	5,078
2002 SR 129 and Burge Road (Original Amount \$400,463)	3.49	303,714		17,157	286,557	17,761
2005 Lake Acres (Original Amount \$248,037)	2.75	256,986		12,041	244,945	12,375
Northwest Sanitary Sewer Planning West Jefferson Township Sewer	2.90		42,940		42,940	
			1,050,486		1,050,486	
Total OWDA Loans		<u>821,878</u>	<u>1,093,426</u>	<u>73,042</u>	<u>1,842,262</u>	<u>74,939</u>
Ohio Water and Sewer Loans						
1991 Sandy Beach Area Sewer District (Original Amount \$42,822)		42,822			42,822	
1992 Southwest Sewer (Original Amount \$269,223)		269,223			269,223	
2001 Rotary SR 269 Sewer (Original Amount \$110,167)		88,673			88,673	
Total Ohio Water and Sewer Loans		<u>400,718</u>			<u>400,718</u>	
Rural Industrial Park Loan						
2001 Rural Industrial Park - SR269 (Original Amount \$200,000)	0-3	185,526		17,854	167,672	18,396
Total Business-Type Activities		<u>\$1,712,692</u>	<u>\$1,093,426</u>	<u>\$117,176</u>	<u>\$2,688,942</u>	<u>\$120,015</u>

A. General Obligation Bonds

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

B. 1998 Central Services

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

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

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

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

<u>Year</u>	<u>Amount</u>
2019	\$210,000
2020	220,000
2021	235,000
2022	245,000

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

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

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

C. Adult Detention Facility

The bonds are to be repaid with the voted .5 percent sales tax that was approved by the voters in November 2007.

The bonds maturing on or after December 1, 2018, are subject to optional redemption, in whole or in part, at the option of the County, on any date commencing on or after June 1, 2018, at the redemption price of 100 percent of the principal amount of the bonds being redeemed plus accrued interest to the redemption date.

D. Special Assessment Bonds

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

E. OPWC Loans

OPWC loans consist of monies owed to the Ohio Public Works Commission for the improvement and replacement of the County's infrastructure. OPWC loans are payable from the governmental debt service funds and from the gross revenues of the enterprise funds. The revenues of the Motor Vehicle special revenue fund are pledged to repay the governmental OPWC loans. The gross revenues of the Sanitary Sewer enterprise fund are pledged to repay the proprietary portion of the OPWC loans. Total principal remaining on the enterprise related loans is \$217,790, payable through December 2022. For the current year, principal paid was \$17,780. For 2008, the Sanitary Sewer enterprise fund had an operating loss of \$854,397.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

F. Sheriff Loan

The County entered into a loan agreement to purchase software for the sheriff's department. The final maturity of the loan is January 8, 2011. The loan is payable from the General Fund.

G. OWDA Loans

OWDA loans consist of monies owed to the Ohio Water Development Authority for various water and sewer projects. OWDA loans are payable solely from special assessments and from the gross revenues of the enterprise funds. Amortization schedules for the Northwood Sanitary Sewer Planning and the Marion Township Sewer Design loans are not available until the completion of the project. Total principal and interest remaining on the completed OWDA loan projects is \$905,446, payable through December 2024. For the current year, principal and interest paid was \$96,966. For 2008, the Sanitary Sewer enterprise fund had an operating loss of \$854,397.

H. Ohio Water and Sewer Loans

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

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

I. Rural Industrial Park Loan

The County has obtained a loan from the Rural Industrial Park Loan Program to acquire a public right-of-way and extend the sanitary and water main lines to serve the State Route 29 industrial corridor project. The Rural Industrial Park Loan will be paid from special assessments and the gross revenues of the Sanitary Sewer enterprise fund. Total principal and interest remaining on the Industrial Park loan is \$189,260, payable through December 2017. For 2008, the Sanitary Sewer enterprise fund had an operating loss of \$854,397.

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

At December 31, 2008, the County's overall debt margin was \$14,686,534 with an unvoted debt margin of \$4,680,958.

