



Dave Yost • Auditor of State

**MERCER COUNTY
DECEMBER 31, 2016**

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MERCER COUNTY
DECEMBER 31, 2016

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Mercer County, Ohio (the County), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, 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, Ohio, as of December 31, 2016, and the respective changes in cash financial position and where applicable cash flows and the respective budgetary comparison for the General, Motor Vehicle, Developmental Disabilities, and Adult Detention Facility funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2016, the County restated beginning governmental and business-type activities net position and other governmental fund balance as management reclassified a fund to appropriately reflect the purpose of the fund. We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

January 31, 2018

Mercer County
Statement of Net Position - Cash Basis
December 31, 2016

	Governmental Activities	Business- Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$16,981,223	\$3,158,068	\$20,139,291
Cash and Cash Equivalents in Segregated Accounts	13,143	0	13,143
Cash and Cash Equivalents with Fiscal Agent	804,331	0	804,331
Total Assets	\$17,798,697	\$3,158,068	\$20,956,765
<u>Net Position</u>			
Restricted for			
Debt Service	\$61,445	\$0	\$61,445
Capital Projects	545,484	0	545,484
Other Purposes	11,309,709	0	11,309,709
Unrestricted	5,882,059	3,158,068	9,040,127
Total Net Position	\$17,798,697	\$3,158,068	\$20,956,765

See Accompanying Notes to the Basic Financial Statements

Mercer County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2016

	Program Receipts		
Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	
<u>Governmental Activities</u>			
General Government			
Legislative and Executive	\$5,804,508	\$1,790,116	\$145,648
Judicial	2,031,431	874,793	201,166
Public Safety	5,570,565	395,659	640,549
Public Works	7,644,139	1,510,983	7,640,974
Health	1,236,087	115,165	85,595
Human Services	10,703,023	182,224	6,117,620
Conservation and Recreation	315,462	0	9,547
Economic Development and Assistance	858,607	0	146,833
Capital Outlay	563,917	0	0
Debt Service			
Principal Retirement	1,791,667	0	0
Interest and Fiscal Charges	374,609	0	0
Payment to Refunded Bond Escrow Agent	4,589,870	0	0
Total Governmental Activities	41,483,885	4,868,940	14,987,932
<u>Business-Type Activities</u>			
Sanitary Sewer	2,835,029	1,548,349	245,000
Other Enterprise			
Water	71,997	39,888	0
Solid Waste	91,690	88,691	0
Ambulance	1,141,410	963,653	42,374
Total Business-Type Activities	4,140,126	2,640,581	287,374
Total	\$45,624,011	\$7,509,521	\$15,275,306

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
Donations
Other
General Obligation Bonds Issued
Premium on Bonds Issued
OWDA Loans Issued

Total General Receipts

Advances

Transfers

Total General Receipts, Advances, and Transfers

Change in Net Position

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

Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Disbursements) Receipts and
Change in Net Position

Governmental Activities	Business-Type Activities	Total
(\$3,868,744)	\$0	(\$3,868,744)
(955,472)	0	(955,472)
(4,534,357)	0	(4,534,357)
1,507,818	0	1,507,818
(1,035,327)	0	(1,035,327)
(4,403,179)	0	(4,403,179)
(305,915)	0	(305,915)
(711,774)	0	(711,774)
(563,917)	0	(563,917)
(1,791,667)	0	(1,791,667)
(374,609)	0	(374,609)
(4,589,870)	0	(4,589,870)
(21,627,013)	0	(21,627,013)
0	(1,041,680)	(1,041,680)
0	(32,109)	(32,109)
0	(2,999)	(2,999)
0	(135,383)	(135,383)
0	(1,212,171)	(1,212,171)
(21,627,013)	(1,212,171)	(22,839,184)
2,455,862	0	2,455,862
4,049,851	0	4,049,851
670,044	0	670,044
5,428,831	0	5,428,831
2,713,890	0	2,713,890
1,301,810	0	1,301,810
387,509	0	387,509
25	0	25
2,196,287	42,905	2,239,192
4,475,000	0	4,475,000
213,575	0	213,575
0	993,338	993,338
23,892,684	1,036,243	24,928,927
(38,811)	38,811	0
424	(424)	0
23,854,297	1,074,630	24,928,927
2,227,284	(137,541)	2,089,743
15,571,413	3,295,609	18,867,022
17,798,697	\$3,158,068	\$20,956,765

Mercer County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2016

	General	Motor Vehicle	Developmental Disabilities	Adult Detention Facility
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,821,918	\$2,690,302	\$2,418,948	\$2,794,886
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Cash and Cash Equivalents with Fiscal Agent	0	0	804,331	0
<u>Restricted Assets</u>				
Equity in Pooled Cash and Cash Equivalents	154,732	0	0	0
Total Assets	\$2,976,650	\$2,690,302	\$3,223,279	\$2,794,886
<u>Fund Balances</u>				
Nonspendable	\$154,732	\$0	\$0	\$0
Restricted	9,326	2,690,302	3,223,279	0
Committed	0	0	0	2,794,886
Assigned	2,812,592	0	0	0
Total Fund Balances	\$2,976,650	\$2,690,302	\$3,223,279	\$2,794,886

See Accompanying Notes to the Basic Financial Statements

Other	
<u>Governmental</u>	<u>Total</u>
\$6,100,437	\$16,826,491
13,143	13,143
0	804,331
<u>0</u>	<u>154,732</u>
<u>\$6,113,580</u>	<u>\$17,798,697</u>

\$0	\$154,732
5,838,999	11,761,906
178,264	2,973,150
96,317	2,908,909
<u>\$6,113,580</u>	<u>\$17,798,697</u>

Mercer County
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General	Motor Vehicle	Developmental Disabilities	Adult Detention Facility
<u>Receipts</u>				
Property Taxes	\$2,455,862	\$0	\$4,049,851	\$0
Sales Taxes	5,428,831	0	0	2,713,890
Special Assessments	0	0	0	0
Charges for Services	1,905,855	634,409	94,695	0
Licenses and Permits	2,065	0	0	0
Fines and Forfeitures	36,263	34,567	0	0
Intergovernmental	1,522,149	7,308,253	2,427,771	25,727
Interest	377,391	30,988	9,788	0
Donations	32,025	0	4,302	0
Other	675,696	25,609	182,862	5,972
Total Receipts	12,436,137	8,033,826	6,769,269	2,745,589
<u>Disbursements</u>				
Current				
General Government				
Legislative and Executive	4,808,580	0	0	0
Judicial	1,733,095	0	0	0
Public Safety	2,566,336	0	0	1,959,408
Public Works	9,598	6,844,616	0	0
Health	363,441	0	0	0
Human Services	339,935	0	5,819,642	0
Conservation and Recreation	283,309	0	0	0
Economic Development and Assistance	415,126	0	0	0
Other	0	0	0	0
Capital Outlay	0	0	0	0
Debt Service				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Disbursements	10,519,420	6,844,616	5,819,642	1,959,408
Excess of Receipts Over (Under) Disbursements	1,916,717	1,189,210	949,627	786,181
<u>Other Financing Sources (Uses)</u>				
General Obligation Bonds Issued	0	0	0	0
Premium on Bonds Issued	0	0	0	0
Payment to Refunded Bond Escrow Agent	0	0	0	0
Advances In	2,092,882	3,800	0	0
Advances Out	(2,628,302)	(63,214)	0	0
Transfers In	0	0	0	824,150
Transfers Out	(1,302,036)	(534,302)	0	(1,195,357)
Total Other Financing Sources (Uses)	(1,837,456)	(593,716)	0	(371,207)
Changes in Fund Balances	79,261	595,494	949,627	414,974
Fund Balances at Beginning of Year - Restated (Note 3)	2,897,389	2,094,808	2,273,652	2,379,912
Fund Balances at End of Year	\$2,976,650	\$2,690,302	\$3,223,279	\$2,794,886

