



Dave Yost • Auditor of State

**MERCER COUNTY FINANCIAL CONDITION
MERCER COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mercer County (the County), as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit Note 18 which discloses financial information for the County's component unit. Note 18 was audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to Note 18 is based on the report of other auditors.

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

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

The financial statements do not include financial data for the C.A. Group (a component unit). Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the County. The County has chosen to report the component unit financial data in Note 18. As a result, the basic financial statements omit the assets, liabilities, net assets, revenues and expenditures.

In our opinion, because of the omission from the financial statements of the component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 2, the financial position of the C.A. Group (component unit) as of December 31, 2011 and its changes in financial position for the year then ended.

In addition, in our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mercer County, as of December 31, 2011, and the respective changes in cash financial position, thereof and the respective budgetary comparison for the General Fund, Motor Vehicle Fund, and Developmental Disabilities Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, during 2011 Mercer County adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2012, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the County's financial statements taken as a whole. Management's Discussion & Analysis includes table of net assets, changes in net assets, and governmental activities. The Schedule of Federal Awards Expenditures (the schedule) is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profits Organizations. These tables and the schedule provide additional information, but are not part of the basic financial statements. However these tables and the schedule are management's responsibility, and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

September 7, 2012

**FINANCIAL CONDITION
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

The discussion and analysis of Mercer County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2011, within the limitations of cash basis accounting. The intent of this discussion and analysis is to look at the County's financial performance as a whole.

Using this Annual Report

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

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

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

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

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

Reporting the County as a Whole

The statement of net assets and the statement of activities reflect how the County did financially during 2011, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental and business-type activities of the County at year end. The statement of activities compares cash disbursements with program receipts for each department of the County's governmental and business-type activities. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each department draws from the County's general receipts.

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

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

**FINANCIAL CONDITION
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

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

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

Reporting the County's Most Significant Funds

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

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

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

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

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net assets for 2011 and 2010.

**Table 1
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and Other Assets	\$10,267,714	\$9,148,724	\$4,122,822	\$4,047,269	\$14,390,536	\$13,195,993
Net Assets:						
Restricted	7,967,847	6,960,321			7,967,847	6,960,321
Unrestricted	2,299,867	2,188,403	4,122,822	4,047,269	6,422,689	6,235,672
Total Net Assets	\$10,267,714	\$9,148,724	\$4,122,822	\$4,047,269	\$14,390,536	\$13,195,993

For governmental activities, the increase in current and other assets (cash and cash equivalents) was over 12 percent and primarily related to restricted activities as noted in the increase in restricted net assets. There was a decrease in both receipts and disbursements for governmental activities during 2011; however, current year disbursements were still within current year receipts.

**FINANCIAL CONDITION
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

There was a 2 percent increase in net assets for business-type activities. This was not significant.

Table 2 reflects the change in net assets for 2011 and 2010.

**Table 2
Change in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Receipts:						
Program Receipts:						
Charges for Services	\$4,118,304	\$3,971,167	\$2,208,679	\$2,116,099	\$ 6,326,983	\$ 6,087,266
Operating Grants, Contributions, and Interest	15,741,371	17,184,665	122,392	167,802	15,863,763	17,352,467
Capital Grants and Contributions			262,884	1,391,580	262,884	1,391,580
Total Program Receipts	19,859,675	21,155,832	2,593,955	3,675,481	22,453,630	24,831,313
General Receipts:						
Property Taxes						
General Operating	1,769,082	1,852,167			1,769,082	1,852,167
Human Services - Developmental Disabilities	4,029,111	3,539,557			4,029,111	3,539,557
County Home Sales Taxes			611,670	638,749	611,670	638,749
General Operating	4,083,952	3,828,293			4,083,952	3,828,293
Adult Detention Facility	2,038,270	1,896,055			2,038,270	1,896,055
Grants and Entitlements	1,312,071	1,275,978			1,312,071	1,275,978
Interest	280,050	352,938			280,050	352,938
Other	2,013,774	1,982,015	96,743	58,058	2,110,517	2,040,073
Notes Issued	206,000	465,800			206,000	465,800
Bonds Issued	2,460,000	3,590,000			2,460,000	3,590,000
Loans Issued	112,873	142,500	1,137,863	3,043,450	1,250,736	3,185,950
Total General Receipts	18,305,183	18,925,303	1,846,276	3,740,257	20,151,459	22,665,560
Total Receipts	38,164,858	40,081,135	4,440,231	7,415,738	42,605,089	47,496,873
Program Disbursements:						
General Government:						
Legislative and Executive	4,766,353	4,602,320			4,766,353	4,602,320
Judicial	1,531,083	1,511,434			1,531,083	1,511,434
Public Safety	3,969,586	3,969,049			3,969,586	3,969,049
Public Works	8,991,392	9,984,124			8,991,392	9,984,124
Health	300,091	326,910			300,091	326,910
Human Services	11,734,079	12,218,283			11,734,079	12,218,283
Conservation and Recreation	206,240	203,975			206,240	203,975
Economic Development and Assistance	691,825	447,463			691,825	447,463
Capital Outlay	199,874	1,056,312			199,874	1,056,312
Debt Service:						
Principal Retirement	4,004,406	4,686,972			4,004,406	4,686,972
Interest and Fiscal Charges	666,760	787,747			666,760	787,747
County Home			724,477	749,035	724,477	749,035
Sanitary Sewer			2,660,230	5,172,793	2,660,230	5,172,793