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

Year	General Obligation Bonds		OPWC Loans	Sheriff Loan	
	Principal	Interest	Principal	Principal	Interest
2009	\$ 695,000	\$ 526,068	\$ 35,391	\$ 88,595	
2010	720,000	503,398	35,391	77,498	\$11,097
2011	745,000	477,758	35,391	82,861	5,734
2012	770,000	451,226	35,391		
2013	800,000	423,800	35,391		
2014-2018	4,485,000	1,628,545	110,072		
2019-2023	4,605,000	561,902	55,755		
2024-2025			4,518		
	<u>\$12,820,000</u>	<u>\$4,572,697</u>	<u>\$347,300</u>	<u>\$248,954</u>	<u>\$16,831</u>

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

Year	Special Assessment Bonds		OPWC Loans	OWDA Loans	
	Principal	Interest	Principal	Principal	Interest
2009	\$ 8,900	\$ 3,025	\$ 17,780	\$ 74,939	\$ 22,029
2010	9,300	2,580	17,780	76,888	20,079
2011	9,800	2,115	17,780	78,891	18,076
2012	10,300	1,625	17,780	59,675	16,006
2013	10,800	1,110	17,780	40,068	14,326
2014-2018	11,400	570	76,390	220,969	50,997
2019-2023			52,500	178,766	14,711
2024				18,640	386
	<u>\$60,500</u>	<u>\$11,025</u>	<u>\$217,790</u>	<u>\$748,836</u>	<u>\$156,610</u>

Year	Rural Industrial Park Loan	
	Principal	Interest
2009	\$1 8,396	\$ 4,779
2010	18,955	4,219
2011	19,532	3,643
2012	20,126	3,048
2013	20,738	2,436
2014-2017	69,925	3,462
	<u>\$167,672</u>	<u>\$21,587</u>

16. INTERFUND TRANSFERS

During 2008, transfers were made from the General Fund, Motor Vehicle special revenue fund, Adult Detention Facility capital projects fund, and Other Governmental funds to Other Governmental funds, in the amount of \$430,327, \$31,391, \$715,000, and \$84,540, respectively, to subsidize operations of other funds and as debt payments came due. Other governmental funds transferred \$1,027 to the General Fund to close out a debt service fund.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS

A. Mercer County Regional Planning Commission

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

The Commission makes plans and maps of the region showing the Commission's recommendations for systems of transportation, highways, park and recreational facilities, water supply, sewerage and sewage disposal, garbage disposal, civic centers, and other public improvements which affect the development of the region as a whole, or more than one political subdivision within the region and which do not begin and terminate within the boundaries of any single subdivision. During 2008, the County did not contribute to the operations of the Commission. Financial information can be obtained from the Commission, 220 West Livingston Street, Room A201, Celina, Ohio 45822.

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

The Tri-County Mental Health Board is a jointly governed organization among Mercer, Paulding, and Van Wert Counties. The Tri-County Mental Health Board provides leadership in planning for and supporting community-based alcohol, drug addiction, and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting, and advocating for the rights of persons as consumers of alcohol, drug addiction, and mental health services. The Board of Trustees consists of eighteen members; four members appointed by the Director of the Ohio Department of Mental Health, four members appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services, and ten members appointed by the County Commissioners of Mercer, Paulding, and Van Wert counties in the same proportion as the County's population. During 2008, a tax levy provided \$597,888 for the operations of the organization. Financial information can be obtained from the Mercer County Auditor, 101 North Main Street, Room 105, Celina, Ohio 45822-1794.

C. West Central Ohio Network

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. West Central Partnership, Inc.

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

18. INSURANCE POOLS

A. County Commissioners Association of Ohio Service Corporation

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

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

B. Midwest Pool Risk Management Agency, Inc.

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

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

18. INSURANCE POOLS (Continued)

C. Midwest Employee Benefit Consortium

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

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

19. RELATED ORGANIZATION

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

20. C.A. GROUP

**C.A. Group
Statement of Net Assets
December 31, 2008**

Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 574,188
Accounts Receivable	110,169
Intergovernmental Receivable	3,128
Other Assets	832
Depreciable Capital Assets	422,583
Total Assets	1,110,900
Liabilities	
Accounts Payable	62,288
Accrued Wages Payable	27,409
Intergovernmental Payable	1,758
Notes Payable	166,900
Total Liabilities	258,355
Net Assets	
Unrestricted	\$ 852,545