See Accompanying Notes to the Basic Financial Statements

Other Governmental	Total
\$670,044	\$7,175,757
0	8,142,721
670,196	670,196
1,246,569	3,881,528
155,850	157,915
88,471	159,301
4,835,121	16,119,021
97,297	515,464
6,464	42,791
1,306,148	2,196,287
<u>9,076,160</u>	<u>39,060,981</u>
987,576	5,796,156
298,336	2,031,431
1,044,821	5,570,565
789,925	7,644,139
872,646	1,236,087
4,543,446	10,703,023
32,153	315,462
443,481	858,607
8,352	8,352
563,917	563,917
1,791,667	1,791,667
374,609	374,609
<u>11,750,929</u>	<u>36,894,015</u>
<u>(2,674,769)</u>	<u>2,166,966</u>
4,475,000	4,475,000
213,575	213,575
(4,589,870)	(4,589,870)
2,605,572	4,702,254
(2,049,549)	(4,741,065)
2,240,272	3,064,422
(32,303)	(3,063,998)
<u>2,862,697</u>	<u>60,318</u>
187,928	2,227,284
<u>5,925,652</u>	<u>15,571,413</u>
<u>\$6,113,580</u>	<u>\$17,798,697</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, 2016

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts</u>				
Property Taxes	\$2,606,000	\$2,606,000	\$2,438,808	(\$167,192)
Sales Taxes	5,000,000	5,000,000	5,428,831	428,831
Charges for Services	1,902,264	1,902,264	1,903,116	852
Licenses and Permits	2,100	2,100	2,065	(35)
Fines and Forfeitures	31,000	31,000	36,227	5,227
Intergovernmental	1,453,681	1,453,681	1,522,149	68,468
Interest	394,393	394,393	377,717	(16,676)
Donations	0	31,000	32,025	1,025
Other	737,748	737,748	675,696	(62,052)
Total Receipts	12,127,186	12,158,186	12,416,634	258,448
<u>Disbursements</u>				
<u>Current</u>				
<u>General Government</u>				
Legislative and Executive	5,972,994	5,381,982	5,021,213	360,769
Judicial	1,787,596	1,919,384	1,767,819	151,565
Public Safety	3,515,473	2,760,133	2,706,443	53,690
Public Works	154,586	9,647	9,598	49
Health	313,058	365,599	364,108	1,491
Human Services	433,922	418,428	366,511	51,917
Conservation and Recreation	284,800	284,800	283,309	1,491
Economic Development and Assistance	344,010	505,510	419,051	86,459
Total Disbursements	12,806,439	11,645,483	10,938,052	707,431
Excess of Receipts Over (Under) Disbursements	(679,253)	512,703	1,478,582	965,879
<u>Other Financing Sources (Uses)</u>				
Advances In	5,848	5,848	2,092,882	2,087,034
Advances Out	(31,621)	(504,702)	(2,628,302)	(2,123,600)
Transfers Out	(134,250)	(1,302,036)	(1,302,036)	0
Total Other Financing Sources (Uses)	(160,023)	(1,800,890)	(1,837,456)	(36,566)
Changes in Fund Balance	(839,276)	(1,288,187)	(358,874)	929,313
Fund Balance at Beginning of Year	2,408,109	2,408,109	2,408,109	0
Prior Year Encumbrances Appropriated	310,293	310,293	310,293	0
Fund Balance at End of Year	\$1,879,126	\$1,430,215	\$2,359,528	\$929,313

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, 2016

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts</u>				
Charges for Services	\$621,750	\$621,750	\$634,409	\$12,659
Fines and Forfeitures	30,000	30,000	34,548	4,548
Intergovernmental	10,082,821	11,059,318	7,308,253	(3,751,065)
Interest	15,000	15,000	30,988	15,988
Other	60,500	60,500	25,609	(34,891)
Total Receipts	10,810,071	11,786,568	8,033,807	(3,752,761)
<u>Disbursements</u>				
Current				
Public Works	10,418,858	11,375,541	10,921,540	454,001
Excess of Receipts Over (Under) Disbursements	391,213	411,027	(2,887,733)	(3,298,760)
<u>Other Financing Sources (Uses)</u>				
Advances In	1,600	1,600	3,800	2,200
Advances Out	0	(63,214)	(63,214)	0
Transfers Out	(547,182)	(557,666)	(534,302)	23,364
Total Other Financing Sources (Uses)	(545,582)	(619,280)	(593,716)	25,564
Changes in Fund Balance	(154,369)	(208,253)	(3,481,449)	(3,273,196)
Fund Balance at Beginning of Year	1,464,285	1,464,285	1,464,285	0
Prior Year Encumbrances Appropriated	623,125	623,125	623,125	0
Fund Balance (Deficit) at End of Year	\$1,933,041	\$1,879,157	(\$1,394,039)	(\$3,273,196)

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Receipts</u>				
Property Taxes	\$3,859,000	\$3,859,000	\$4,021,933	\$162,933
Charges for Services	110,000	110,000	94,695	(15,305)
Intergovernmental	2,221,046	2,221,046	2,427,771	206,725
Donations	3,000	3,000	4,302	1,302
Other	36,870	36,870	81,861	44,991
Total Receipts	6,229,916	6,229,916	6,630,562	400,646
<u>Disbursements</u>				
<u>Current</u>				
Human Services	6,610,627	7,108,627	6,394,631	713,996
Changes in Fund Balance	(380,711)	(878,711)	235,931	1,114,642
Fund Balance at Beginning of Year	1,883,609	1,883,609	1,883,609	0
Prior Year Encumbrances Appropriated	13,752	13,752	13,752	0
Fund Balance at End of Year	\$1,516,650	\$1,018,650	\$2,133,292	\$1,114,642

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
Adult Detention Facility Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts</u>				
Sales Taxes	\$2,400,000	\$2,400,000	\$2,713,890	\$313,890
Intergovernmental	15,000	15,000	25,727	10,727
Other	0	0	5,972	5,972
Total Receipts	2,415,000	2,415,000	2,745,589	330,589
<u>Disbursements</u>				
Current				
Public Safety	2,083,305	2,110,163	2,063,848	46,315
Excess of Receipts Over Disbursements	331,695	304,837	681,741	376,904
<u>Other Financing Sources (Uses)</u>				
Transfers In	824,150	824,150	824,150	0
Transfers Out	(1,197,425)	(1,197,425)	(1,195,357)	2,068
Total Other Financing Sources (Uses)	(373,275)	(373,275)	(371,207)	2,068
Changes in Fund Balance	(41,580)	(68,438)	310,534	378,972
Fund Balance at Beginning of Year	2,277,272	2,277,272	2,277,272	0
Prior Year Encumbrances Appropriated	102,640	102,640	102,640	0
Fund Balance at End of Year	\$2,338,332	\$2,311,474	\$2,690,446	\$378,972

See Accompanying Notes to the Basic Financial Statements

Mercer County
Statement of Fund Net Position - Cash Basis
Enterprise Funds
December 31, 2016

	Sanitary Sewer	Other Enterprise	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,898,956	\$1,259,112	\$3,158,068
<u>Net Position</u>			
Unrestricted	\$1,898,956	\$1,259,112	\$3,158,068

