



Dave Yost • Auditor of State

**MERCER COUNTY FINANCIAL CONDITION
MERCER COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mercer County, (the County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit Note 16 which discloses financial information for the County's component unit. Note 16 was audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to Note 16 is based on the report of 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 that our audit and the report of other auditors provide a reasonable basis for our opinions.

As disclosed in Note 3, the County restated the beginning fund balances in the Developmental Disabilities and Other Governmental Funds.

Ohio Administrative Code § 117-2-03 (B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes (except Note 16) 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.

The financial statements do not include financial data for the C.A. Group (a component unit). Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the county. The county has chosen to report the component unit financial data in Note 16. As a result, the basic financial statements omit the assets, liabilities, net assets, revenues and expenditures of the component unit.

In our opinion, because of the omission from the financial statements of the component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 2, the financial position of the C.A. Group (component unit) as of December 31, 2010, and its changes in financial position for the year ended.

Finally, in our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mercer County, as of December 31, 2010, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Motor Vehicle Fund, 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 1, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Disbursements provides additional information required by the 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. The Schedule of Federal Awards Receipts and Disbursements is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

September 1, 2011

**FINANCIAL CONDITION
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
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, 2010, 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 non-major funds presented in total in a single column. The County's major funds are the General, Motor Vehicle, Developmental Disabilities, County Home, 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 2010, 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.

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

**FINANCIAL CONDITION
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

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, economic development and assistance, 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 nursing home, sanitary sewer, water, solid waste services, 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, Developmental Disabilities, County Home, 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 2010 and 2009.

**Table 1
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets:						
Current and Other Assets	\$9,153,608	\$8,825,607	\$4,047,269	\$3,586,622	\$13,200,877	\$12,412,229
Net Assets:						
Restricted	7,451,054	7,451,056			7,451,054	7,451,056
Unrestricted	1,702,554	1,374,551	4,047,269	3,586,622	5,749,823	4,961,173
Total Net Assets	<u>\$9,153,608</u>	<u>\$8,825,607</u>	<u>\$4,047,269</u>	<u>\$3,586,622</u>	<u>\$13,200,877</u>	<u>\$12,412,229</u>

For governmental activities, the increase in current and other assets was less than 4 percent. This increase is also reflected in the increase in unrestricted net assets. During 2010, receipts exceeded disbursements in the governmental funds, resulting in the increase.

**FINANCIAL CONDITION
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
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(Continued)**

There was a 13 percent increase in net assets for business-type activities. This was generally due to grant receipts and debt proceeds which had not been completely spent as of yearend.

Table 2 reflects the change in net assets for 2010 and 2009.

**Table 2
Change in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Receipts:						
Program Receipts:						
Charges for Services	\$3,971,167	\$3,916,081	\$2,116,099	\$2,280,936	\$ 6,087,266	\$ 6,197,017
Operating Grants, Contributions and Interest	17,184,665	16,422,999	167,802	173,837	17,352,467	16,596,836
Capital Grants and Contributions			1,391,580		1,391,580	
Total Program Receipts	21,155,832	20,339,080	3,675,481	2,454,773	24,831,313	22,793,853
General Receipts:						
Property Taxes						
General Operating	1,852,167	1,715,082			1,852,167	1,715,082
Human Services – Developmental Disabilities	3,539,557	3,563,936			3,539,557	3,563,936
County Home Sales Taxes			638,749	587,960	638,749	587,960
General Operating	3,828,293	3,647,071			3,828,293	3,647,071
Adult Detention Facility	1,896,055	1,815,530			1,896,055	1,815,530
Grants and Entitlements	1,275,978	1,255,699			1,275,978	1,255,699
Interest	352,938	621,520			352,938	621,520
Other	1,982,015	2,075,880	58,058	65,345	2,040,073	2,141,225
Notes Issued	465,800	2,866,200			465,800	2,866,200
Bonds Issued	3,590,000				3,590,000	
Loans Issued	142,500	457,500	3,043,450	402,161	3,185,950	859,661
Total General Receipts	18,925,303	18,018,438	3,740,257	1,055,466	22,665,560	19,073,904
Total Receipts	40,081,135	38,357,518	7,415,738	3,510,239	47,496,873	41,867,757
Program Disbursements:						
General Government:						
Legislative and Executive	4,602,320	4,863,112			4,602,320	4,863,112
Judicial	1,511,434	1,412,187			1,511,434	1,412,187
Public Safety	3,969,049	5,024,207			3,969,049	5,024,207
Public Works	9,984,124	8,723,373			9,984,124	8,723,373
Health	326,910	324,958			326,910	324,958
Human Services	12,218,283	12,713,874			12,218,283	12,713,874
Conservation and Recreation	203,975	244,152			203,975	244,152
Economic Development and Assistance	447,463	909,559			447,463	909,559
Capital Outlay	1,056,312	9,714,224			1,056,312	9,714,224

**FINANCIAL CONDITION
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Debt Service:						
Principal Retirement	4,686,972	2,668,163			4,686,972	2,668,163
Interest and Fiscal Charges	787,747	599,675			787,747	599,675
County Home			749,035	706,853	749,035	706,853
Sanitary Sewer			5,172,793	1,820,459	5,172,793	1,820,459
Other Enterprise:						
Solid Waste			196,341	191,816	196,341	191,816
Ambulance			795,467	680,970	795,467	680,970
Total Disbursements	<u>39,794,589</u>	<u>47,197,484</u>	<u>6,913,636</u>	<u>3,400,098</u>	<u>46,708,225</u>	<u>50,597,582</u>
Increase (Decrease) in Net Assets						
Before Advances and Transfers	286,546	(8,839,966)	502,102	110,141	788,648	(8,729,825)
Advances	3,493	31,944	(3,493)	(31,944)		
Transfers	37,962		(37,962)			
Change in Net Assets	<u>328,001</u>	<u>(8,808,022)</u>	<u>469,647</u>	<u>78,197</u>	<u>788,648</u>	<u>(8,729,825)</u>
Net Assets at Beginning of Year	8,825,607	17,633,629	3,586,622	3,508,425	12,412,229	21,142,054
Net Assets at End of Year	<u>\$9,153,608</u>	<u>\$8,825,607</u>	<u>\$4,047,269</u>	<u>\$3,586,622</u>	<u>\$13,200,877</u>	<u>\$12,412,229</u>

For governmental activities, program receipts increased 4 percent from the prior year and generally due to additional federal grant resources in 2010. The 5 percent increase in general receipts is primarily due to slight increases in property taxes and sales taxes as well as to additional debt proceeds.

Disbursements for governmental activities decreased over 15 percent from the prior year. The reduction in disbursements for the public safety and capital outlay programs reflect that construction on the Adult Detention Facility was completed. The increase in the public works program disbursements was due to an increase in Ohio Public Works Commission projects. The decrease in economic development and assistance was due to a decrease in revolving loan projects.

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 development disabilities). These programs accounted for 77 percent of governmental disbursements in 2010.

During 2010, program receipts for business-type activities changed significantly. This was due to an increase in capital grants and contributions related to OWDA projects. For general receipts, OWDA loans were issued in 2010 for the construction of sanitary sewers, along with planning and design for a new project as well as additional proceeds for projects started in prior years. Note the increase in disbursements in the Sanitary Sewer Fund related to continuing work on these projects.

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.

**FINANCIAL CONDITION
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
General Government:				
Legislative and Executive	\$4,602,320	\$4,863,112	\$2,906,154	\$3,359,145
Judicial	1,511,434	1,412,187	798,818	743,003
Public Safety	3,969,049	5,024,207	3,047,116	2,723,406
Public Works	9,984,124	8,723,373	45,855	698,211
Health	326,910	324,958	250,443	249,461
Human Services	12,218,283	12,713,874	4,497,463	5,050,372
Conservation and Recreation	203,975	244,152	203,925	242,935
Economic Development and Assistance	447,463	909,559	357,952	809,809
Capital Outlay	1,056,312	9,714,224	1,056,312	9,714,224
Debt Service:				
Principal Retirement	4,686,972	2,668,163	4,686,972	2,668,163
Interest and Fiscal Charges	787,747	599,675	787,747	599,675
Total Disbursements	\$39,794,589	\$47,197,484	\$18,638,757	\$26,858,404

For 2010, 47 percent of the services provided by the County were paid for through general receipts, compared to 57 percent in 2009. A review of the above table demonstrates that program receipts contributed significantly to several programs. 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 human services program receives substantial support through various grant programs.

Governmental Funds Financial Analysis

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

For 2010, the General Fund had a 23 percent increase in fund balance. Receipts increased a modest 4 percent; however, disbursements decreased by 14 percent. The largest decrease was in the public safety program as disbursements related to the Adult Detention Facility are completed.

Fund balance increased almost \$77,000 for the Motor Vehicle Fund, which was not a substantial increase. Both receipts and disbursements were greater in 2010 than the prior year.

Fund balance increased 8 percent in the Developmental Disabilities Fund, primarily due to an increase in intergovernmental receipts. Disbursements were similar to the prior year.

Business-Type Activities Financial Analysis

During 2010, net assets in the County Home Fund increased 15 percent. This was generally due to an increase in property tax receipts.

The Sanitary Sewer Fund experienced its first increase in net assets since 2006. However, the fund continued to have an operating loss. The increase in net assets is the result of receiving grant resources related to improvement projects.