(Continued)

**FINANCIAL CONDITION
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Program Disbursements (Cont'd.)						
Other Enterprise:						
Water			1,100		1,100	
Solid Waste			214,701	196,341	214,701	196,341
Ambulance			748,349	795,467	748,349	795,467
Total Disbursements	37,061,689	39,794,589	4,348,857	6,913,636	41,410,546	46,708,225
Increase in Net Assets						
Before Advances and Transfers	1,103,169	286,546	91,374	502,102	1,194,543	788,648
Advances	15,821	3,493	(15,821)	(3,493)		
Transfers		37,962		(37,962)		
Change in Net Assets	1,118,990	328,001	75,553	460,647	1,194,543	788,648
Net Assets at Beginning of Year	9,148,724	8,820,723	4,047,269	3,586,622	13,195,993	12,407,345
Net Assets of End of Year	\$10,267,714	\$9,148,724	\$4,122,822	\$4,047,269	\$14,390,536	\$13,195,993

For governmental activities, program receipts decreased 6 percent from the prior year and generally due to a decrease in grant resources for road and bridge maintenance and a reduction in state and federal resources for developmental disabilities and job and family services activities. The decrease in general receipts is primarily due to a reduction in the amount of debt issued.

Disbursements for governmental activities decreased almost 7 percent from the prior year. The decrease in the public works program disbursements was due to a decrease in Ohio Public Works Commission projects along with a decrease in road and bridge projects for the year. The decrease in the human services program costs corresponds to a reduction in state and federal resources for activities.

The programs which continue to account for the largest costs are legislative and executive (which are general government operations), public safety (sheriff), public works (engineer), and human services (primarily job and family services and development disabilities). These programs accounted for 79 percent of governmental disbursements in 2011.

During 2011, program receipts for business-type activities decreased over \$1 million. This was due to a decrease in capital grants and contributions related to OWDA projects. For general receipts, in the prior year, OWDA loans were issued for the construction of sanitary sewers, along with planning and design for a new project as well as additional proceeds for projects started in prior years. Note the decrease in disbursements in the Sanitary Sewer Fund related to these projects.

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

**FINANCIAL CONDITION
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
General Government:				
Legislative and Executive	\$ 4,766,353	\$ 4,602,320	\$ 2,729,577	\$ 2,906,154
Judicial	1,531,083	1,511,434	807,231	798,818
Public Safety	3,969,586	3,969,049	3,120,999	3,047,116
Public Works	8,991,392	9,984,124	(614,301)	45,855
Health	300,091	326,910	224,867	250,443
Human Services	11,734,079	12,218,283	5,298,986	4,497,463
Conservation and Recreation	206,240	203,975	206,230	203,925
Economic Development and Assistance	691,825	447,463	557,385	357,952
Capital Outlay	199,874	1,056,312	199,874	1,056,312
Debt Service:				
Principal Retirement	4,004,406	4,686,972	4,004,406	4,686,972
Interest and Fiscal Charges	666,760	787,747	666,760	787,747
Total Disbursements	\$37,061,689	\$39,794,589	\$17,202,014	\$18,638,757

For 2011, 46 percent of the services provided by the County were paid for through general receipts, compared to 47 percent in 2010. A review of the above table demonstrates that program receipts contributed significantly to several programs. Charges for services for the public works program primarily consist of work performed by the County Engineer for townships and villages within the County. The public works program also receives a significant amount of operating grants and contributions from state levied shared gas taxes and motor vehicle licenses. The human services program receives substantial support through various grant programs.