See Accompanying Notes to the Basic Financial Statements

Mercer County
Statement of Revenues, Expenses, and Changes in Fund Net Position - Cash Basis
Enterprise Funds
For the Year Ended December 31, 2016

	Sanitary Sewer	Other Enterprise	Total
<u>Operating Revenues</u>			
Charges for Services	\$1,548,349	\$1,092,232	\$2,640,581
Donations	0	3,100	3,100
Other	16,644	26,261	42,905
Total Operating Revenues	<u>1,564,993</u>	<u>1,121,593</u>	<u>2,686,586</u>
<u>Operating Expenses</u>			
Personal Services	368,231	172,835	541,066
Contractual Services	1,806,498	669,556	2,476,054
Materials and Supplies	168,724	462,706	631,430
Other	96	0	96
Debt Service			
Principal Retirement	443,020	0	443,020
Total Operating Expenses	<u>2,786,569</u>	<u>1,305,097</u>	<u>4,091,666</u>
Operating Income (Loss)	<u>(1,221,576)</u>	<u>(183,504)</u>	<u>(1,405,080)</u>
<u>Non-Operating Revenues (Expenses)</u>			
Grants	245,000	39,274	284,274
OWDA Loans Issued	993,338	0	993,338
Interest Expense	(48,460)	0	(48,460)
Total Non-Operating Revenues (Expenses)	<u>1,189,878</u>	<u>39,274</u>	<u>1,229,152</u>
Loss Before Advances and Transfers	(31,698)	(144,230)	(175,928)
Advances In	62,850	90,142	152,992
Advances Out	(87,275)	(26,906)	(114,181)
Transfers In	2,800	0	2,800
Transfers Out	0	(3,224)	(3,224)
Changes in Net Position	(53,323)	(84,218)	(137,541)
Net Position at Beginning of Year	<u>1,952,279</u>	<u>1,343,330</u>	<u>3,295,609</u>
Net Position at End of Year	<u>\$1,898,956</u>	<u>\$1,259,112</u>	<u>\$3,158,068</u>

See Accompanying Notes to the Basic Financial Statements

Mercer County
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2016

	Sanitary Sewer	Other Enterprise	Total
Increases (Decreases) in Cash and Cash Equivalents			
<u>Cash Flows from Operating Activities</u>			
Cash Received from Customers	\$1,548,349	\$1,092,232	\$2,640,581
Cash Received from Donations	0	3,100	3,100
Cash Received from Other Revenues	16,644	26,261	42,905
Cash Payments for Personal Services	(368,231)	(172,835)	(541,066)
Cash Payments for Contractual Services	(1,806,498)	(669,556)	(2,476,054)
Cash Payments for Supplies	(168,724)	(462,706)	(631,430)
Cash Payments for Other Expenses	(96)	0	(96)
Net Cash Used for Operating Activities	<u>(778,556)</u>	<u>(183,504)</u>	<u>(962,060)</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Cash Received from Grants	245,000	39,274	284,274
Cash Received from Advances In	62,850	90,142	152,992
Cash Payments for Advances Out	(87,275)	(26,906)	(114,181)
Cash Received from Transfers In	2,800	0	2,800
Cash Payments for Transfers Out	0	(3,224)	(3,224)
Net Cash Provided by Noncapital Financing Activities	<u>223,375</u>	<u>99,286</u>	<u>322,661</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Principal Paid on OPWC Loans	(15,000)	0	(15,000)
OWDA Loans Issued	993,338	0	993,338
Principal Paid on OWDA Loans	(345,331)	0	(345,331)
Interest Paid on OWDA Loans	(47,934)	0	(47,934)
Principal Paid on Rural Industrial Park Loan	(22,689)	0	(22,689)
Interest Paid on Rural Industrial Park Loan	(526)	0	(526)
Principal Paid on Midwest Electric Loan	(60,000)	0	(60,000)
Net Cash Provided by Capital and Related Financing Activities	<u>501,858</u>	<u>0</u>	<u>501,858</u>
Net Decrease in Cash and Cash Equivalents	(53,323)	(84,218)	(137,541)
Cash and Cash Equivalents at Beginning of Year	<u>1,952,279</u>	<u>1,343,330</u>	<u>3,295,609</u>
Cash and Cash Equivalents at End of Year	<u>\$1,898,956</u>	<u>\$1,259,112</u>	<u>\$3,158,068</u>

See Accompanying Notes to the Basic Financial Statements

Mercer County
Statement of Cash Basis Fiduciary Net Position
Agency Funds
December 31, 2016

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$6,402,934
Cash and Cash Equivalents in Segregated Accounts	<u>469,063</u>
Total Assets	<u><u>\$6,871,997</u></u>
 <u>Net Position</u>	
Undistributed Assets	<u><u>\$6,871,997</u></u>

See Accompanying Notes to the Basic Financial Statements

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Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 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, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the County. There were no component units of Mercer County in 2016.

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

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity (continued)

The County participates in five jointly governed organizations, three insurance pools, and two related organizations. These organizations are presented in Notes 18, 19, and 20 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.
Grand Lake Saint Marys Lake Facilities Authority
County Commissioners Association of Ohio Service Corporation
Midwest Pool Risk Management Agency, Inc.
Midwest Employee Benefit Consortium
Mercer County District Library
Lakefield Airport Authority

Note 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. 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 position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position 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.

The statement of net position 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 receipts of the County.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Governmental Funds

The County classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The County's major governmental funds are the General Fund, and the Motor Vehicle, Developmental Disabilities, and Adult Detention Facility 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 a county-wide property tax levy and federal and state grants restricted for the operation of a school for the developmentally disabled.

Adult Detention Facility Fund - This fund accounts for a voted sales tax levy, charges to other governments for prisoner housing, and transfers from the General Fund restricted for operating the adult detention facility.

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

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Proprietary Funds

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

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

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

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

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 2016. 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.

Note 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/department/level level for cmfunds.

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 final amended certificate of estimated resources requested by the County prior to year end.

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 Agent".

During 2016, the County invested in negotiable and nonnegotiable certificates of deposit, federal agency securities, commercial paper, mutual funds, and municipal securities. Investments are reported at cost.

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 2016 were \$377,391 which includes \$320,698 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.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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 Position

Net position is reported as restricted when there are limitations imposed on its 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 position restricted for other purposes primarily includes resources restricted for the upkeep of the County's roads and bridges, child support and welfare services, services for the handicapped and mentally disabled, operation of the adult detention facility, 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.

K. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

Restricted - The restricted classification includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (County resolutions).

Enabling legislation authorizes the County to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the County can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for purposes specified by the legislation.

Committed - The committed classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the County Commissioners. The committed amounts cannot be used for any other purpose unless the County Commissioners remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the County Commissioners, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the County Commissioners. Fund balance policy of the County Commissioners authorizes department managers to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The County Commissioners have also assigned fund balance to cover a gap between estimated resources and appropriations in 2017 along with amounts for auto title administration, economic development, and building maintenance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The County first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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 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 nonoperating.

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.

N. Pension

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Note 3 - Change in Accounting Principles and Restatement of Fund Balance and Net Position

For 2016, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 77, "Tax Abatement Disclosures", and GASB Statement No. 82, "Pension Issues-an Amendment of GASB Statements No. 67, No. 69, and No. 73".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the County's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 3 - Change in Accounting Principles and Restatement of Fund Balance and Net Position
(continued)

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the County's financial statements as the County does not have any material GASB Statement No. 77 tax abatements.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the County's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

For 2016, the County reclassified a fund to appropriately reflect the purpose of the fund. The restatement due to the change in fund structure had the following effect on fund balance of the major and nonmajor funds of the County as they were previously reported.