**FINANCIAL CONDITION
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

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 in receipts from the final budget to the actual receipts were over \$900,000, with the most significant change occurring in sales taxes received. For disbursements, changes from the original budget to the final budget were just under \$1 million. Changes from the final budget to actual disbursements reflect a decrease of \$500,000, with the most significant decrease being in the legislative and executive program.

Current Issues

The East Jefferson Sanitary Sewer Extension Phase III and the Northwood Subdivision Sanitary Sewer Replacement Projects are substantially complete. The project costs were approximately \$2,285,000 million. The County was awarded an American Recovery and Reinvestment Act Grant (federal stimulus grant), in the amount of \$1,050,000. The balances of the projects were financed with a Water Pollution Control Fund Loan (WPCFL) for twenty years at zero percent interest.

The Marion Township Sanitary Sewer construction is complete; seeding, driveway and sidewalk repair are currently in progress. The entire project cost is approximately \$2.7 million with \$2.4 million being funded via a twenty year loan through the Ohio Water Development Authority. The County secured \$500,000 in grant funds through the Community Development Block Grant Water and Sewer Program. Also, \$100,000 in grant funds is available to qualifying low income residents for financial assistance in connecting to the public sewer system.

Mercer County solicited bids for the Montezuma Club Island (MCI) Wastewater Treatment Plant Improvement Project. This project will add a fourth cell to the existing three-cell lagoon type wastewater treatment plant. This project would increase the treatment plant capacity from 350,000 gpd to 600,000 gpd. The project is currently estimated at \$1,100,000. The final completion date is projected in June 2012.

The planning phase of the Northeast Sanitary Sewer project is 99 percent complete. The project consists of a feasibility study for developing a sanitary sewer collection and treatment system which will serve un-sewered areas in East Jefferson and Center Townships. Mercer County is ready to proceed with the design phase for this project and has been nominated for a WPCFL loan. The estimated cost for this phase of the project is \$350,000.

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 Randall E. Grapner, County Auditor, 101 North Main Street, Room 105, Celina, Ohio 45822.

Mercer County
Statement of Net Assets - Cash Basis
December 31, 2010

	Governmental Activities	Business- Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$8,951,579	\$4,047,269	\$12,998,848
Cash and Cash Equivalents in Segregated Accounts	5,640	0	5,640
Cash and Cash Equivalents with Fiscal Agent	163,264	0	163,264
Cash and Cash Equivalents with Escrow Agent	33,125	0	33,125
Total Assets	<u>9,153,608</u>	<u>4,047,269</u>	<u>13,200,877</u>
 <u>Net Assets</u>			
Restricted for			
Debt Service	47,557	0	47,557
Capital Projects	564,956	0	564,956
Other Purposes	6,838,541	0	6,838,541
Unrestricted	<u>1,702,554</u>	<u>4,047,269</u>	<u>5,749,823</u>
Total Net Assets	<u><u>\$9,153,608</u></u>	<u><u>\$4,047,269</u></u>	<u><u>\$13,200,877</u></u>

See accompanying notes to the basic financial statements

Mercer County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2010

	Program Receipts			
	Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities</u>				
General Government				
Legislative and Executive	\$4,602,320	\$1,628,768	\$67,398	\$0
Judicial	1,511,434	660,746	51,870	0
Public Safety	3,969,049	304,973	616,960	0
Public Works	9,984,124	1,074,280	8,863,989	0
Health	326,910	76,467	0	0
Human Services	12,218,283	225,933	7,494,887	0
Conservation and Recreation	203,975	0	50	0
Economic Development and Assistance	447,463	0	89,511	0
Capital Outlay	1,056,312	0	0	0
Debt Service				
Principal Retirement	4,686,972	0	0	0
Interest and Fiscal Charges	787,747	0	0	0
Total Governmental Activities	39,794,589	3,971,167	17,184,665	0
<u>Business-Type Activities</u>				
County Home	749,035	66,383	154,197	0
Sanitary Sewer	5,172,793	1,045,102	0	1,391,580
Other Enterprise				
Water	0	27,361	0	0
Solid Waste	196,341	169,951	0	0
Ambulance	795,467	807,302	13,605	0
Total Business-Type Activities	6,913,636	2,116,099	167,802	1,391,580
Total	\$46,708,225	\$6,087,266	\$17,352,467	\$1,391,580

General Receipts

Property Taxes Levied for
 General Operating
 Human Services - 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
OPWC Loans Issued
OWDA Loans Issued

Total General Receipts

Advances

Transfers

Total General Receipts, Advances, and Transfers

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
(\$2,906,154)	\$0	(\$2,906,154)
(798,818)	0	(798,818)
(3,047,116)	0	(3,047,116)
(45,855)	0	(45,855)
(250,443)	0	(250,443)
(4,497,463)	0	(4,497,463)
(203,925)	0	(203,925)
(357,952)	0	(357,952)
(1,056,312)	0	(1,056,312)
(4,686,972)	0	(4,686,972)
(787,747)	0	(787,747)
<u>(18,638,757)</u>	<u>0</u>	<u>(18,638,757)</u>
0	(528,455)	(528,455)
0	(2,736,111)	(2,736,111)
0	27,361	27,361
0	(26,390)	(26,390)
0	25,440	25,440
<u>0</u>	<u>(3,238,155)</u>	<u>(3,238,155)</u>
<u>(18,638,757)</u>	<u>(3,238,155)</u>	<u>(21,876,912)</u>
1,852,167	0	1,852,167
3,539,557	0	3,539,557
0	638,749	638,749
3,828,293	0	3,828,293
1,896,055	0	1,896,055
1,275,978	0	1,275,978
352,938	0	352,938
1,982,015	58,058	2,040,073
465,800	0	465,800
3,590,000	0	3,590,000
142,500	0	142,500
0	3,043,450	3,043,450
18,925,303	3,740,257	22,665,560
3,493	(3,493)	0
37,962	(37,962)	0
<u>18,966,758</u>	<u>3,698,802</u>	<u>22,665,560</u>
328,001	460,647	788,648
<u>8,825,607</u>	<u>3,586,622</u>	<u>12,412,229</u>
<u>\$9,153,608</u>	<u>\$4,047,269</u>	<u>\$13,200,877</u>

Mercer County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2010

	General	Motor Vehicle	Developmental Disabilities
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,702,554	\$765,615	\$1,866,560
Cash and Cash Equivalents in Segregated Accounts	0	0	0
Cash and Cash Equivalents with Fiscal Agent	0	0	163,264
Restricted Assets			
Equity in Pooled Cash and Cash Equivalents	123,539	0	0
Cash and Cash Equivalents with Escrow Agent	0	0	0
Total Assets	\$1,826,093	\$765,615	\$2,029,824
<u>Fund Balances</u>			
Reserved for Encumbrances	\$174,727	\$1,070,511	\$160,630
Reserved for Unclaimed Monies	123,539	0	0
Unreserved, Reported in			
General Fund	1,527,827	0	0
Special Revenue Funds (Deficit)	0	(304,896)	1,869,194
Debt Service Funds	0	0	0
Capital Projects Funds	0	0	0
Total Fund Balances	\$1,826,093	\$765,615	\$2,029,824

See accompanying notes to the basic financial statements

Other	
<u>Governmental</u>	<u>Total</u>
\$4,493,311	\$8,828,040
5,640	5,640
0	163,264
0	123,539
<u>33,125</u>	<u>33,125</u>
<u>\$4,532,076</u>	<u>\$9,153,608</u>
\$991,892	\$2,397,760
0	123,539
0	1,527,827
3,149,053	4,713,351
47,557	47,557
<u>343,574</u>	<u>343,574</u>
<u>\$4,532,076</u>	<u>\$9,153,608</u>

Mercer County
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	General	Motor Vehicle	Developmental Disabilities
<u>Receipts</u>			
Property Taxes	\$1,852,167	\$0	\$3,539,557
Sales Taxes	3,828,293	0	0
Special Assessments	0	0	0
Charges for Services	1,403,826	735,930	132,885
Licenses and Permits	2,836	0	0
Fines and Forfeitures	38,341	19,817	0
Intergovernmental	1,353,609	8,145,127	2,191,020
Interest	348,742	23,745	0
Donations	6,873	0	1,540
Other	638,037	48,953	309,800
Total Receipts	9,472,724	8,973,572	6,174,802
<u>Disbursements</u>			
Current			
General Government			
Legislative and Executive	3,964,090	0	0
Judicial	1,161,191	0	0
Public Safety	1,857,040	0	0
Public Works	183,942	8,993,010	0
Health	239,779	0	0
Human Services	346,489	0	6,022,552
Conservation and Recreation	187,368	0	0
Economic Development and Assistance	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Disbursements	7,939,899	8,993,010	6,022,552
Excess of Receipts Over (Under) Disbursements	1,532,825	(19,438)	152,250
<u>Other Financing Sources (Uses)</u>			
Notes Issued	0	0	0
Bonds Issued	0	0	0
OPWC Loans Issued	0	142,500	0
Advances In	184,944	27,472	0
Advances Out	(184,835)	(9,170)	0
Transfers In	37,962	0	0
Transfers Out	(1,226,507)	(64,718)	0
Total Other Financing Sources (Uses)	(1,188,436)	96,084	0
Changes in Fund Balances	344,389	76,646	152,250
Fund Balances at Beginning of Year (Restated)	1,481,704	688,969	1,877,574
Fund Balances at End of Year	\$1,826,093	\$765,615	\$2,029,824