Governmental Funds Financial Analysis

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

For 2011, the General Fund had an 8 percent increase in fund balance. Both receipts and disbursements increased approximately 3 percent; however, receipts remained in excess of disbursements.

Fund balance increased 40 percent for the Motor Vehicle Fund. Although there was a 7 percent reduction in revenues (primarily fewer intergovernmental receipts), there was a 10 percent decrease in disbursements due to fewer road and bridge projects during the year.

Fund balance decreased 1 percent in the Developmental Disabilities Fund. This was not a significant change.

Business-Type Activities Financial Analysis

During 2011, net assets in the County Home Fund increased 5 percent. Receipts and disbursements were relatively similar to the prior year. Disbursements were within current year receipts.

There was little change in net assets for the Sanitary Sewer fund during 2011.

**FINANCIAL CONDITION
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

Budgetary Highlights

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

The County's most significant budgeted fund is the General Fund. The most significant change from the original budget to the final budget was related to intergovernmental receipts due to the uncertainty of State funding. Actual receipts were almost 5 percent higher than budgeted amounts due to conservative estimates. For disbursements, the most significant change from the original budget to the final budget was reflected in the legislative and executive program; however, note that actual expenditures in this program fell between the original and final estimates. While disbursements were lower than estimates in several programs, the largest savings resulted in the public safety program.

Current Issues

The Montezuma Club Island (MCI) Wastewater Treatment Plant Improvement Project will add a fourth cell to the existing three-cell lagoon type wastewater treatment plant. This project will increase the treatment plant capacity from 350,000 gpd to 600,000 gpd. The project is currently estimated at \$1.1 million. Final completion is projected for mid-September 2012.

The Northeast Sanitary Sewer Project consists of a feasibility study for developing a sanitary sewer collection and treatment system which will serve areas without sewer system access in East Jefferson and Center Townships. The County is ready to proceed with the design phase of this project.

The southwest portion of the Grand Lake Watershed Project will entail the study and design for construction of a sanitary sewer collection system in un-sewered areas in Marion Township and for transporting the wastewater to a combination of existing wastewater treatment plants in the area. This project, which has also been referred to as Marion Township Phase II, is in the preliminary stages.

Request for Information

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

Mercer County
Statement of Net Assets - Cash Basis
December 31, 2011

	Governmental Activities	Business- Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$10,205,197	\$4,122,822	\$14,328,019
Cash and Cash Equivalents in Segregated Accounts	5,927	0	5,927
Cash and Cash Equivalents with Fiscal Agent	56,590	0	56,590
Total Assets	<u>\$10,267,714</u>	<u>\$4,122,822</u>	<u>\$14,390,536</u>
<u>Net Assets</u>			
Restricted for			
Debt Service	\$30,967	\$0	\$30,967
Capital Projects	867,153	0	867,153
Other Purposes	7,069,727	0	7,069,727
Unrestricted	<u>2,299,867</u>	<u>4,122,822</u>	<u>6,422,689</u>
Total Net Assets	<u>\$10,267,714</u>	<u>\$4,122,822</u>	<u>\$14,390,536</u>

See Accompanying Notes to the Basic Financial Statements

Mercer County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2011

	Program Receipts			
	Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities</u>				
General Government				
Legislative and Executive	\$4,766,353	\$1,665,817	\$370,959	\$0
Judicial	1,531,083	671,982	51,870	0
Public Safety	3,969,586	292,289	556,298	0
Public Works	8,991,392	1,239,476	8,366,217	0
Health	300,091	75,224	0	0
Human Services	11,734,079	173,516	6,261,577	0
Conservation and Recreation	206,240	0	10	0
Economic Development and Assistance	691,825	0	134,440	0
Capital Outlay	199,874	0	0	0
Debt Service				
Principal Retirement	4,004,406	0	0	0
Interest and Fiscal Charges	666,760	0	0	0
Total Governmental Activities	37,061,689	4,118,304	15,741,371	0
<u>Business-Type Activities</u>				
County Home	724,477	44,891	110,854	0
Sanitary Sewer	2,660,230	1,171,737	0	262,884
Other Enterprise				
Water	1,100	24,430	0	0
Solid Waste	214,701	115,830	0	0
Ambulance	748,349	851,791	11,538	0
Total Business-Type Activities	4,348,857	2,208,679	122,392	262,884
Total	\$41,410,546	\$6,326,983	\$15,863,763	\$262,884