	General	Motor Vehicle	Developmental Disabilities	Adult Detention Facility
Fund Balance at December 31, 2015	\$2,897,389	\$2,094,808	\$2,273,652	\$2,379,912
Change in Fund Structure	0	0	0	0
Adjusted Fund Balance at December 31, 2015	<u>\$2,897,389</u>	<u>\$2,094,808</u>	<u>\$2,273,652</u>	<u>\$2,379,912</u>

	Other Governmental	Total
Fund Balance at December 31, 2015	\$4,851,269	\$14,497,030
Change in Fund Structure	1,074,383	1,074,383
Adjusted Fund Balance at December 31, 2015	<u>\$5,925,652</u>	<u>\$15,571,413</u>

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 3 - Change in Accounting Principles and Restatement of Fund Balance and Net Position
(continued)

The restatement had the following effect on net position.

	Governmental Activities	Business-Type Activities
Net Position at December 31, 2015	\$14,497,030	\$4,369,992
Change in Fund Structure	1,074,383	(1,074,383)
Adjusted Net Position at December 31, 2015	\$15,571,413	\$3,295,609

Note 4 - Compliance

Ohio Administrative Code Section 117-2-03(B) requires the County to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). For 2016, the County prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standard Board Statement No. 34, report on the basis of cash receipts and cash disbursements rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised 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.

Note 5 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash, receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund, and the Motor Vehicle, Developmental Disabilities, and Adult Detention Facility special revenues funds is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) for the General Fund, Motor Vehicle Fund, Developmental Disabilities Fund, and Adult Detention Facility Fund were \$418,272, \$4,076,733, \$52,567, and \$104,440, respectively.

Note 6 - 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, and Government National Mortgage 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;

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 6 - 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.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 6 - Deposits and Investments (continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$4,187,871 of the County's bank balance of \$13,137,228 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

Investments

As of December 31, 2016, the County had the following investments:

Measurement/Investment	Measurement Amount	Up to Six Months	Six Months to One Year	One Year to Two Years	More Than Two Years
Cost					
Negotiable Certificates of Deposit	\$4,408,000	\$0	\$249,000	\$2,473,000	\$1,686,000
Federal Home Loan Mortgage Corporation Notes	2,800,000	0	0	0	2,800,000
Federal National Mortgage Association Notes	2,000,000	0	0	0	2,000,000
Wells Fargo Corporate Notes	999,670	0	999,670	0	0
Commercial Paper	1,734,590	1,734,590	0	0	0
Municipal Securities	3,059,616	2,645,000	0	0	414,616
Fair Value					
Mutual Fund	108	108	0	0	0
Total Investments	\$15,001,984	\$4,379,698	\$1,248,670	\$2,473,000	\$6,900,616

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.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 6 - Deposits and Investments (continued)

The negotiable certificates of deposit are generally covered by FDIC insurance. The Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, and mutual fund carry a rating of Aaa by Moodys. The Wells Fargo Corporate Notes carry a rating of (P)A2 by Moody's. The commercial paper carries a rating of P-1 by Moody's. The municipal securities are not rated. The County has no policy dealing with credit risk beyond the requirements of State statute. Ohio law requires commercial paper be rated in the highest qualification by two nationally recognized rating services and must mature within two hundred seventy days and mutual funds be rated in the highest category at the time of purchase 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 applicable investment to the County's total portfolio.

	Fair Value	Percentage of Portfolio
Negotiable Certificates of Deposit	\$4,408,000	29.38%
Federal Home Loan Corporation Notes	2,800,000	18.66
Federal National Mortgage Association Notes	2,000,000	13.33
Wells Fargo Corporate Note	999,670	6.66
Commercial Paper	1,734,590	11.56
Municipal Securities	3,059,616	20.39

Note 7 - Property Taxes

Property taxes include amounts levied against all real and public utility property located in the County. Real property tax revenues received in 2016 represent the collection of 2015 taxes. Real property taxes received in 2016 were levied after October 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2016 represent the collection of 2015 taxes. Public utility real and tangible personal property taxes received in 2016 became a lien on December 31, 2014, were levied after October 1, 2015, 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.

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.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 7 - Property Taxes (continued)

The full tax rate for all County operations for the year ended December 31, 2016, was \$11.56 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2016 property tax receipts were based are as follows:

Real Property	
Residential/Agriculture	\$982,762,110
Commercial/Industrial/Mineral	91,884,300
Public Utility Property	
Real	101,160
Personal	22,676,000
Total Assessed Value	<u>\$1,097,423,570</u>

Note 8 - 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.

Note 9 - Interfund Activity

During 2016, the County made a number of cash advances to various funds. As of December 31, 2016, \$2,775,291 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 to the General Fund from the other governmental funds, the Sanitary Sewer enterprise fund, and other enterprise funds are \$2,122,071, \$178,675, and \$50,000, respectively. Advances expected to be repaid within one year to the Motor Vehicle special revenue fund from other governmental funds are \$1,000. Advances expected to be repaid within one year to other enterprise funds from other governmental funds are \$1,906.

Note 10 - 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 2016, the County contracted with the Midwest Pool Risk Management Agency, Inc. for insurance coverage.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 10 - Risk Management (continued)

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	2,000,000
Building and Contents	83,522,000
Earthquake	100,000,000
Flood	50,000,000
Comprehensive Boiler and Machinery	100,000,000

There has been no significant reduction in insurance coverage from 2015 and settled claims have not exceeded this coverage in the past three years.

For 2016, 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 2016, the County participated in the County Commissioners Association of Ohio Service Corporation, a workers' compensation group rating plan (Plan). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the Plan. Each county pays its workers' compensation premium to the State based on the rate for the Plan rather than the county's individual rate.

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

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

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 10 - Risk Management (continued)

C. Medical and Life Insurance

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

Note 11 - Significant Contractual Commitments

The County had the following contractual commitments outstanding as of December 31, 2016:

<u>Contractor</u>	<u>Purpose</u>	<u>Commitment</u>
Braun Excavating	King Swander Tile	\$183,000
Brumbaugh Construction	Schaadt Road	283,784
Fenson Contracting	Linn Hurt Tile	100,000
Jerry Martens	Philothea Road Improvement	15,819
Jerry Martens	St. Johns Road Improvement	21,867
Jerry Martens	Mud Pike Road Improvement	42,905
KC Enterprises	Chip Program - Rehab/Yates (house)	22,833
KCI Associates of Ohio	Coldwater Creek Treatment Train	17,933
KCI Associates of Ohio	Beaver Creek Treatment Train	27,790
Lakefield Airport Authority	Lakefield Airport Hanger - Local Grant Match	271,209
Logan County Contracting	Chip Program - Rehab/Yates (septic)	15,000
NuWave Technology, Inc.	Fire Alarm Upgrades - Central Building	34,050
Poggemeyer Design	LGIF Water Study	25,548
Shinn Brothers	Mud Pike Road Improvement	2,085,205
Tom's Construction	St. Johns Road Improvement	219,175
VTF Excavation	Philothea Road Improvement	1,304,200
West Ohio Community Action Partnership	JARC Grant - Local Match	78,291
WOCAP (TBRA)	Chip Community Housing	20,550

At year end, the significant encumbrances expected to be honored upon performance by the vendor in 2017 are as follows:

General Fund	\$418,272
Motor Vehicle	4,076,733
Adult Detention Facility	104,440
Other Governmental Funds	1,059,064

Note 12 - Defined Benefit Pension Plan

Net Pension Liability

Pensions are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the County's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the County's obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which pensions are financed; however, the County does receive the benefit of employees' services in exchange for compensation, including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer because (1) they benefit from employee services, and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from the employer (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within thirty years. If the amortization period exceeds thirty years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - County employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 12 - Defined Benefit Pension Plan (continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information including requirements for reduced and unreduced benefits).