See accompanying notes to the basic financial statements

Other Governmental	Total
\$0	\$5,391,724
1,896,055	5,724,348
272,066	272,066
1,123,989	3,396,630
182,579	185,415
58,898	117,056
6,644,300	18,334,056
93,743	466,230
4,882	13,295
985,225	1,982,015
<u>11,261,737</u>	<u>35,882,835</u>
638,230	4,602,320
350,243	1,511,434
2,112,009	3,969,049
807,172	9,984,124
87,131	326,910
5,849,242	12,218,283
16,607	203,975
447,463	447,463
1,056,312	1,056,312
4,686,972	4,686,972
787,747	787,747
<u>16,839,128</u>	<u>39,794,589</u>
<u>(5,577,391)</u>	<u>(3,911,754)</u>
465,800	465,800
3,590,000	3,590,000
0	142,500
193,359	405,775
(208,277)	(402,282)
3,069,526	3,107,488
(1,778,301)	(3,069,526)
<u>5,332,107</u>	<u>4,239,755</u>
(245,284)	328,001
<u>4,777,360</u>	<u>8,825,607</u>
<u>\$4,532,076</u>	<u>\$9,153,608</u>

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts</u>				
Property Taxes	\$1,712,000	\$1,712,000	\$1,800,774	\$88,774
Sales Taxes	3,500,000	3,500,000	3,828,293	328,293
Charges for Services	1,217,861	1,217,861	1,404,681	186,820
Licenses and Permits	2,550	2,550	2,836	286
Fines and Forfeitures	48,000	48,000	38,369	(9,631)
Intergovernmental	1,150,000	1,150,000	1,353,609	203,609
Interest	300,000	300,000	348,742	48,742
Donations	0	6,873	6,873	0
Other	540,873	540,873	638,037	97,164
Total Receipts	8,471,284	8,478,157	9,422,214	944,057
<u>Disbursements</u>				
Current				
General Government				
Legislative and Executive	4,763,680	4,358,851	4,059,797	299,054
Judicial	1,180,173	1,240,761	1,191,433	49,328
Public Safety	2,627,456	2,049,760	1,893,784	155,976
Public Works	176,435	184,646	184,227	419
Health	238,516	240,016	239,779	237
Human Services	460,983	415,983	359,948	56,035
Conservation and Recreation	187,368	187,368	187,368	0
Total Disbursements	9,634,611	8,677,385	8,116,336	561,049
Excess of Receipts Over (Under) Disbursements	(1,163,327)	(199,228)	1,305,878	1,505,106
<u>Other Financing Sources (Uses)</u>				
Advances In	27,700	27,700	184,944	157,244
Advances Out	0	(94,835)	(184,835)	(90,000)
Transfers In	0	17,000	37,962	20,962
Transfers Out	(350,930)	(1,252,161)	(1,226,507)	25,654
Total Other Financing Sources (Uses)	(323,230)	(1,302,296)	(1,188,436)	113,860
Changes in Fund Balance	(1,486,557)	(1,501,524)	117,442	1,618,966
Fund Balance at Beginning of Year	1,238,394	1,238,394	1,238,394	0
Prior Year Encumbrances Appropriated	197,955	197,955	197,955	0
Fund Balance (Deficit) at End of Year	(\$50,208)	(\$65,175)	\$1,553,791	\$1,618,966

See accompanying notes to the basic financial statements

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts</u>				
Charges for Services	\$703,425	\$735,425	\$735,930	\$505
Fines and Forfeitures	40,000	40,000	19,684	(20,316)
Intergovernmental	9,925,354	10,093,161	8,145,127	(1,948,034)
Interest	26,600	26,600	23,745	(2,855)
Other	86,555	90,526	48,953	(41,573)
Total Receipts	10,781,934	10,985,712	8,973,439	(2,012,273)
<u>Disbursements</u>				
Current				
Public Works	10,753,777	11,006,583	10,063,556	943,027
Excess of Receipts Over (Under) Disbursements	28,157	(20,871)	(1,090,117)	(1,069,246)
<u>Other Financing Sources (Uses)</u>				
OPWC Loans Issued	0	0	142,500	142,500
Advances In	0	0	27,472	27,472
Advances Out	0	(10,070)	(9,170)	900
Transfers Out	(136,156)	(124,341)	(64,718)	59,623
Total Other Financing Sources (Uses)	(136,156)	(134,411)	96,084	230,495
Changes in Fund Balance	(107,999)	(155,282)	(994,033)	(838,751)
Fund Balance at Beginning of Year	223,113	223,113	223,113	0
Prior Year Encumbrances Appropriated	459,766	459,766	459,766	0
Fund Balance at End of Year	\$574,880	\$527,597	(\$311,154)	(\$838,751)

See accompanying notes to the basic financial statements

Mercer County
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Developmental Disabilities Fund
For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts</u>				
Property Taxes	\$3,605,000	\$3,605,000	\$3,444,462	(\$160,538)
Charges for Services	85,000	85,000	132,885	47,885
Intergovernmental	1,700,000	1,700,000	2,030,482	330,482
Donations	3,000	3,000	1,540	(1,460)
Other	20,000	20,000	302,378	282,378
Total Receipts	5,413,000	5,413,000	5,911,747	498,747
<u>Disbursements</u>				
Current				
Human Services	6,770,736	6,918,083	6,024,824	893,259
Changes in Fund Balance	(1,357,736)	(1,505,083)	(113,077)	1,392,006
Fund Balance at Beginning of Year (Restated)	1,385,833	1,385,833	1,385,833	0
Prior Year Encumbrances Appropriated	292,536	292,536	292,536	0
Fund Balance at End of Year	\$320,633	\$173,286	\$1,565,292	\$1,392,006

See accompanying notes to the basic financial statements

Mercer County
Statement of Fund Net Assets - Cash Basis
Enterprise Funds
December 31, 2010

	County Home	Sanitary Sewer	Other Enterprise	Total
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$869,672	\$1,962,058	\$1,215,539	\$4,047,269
<u>Net Assets</u>				
Unrestricted	\$869,672	\$1,962,058	\$1,215,539	\$4,047,269

See accompanying notes to the basic financial statements

Mercer County
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Cash Basis
Enterprise Funds
For the Year Ended December 31, 2010

	County Home	Sanitary Sewer	Other Enterprise	Total
<u>Operating Revenues</u>				
Charges for Services	\$66,383	\$1,045,102	\$1,004,614	\$2,116,099
Other	5,993	45,930	6,135	58,058
Total Operating Revenues	<u>72,376</u>	<u>1,091,032</u>	<u>1,010,749</u>	<u>2,174,157</u>
<u>Operating Expenses</u>				
Personal Services	392,747	291,750	229,058	913,555
Contractual Services	276,513	3,498,067	579,221	4,353,801
Materials and Supplies	79,775	107,063	183,529	370,367
Debt Service				
Principal Retirement	0	1,238,136	0	1,238,136
Total Operating Expenses	<u>749,035</u>	<u>5,135,016</u>	<u>991,808</u>	<u>6,875,859</u>
Operating Income (Loss)	<u>(676,659)</u>	<u>(4,043,984)</u>	<u>18,941</u>	<u>(4,701,702)</u>
<u>Non-Operating Revenues (Expenses)</u>				
Property Taxes	638,749	0	0	638,749
Grants	154,197	1,391,580	8,000	1,553,777
Donations	0	0	5,605	5,605
OWDA Loans Issued	0	3,043,450	0	3,043,450
Interest Expense	0	(37,777)	0	(37,777)
Total Non-Operating Revenues (Expenses)	<u>792,946</u>	<u>4,397,253</u>	<u>13,605</u>	<u>5,203,804</u>
Income Before Advances and Transfers	116,287	353,269	32,546	502,102
Advances In	0	10,646	11,036	21,682
Advances Out	0	(15,175)	(10,000)	(25,175)
Transfers Out	0	(37,962)	0	(37,962)
Changes in Net Assets	116,287	310,778	33,582	460,647
Net Assets at Beginning of Year	<u>753,385</u>	<u>1,651,280</u>	<u>1,181,957</u>	<u>3,586,622</u>
Net Assets at End of Year	<u>\$869,672</u>	<u>\$1,962,058</u>	<u>\$1,215,539</u>	<u>\$4,047,269</u>

See accompanying notes to the basic financial statements

Mercer County
Statement of Cash Flows - Cash Basis
Enterprise Funds
For the Year Ended December 31, 2010