General Receipts

Property Taxes Levied for
 General Operating
 Human Services - Developmental Disabilities
 County Home
Sales Taxes
 General Operating
 Adult Detention Facility
Grants and Entitlements not Restricted to Other Programs
Interest
Other
Notes Issued
Bonds Issued
OPWC Loans Issued
OWDA Loans Issued

Total General Receipts

Advances

Total General Receipts and Advances

Change in Net Assets

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

Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Disbursements) Receipts and
Change in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$2,729,577)	\$0	(\$2,729,577)
(807,231)	0	(807,231)
(3,120,999)	0	(3,120,999)
614,301	0	614,301
(224,867)	0	(224,867)
(5,298,986)	0	(5,298,986)
(206,230)	0	(206,230)
(557,385)	0	(557,385)
(199,874)	0	(199,874)
(4,004,406)	0	(4,004,406)
(666,760)	0	(666,760)
(17,202,014)	0	(17,202,014)
0	(568,732)	(568,732)
0	(1,225,609)	(1,225,609)
0	23,330	23,330
0	(98,871)	(98,871)
0	114,980	114,980
0	(1,754,902)	(1,754,902)
(17,202,014)	(1,754,902)	(18,956,916)
1,769,082	0	1,769,082
4,029,111	0	4,029,111
0	611,670	611,670
4,083,952	0	4,083,952
2,038,270	0	2,038,270
1,312,071	0	1,312,071
280,050	0	280,050
2,013,774	96,743	2,110,517
206,000	0	206,000
2,460,000	0	2,460,000
112,873	0	112,873
0	1,137,863	1,137,863
18,305,183	1,846,276	20,151,459
15,821	(15,821)	0
18,321,004	1,830,455	20,151,459
1,118,990	75,553	1,194,543
9,148,724	4,047,269	13,195,993
\$10,267,714	\$4,122,822	\$14,390,536

Mercer County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2011

	General	Motor Vehicle	Developmental Disabilities	Other Governmental	Total
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$2,097,822	\$1,070,413	\$1,944,397	\$4,963,911	\$10,076,543
Cash and Cash Equivalents in Segregated Accounts	0	0	0	5,927	5,927
Cash and Cash Equivalents with Fiscal Agent	0	0	56,590	0	56,590
<u>Restricted Assets</u>					
Equity in Pooled Cash and Cash Equivalents	128,654	0	0	0	128,654
 Total Assets	 \$2,226,476	 \$1,070,413	 \$2,000,987	 \$4,969,838	 \$10,267,714
<u>Fund Balances</u>					
Nonspendable	\$128,654	\$0	\$0	\$0	\$128,654
Restricted	279	1,070,413	2,000,987	4,767,793	7,839,472
Committed	0	0	0	187,707	187,707
Assigned	781,544	0	0	14,338	795,882
Unassigned	1,315,999	0	0	0	1,315,999
 Total Fund Balances	 \$2,226,476	 \$1,070,413	 \$2,000,987	 \$4,969,838	 \$10,267,714