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

20. C.A. GROUP (Continued)

**C.A. Group
Statement of Revenues, Expenses, and Changes
in Fund Net Assets
For the Year Ended December 31, 2008**

Operating Revenues	
Charges for Services	\$ 847,918
Contributions	658,253
Other Operating Revenues	112,238
Total Operating Revenues	<u>1,618,409</u>
Operating Expenses	
Personnel Services	738,540
Contractual Services	14,549
Materials and Supplies	339,274
Depreciation	35,609
Bad Debt Expense	522
Other	660,959
Total Operating Expenses	<u>1,789,453</u>
Operating Loss	<u>(171,044)</u>
Non-Operating Revenues (Expenses)	
Interest	21,863
Donations	4,126
Interest Expense	(3,500)
Total Non-Operating Revenues (Expenses)	<u>22,489</u>
Change in Net Assets	(148,555)
Net Assets at Beginning of Year	<u>1,001,100</u>
Net Assets at End of Year	<u><u>\$ 852,545</u></u>

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

20. C.A. GROUP (Continued)

**C.A. Group
Statement of Cash Flows
December 31, 2008**

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Continuing Operations	
Cash Received from Customers	\$902,310
Cash Payments for Personal Services	(735,402)
Cash Payments to Suppliers	(301,744)
Cash Received from Other Revenues	112,238
Net Cash Used for Operating Activities	(22,598)
Cash Flows from Noncapital Financing Activities	
Cash Received from Donations	4,126
Cash Flows from Capital Financing Activities	
Acquisition of Capital Assets	(336,610)
Notes Issued	170,000
Principal Paid on Notes	(3,100)
Interest Paid on Notes	(3,500)
Net Cash Used for Capital Financing Activities	(173,210)
Cash Flows from Investing Activities	
Interest	21,863
Net Decrease in Cash and Cash Equivalents	(169,819)
Cash and Cash Equivalents at Beginning of Year	744,007
Cash and Cash Equivalents at End of Year	574,188
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(171,044)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	35,609
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	45,857
Decrease in Intergovernmental Receivable	8,535
Increase in Accounts Payable	55,179
Increase in Accrued Wages Payable	3,138
Increase in Intergovernmental Payable	128
Net Cash Used for Operating Activities	(\$ 22,598)

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

20. C.A. GROUP (Continued)

A. Summary of Significant Accounting Policies

1. Basis of Presentation

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

2. Measurement Focus and Basis of Accounting

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

3. Materials and Supplies Inventory

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

B. Deposits and Investments

Custodial credit risk for deposits is the risk that in the event of bank failure, C. A. Group will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$149,174 of the C. A. Group's bank balance of \$574,188 was exposed to custodial credit risk because it was uninsured and collateralized.

C. Capital Assets

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

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

	Balance December 31, 2007	Additions	Reductions	Balance December 31, 2008
Depreciable Capital Assets				
Buildings		\$336,610		\$336,610
Equipment	\$172,773			172,773
Vehicles	171,813			171,813
Total Depreciable Capital Assets	<u>344,586</u>	<u>336,610</u>		<u>681,196</u>
Less Accumulated Depreciation for				
Buildings		(5,610)		(5,610)
Equipment	(136,002)	(9,857)		(145,859)
Vehicles	(87,002)	(20,142)		(107,144)
Total Accumulated Depreciation	<u>(223,004)</u>	<u>(35,609)</u>		<u>(258,613)</u>
Depreciable Capital Assets, Net	<u>\$121,582</u>	<u>\$301,001</u>	<u>\$0</u>	<u>\$422,583</u>

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

20. C.A. GROUP (Continued)

D. Risk Management

C.A. Group is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2008, C.A. Group contracted with the Ohio School Plan for commercial, directors and officers liability, and individual fidelity bond; and with Erie Insurance for property and general liability, medical liability, and uninsured motorist auto liability.