	County Home	Sanitary Sewer	Other Enterprise	Total
Increases (Decreases) in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$66,383	\$1,045,102	\$1,004,614	\$2,116,099
Cash Payments for Personal Services	(392,747)	(291,750)	(229,058)	(913,555)
Cash Payments for Contractual Services	(276,513)	(3,498,067)	(579,221)	(4,353,801)
Cash Payments for Supplies	(79,775)	(107,063)	(183,529)	(370,367)
Cash Received from Other Revenues	5,993	45,930	6,135	58,058
Net Cash Provided by (Used for) Operating Activities	<u>(676,659)</u>	<u>(2,805,848)</u>	<u>18,941</u>	<u>(3,463,566)</u>
<u>Cash Flows from Noncapital Financing Activities</u>				
Cash Received from Property Taxes	638,749	0	0	638,749
Cash Received from Grants	154,197	1,391,580	8,000	1,553,777
Cash Received from Donations	0	0	5,605	5,605
Cash Received from Advances In	0	10,646	11,036	21,682
Cash Payments for Advances Out	0	(15,175)	(10,000)	(25,175)
Cash Payments for Transfers Out	0	(37,962)	0	(37,962)
Interest Paid on Outstanding Advance	0	(10,547)	0	(10,547)
Net Cash Provided by Noncapital Financing Activities	<u>792,946</u>	<u>1,338,542</u>	<u>14,641</u>	<u>2,146,129</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Principal Paid on Special Assessment Bonds	0	(9,300)	0	(9,300)
Interest Paid on Special Assessment Bonds	0	(2,580)	0	(2,580)
Principal Paid on OPWC Loans	0	(17,780)	0	(17,780)
Proceeds of OWDA Loans	0	3,043,450	0	3,043,450
Principal Paid on OWDA Loans	0	(1,192,101)	0	(1,192,101)
Interest Paid on OWDA Loans	0	(20,079)	0	(20,079)
Principal Paid on Rural Industrial Park Loan	0	(18,955)	0	(18,955)
Interest Paid on Rural Industrial Park Loan	0	(4,571)	0	(4,571)
Net Cash Provided by Capital and Related Financing Activities	<u>0</u>	<u>1,778,084</u>	<u>0</u>	<u>1,778,084</u>
Net Increase in Cash and Cash Equivalents	116,287	310,778	33,582	460,647
Cash and Cash Equivalents at Beginning of Year	<u>753,385</u>	<u>1,651,280</u>	<u>1,181,957</u>	<u>3,586,622</u>
Cash and Cash Equivalents at End of Year	<u>\$869,672</u>	<u>\$1,962,058</u>	<u>\$1,215,539</u>	<u>\$4,047,269</u>

See accompanying notes to the basic financial statements

Mercer County
Statement of Cash Basis Fiduciary Net Assets
Agency Funds
December 31, 2010

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$3,653,938
Cash and Cash Equivalents in Segregated Accounts	<u>188,343</u>
Total Assets	<u><u>\$3,842,281</u></u>
 <u>Net Assets</u>	
Undistributed Assets	<u><u>\$3,842,281</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, 2010**

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 Developmental Disabilities (DD), 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 is a legally separate, not-for-profit corporation served by a board appointed by the Mercer County Board of Developmental Disabilities (DD). C.A. Group, under a contractual agreement with the Mercer County Board of DD, provides sheltered employment for mentally disabled or handicapped adults in Mercer County. The Mercer County Board of DD 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 disabled and handicapped adults of Mercer County, C.A. Group is a component unit of Mercer County. Its exclusion from the County's financial statements would cause the financial statements to be misleading. C.A. Group operates on a fiscal year ending December 31. Information about this component unit is presented in Note 16 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, 2010
(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, 2010
(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 and the Motor Vehicle and Developmental Disabilities special revenue funds.

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

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.

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

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Funds

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

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

County Home Fund - This fund accounts for the daily operations of the County Home.

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, 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 2010. 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, 2010
(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 fund and department level for the General Fund and the fund 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 for the County by fiscal agents are recorded as "Cash and Cash Equivalents with Fiscal Agents".

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 2010, the County invested in nonnegotiable certificates of deposit, 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, 2010.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(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 2010 were \$348,742 which includes \$312,214 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 upon project completion.

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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(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 the county home, sanitary sewer services, water treatment, solid waste management, 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 AND RESTATEMENT OF FUND BALANCES

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.

The fund balances of the Developmental Disabilities and Other Governmental were restated at December 31, 2009 to include the MRDD Severance Benefit Fund with the Developmental Disabilities Fund.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

3. COMPLIANCE AND RESTATEMENT OF FUND BALANCES (Continued)

	Developmental Disabilities	Other Governmental
Fund Balance at December 31, 2009	\$1,677,574	\$4,279,439
Change due to MRDD Severance Benefit	200,000	(200,000)
Adult Detention Facility fund no longer major fund		697,921
Fund Balance at December 31, 2009 (restated)	\$1,877,574	\$4,777,360

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;

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

9. Up to twenty-five percent of the County's average portfolio in either of the following:
 - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed 10 percent of the value of the outstanding commercial paper of the issuing corporation, and which mature within two hundred seventy days after purchase;
 - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within one hundred eighty days after purchase;
10. Up to 15 percent of the County's average portfolio in notes issued by United States corporations or by depository institutions that are doing business under authority granted by the United States provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and
12. Up to 1 percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

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

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

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, \$1,360,594 of the County's bank balance of \$16,548,916 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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

B. Investments

As of December 31, 2010, the County had the following investments:

	<u>Total</u>	<u>Less Than Six Months</u>	<u>One Year</u>	<u>Two Years</u>
Federal Farm Credit Bank Notes	\$494,399		\$494,399	
Federal Home Loan Bank Notes	500,000			\$500,000
Star Ohio	745	\$745		
Total Investments	<u>\$995,144</u>	<u>\$745</u>	<u>\$494,399</u>	<u>\$500,000</u>

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 Federal Farm Credit Bank Notes and Federal Home Loan Bank 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.

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Federal Farm Credit Bank	\$494,399	49.68%
Federal Home Loan Bank	500,000	50.24

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 2010 represent the collection of 2009 taxes. Real property taxes received in 2010 were levied after October 1, 2009, on the assessed values as of January 1, 2009, 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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

5. PROPERTY TAXES (Continued)

Public utility property tax revenues received in 2010 represent the collection of 2009 taxes. Public utility real and tangible personal property taxes received in 2010 became a lien on December 31, 2008, were levied after October 1, 2009, 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 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in 2010 were levied after October 1, 2009, on the values as of December 31, 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, 2010, was \$11.28 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real Property:	
Residential/Agriculture	\$706,164,540
Commercial/Industrial/Mineral	89,160,890
Public Utility Property:	
Real	66,410
Personal	934,595
Total Assessed Value	<u>\$796,326,435</u>

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 fifteen year 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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

7. INTERFUND ACTIVITY

During 2010, the County made a number of cash advances to various funds. As of December 31, 2010, \$547,672 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 \$207,008 to the General Fund from Other Governmental Funds and \$15,175 to the Sewer Fund and \$8,270 to the Motor Vehicle special revenue fund from Other Governmental Funds.

8. 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 2010, 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	40,158,000
Earthquake	36,000,000
Flood	36,000,000
Comprehensive Boiler and Machinery	50,000,000

There has been no significant reduction in insurance coverage from 2009 and settled claims have not exceeded this coverage in the past three years.

For 2010, 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 2010, 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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

8. RISK MANAGEMENT (Continued)

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 existing member subsequent to the settlement of all expenses and claims.

9. SIGNIFICANT CONTRACTUAL COMMITMENTS

The County had the following contractual commitments outstanding as of December 31, 2010:

<u>Contractor</u>	<u>Purpose</u>	<u>Commitment</u>
VTF Excavation, LLC	Deep Cut Road Widening	\$350,863
VTF Excavation, LLC	RK Davis Rider Ditch	87,518
Shinn Brothers	St. Anthony Road/Coldwater Creek Road Widening	316,985
Shinn Brothers	East Jefferson Phase 3	212,467
Saintington Excavating	Ft. Recovery Minster Road Reconstruction - East	17,085
Mastermind Systems	Sign Inventory/Inspection Township Roads	24,860
Eagle Bridge Company	Paving/Haul Route Damage - Tomlinson/Mendon Roads	120,332
Tom's Construction	Marion Township Sewer	687,117
David Bollinger	CHIP	25,150
Eicher Construction	CHIP	26,375
Fanning/Howey	Mendon Distress - Engineering	30,000
GM Mechanical	Adult Detention Facility	75,628

10. 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. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

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.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for public safety and law enforcement employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the state and local divisions may participate in all three plans, public safety and law enforcement divisions exist only within the traditional plan. For 2010, member and employer contribution rates were consistent across all three plans.

The County's 2010 contribution rate was 14 percent, except for those plan members in public safety or law enforcement, for whom the County's contribution was 17.87 percent of covered payroll. The portion of the County's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the County's contribution allocated to health care for members in the traditional plan was 5.5 percent from January 1, through February 28, 2010, and 5 percent from March 1, through December 31, 2010. The portion of the employer contribution allocated to health care for members in the combined plan was 4.73 percent from January 1, through February 28, 2010, and 4.23 percent from March 1, through December 31, 2010. Employer contribution rates are actuarially determined.

The County's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008 was \$1,089,351, \$958,879, and \$843,832, respectively; For 2010, 96 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008. Contributions to the member-directed plan for 2010 were \$16,006 made by the County and \$11,433 made by the plan members.

11. POSTEMPLOYMENT BENEFITS

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

In order 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 mandate, 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). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed 14 percent of covered payroll and public safety and law enforcement employers contributed 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for public safety and law enforcement employer units.