See Accompanying Notes to the Basic Financial Statements

Mercer County
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	General	Motor Vehicle	Developmental Disabilities	Other Governmental	Total
<u>Receipts</u>					
Property Taxes	\$1,769,082	\$0	\$4,029,111	\$0	\$5,798,193
Sales Taxes	4,083,952	0	0	2,038,270	6,122,222
Special Assessments	0	0	0	372,563	372,563
Charges for Services	1,672,597	727,776	84,387	374,117	2,858,877
Licenses and Permits	2,711	0	0	770,849	773,560
Fines and Forfeitures	29,589	20,765	0	62,950	113,304
Intergovernmental	1,229,050	7,508,830	1,993,816	6,211,009	16,942,705
Interest	279,778	23,674	0	74,929	378,381
Donations	275	0	4,780	7,351	12,406
Other	698,557	87,231	185,445	1,042,541	2,013,774
Total Receipts	9,765,591	8,368,276	6,297,539	10,954,579	35,385,985
<u>Disbursements</u>					
Current					
General Government					
Legislative and Executive	4,051,126	0	0	715,227	4,766,353
Judicial	1,376,097	0	0	154,986	1,531,083
Public Safety	1,791,902	0	0	2,177,684	3,969,586
Public Works	8,719	8,115,292	0	867,381	8,991,392
Health	228,078	0	0	72,013	300,091
Human Services	325,347	0	6,326,376	5,082,356	11,734,079
Conservation and Recreation	193,849	0	0	12,391	206,240
Economic Development and Assistance	231,114	0	0	460,711	691,825
Capital Outlay	0	0	0	199,874	199,874
Debt Service					
Principal Retirement	0	0	0	4,004,406	4,004,406
Interest and Fiscal Charges	0	0	0	666,760	666,760
Total Disbursements	8,206,232	8,115,292	6,326,376	14,413,789	37,061,689
Excess of Receipts Over (Under) Disbursements	1,559,359	252,984	(28,837)	(3,459,210)	(1,675,704)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	0	0	0	206,000	206,000
Bonds Issued	0	0	0	2,460,000	2,460,000
OPWC Loans Issued	0	112,873	0	0	112,873
Advances In	304,802	8,270	0	505,576	818,648
Advances Out	(501,726)	(1,850)	0	(299,251)	(802,827)
Transfers In	0	0	0	2,970,736	2,970,736
Transfers Out	(1,199,039)	(68,282)	0	(1,703,415)	(2,970,736)
Total Other Financing Sources (Uses)	(1,395,963)	51,011	0	4,139,646	2,794,694
Changes in Fund Balances	163,396	303,995	(28,837)	680,436	1,118,990
Fund Balances at Beginning of Year - Restated (Note 3)	2,063,080	766,418	2,029,824	4,289,402	9,148,724
Fund Balances at End of Year	\$2,226,476	\$1,070,413	\$2,000,987	\$4,969,838	\$10,267,714

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
General Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		
<u>Receipts</u>				
Property Taxes	\$1,735,400	\$1,735,400	\$1,798,210	\$62,810
Sales Taxes	3,725,000	4,000,000	4,083,952	83,952
Charges for Services	1,576,100	1,641,855	1,669,401	27,546
Licenses and Permits	1,840	1,840	2,711	871
Fines and Forfeitures	37,200	27,200	29,741	2,541
Intergovernmental	908,500	1,139,246	1,229,050	89,804
Interest	240,000	292,000	279,778	(12,222)
Donations	0	0	275	275
Other	481,472	503,472	698,557	195,085
Total Receipts	8,705,512	9,341,013	9,791,675	450,662
<u>Disbursements</u>				
Current				
General Government				
Legislative and Executive	4,547,261	3,673,573	4,160,440	(486,867)
Judicial	1,414,052	1,418,473	1,405,148	13,325
Public Safety	2,738,839	2,704,413	1,904,622	799,791
Public Works	134,996	134,996	8,719	126,277
Health	228,252	228,252	228,102	150
Human Services	469,634	422,234	330,268	91,966
Economic Development and Assistance	241,495	316,494	233,839	82,655
Conservation and Recreation	171,132	117,348	193,849	(76,501)
Total Disbursements	9,945,661	9,015,783	8,464,987	550,796
Excess of Receipts Over (Under) Disbursements	(1,240,149)	325,230	1,326,688	1,001,458
<u>Other Financing Sources (Uses)</u>				
Advances In	28,270	28,270	304,802	276,532
Advances Out	0	(171,126)	(501,726)	(330,600)
Transfers In	154,624	154,624	0	(154,624)
Transfers Out	(344,759)	(1,430,467)	(1,199,039)	231,428
Total Other Financing Sources (Uses)	(161,865)	(1,418,699)	(1,395,963)	22,736
Changes in Fund Balance	(1,402,014)	(1,093,469)	(69,275)	1,024,194
Fund Balance at Beginning of Year	1,750,889	1,750,889	1,750,889	0
Prior Year Encumbrances Appropriated	196,115	196,115	196,115	0
Fund Balance at End of Year	\$544,990	\$853,535	\$1,877,729	\$1,024,194