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

E. Significant Concentration of Business with Two Customers

Two customers provide approximately 34 percent of the service revenue to C.A. Group. If canceled, the volume of business would have a severe impact on the production operations of C.A. Group. However, management would still carry on mental retardation programs regardless of services it could lose until new customers were secured. Management is unsure of the risk of these companies canceling during the next year or thereafter.

F. Notes Payable

The changes in the C.A. Group's note obligations during 2008 were as follows:

	Interest Rate	Balance 12/31/2007	Additions	Reductions	Balance 12/31/2008	Due Within One Year
Building Notes	4.15%	\$0	\$170,000	\$3,100	\$166,900	\$5,708

The notes were issued for the purchase of a building and will mature on June 30, 2028. The following is a summary of the future annual debt service requirements:

Year	Principal	Interest
2009	\$ 5,708	\$ 6,819
2010	5,949	6,578
2011	6,201	6,326
2012	6,463	6,064
2013	6,737	5,790
2014-2028	135,842	44,946
	<u>\$166,900</u>	<u>\$76,523</u>

21. RELATED PARTY TRANSACTIONS

During 2008, Mercer County provided facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of its programs to C.A. Group. C.A. Group, a component unit of Mercer County, reported \$658,253 for such contributions.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

22. CONTINGENT LIABILITIES

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

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

23. SUBSEQUENT EVENTS

On March 10, 2009, the County issued bond anticipation notes, in the amount of \$2,500,000, to construct and equip an adult detention facility and to retire notes previously issued for this purpose. The notes have an interest rate of 2.75 percent and mature on March 9, 2010.

On May 1, 2009, the County issued bond anticipation notes, in the amount of \$156,200, to partially retire notes previously issued for various ditches and improvements to the fairgrounds. The notes have an interest rate of 2.67 percent and mature on April 30, 2010.

**FINANCIAL CONDITION
MERCER COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>(Passed through Ohio Department of Development)</i>			
Community Development Block Grants:			
Community Development Block Grants/State's Program	B-C-07-050-1	14.228	\$66,213
	B-F-06-050-1		43,712
	B-F-07-050-1		<u>27,862</u>
Total Community Development Block Grants/State's Program			<u>137,787</u>
HOME Investment Partnership	B-C-07-050-2	14.239	151,168
Total U.S. Department of Housing and Urban Development			<u>288,955</u>
U.S. DEPARTMENT OF JUSTICE			
<i>(Passed through Attorney General's Crime Victim Services)</i>			
Crime Victim Assistance	2007VAGENE068T	16.575	21,963
	2008VAGENE068T		5,275
	2007SAGENE068T		2,095
	2008SAGENE068T		<u>629</u>
Total Crime Victim Assistance			<u>29,962</u>
<i>(Passed through Office of Criminal Justice Services)</i>			
Edward Byrne Memorial Justice Assistance	2007-JG -C01-6421	16.738	43,878
	2007-JG-LLE-5165		<u>15,168</u>
Total Edward Byrne Memorial Justice Assistance			<u>59,046</u>
Total U.S. Department of Justice			<u>89,008</u>
U.S DEPARTMENT OF HOMELAND SECURITY			
<i>(Passed through Ohio Emergency Management Agency)</i>			
Homeland Security Grant	S03-F02-54-0204	97.067	7,075
<i>(Passed through Ohio Department of Public Safety)</i>			
Emergency Management Performance	2008-EM-E8-002	97.042	36,385
	2007-EM-E7-0085		<u>8,967</u>
Total Emergency Management Performance			<u>45,352</u>
Homeland Security Cluster:			
Citizens Corp Grants	2006-GC-T6-0051	97.053	1,774
State Homeland Security Grant Program	2006-GE-T5-0001	97.073	<u>1,835</u>
Total Cluster			<u>3,609</u>
Total U.S. Department of Homeland Security			<u>56,036</u>
U.S DEPARTMENT OF TRANSPORTATION			
<i>(Passed through Ohio Department of Public Safety)</i>			
State and Community Highway Safety	HEVO-2008-54-00-00-00211-00	20.600	12,388
State Traffic Safety Information System Improvement	GG-2008-54-00-900-00591-00	20.610	17,112
<i>(Passed through Ohio Department of Transportation)</i>			
Highway Planning and Construction	PID #79573	20.205	1,112,912
	PID #79574		559,382
	PID #82177		2,215
	PID #83408		23,798
	MER-LBRS 2008		17,500
	CRD-4054-008-081		<u>114,000</u>
Total Highway Planning and Construction			<u>1,829,807</u>
Total U.S. Department of Transportation			<u>1,859,307</u>