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 portion of the employer contribution allocated to health care for members in the traditional plan was 5.5 percent from January 1, through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of the employer contribution allocated to health care for members in the combined plan was 4.73 percent from January 1, through February 28, 2010, and 4.23 percent from March 1, through December 31, 2010.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided 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, 2010, 2009, and 2008 was \$606,714, \$677,870, and \$819,417, respectively. For 2010, 96 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS retirement board on September 9, 2004, was effective January 1, 2007. Member and employer contributions rates increased on January 1 of each year from 2006 to 2008. Rates for public safety and law enforcement employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

12. 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.

13. NOTE OBLIGATIONS

The changes in the County's note obligations during 2010 were as follows:

	<u>Interest Rate</u>	<u>Balance 12/31/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2010</u>
Governmental Activities:					
Bond Anticipation Notes:					
Road Improvement	2.74%	\$ 700,000		\$ 700,000	
Various Purpose Series 2009	2.67	156,200		156,200	
Various Purpose Series 2010	2.56		\$205,300		\$205,300
Adult Detention Facility	2.75	2,500,000		2,500,000	
Total Bond Anticipation Notes		<u>3,356,200</u>	<u>205,300</u>	<u>3,356,200</u>	<u>205,300</u>
Special Assessment Notes:					
Various Purpose Series 2009	2.70	210,000		210,000	
Various Purpose Series 2010	2.39		260,500		260,500
Total Special Assessment Notes		<u>210,000</u>	<u>260,500</u>	<u>210,000</u>	<u>260,500</u>
Total Governmental Activities		<u>\$3,566,200</u>	<u>\$465,800</u>	<u>\$3,566,200</u>	<u>\$465,800</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.

On December 12, 2008, the County issued bond anticipation notes, in the amount of \$700,000, to make road improvements within the County. These notes had an interest rate of 2.74 percent and were due to mature on December 11, 2009; however, the maturity of these notes was extended until February 9, 2010, at which time they were retired from a portion of the proceeds of a \$3.59 million bond issue. The notes were paid from the General Obligation Bond Anticipation Note debt service fund.

On April 30, 2010, the County issued bond anticipation notes, in the amount of \$205,300, to partially retire notes previously issued in 2009 for various ditches and improvements to the fairgrounds, in the amount of \$156,200. The notes have an interest rate of 2.56 percent and matured on April 29, 2011. The notes were paid from the Ditch Special Assessment Note debt service fund and the General Obligation Bond Anticipation Note debt service fund.

On March 10, 2009, the County issued bond anticipation notes, in the amount of \$2,500,000, to retire notes previously issued for the construction of an adult detention facility and for additional construction costs. The notes had an interest rate of 2.75 percent and matured on March 9, 2010. The notes were paid from the General Obligation Bond Anticipation Note debt service fund.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

13. NOTE OBLIGATIONS (Continued)

On September 17, 2010, the County issued bond anticipation notes, in the amount of \$260,500, to retire notes previously issued, in the amount of \$210,000, for additional improvements to the Sites Davis ditch, as well as for improvements to the Blythe Group tile, Amstutz-Downey Evers ditch, RK Davis Shaffer ditch, and Ebbing Howell ditch. The notes have an interest rate of 2.39 percent and will mature on September 16, 2011. The notes will be paid from the Ditch Special Assessment Note debt service fund and Ditch Construction debt service fund.

14. LONG-TERM OBLIGATIONS

The County's long-term debt activity for the year ended December 31, 2010, was as follows:

	Interest Rate	Balance 12/31/2009	Additions	Reductions	Balance 12/31/2010	Due Within One Year
Governmental Activities:						
General Obligation Bonds:						
1998 Central Services (Original Amount \$3,750,000)	4.85-5%	\$2,680,000		\$140,000	\$2,540,000	\$145,000
Adult Detention Facility (Original Amount \$10,500,000)	3.25-5	9,445,000		580,000	8,865,000	600,000
2010 Various Purpose - Road Improvements (Original Amount \$665,000)	2-3.75		\$665,000	65,000	600,000	60,000
2010 Various Purpose – Correctional Facility (Original Amount \$2,535,000)	2-4		2,535,000	180,000	2,355,000	170,000
2010 Various Purpose - Ditch Improvement (Original Amount \$390,000)	2-4		390,000	25,000	365,000	20,000
Total General Obligation Bonds		12,125,000	3,590,000	990,000	14,725,000	995,000
OPWC Loans:						
1995 Karch/Tama (Original Amount \$174,070)		43,517		8,703	34,814	4,352
1997 Siegrist-Jutte and Kahn Road Bridge (Original Amount \$256,554)		83,380		12,828	70,552	6,414
2001 Four Bridge Replacement (Original Amount \$76,979)		42,338		3,849	38,489	1,924
2002 Home Waterline Improvement (Original Amount \$80,000)		54,000		2,000	52,000	4,000
2002 Five Bridge Replacement (Original Amount \$60,000)		42,000		3,000	39,000	1,500
2005 Six Bridge Repair (Original Amount \$60,225)		46,675		3,011	43,664	1,506
2007 Bridge Replacement (Original Amount \$137,801)		127,466		6,890	120,576	3,445
2009 Carthagen Road (Original Amount \$300,000)		300,000		15,000	285,000	7,500
2009 Bridge Replacement (Original Amount \$157,500)		153,562		7,875	145,687	3,937

(Continued)

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

	Interest Rate	Balance 12/31/2009	Additions	Reductions	Balance 12/31/2010	Due Within One Year
Governmental Activities:						
General Obligation Bonds:						
OPWC Loans: (Continued)						
2010 Bridge Replacement			142,500	3,562	138,938	7,125
Total OPWC Loans		892,938	142,500	66,718	968,720	41,703
Sheriff Loan (Original Amount \$248,954)	6.92	140,378		64,054	76,324	76,324
Total Governmental Activities		<u>\$13,158,316</u>	<u>\$3,732,500</u>	<u>\$1,120,772</u>	<u>\$15,770,044</u>	<u>\$1,113,027</u>
	Interest Rate	Balance 12/31/2009	Additions	Reductions	Balance 12/31/2010	Due Within One Year
Business-Type Activities:						
Special Assessment Bonds						
1992 Southwest Sanitary Sewer (Original Amount \$148,600)	5.0%	\$51,600		\$9,300	\$42,300	\$9,800
OPWC Loans						
1993 Northwood Collection System (Original Amount \$55,600)		12,510		2,780	9,730	1,390
2003 Philothea Area Wastewater (Original Amount \$300,000)		187,500		15,000	172,500	7,500
Total OPWC Loans		<u>200,010</u>		<u>17,780</u>	<u>182,230</u>	<u>8,890</u>
OWDA Loans						
1988 MCI (Original Amount \$831,193)	2	102,730		40,519	62,211	20,460
2002 Staeger Road Sanitary Sewer (Original Amount \$109,521)	3.64	69,802		5,264	64,538	2,704
2002 SR 129 and Burge Road (Original Amount \$400,463)	3.49	268,795		18,387	250,408	9,435
2005 Lake Acres (Original Amount \$248,037)	2.75	232,570		12,718	219,852	6,490
East Jefferson Phase 3 Sewers		71,176	1,738,153	1,054,465	754,864	
West Jefferson Township Sewer (Original Amount \$1,214,964)		1,154,216		60,748	1,093,468	30,374
Marion Township Sewer	1	202,000	1,256,317		1,458,317	
Northeast Sanitary Sewers			45,000		45,000	
Planning and Design for Unsewered			3,980		3,980	
Total OWDA Loans		<u>2,101,289</u>	<u>3,043,450</u>	<u>1,192,101</u>	<u>3,952,638</u>	<u>69,463</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>	

(Continued)

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

	<u>Interest Rate</u>	<u>Balance 12/31/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2010</u>	<u>Due Within One Year</u>
Business-Type Activities: (Continued)						
Rural Industrial Park Loan						
2001 Rural Industrial Park - SR269 (Original Amount \$200,000)	0-3%	149,277		18,955	130,322	19,532
Total Business-Type Activities		<u>\$2,902,894</u>	<u>\$3,043,450</u>	<u>\$1,238,136</u>	<u>\$4,708,208</u>	<u>\$107,685</u>

A. General Obligation Bonds

All general obligation bonds are supported by the full faith and credit of Mercer County and are payable from un-voted 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>
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.

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

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. 2010 Various Purpose Bonds

The bonds maturing on or after December 1, 2020, are subject to optional redemption, in whole or in part, at the option of the County, on any date commencing on or after December 1, 2019, at the redemption price of 100 percent of the principal amount of the bonds being redeemed plus accrued interest to the redemption date.

E. 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.

F. 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 enterprise portion of the OPWC loans. Total principal remaining on the enterprise related loans is \$182,230, payable through December 2022. For the current year, principal paid was \$17,780. For 2010, the Sanitary Sewer enterprise fund had an operating loss of \$4,043,984.

G. 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.

H. 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 East Jefferson Phase 3 Sewers, Marion Township Sewer, Northeast Sanitary Sewers, and Planning and Design for Unsewered Area loans are not available until the completion of the project. Total principal and interest remaining on the completed OWDA loan projects is \$1,804,979, payable through December 2029. For the current year, principal and interest paid was \$1,212,180. For 2010, the Sanitary Sewer enterprise fund had an operating loss of \$4,043,984.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

I. 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.

J. Rural Industrial Park Loan

The County obtained a loan from the Rural Industrial Park Loan Program to acquire a public right-of-way and extend the sanitary sewer 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 \$142,911, payable through December 2017. For 2010, the Sanitary Sewer enterprise fund had an operating loss of \$4,043,984.