Group A	Group B	Group C
Eligible to retire prior to January 7 2013, or five years after January 7, 2013	20 years of service credit prior to January 7 2013, or eligible to retire ten years after January 7, 2013	Members not in other groups and members hired on or after January 7 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 years
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 12 - Defined Benefit Pension Plan (continued)

When a benefit recipient has received benefits for twelve months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows.

	State and Local	Public Safety	Law Enforcement
2016 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee	10.0 %	*	**
2016 Actual Contribution Rates			
Employer			
Pension	12.0 %	16.1 %	16.1 %
Postemployment Health Care Benefits	2.0	2.0	2.0
Total Employer	14.0 %	18.1 %	18.1 %
Total Employee	10.0 %	12.0 %	13.0 %

* This rate is determined by OPERS' Board and has no maximum rate established by the ORC.

** This rate is also determined by OPERS' Board but is limited by the ORC to not more than 2 percent greater than the public safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The County's contractually required contribution was \$1,716,147 for 2016.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 12 - Defined Benefit Pension Plan (continued)

Net Pension Liability

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

Proportion of the Net Pension Liability:	
Current Measurement Date	0.098010%
Prior Measurement Date	0.099636%
Change in Proportionate Share	0.001626%
Proportionate Share of the Net Pension Liability	\$16,976,568

Actuarial Assumptions

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB Statement No. 67. Key methods and assumptions used in the latest actuarial valuations are presented below.

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013, Retirees	3 percent simple
Post-January 7, 2013, Retirees	3 percent simple through 2018, then 2.8 percent simple
Investment Rate of Return	8 percent
Actuarial Cost Method	individual entry age

Mortality rates were based on the RP-2000 Mortality Table projected twenty years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 12 - Defined Benefit Pension Plan (continued)

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the traditional pension plan, the defined benefit component of the combined plan, the annuitized accounts of the member-directed plan, and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investment expenses, for the Defined Benefit portfolio was .4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the board-approved asset allocation policy for 2015 and the long-term expected real rates of return.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other Investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate - The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 12 - Defined Benefit Pension Plan (continued)

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7 percent) or one percentage point higher (9 percent) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
County's Proportionate Share of the Net Pension Liability	\$27,047,820	\$16,976,568	\$8,481,785

Changes Between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact the annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the County's net pension liability is expected to be significant.

Note 13 - 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 two cost-sharing multiple-employer defined benefit postemployment health care trusts which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a health reimbursement arrangement, and Medicare Part B premium reimbursements to qualifying benefit recipients of both the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an other postemployment benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 13 - Postemployment Benefits (continued)

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their 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 earnable salary of active members. In 2016, state and local employers contributed 14 percent of earnable salary and public safety and law enforcement employers contributed 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the traditional pension and combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund the health care plans. As recommended by the OPERS actuary, the portion of the employer contribution allocated to health care beginning January 1, 2016, remained at 2 percent for both the traditional and combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a retiree medical account for member-directed plan members. The employer contribution as a percentage of covered payroll deposited into the retiree medical accounts for 2016 was 4 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Health Care Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statement of Changes in Fiduciary Net Position for the year ended December 31, 2016, reflects a partial year of activity in the 401(h) Health Care Trust and the VEBA Trust prior to the termination of these trusts as of the end of the business day June 30, 2016, and the assets and liabilities or net position of these trusts being consolidated into the 115 Health Care Trust on July 1, 2016.

Substantially all of the County's contribution allocated to fund postemployment health care benefits relates to the cost-sharing multiple-employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$248,478, \$236,859, and \$273,064, respectively. For 2016, 92 percent has been contributed. The full amount has been contributed for 2015 and 2014.

Note 14 - 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.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 15 - Long-Term Obligations

The County's long-term debt activity for the year ended December 31, 2016, was as follows:

	Interest Rate	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
Adult Detention Facility (Original Amount \$10,500,000)	3.25-5%	\$5,655,000	\$0	\$4,920,000	\$735,000	\$735,000
Adult Detention Facility Refunding (Original Amount \$4,475,000)	1-4	0	4,475,000	110,000	4,365,000	60,000
2010 Various Purpose - Road Improvements (Original Amount \$665,000)	2-3.75	285,000	0	70,000	215,000	70,000
2010 Various Purpose - Correctional Facility (Original Amount \$2,535,000)	2-4	1,470,000	0	190,000	1,280,000	195,000
2010 Various Purpose - Ditch Improvement (Original Amount \$390,000)	2-4	250,000	0	25,000	225,000	25,000
2011 Central Services Refunding (Original Amount \$2,460,000)	1-3.5	1,720,000	0	200,000	1,520,000	200,000
Total General Obligation Bonds		9,380,000	4,475,000	5,515,000	8,340,000	1,285,000
OPWC Loans						
1997 Siegrist-Jutte and Kahn Road Bridge (Original Amount \$256,554)	0	6,413	0	6,413	0	0
2001 Four Bridge Replacement (Original Amount \$76,979)	0	19,243	0	3,849	15,394	3,849
2002 Home Waterline Improvement (Original Amount \$80,000)	0	32,000	0	4,000	28,000	4,000
2002 Five Bridge Replacement (Original Amount \$60,000)	0	24,000	0	3,000	21,000	3,000
2005 Six Bridge Repair (Original Amount \$60,225)	0	28,608	0	3,011	25,597	3,011

(continued)

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 15 - Long-Term Obligations (continued)

	Interest Rate	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016	Due Within One Year
<u>Governmental Activities</u> (continued)						
OPWC Loans (continued)						
2007 Bridge Replacement (Original Amount \$137,801)	0%	\$86,126	\$0	\$6,890	\$79,236	\$6,890
2009 Carthagen Road (Original Amount \$300,000)	0	210,000	0	15,000	195,000	15,000
2009 Bridge Replacement (Original Amount \$157,500)	0	106,312	0	7,875	98,437	7,875
2010 Bridge Replacement (Original Amount \$142,500)	0	103,313	0	7,125	96,188	7,125
2011 County Road 30B Improvement (Original Amount \$74,250)	0	57,543	0	3,713	53,830	3,713
2011 County Road 23 Improvement (Original Amount \$71,572)	0	59,046	0	3,578	55,468	3,579
2013 Bridge Replacement (Original Amount \$234,578)	0	222,849	0	11,729	211,120	11,729
2015 County Road 81 and 170 Road Improvements (Original Amount \$209,674)	0	209,674	0	10,484	199,190	10,484
Total OPWC Loans		1,165,127	0	86,667	1,078,460	80,255
LGIF Loans Payable	0	3,900,000	0	400,000	3,500,000	400,000
Total Governmental Activities		\$14,445,127	\$4,475,000	\$6,001,667	\$12,918,460	\$1,765,255
<u>Business-Type Activities</u>						
OPWC Loans						
2003 Philothea Area Wastewater (Original Amount \$300,000)	0%	\$97,500	\$0	\$15,000	\$82,500	\$15,000

(continued)

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 15 - Long-Term Obligations (continued)