(Continued)

**FINANCIAL CONDITION
MERCER COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
UNITED STATES DEPARTMENT OF LABOR			
<i>(Passed through Ohio Department of Job & Family Services)</i>			
Workforce Investment Act (WIA) Cluster:			
WIA - Adult	N/A	17.258	439,494
WIA - Adult Administration	N/A	17.258	56,960
Total WIA - Adult			<u>496,454</u>
WIA - Youth	N/A	17.259	392,698
WIA - Youth Administration	N/A	17.259	50,895
Total WIA - Youth			<u>443,593</u>
WIA - Dislocated Worker/Rapid Response	N/A	17.260	279,744
WIA - Dislocated Worker Administration	N/A	17.260	36,256
WIA - Outreach/Rapid Response	N/A	17.260	631
WIA - Veterans Rapid Response (VR2)	N/A	17.260	3,950
WIA - Career Advancement	N/A	17.260	31,819
Total WIA - Dislocated Worker/Rapid Response			<u>352,400</u>
Total Workforce Investment Act (WIA) Cluster			<u>1,292,447</u>
Workforce Services		17.207	6,371
Total U.S. Department of Labor			<u>1,298,818</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>(Passed through Ohio Department of MRDD)</i>			
Social Services Block Grant	MR-54 (07)	93.667	23,264
	MR-54 (08)		15,217
Total Social Services Block Grant			<u>38,481</u>
Medical Assistance Program - I/O Waiver	5400015	93.778	159,544
Medical Assistance Program L1 Waiver	5400015		56,846
Medical Assistance Program: TCM	5400015		68,308
Total Medical Assistance Program			<u>284,698</u>
Children's health Insurance Program	5400015	93.767	576
<i>(Passed through Secretary of State of Ohio)</i>			
Voting Access for Individuals with Disabilities - Grants to States		93.617	4,944
<i>(Passed through Ohio Department of Job & Family Services)</i>			
Promoting Safe and Stable Families	N/A	93.556	44,232
Chafee Foster Care	N/A	93.674	3,304
Title VI-B Allocation - Child Welfare Services	N/A	93.645	34,311
Child Abuse and Neglect State Grant	N/A	93.669	1,464
Total U.S. Department of Health and Human Services			<u>412,010</u>
Total Federal Assistance			<u>\$4,004,134</u>

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

**FINANCIAL CONDITION
MERCER COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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

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

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons for 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.

Activity in the CDBG revolving loan fund during 2008 was as follows;

<u>Revolving Loans</u>	<u>Loans Receivable</u>	<u>Cash Balance</u>
Beginning Balance	\$2,351,156	\$ 462,627
Loan Repayment Receipts	(503,391)	503,391
Loan Interest Repayment Receipts		108,000
Other Revenue		2,182
Administration		(26,445)
Ending Balances	<u>\$1,847,765</u>	<u>\$1,049,755</u>

These loans are collateralized by mortgages on the property or equipment.

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and discretely presented component unit of Mercer County, (the County), as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 4, 2009, wherein, we noted the County uses a comprehensive basis of accounting other than generally accepted accounting principles generally accepted in the United States of America, and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited Note 20, as described in our opinion on the County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that those auditors reported.

Internal Control Over Financial Reporting

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

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

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

**Internal Control Over Financial Reporting
(Continued)**

We consider finding 2008-002 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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

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

We also noted certain internal control matters that we reported to the County's management in a separate letter dated September 4, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 4, 2009.

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

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



Mary Taylor, CPA
Auditor of State

September 4, 2009



Mary Taylor, CPA

Auditor of State

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

Mercer County Commissioners
Central Services Building
220 West Livingston Street, Room A201
Celina, Ohio 45388

To the Board of County Commissioners:

Compliance

We have audited the compliance of Mercer County, (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above applying to each of its major federal programs for the year ended December 31, 2008.