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, 2010, the County's overall debt margin was \$14,584,424 with an un-voted debt margin of \$4,139,424.

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

<u>Year</u>	<u>General Obligation Bonds</u>		<u>OPWC</u>	<u>Sheriff</u>
	<u>Principal</u>	<u>Interest</u>	<u>Loans</u>	<u>Loan</u>
			<u>Principal</u>	<u>Principal</u>
2011	\$ 995,000	\$ 580,396	\$ 41,703	\$76,324
2012	1,025,000	548,864	72,281	
2013	1,065,000	516,338	72,281	
2014	1,100,000	480,878	72,281	
2015	1,135,000	442,850	67,929	
2016-2020	6,290,000	1,514,991	266,577	
2021-2025	3,115,000	229,126	223,934	
2026-2030			151,734	
	<u>\$14,725,000</u>	<u>\$4,313,443</u>	<u>\$968,720</u>	<u>\$76,324</u>

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

Year	Special Assessment Bonds		OPWC Loans	OWDA Loans	
	Principal	Interest	Principal	Principal	Interest
2011	\$ 9,800	\$2,115	\$ 8,890	\$ 69,463	\$ 9,395
2012	10,300	1,625	17,780	140,671	17,044
2013	10,800	1,110	17,780	100,174	14,969
2014	11,400	570	17,780	101,468	13,673
2015			15,000	102,805	12,337
2016-2020			75,000	535,699	40,007
2021-2025			30,000	427,577	7,077
2026-2029				212,620	
	<u>\$42,300</u>	<u>\$5,420</u>	<u>\$182,230</u>	<u>\$1,690,477</u>	<u>\$114,502</u>

Year	Rural Industrial Park Loan	
	Principal	Interest
2011	\$ 19,532	\$ 3,643
2012	20,126	3,048
2013	20,738	2,436
2014	21,369	1,806
2015	22,019	1,156
2016-2017	26,538	500
	<u>\$130,322</u>	<u>\$12,589</u>

15. INTERFUND TRANSFERS

During 2010, transfers were made from the General Fund, the Motor Vehicle special revenue fund, and Other Governmental funds to Other Governmental funds, in the amount of \$1,226,507, \$64,718, and \$1,778,301, respectively, to subsidize operations of other funds and to make debt payments as they came due. The Sanitary Sewer enterprise fund transferred \$37,962 to the General Fund per a court order.

16. C.A. GROUP

**C.A. GROUP
STATEMENT OF NET ASSETS
DECEMBER 31, 2010**

Assets:	
Equity in Pooled Cash and Cash Equivalents	\$257,321
Accounts Receivable	63,798
Other Assets	832
Depreciable Capital Assets	361,861
Total Assets	<u>683,812</u>
Liabilities:	
Accounts Payable	43,825
Accrued Wages Payable	33,442
Intergovernmental Payable	1,377
Notes Payable	155,243
Total Liabilities	<u>233,887</u>
Net Assets:	
Unrestricted	<u>\$449,925</u>

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

16. C.A. GROUP (Continued)

**C.A. GROUP
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Operating Revenues:	
Charges for Services	\$925,989
Contributions	618,670
Other Operating Revenues	140,859
Total Operating Revenues	<u>1,685,518</u>
Operating Expenses:	
Personnel Services	918,863
Contractual Services	9,330
Materials and Supplies	270,445
Other Operating Expenses	621,949
Depreciation	49,033
Total Operating Expenses	<u>1,869,620</u>
Operating Loss	<u>(184,102)</u>
Non-Operating Revenues (Expenses)	
Grants	15,346
Donations	4,225
Interest Revenue	5,849
Interest Expense	<u>(7,251)</u>
Total Non-Operating Revenues (Expenses)	18,169
Change in Net Assets	(165,933)
Net Assets at Beginning of Year	<u>615,858</u>
Net Assets at End of Year	<u><u>\$449,925</u></u>

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

16. C.A. GROUP (Continued)

**C.A. GROUP
STATEMENT OF CASH FLOWS
DECEMBER 31, 2010**

Increase (Decrease) in Cash and Cash Equivalents

**Cash Flows from Operating Activities;
Continuing Operations:**

Cash Received from Customers	\$925,712
Cash Payments for Personal Services	(916,826)
Cash Payments to Suppliers	(299,144)
Cash Received from Other Revenues	140,859
Net Cash Used for Operating Activities	<u>(149,399)</u>

Cash Flows from Non-Capital Financing Activities:

Cash Received from Grants	15,346
Cash Received from Donations	4,225
Net Cash Provided by Non-Capital Financing Activities	<u>19,571</u>

Cash Flows from Capital and Related Financing Activities:

Acquisition of Capital Assets	(25,700)
Principal Paid on Notes	(5,949)
Interest Paid on Notes	(7,251)
Net Cash Used for Capital and Related Financing Activities	<u>(38,900)</u>

Cash Flows from Investing Activities:

Interest	<u>5,849</u>
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Net Decrease in Cash and Cash Equivalents (162,879)

Cash and Cash Equivalents at Beginning of Year 420,200

Cash and Cash Equivalents at End of Year \$257,321

Reconciliation of Operating Loss to Net Cash Used for Operating Activities:

Operating Loss (184,102)

Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:

Depreciation 49,033

Changes in Assets and Liabilities:

Increase in Accounts Receivable (2,522)

Decrease in Intergovernmental Receivable 2,245

Decrease in Accounts Payable (15,392)

Increase in Accrued Wages Payable 2,040

Decrease in Intergovernmental Payable (701)

Net Cash Used for Operating Activities (\$149,399)

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

16. 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. C. A. Group's bank balance of \$257,321 was fully covered by FDIC insurance.

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, 2010, was as follows:

	Balance 12/31/2009	Additions	Reductions	Balance 12/31/2010
Depreciable Capital Assets:				
Buildings	\$336,610			\$336,610
Equipment	182,531	\$25,700		208,231
Vehicles	171,813			171,813
Total Depreciable Capital Assets	690,954	25,700		716,654
Less Accumulated Depreciation for:				
Buildings	(22,441)	(16,830)		(39,271)
Equipment	(156,033)	(12,061)		(168,094)
Vehicles	(127,286)	(20,142)		(147,428)
Total Accumulated Depreciation	(305,760)	(49,033)		(354,793)
Depreciable Capital Assets, Net	\$385,194	(\$23,333)	\$0	\$361,861

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

16. 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 2010, 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 Three Customers

Three customers provide approximately 39 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 developmental disabilities 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 obligation during 2010 were as follows:

	Interest Rate	Balance 12/31/2009	Additions	Reductions	Balance 12/31/2010	Due Within One Year
Building Note	4.15%	\$161,192	\$0	\$5,949	\$155,243	\$6,201

The note was 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
2011	\$ 6,201	\$ 6,326
2012	6,463	6,064
2013	6,737	5,790
2014	7,021	5,506
2015	7,319	5,208
2016-2028	121,502	34,233
	<u>\$155,243</u>	<u>\$63,127</u>

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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The Commission makes plans and maps of the region showing the Commission's recommendations for systems of transportation, highways, park and recreational facilities, water supply, sewerage and sewage disposal, garbage disposal, civic centers, and other public improvements which affect the development of the region as a whole, or more than one political subdivision within the region and which do not begin and terminate within the boundaries of any single subdivision. During 2010, 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 2010, a tax levy provided \$670,924 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.

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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

18. INSURANCE POOLS

A. County Commissioners Association of Ohio Service Corporation

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

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

B. Midwest Pool Risk Management Agency, Inc.

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

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

C. Midwest Employee Benefit Consortium

The County participates in the Midwest Employee Benefit Consortium (MEBC), a public entity shared risk 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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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. RELATED PARTY TRANSACTIONS

During 2010, 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 \$618,670 for such contributions.

21. 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.

22. SUBSEQUENT EVENTS

On April 29, 2011, the County issued bond anticipation notes, in the amount of \$206,000, to partially retire notes previously issued for various ditches and improvements to the fairgrounds. The notes have an interest rate of 1.74 percent and mature on April 27, 2012.

23. BUDGETARY RECONCILIATION

The following tables summarize the adjustments necessary to reconcile the OCBOA 34 basis statements to the budgetary basis statements.