	Interest Rate	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016	Due Within One Year
Business-Type Activities						
OWDA Loans						
2002 Staeger Road Sanitary Sewer (Original Amount \$109,521)	3.64%	\$35,171	\$0	\$6,536	\$28,635	\$6,776
2002 SR 129 and Burge Road (Original Amount \$400,463)	3.49	148,297	0	22,629	125,668	23,425
2005 Lake Acres (Original Amount \$248,037)	2.75	150,781	0	14,982	135,799	15,397
East Jefferson Phase 3 Sewers (Original Amount \$1,091,575)	0	845,970	0	54,579	791,391	54,579
West Jefferson Township Sewer (Original Amount \$1,214,964)	0	789,728	0	60,748	728,980	60,748
Marion Township Sewer (Original Amount \$2,254,469)	1	1,785,688	0	107,062	1,678,626	108,135
Northeast Sanitary Sewers (Original Amount \$51,750)	0	20,700	0	10,350	10,350	10,350
Planning and Design for Unsewered (Original Amount \$89,123)	0	72,000	17,123	0	89,123	0
MCI Lagoon (Original Amount \$1,121,386)	1	938,687	0	50,475	888,212	53,253
East Jefferson Water Line (Original Amount \$1,107,150)	0.91	130,935	976,215	17,970	1,089,180	0
Total OWDA Loans		4,917,957	993,338	345,331	5,565,964	332,663
Ohio Water and Sewer Loans						
1991 Sandy Beach Area Sewer District (Original Amount \$42,822)	0	42,822	0	0	42,822	0
1992 Southwest Sewer (Original Amount \$269,223)	0	269,223	0	0	269,223	0
2001 Rotary SR 269 Sewer (Original Amount \$110,167)	0	88,673	0	0	88,673	0
Total Ohio Water and Sewer Loans		400,718	0	0	400,718	0
Rural Industrial Park Loan						
2001 Rural Industrial Park - SR269 (Original Amount \$200,000)	0-3	26,538	0	22,689	3,849	3,849
Midwest Electric Loan Agreement (Original Amount \$360,000)	0	240,000	0	60,000	180,000	60,000
Total Business-Type Activities		\$5,682,713	\$993,338	\$443,020	\$6,233,031	\$411,512

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 15 - Long-Term Obligations (continued)

General Obligation Bonds

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

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.

Adult Detention Facility Refunding - On April 28, 2016, the County issued bonds, in the amount of \$4,475,000, to partially refund bonds previously issued in 2008 for the construction of an adult detention center. The refunding bond issue consists of serial bonds. The bonds were issued at a premium of \$213,575. The bonds were issued for a six year period, with final maturity in 2022. The bonds are being retired through the General Obligation Bond debt service fund.

The net proceeds of the refunding bond issue, in the amount of \$4,589,870, were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 2008 Adult Detention Facility Bonds. As a result, \$4,210,000 of the 2008 Adult Detention Facility Bonds are considered defeased.

Although the refunding will result in the recognition of an accounting loss of \$379,870, the County in effect decreased its aggregate debt service payments by \$179,367, over the next six years and obtained an economic gain (difference between present values of the old and new debt service payments) of \$166,258.

As of December 31, 2016, \$4,210,000 of the refunded bonds was still outstanding.

2010 Various Purpose

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.

2011 Central Services Refunding

On October 26, 2011, the County issued \$2,460,000 in unvoted current refunding general obligation bonds to refund bonds previously issued for renovations of a building for use as County offices. The bonds were issued for a twelve year period with final maturity in 2023. The bonds will be paid from the Central Services General Obligation Bond debt service fund.

The bonds maturing after November 1, 2019, are subject to prior redemption, by and at the sole option of the County, either in whole or in part (as selected by the County), and in integral multiples of \$5,000, on any date on or after November 1, 2018, at a redemption price of par plus interest accrued to the redemption date.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 15 - Long-Term Obligations (continued)

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 \$82,500, payable through December 2022. For the current year, principal paid was \$15,000. For 2016, the Sanitary Sewer enterprise fund had an operating loss of \$1,221,576.

OWDA Loans

OWDA loans consist of monies owed to the Ohio Water Development Authority for various sewer projects. OWDA loans are payable solely from special assessments and from the gross revenues of the enterprise funds. Amortization schedules for the Planning and Design for Unsewered and East Jefferson Water Line loans are not available until the completion of the project and, therefore, not included in the schedule of future principal and interest requirements. Total principal and interest remaining on the completed OWDA loan projects is \$4,387,661 and \$230,683, respectively, payable through December 2032. For the current year, principal and interest paid was \$345,331 and \$47,934, respectively. For 2016, the Sanitary Sewer enterprise fund had an operating loss of \$1,221,576.

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 agricultural 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 agricultural 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.

LGIF Loans

The County obtained eight interest free loans from the Local Government Innovative Fund program for a new engineer facility. The loans will be paid from the gross revenues of the Motor Vehicle special revenue fund. Total principal remaining on the loans is \$3,500,000, payable through July 31, 2025.

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 \$3,849 and \$14, respectively, payable through December 2017. For 2016, the Sanitary Sewer enterprise fund had an operating loss of \$1,221,576.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 15 - Long-Term Obligations (continued)

Midwest Electric Loan Agreement

The County obtained an interest free loan from Midwest Electric as the result of a federal grant to provide for State Route 29 corridor improvements. The Midwest Electric Loan will be paid from special assessments and the gross revenues of the Sanitary Sewer enterprise fund. Total principal remaining on the Midwest Electric loan is \$180,000, payable through July 1, 2019. For 2016, the Sanitary Sewer enterprise fund had an operating loss of \$1,221,576.

At December 31, 2016, the County's overall debt margin was \$23,973,189 with an unvoted debt margin of \$9,011,836.

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

Year	General Obligation Bonds		OPWC Loans	LGIF Loans
	Principal	Interest	Principal	Principal
2017	\$1,285,000	\$261,920	\$80,255	\$400,000
2018	1,305,000	208,543	80,253	400,000
2019	1,360,000	159,818	80,255	400,000
2020	1,325,000	116,294	78,327	400,000
2021	1,365,000	82,475	78,329	400,000
2022-2026	1,700,000	59,262	356,509	1,500,000
2027-2031	0	0	245,624	0
2032-2035	0	0	78,908	0
	<u>\$8,340,000</u>	<u>\$888,312</u>	<u>\$1,078,460</u>	<u>\$3,500,000</u>

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

Year	OPWC Loans	OWDA Loans		Rural Industrial Park Loan		Midwest Electric Loan
	Principal	Principal	Interest	Principal	Interest	Principal
2017	\$15,000	\$332,663	\$33,301	\$3,849	\$14	\$60,000
2018	15,000	325,433	30,341	0	0	60,000
2019	15,000	328,616	27,323	0	0	60,000
2020	15,000	331,867	24,242	0	0	0
2021	15,000	327,363	21,156	0	0	0
2022-2026	7,500	1,496,456	70,537	0	0	0
2027-2031	0	1,214,416	23,629	0	0	0
2032	0	30,847	154	0	0	0
	<u>\$82,500</u>	<u>\$4,387,661</u>	<u>\$230,683</u>	<u>\$3,849</u>	<u>\$14</u>	<u>\$180,000</u>

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 16 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