In a separate letter to the County's management dated September 4, 2009, we reported another matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

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



Mary Taylor, CPA
Auditor of State

September 4, 2009

**FINANCIAL CONDITION
MERCER COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	No
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Workforce Investment Act Cluster CFDA #17.258, 17.259, 17.260 Highway Planning and Construction 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?	No

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

FINDING NUMBER 2008-001

Noncompliance

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

Ohio Admin. Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the County prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the County may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

Officials Response:

Mercer County believes that reporting on a GAAP basis is cost prohibitive. Therefore, the County switched to an OCBOA modified cash basis of reporting, which meets management's needs without substantial additional costs.

FINDING NUMBER 2008-002

Significant Deficiency

Real Estate Taxes/Personal Property Taxes/Manufactured Home Taxes Reconciliations

Mercer County was required to collect and distribute to the taxing district's within the County the amounts paid by the State for public utility property tax loss and rollback and homestead exemption.

The County's real estate tax funds balances on the finance system at December 31 did not agree with the real estate receipts collected and undistributed at year end per the property tax system. It was determined that the differences are partially attributed to:

- (1) the County Auditor's office received monies from the State which were receipted into the County's Real Estate Tax fund during 2006 and not distributed to the County taxing districts by the end of 2008.
 - \$37,930 public utility property tax loss reimbursement
 - \$18,521 homestead and rollback distribution for the February settlement, and
 - \$71.19 manufactured home rollback;
- (2) the County Auditor's office received monies from the State which were receipted into the County's Real Estate Tax fund during 2007, but not distributed during 2007 nor 2008
 - \$37,930 public utility property tax loss reimbursement;

- (3) the County's Real Estate Tax Funds (9520, 9521 & 9590) did not reconcile to the undistributed amounts at December 31, 2008 by over \$160,000; and
- (4) the County's Real Estate Tax Fund 9521 on the finance system reported a negative \$110.61 fund cash balance at December 31, 2008 (the Real Estate Overpay Fund was negative all year beginning with a deficit of \$89.59 at January 1, 2008).

Furthermore, the County's personal property tax fund (9509) balance on the finance accounting system at December 31 did not agree with the personal property tax receipts recorded as collected and undistributed at year end per the property tax system. The difference of \$17,071 at December 31, 2008 was comparable to the difference when the County switched software in 2004.

The failure to promptly distribute all rollback / homestead and public utility property tax loss reimbursement, in addition to the lack of reconciling the activity of the real estate tax and personal property funds on the finance accounting system with the activity of the property tax system each month, resulted in a difference when attempting to reconcile activity at year end. This has also resulted in the County's failure to make the required distributions and settlements for personal property, real estate, and manufactured home revenues to the County subdivisions by the dates required. Finally, this resulted in an understatement of the County's revenue and overstatement of the County's agency fund balances which did not have a material effect to the County's financial statements.

The County Auditor's and County Treasurer's offices should work together each month to verify that the Real Estate Tax and Personal Property Tax fund balances on the finance accounting system are in balance with the property tax system. Also, the County Treasurer's office should obtain a detail receipt and disbursement transaction report for these funds from the County Auditor's office at least monthly to review the transactions posted to determine that the monies receipted into these funds match with the monies paid out of the funds for tax refunds.

Officials Response:

The County Auditor and Treasurer offices will reconcile monthly on all tax fund balances and also after settlement to catch any undistributed money or other problems. This has been worked on throughout the year with the help of the State Auditor and was delayed because of conversion issues to the new tax accounting system. Personal Property Tax difference was distributed in 2009.

**FINANCIAL CONDITION
MERCER COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC 117.38 and OAC 117-2-03 (B) – failure to file financial statements prepared in accordance with generally accepted accounting principles (GAAP).	No	See Finding Number 2008-001
2007-002	Failure to reconcile between the finance system and subsidiary property tax system	No	See Finding Number 2008-002
2007-003	Failure to monitor outstanding purchase orders	Yes	
2007-004	24 CFR Section 85.21(c) - failure to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or sub-grantee.	No – repeated in management letter due - not a major program in current audit	See citation in management letter



Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 8, 2009**