Net Change in Fund Balance General Fund	
Cash Basis	\$344,389
Increase (Decrease) Due To:	
Non-budgeted revenues from Agency Funds	(51,393)
Cash on Hand	883
Elimination of Self Insurance Fund	(1,710)
Encumbrances	(174,727)
Budget Basis	(\$117,442)

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

23. BUDGETARY RECONCILIATION (continued)

Net Change in Fund Balance Motor Vehicle Gas Tax Fund	
GAAP Basis	\$76,646
Increase (Decrease) Due To:	
Cash on Hand	133
Elimination of Self Insurance Fund	(301)
Encumbrances	<u>(1,070,511)</u>
Budget Basis	(\$994,033)

Net Change in Fund Balance Developmental Disabilities Fund	
Cash Basis	\$152,250
Increase (Decrease) Due To:	
Non-budgeted revenues from Agency Funds	(95,095)
Non-budgeted revenues held in outside accounts	(167,960)
Non-budgeted on-behalf expenditures	159,426
Elimination of Self Insurance Fund	(1,068)
Encumbrances	<u>(160,630)</u>
Budget Basis	(\$113,077)

**FINANCIAL CONDITION
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE, FOOD AND NUTRITION SERVICES			
<i>(Passed through Ohio Department of Job and Family Services)</i>			
Supplemental Nutrition Assistance Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance	G-1011-11-5082/JFSFFB11	10.561	\$29,818
	G-1011-11-5082/JFSFFB09		238
	G-1011-11-5082/JFSFFB10		121,257
	G-1011-11-5082/JFSFF110		8,672
State Administrative Matching Grants for the Supplemental Nutrition Assistance- ARRA	G-1011-11-5082/JFSFFB10S - Stimulus		9,797
Total Supplemental Nutrition Cluster			<u>169,782</u>
Total U.S. Department of Agriculture, Food and Nutrition Services			<u>169,782</u>
U.S. DEPARTMENT OF COMMERCE NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION			
<i>(Passed through Ohio Emergency Management Agency)</i>			
Public Safety Interoperable Communications	2007-GS-H7-0053	11.555	<u>70,437</u>
Total U.S. Department of Commerce			<u>70,437</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>(Passed through Ohio Department of Development)</i>			
Community Development Block Grants Cluster			
Community Development Block Grants/State's Program	B-C-09-1BX-1	14.228	99,274
	B-F-09-1BX-1		145,978
	B-F-08-1BX-1		<u>269,659</u>
			514,911
ARRA - Community Development Block Grants/State's Program	B-R-09-1BX-1	14.255	<u>282,120</u>
Total Community Development Block Grants Cluster			797,031
HOME Investment Partnership	B-C-09-1BX-2	14.239	<u>91,067</u>
Total U.S. Department of Housing and Urban Development			<u>888,098</u>
U.S. DEPARTMENT OF JUSTICE			
<i>(Passed through Attorney General's Crime Victim Services)</i>			
Crime Victim Assistance			
	2011VAGENE068	16.575	6,834
	2010VAGENE068		19,658
	2011SAGENE068		601
	2010SAGENE068		<u>2,639</u>
Total Crime Victim Assistance			29,732
<i>(Passed through Office of Criminal Justice Services)</i>			
Edward Byrne Memorial Justice Assistance Grant Program	2009-JG -LLE-5165	16.738	10,712
Edward Byrne Memorial Justice Assistance Grant Program - ARRA	2009-RA-CO1-2348	16.803	20,528
<i>(Passed through Bureau of Justice Assistance)</i>			
Bulletproof Vest Partnership Program	FY 2008 Regular Fund	16.607	2,504
	FY 2009 Regular Fund		<u>234</u>
Total Bulletproof Vest Partnership Program			<u>2,738</u>
Total U.S. Department of Justice			<u>63,710</u>

**FINANCIAL CONDITION
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010**

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 (FY09/PY09)	N/A	17.258	124,386
WIA - Adult (FY10/PY10)	N/A	17.258	208,205
WIA - Adult (FY09) - Stimulus	N/A	17.258	49,958
WIA - Adult (FY10/PY10) - Admin	N/A	17.258	31,239
WIA - Adult (FY09/PY09) - Admin	N/A	17.258	22,122
WIA - One Stop Resource Sharing-Multiple Grants (SFY10)	N/A	17.258	154
WIA - One Stop Resource Sharing-Multiple Grants (SFY11)	N/A	17.258	100
WIA - Special Project (SFY11)	N/A	17.258	63,172
WIA - Stimulus Ohio Learning Accounts	N/A	17.258	12,324
Total WIA - Adult			511,660
WIA - Youth (FY08)	N/A	17.259	153,052
WIA - Youth (FY09)	N/A	17.259	216,188
WIA - Youth (FY10)	N/A	17.259	8,419
ARRA - WIA - Youth (FY09)	N/A	17.259	73,798
WIA - Youth (FY10) - Admin	N/A	17.259	688
WIA - Youth (FY09) - Admin	N/A	17.259	2,098
Total WIA - Youth			454,243
WIA Dislocated Worker Formula Grant (PY10)	N/A	17.278	109,331
WIA - Dislocated Worker (FY10)	N/A	17.260	246,757
WIA - Dislocated Worker (FY09)	N/A	17.260	75,678
ARRA - WIA - Dislocated Worker (FY09)	N/A	17.260	105,810
WIA - Dislocated Worker (FY10) - Admin	N/A	17.260	27,418
WIA - Dislocated Worker (FY09/PY09) - Admin	N/A	17.260	39,197
ARRA - WIA - Dislocated Worker (FY09) - Admin	N/A	17.260	9,377
WIA - Rapid Response (FY 10)	N/A	17.260	48,740
Total WIA - Dislocated Worker/Rapid Response			552,977
Total Workforce Investment Act (WIA) Cluster			1,628,211
WIA - Employment Service/Wagner-Peyser Funded Activities(SFY10) - ARRA	N/A	17.207	29,746
WIA - Employment Service/Wagner-Peyser Funded Activities(SFY11) - ARRA	N/A	17.207	7,779
Total WIA - Employment Service/Wagner-Peyser Funded Activities			37,525
WIA Dislocated Veterans' Outreach Program (SFY10)	N/A	17.801	8,196
WIA Dislocated Veterans' Outreach Program (SFY11)	N/A	17.801	1,895
Total WIA Dislocated Veterans' Outreach Program			10,091
WIA Local Veterans' Employment Representative Program (SFY10)	N/A	17.804	385
WIA Local Veterans' Employment Representative Program (SFY11)	N/A	17.804	199
Total WIA Local Veterans' Employment Representative Program			584
Total U.S. Department of Labor			1,676,411
U.S DEPARTMENT OF TRANSPORTATION			
<i>(Passed through Ohio Department of Transportation)</i>			
Job Access_Reverse Commute Program	JARC-4054-071-091	20.516	106,606
Highway Planning and Construction	PID #79582	20.205	801,845
	PID #79581		239,176
	PID #83354		903,739
	PID #83314		652,193
	PID # 87787		555
	PID #87063		70,529
	PID #82178		341,971
	CRD-0054-002-091 - 2009		7,873
	CRD-0054-002-091 - 2010		49,235
Total Highway Planning and Construction			3,067,116
Total U.S. Department of Transportation			3,173,722

**FINANCIAL CONDITION
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. ELECTION ASSISTANCE COMMISSION			
<i>(Passed through Ohio Secretary of State)</i>			
Help America Vote Act	N/A	90.401	467
Total U.S. Election Assistance Commission			<u>467</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>(Passed through Ohio Department of Job & Family Services)</i>			
Child Support Enforcement	G-1001-11-5083/JFSFCS10	93.563	99,665
	G-1001-11-5083/JFSFCS11		87,719
ARRA - Child Support Enforcement	G-1001-11-5083/JFSFCS10S		138,434
ARRA - Child Support Enforcement	G-1001-11-5083/JFSFCS09S		<u>37,011</u>
Total ARRA - Child Support Enforcement			362,829
TANF Cluster			
Temporary Assistance for Needy Families	G-1011-11-5082/JFSFTF10	93.558	484,387
	G-1011-11-5082/JFSFTF11		<u>150,847</u>
Total Temporary Assistance for Needy Families			635,234
ARRA - Temporary Assistance for Needy Families- Emergency Contingency Fund - Summer Youth - Cluster	G-1011-11-5082/JFSFTF10S	93.714	<u>54,402</u>
Total TANF Cluster			689,636
Adoption Assistance - Adopt Ohio	G-1011-11-5082/JFSFAA10	93.659	2,494
	G-1011-11-5082/JFSFAA11		<u>1,216</u>
Total			3,710
Title IV-E - Foster Care	G-1011-11-5082/JFSFFC11	93.658	1,216
Title IV-E - Foster Care	G-1011-11-5082/JFSFFC10		1,744
ARRA - Title IV-E - Foster Care	G-1011-11-5082		17,453
Title IV-E - Foster Care	G-1011-11-5082		<u>225,638</u>
			246,051
Child Welfare Services_State Grants	G-1011-11-5082/JFSCW11	93.645	10,316
	G-1011-11-5082/JFSCW10		<u>30,863</u>
Total			41,179
Promoting Safe and Stable Families	G-1011-11-5082/JFSFMC10	93.556	32,406
	G-1011-11-5082/JFSFMC11		<u>9,101</u>
Total			41,507
Child Care Cluster:			
Child Care and Development Block Grant	G-1011-11-5082/JFSFCD11	93.575	721
	G-1011-11-5082/JFSFCD10		<u>2,312</u>
Total Child Care and Development Block Grant			3,033
Child Care Mandatory and Matching Funds of the Child Care and Development	G-1011-11-5082/JFSFCG10	93.596	26,297
	G-1011-11-5082/JFSFCM10		4,605
	G-1011-11-5082/JFSFCM11		11,528
	G-1011-11-5082/JFSFCD11		<u>721</u>
Total Child Care Mandatory and Matching Funds of the Child Care and Development			43,151
Total Child Care Cluster			46,184
<i>(Passed through Ohio Department of MRDD)</i>			
Social Services Block Grant Program	MR-54	93.667	30,159
<i>(Passed through Ohio Department of Job & Family Services)</i>			
Social Services Block Grant Program	G-1011-11-5082/JFSFSS11	93.667	15,572
	G-1011-11-5082/JFSFSS10		108,932
	G-1011-11-5082/JFSFTX11		57,761
	G-1011-11-5082/JFSFTX10		<u>141,810</u>
Total Social Services Block Grant Program			354,234