Fund Balance	General	Motor Vehicle	Developmental Disabilities	Adult Detention Facility
Nonspendable for:				
Unclaimed Monies	\$154,732	\$0	\$0	\$0
Restricted for:				
Board of Developmental Disabilities Operations	0	0	3,223,279	0
Road and Bridge Repair/ Improvement	0	2,690,302	0	0
Sheriff Operations	9,326	0	0	0
Total Restricted	9,326	2,690,302	3,223,279	0
Committed to:				
Adult Detention Facility Operations	0	0	0	2,794,886
Assigned for:				
4-H Camp Improvements	8,001	0	0	0
Building Maintenance	121,211	0	0	0
Document Recording	72,688	0	0	0
Economic Development/ Rehabilitation	444,641	0	0	0
Flood Damage	8,859	0	0	0
Parent Education	890	0	0	0
Projected Budget Shortage	545,772	0	0	0
Sheriff Operations	24,874	0	0	0
Title Administration	444,087	0	0	0
Unpaid Obligations	1,141,569	0	0	0
Total Assigned	2,812,592	0	0	0
Total Fund Balance	\$2,976,650	\$2,690,302	\$3,223,279	\$2,794,886

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 16 - Fund Balance (continued)

Fund Balance	Other Governmental	Total
Nonspendable for:		
Unclaimed Monies	\$0	\$154,732
Restricted for:		
Airport Improvements	272,202	272,202
Board of Developmental Disabilities Operations	0	3,223,279
Child Support Enforcement	251,824	251,824
County Home	1,089,113	1,089,113
County Home Improvements	257	257
Court Operations	451,368	451,368
Crime Victim Assistance	7,313	7,313
Debt Retirement	61,445	61,445
Delinquent Tax Collections	61,850	61,850
Ditch Maintenance	918,678	918,678
Dog and Kennel Operations	24,031	24,031
Economic Development/ Rehabilitation	1,141,045	1,141,045
Environmental Restoration	5,771	5,771
Emergency Management Agency	7,983	7,983
Job and Family Services Operations	128,158	128,158
Juvenile Corrections	106,723	106,723
Law Library	75,376	75,376
Mental Illness Training	445	445
Park Maintenance	134,232	134,232
Real Estate Assessment	728,514	728,514
Road and Bridge Repair/ Improvement	0	2,690,302
Sheriff Operations	372,671	381,997
Total Restricted	5,838,999	11,761,906

(continued)

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 16 - Fund Balance (continued)

Fund Balance	Other Governmental	Total
Committed to:		
Adult Detention Facility Operations	\$0	\$2,794,886
Sheriff Operations	178,264	178,264
Total Committed	178,264	2,973,150
Assigned for:		
4-H Camp Improvements	0	8,001
Building Maintenance	0	121,211
Capital Improvements	93,917	93,917
Debt Service	2,400	2,400
Document Recording	0	72,688
Economic Development/ Rehabilitation	0	444,641
Flood Damage	0	8,859
Parent Education	0	890
Projected Budget Shortage	0	545,772
Sheriff Operations	0	24,874
Title Administration	0	444,087
Unpaid Obligations	0	1,141,569
Total Assigned	96,317	2,908,909
Total Fund Balance	\$6,113,580	\$17,798,697

Note 17 - Interfund Transfers

During 2016, transfers were made from the General Fund to the Adult Detention Facility special revenue fund, in the amount of \$824,150, and to other governmental funds, in the amount of \$477,886, to subsidize operations in those funds. The Motor Vehicle and Adult Detention Facility special revenue funds and other governmental funds made transfers to other governmental funds, in the amount of \$534,302, \$1,195,357, and \$32,303, respectively, to subsidize operations of other funds and to make debt payments as they came due. Other enterprise funds made transfers to other governmental funds, in the amount of \$424, to meet grant requirements and to the Sanitary Sewer enterprise fund, in the amount of \$2,800, to make debt payments as they came due.

Note 18 - Jointly Governed Organizations

A. Mercer County Regional Planning Commission

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

The Commission makes plans and maps of the region showing the Commission's recommendations for systems of transportation, highways, park and recreational facilities, water supply, sewerage and sewage disposal, garbage disposal, civic centers, and other public improvements which affect the development of the region as a whole, or more than one political subdivision within the region and which do not begin and terminate within the boundaries of any single subdivision. During 2016, 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 2016, a tax levy provided \$662,988 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.

Note 18 - Jointly Governed Organizations (continued)

D. West Central Partnership, Inc.

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

E. Grand Lake Saint Marys Lake Facilities Authority

The Grand Lake Saint Marys Lake Facilities Authority is a jointly governed organization between Mercer and Auglaize Counties. The Authority was created to enhance, promote, improve, remediate, foster, aid, and rehabilitate Grand Lake St. Marys. The County Commissioners of Auglaize and Mercer Counties jointly make up the Board of Directors. The Mercer County Auditor serves as the fiscal officer and the Mercer County prosecutor serves as the legal advisor. Financial information can be obtained from the Mercer County Auditor, 101 North Main Street, Room 105, Celina, Ohio 45822-1794.

Note 19 - 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.

Note 19 - Insurance Pools (continued)

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.

Note 20 - Related Organizations

A. Mercer County District Library

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.

B. Lakefield Airport Authority

The Lakefield County Airport Authority was created by resolution of the County Commissioners under the authority of Chapter 308 of the Ohio Revised Code. The Airport Authority is governed by a seven to ten member board of trustees appointed by the County Commissioners. The Board of Trustees has the authority to exercise all of the powers and privileges provided under the law. These powers include the ability to sue or be sued in its corporate name; the power to establish and collect rates, rentals, and other charges; the authority to acquire, construct, operate, manage, and maintain airport facilities; the authority to buy and sell real and personal property; and the authority to issue debt for acquiring or constructing any facility or permanent improvement. The Airport Authority serves as custodian of its own funds and maintains all records and accounts independent of Mercer County.

Although the County has no obligation to provide financial resources to the airport, the County Commissioners have in prior years allocated certain funds to the Airport Authority. In 2016, this allocation was \$45,056.

Note 21 - Related Party Transactions

During 2016, 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 legally separate not-for-profit corporation that provides sheltered employment for mentally disabled or handicapped adults in Mercer County, which reported \$39,646 for such contributions.

Note 22 - Contingent Liabilities

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

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

Note 23 – Subsequent Events

On April 13, 2017, the County authorized the issuance of \$816,800 of Taxable Various Purpose Bond Anticipation Notes, Series 2017 with an interest rate of 1.75% maturing on April 19, 2018 for the purpose of renewing various purpose bond anticipation notes for ditch improvements and sewer projects.

On May 25, 2017, the County authorized the issuance of \$380,700 of taxable infrastructure Improvement Bond Anticipation Notes, Series 2014, Third (2017) Renewal with an interest at the rate of 3.00% per annum maturing June 1, 2022.

On July 13, 2017, the County accepted a bid from The Shelly Company for asphalt concrete resurfacing of county roads in the amount of \$773,035. Also, the County accepted a bid from VTF Excavation LLC for Various Street Improvement Projects in the Village of Montezuma for \$399,229.

On August 8, 2017, the County accepted a bid from Jutte Excavating, Inc. in the amount of \$442,369 for Wabash Road Bridge Rehab Project.

On August 31, 2017, the County authorized the issuance of \$1,174,000 of Ditch Improvement Bond Anticipation Notes, Series 2017 with an interest at the rate of 1.75% per annum maturing September 7, 2018.

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MERCER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Pass Through Subrecipients	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>(Passed through Ohio Department of Job and Family Services)</i>				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1213-11-0082	10.561		\$122,262
Total U.S. Department of Agriculture				<u>122,262</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>(Passed through Ohio Development Services Agency)</i>				
Community Development Block Grants:				
Community Development Block Grants/State's Program	B-C-15-1BX-1	14.228		72,664
	B-F-15-1BX-1			24,528
	B-W-14-1BX-1			246,157
Total Community Development Block Grants/State's Program				<u>343,349</u>
Home Investment Partnerships Program	B-C-15-1BX-2	14.239		195,817
Total U.S. Department of Housing and Urban Development				<u>539,166</u>
U.S. DEPARTMENT OF JUSTICE				
<i>(Direct)</i>				
Bulletproof Vest Partnership Program	N/A	16.607		3,748
<i>(Passed through Ohio Attorney General)</i>				
Crime Victim Assistance	2016VAGENE068	16.575		17,317
	2017VAGENE068			9,059
Total Crime Victim Assistance				<u>26,376</u>
Total U.S. Department of Justice				<u>30,124</u>
U.S. DEPARTMENT OF LABOR				
<i>(Passed through Ohio Department of Job & Family Services)</i>				
Workforce Investment Act (WIA) Cluster:				
WIA - Adult Program(FY13/PY13)	N/A	17.258		77,219
Total WIA - Adult Program				<u>77,219</u>
WIA - Youth Activities (PY12)	N/A	17.259	\$4,564	161,523
Total WIA - Youth Activities				<u>161,523</u>
WIA Dislocated Worker Formula Grant (FY12/PY12) - Admin	N/A	17.278		73,064
Total WIA - Dislocated Worker Formula Grant				<u>73,064</u>
Total Workforce Investment Act (WIA) Cluster				<u>311,806</u>
Total U.S. Department of Labor				<u>311,806</u>
U.S. DEPARTMENT OF TRANSPORTATION				
<i>(Passed through Ohio Department of Transportation)</i>				
Transit Services Programs Cluster				
Job Access And Reverse Commute Program	JARC-4054-087-131	20.516		81,692
Highway Planning and Construction Cluster				
Highway Planning and Construction	PID #89127	20.205		1,821
	PID #89486			3,621
	PID #98671			306,289
	PID #98672			451,854
	PID #101593			26,379
Total Highway Planning and Construction Cluster				<u>789,964</u>
<i>(Passed through Ohio Department of Public Safety)</i>				
Highway Safety Cluster				
State and Community Highway Safety	STEP-2016-54-00-00480-00	20.600		9,755
National Priority Safety Programs	IDEP-2016-54-00-00-00339-00	20.616		13,137
Total Highway Safety Cluster				<u>22,892</u>
Total U.S. Department of Transportation				<u>894,548</u>
U.S. DEPARTMENT OF EDUCATION				
<i>(Passed through Ohio Department of Health)</i>				
Special Education - Grants for Infants and Families	N/A	84.181		11,895
Total U.S. Department of Education				<u>11,895</u>

MERCER COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Pass Through Subrecipients	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>(Passed through Ohio Department of Job & Family Services)</i>				
Child Support Enforcement	JFSFCS16	93.563		428,911
TANF Cluster				
Temporary Assistance for Needy Families	G-1617-11-5552	93.558	45,425	607,001
Adoption Assistance	G-1617-11-5552	93.659		40,795
Title IV-E - Foster Care	G-1617-11-5552	93.658		461,126
Stephanie Tubbs Jones Child Welfare Services Program	G-1617-11-5552	93.645		43,266
Promoting Safe and Stable Families	G-1617-11-5552	93.556		19,788
CCDF Cluster:				
Child Care and Development Block Grant	G-1617-11-5552	93.575		28,665
Community Based Child Abuse Prevention Grant	G-1617-11-5552	93.590		1,338
Chafee Foster Care Independence Program	G-1617-11-5552	93.674		9,442
Children's Health Insurance Program	G-1617-11-5552	93.767		40,482
<i>(Passed through Ohio Department of Developmental Disabilities)</i>				
Social Services Block Grant Program	N/A	93.667		23,875
<i>(Passed through Ohio Department of Job & Family Services)</i>				
Social Services Block Grant Program	G-1617-11-5552	93.667		<u>360,178</u>
Total Social Services Block Grant Program				<u>384,053</u>
Medicaid Cluster				
<i>(Passed through Ohio Department of Developmental Disabilities)</i>				
Medical Assistance Program	5400015	93.778		97,483
<i>(Passed through Ohio Department of Job & Family Services)</i>				
Medical Assistance Program	G-1617-11-5552	93.778		<u>449,635</u>
Total Medicaid Cluster				<u>547,118</u>
Total U.S. Department of Health and Human Services				<u>2,611,985</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
<i>(Passed through Ohio Department of Public Safety)</i>				
Emergency Management Performance Grants	EMW-2015-EP-00034-S01	97.042		43,734
Pre-Disaster Mitigation	EMC-2016-PC-0001	97.047		<u>7,875</u>
Total U.S. Department of Homeland Security				<u>51,609</u>
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY				
<i>(Passed Through the Ohio Environmental Protection Agency)</i>				
Nonpoint Source Implementation Grants	N/A	66.460		<u>31,703</u>
Total U.S. Department of Environmental Protection Agency				<u>31,703</u>
Total Federal Awards Expenditures				<u>\$4,605,098</u>

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

MERCER COUNTY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Mercer County (the County's) under programs of the federal government for the year ended December 31, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

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

As a subrecipient, the County has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE D - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS WITHOUT CONTINUING COMPLIANCE REQUIREMENTS

The County has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Development Services Agency. The Schedule reports loans made and administrative costs 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 and by UCC's on machinery and equipment.

NOTE E - 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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

NOTE F - TRANSFERS BETWEEN FEDERAL PROGRAM

During 2016, the County made allowable transfers of \$228,908 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 \$607,001 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 2016 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$835,909
Transfer to Social Services Block Grant	<u>(228,908)</u>
Total Temporary Assistance for Needy Families	<u>\$607,001</u>



Dave Yost • Auditor of State

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

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

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis 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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 31, 2018, wherein we noted the County uses a special purpose framework other than generally accepted accounting principles. In addition, the County restated beginning governmental and business type activities net position and other governmental fund balance as management reclassified a fund to appropriately reflect the purpose of the fund.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

County's Response to Finding

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 31, 2018



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited the Mercer County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Mercer County's major federal programs for the year ended December 31, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

Management's Responsibility

The County's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Mercer County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 31, 2018

MERCER COUNTY
SCHEDULE OF FINDINGS
2 C.F.R. § 200.515
DECEMBER 31, 2016

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 C.F.R. § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction Cluster TANF Cluster Medicaid Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 C.F.R. § 200.520?	No

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

FINDING NUMBER 2016-001

Noncompliance – Not Reporting in Accordance with GAAP

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

Ohio Admin. Code § 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 for fiscal year 2016 in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, deferred inflows/outflows, fund equities and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 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 GAAP to include assets, liabilities, deferred inflows/outflows, equity and the disclosures required to accurately and completely present the County's financial condition.

Official's Response:

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

MERCER COUNTY AUDITOR, Randall E. Grapner
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	ORC § 117.38 and OAC § 117-2-03(B) – not filing financial report on a GAAP basis	Not Corrected	Repeated as Finding 2016-001

101 North Main St. • Room 105 • Ph: (419) 586-6402 • Fax: (419) 586-8089



**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2016**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	Our county officials determined that it is not cost efficient to go to GAAP reporting	N/A	Randall Grapner, County Auditor

101 North Main St. • Room 105 • Ph: (419) 586-6402 • Fax: (419) 586-8089



Dave Yost • Auditor of State

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
MARCH 20, 2018