**FINANCIAL CONDITION
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<i>(Passed through the Ohio Secretary of State)</i>			
Voting Access for Individuals with Disabilities_Grants to States	N/A	93.617	2,489
<i>(Passed through Ohio Department of MRDD)</i>			
Medical Assistance Program - ARRA	5400015	93.778	54,051
<i>(Passed through Ohio Department of Job & Family Services)</i>			
Medical Assistance Program	G-1011-11-5082/JFSFMT11	93.778	46,632
	G-1011-11-5082/JFSFMT10		<u>153,897</u>
Total Medical Assistance Program			254,580
Grants to States for Access and Visitation Programs	N/A	93.597	33,956
Chafee Foster Care Independence Program	G-1011-11-5082/JFSFIL11	93.674	672
	G-1011-11-5082/JFSFIL10		<u>5,336</u>
Total Chafee Foster Care Independence Program			6,008
Child Abuse and Neglect State Grant	G-1011-11-5082/JFSFTFO	93.669	<u>1,958</u>
Total U.S. Department of Health and Human Services			<u>2,084,321</u>
U.S DEPARTMENT OF HOMELAND SECURITY			
<i>(Passed through Ohio Emergency Management Agency)</i>			
Homeland Security Grant	2009-SS-T9-0089	97.067	56,337
	2008-GE-T8-0025		200
	2007-GE-T7-0030		<u>9,173</u>
Total Homeland Security Grant			65,710
Hazard Mitigation Grant	FEMA-DR-1805-OH	97.039	225
<i>(Passed through Ohio Department of Public Safety)</i>			
Emergency Management Performance	2010-EP-00-003	97.042	48,434
	2009-EP-E9-0061	97.042	<u>5,228</u>
Total Emergency Management Performance			<u>53,662</u>
Total U.S. Department of Homeland Security			<u>119,597</u>
Total Federal Assistance			<u><u>\$8,246,545</u></u>

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

**MERCER COUNTY FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports Mercer County's (the County's) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B – SUB-RECIPIENTS

The County passes certain federal awards received from Ohio Department of Job and Family Services to other governments or not-for-profit agencies (sub-recipients). As Note A describes, the County reports expenditures of Federal awards to sub-recipients when paid in cash.

As a sub-recipient, the government has certain compliance responsibilities, such as monitoring its sub-recipients to help assure they use these sub-awards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and sub-recipients achieve the award's performance goals.

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

The County has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs and also to lend money 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.). 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. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

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

Activity in the CDBG revolving loan fund during 2010 is as follows:

Beginning loans receivable balance as of January 1, 2010	\$2,481,909
Loans made	252,000
Loan principal repaid	<u>252,044</u>
Ending loans receivable balance as of December 31, 2010	\$2,481,865
Cash balance on hand in the revolving loan fund as of December 31, 2010	\$467,691

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2010, the County estimates \$24,251 to be uncollectible and \$513,423 in loans are 60 days past due.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**MERCER COUNTY FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE E - TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2010, the County made allowable transfers of \$199,571 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County spent approximately \$720,777 on the TANF program. The amount reported for the TANF program on the Schedule excludes the amount transferred to the SSBG program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2010 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$920,348
Transfer to Social Services Block Grant	<u>(199,571)</u>
Total Temporary Assistance for Needy Families	<u>\$720,777</u>

NOTE F – FEDERAL SCHEDULE ADJUSTMENTS

The Ohio Department of Job and Family Services (ODJFS) sub-awarded to Mercer County, Federal funding from the U.S. Department of Health and Human Services. Although these programs were administered at the County level, in July 2010 ODJFS adjusted some of the County's child care expenditures to align them with available funding sources. ODJFS' adjustments were retroactive to the beginning of the grant period (October 1, 2009). Therefore, these July 2010 adjustments affect 2009 calendar-year program expenditures previously reported as follows:

Program	CFDA #	Pass through #	2009 Federal Expenditures Reported	July 2010 Adjustment	Adjusted 2009 Federal Expenditures Reported
Child Care and Development Block Grant	93.575	G-1011-11-5084/ G89-20-1111	\$17,856		\$17,856
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G-1011-11-5084/G89-20-1111	50,000		50,000
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G-1011-11-5084/G89-20-1111	244,672	(\$80,241)	164,431
Total Child Care Cluster			312,528	(80,241)	232,287
Temporary Assistance for Needy Families	93.558	G-1011-11-5082/G89-20-1111	1,313,039	(35,284)	1,277,755



Dave Yost • 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
Celina, Ohio 45822

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mercer County, (the County) as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 1, 2011, wherein we noted the County uses a comprehensive basis of accounting other than generally accepted accounting principles. As disclosed in Note 3, the County restated the beginning fund balances in the Developmental Disabilities and Other Governmental Funds. We also noted the C.A. group (a component unit) was not reported with the financial data of the county, but rather was presented as a related note disclosure as Note 16. Other auditors audited Note 16, 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and timely corrected.

Our consideration of 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 internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-01.

We did note certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 1, 2011.

The County's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the County's response and, accordingly, we express no opinion on it.

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

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

Dave Yost
Auditor of State

September 1, 2011



Dave Yost • Auditor of State

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

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

To the Board of County Commissioners:

Compliance

We have audited the compliance of Mercer County (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Mercer County's major federal programs for the year ended December 31, 2010. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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.

As described in finding 2010-02 in the accompanying schedule of findings, the County did not comply with requirements regarding Cash Management applicable to its Community Development Block Grant and Community Development Block Grant – ARRA major federal programs. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Mercer County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2010.

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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2010-02 to be a material weakness.

We also noted certain matters not required inclusion in this report that we report to the County's management in a separate letter dated September 1, 2011.

The County's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the County's response and, accordingly, we express no opinion on it.

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.



Dave Yost
Auditor of State

September 1, 2011

**MERCER COUNTY FINANCIAL CONDITION
MERCER COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010**

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 significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA#14.228 and 14.255 - Community Development Block Grant and ARRA-Community Development Block Grant CFDA#93.558 and 93.714 - Temporary Assistance for Needy Families and ARRA-Temporary Assistance for Needy Families – State Program – Emergency Contingency Fund – Summer Youth CFDA #93.658 - Title VI-E Foster Care and ARRA-Title VI-E Foster Care CFDA# 93.563 - Child Support Enforcement Agency and ARRA – Child Support Enforcement
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

MERCER COUNTY FINANCIAL CONDITION
MERCER COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010
(Continued)

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

1. Ohio Rev. Code Section 117.38

Finding Number	2010-01
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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 as not prescribed a rule regarding the form of the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio 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 financial 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 its annual financial statements in accordance with generally accepted accounting principles to present accurately financial statements that report assets, liabilities, and other disclosures.

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.

**MERCER COUNTY FINANCIAL CONDITION
MERCER COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

1. Cash Management Noncompliance

Finding Number	2010-02
CFDA Title and Number	CFDA #14.228 – Community Development Block Grant and #14.255 Community Development Block Grants/State’s Program - ARRA
Federal Award Number / Year	B-F-08-1BX-1, B-F-09-1BX-1 and B-R-09-1BX-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance/Material Weakness

Ohio Department of Development Rules and Regulations – Cash Management

24 CFR Section 85.21(c) states that grantees and sub-grantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or sub-grantee.

Furthermore, **Ohio Department of Development, Office of Housing and Community Partnerships Financial Management Rules and Regulations, Section (A)(3)(f)** states that Grantee must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds.

We noted that the CDBG fund (2209), Grant B-R-09-1BX-1 had a balance of \$178,781 on March 25, 2010 and did not get to a balance less than \$5,000 throughout the remainder of the year. Grant B-F-08-1BX-1 (Fund 2201) was over \$5,000 at February 10, 2010 and did not go below \$5,000 until June 24, 2010. Grant B-F-09-1BX-1 (Fund 2201) was over \$5,000 at May 19, 2010 and did not go below \$5,000 until September 20, 2010.

The County should develop a cash management system to monitor the fifteen day rule regarding the prompt disbursement of funds and also use the program income revenues before drawing other funds. The County should then submit Requests for Payments for current cash needs and monitor the receipts, disbursements, and balances of the Community Development Block Grant funds to avoid excessive federal fund cash balances.

Client Response:

We will try to coordinate with the project engineer and contractor to better anticipate the amounts and dates pay applications will be submitted for payment.

**MERCER COUNTY FINANCIAL CONDITION
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-001	Ohio Rev. Code Section 3375.52 – Finding repaid under audit for overpayment to law library.	Yes	
2009-002	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 2010-01
2009-003	Failure to reconcile between the finance system and subsidiary property tax system	Yes	
2009-004	Failure to cancel invalid purchase orders at yearend	No	See management letter comment



Dave Yost • Auditor of State

MERCER COUNTY FINANCIAL CONDITION

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 29, 2011