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Receipts</u>				
Charges for Services	\$779,045	\$779,045	\$727,776	(\$51,269)
Fines and Forfeitures	20,000	20,000	20,916	916
Intergovernmental	9,951,619	9,951,619	7,508,830	(2,442,789)
Interest	27,132	27,132	23,674	(3,458)
Other	80,050	80,050	87,231	7,181
Total Receipts	10,857,846	10,857,846	8,368,427	(2,489,419)
<u>Disbursements</u>				
<u>Current</u>				
Public Works	10,441,129	10,542,847	8,872,920	1,669,927
Excess of Receipts Over (Under) Disbursements	416,717	314,999	(504,493)	(819,492)
<u>Other Financing Sources (Uses)</u>				
OPWC Loans Issued	0	0	112,873	112,873
Advances In	0	0	8,270	8,270
Advances Out	0	(1,850)	(1,850)	0
Transfers Out	(143,282)	(143,282)	(68,282)	75,000
Total Other Financing Sources (Uses)	(143,282)	(145,132)	51,011	196,143
Changes in Fund Balance	273,435	169,867	(453,482)	(623,349)
Fund Balance (Deficit) at Beginning of Year	(310,351)	(310,351)	(310,351)	0
Prior Year Encumbrances Appropriated	1,070,511	1,070,511	1,070,511	0
Fund Balance at End of Year	\$1,033,595	\$930,027	\$306,678	(\$623,349)

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, 2011

	<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	\$3,845,000	\$3,845,000	\$4,078,326	\$233,326
Charges for Services	85,000	85,000	84,387	(613)
Intergovernmental	1,875,000	1,876,478	1,843,728	(32,750)
Donations	3,000	3,000	4,780	1,780
Other	100,000	100,000	185,445	85,445
Total Receipts	5,908,000	5,909,478	6,196,666	287,188
<u>Disbursements</u>				
<u>Current</u>				
Human Services	6,320,630	6,457,108	6,267,170	189,938
Changes in Fund Balance	(412,630)	(547,630)	(70,504)	477,126
Fund Balance at Beginning of Year	1,565,292	1,565,292	1,565,292	0
Prior Year Encumbrances Appropriated	160,630	160,630	160,630	0
Fund Balance at End of Year	\$1,313,292	\$1,178,292	\$1,655,418	\$477,126

See Accompanying Notes to the Basic Financial Statements

Mercer County
Statement of Fund Net Assets - Cash Basis
Enterprise Funds
December 31, 2011

	<u>County Home</u>	<u>Sanitary Sewer</u>	<u>Other Enterprise</u>	<u>Total</u>
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	<u>\$917,410</u>	<u>\$1,946,010</u>	<u>\$1,259,402</u>	<u>\$4,122,822</u>
<u>Net Assets</u>				
Unrestricted	<u>\$917,410</u>	<u>\$1,946,010</u>	<u>\$1,259,402</u>	<u>\$4,122,822</u>

See Accompanying Notes to the Basic Financial Statements

Mercer County
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Cash Basis
Enterprise Funds
For the Year Ended December 31, 2011

	County Home	Sanitary Sewer	Other Enterprise	Total
<u>Operating Revenues</u>				
Charges for Services	\$44,891	\$1,171,737	\$992,051	\$2,208,679
Other	4,800	87,519	4,424	96,743
Total Operating Revenues	49,691	1,259,256	996,475	2,305,422
<u>Operating Expenses</u>				
Personal Services	487,243	298,767	228,587	1,014,597
Contractual Services	154,489	1,951,565	613,076	2,719,130
Materials and Supplies	82,745	86,317	122,487	291,549
Debt Service				
Principal Retirement	0	277,679	0	277,679
Total Operating Expenses	724,477	2,614,328	964,150	4,302,955
Operating Income (Loss)	(674,786)	(1,355,072)	32,325	(1,997,533)
<u>Non-Operating Revenues (Expenses)</u>				
Property Taxes	611,670	0	0	611,670
Grants	110,854	262,884	8,000	381,738
Donations	0	0	3,538	3,538
OWDA Loans Issued	0	1,137,863	0	1,137,863
Interest Expense	0	(45,902)	0	(45,902)
Total Non-Operating Revenues (Expenses)	722,524	1,354,845	11,538	2,088,907
Income (Loss) Before Advances	47,738	(227)	43,863	91,374
Advances In	0	0	2,000	2,000
Advances Out	0	(15,821)	(2,000)	(17,821)
Changes in Net Assets	47,738	(16,048)	43,863	75,553
Net Assets at Beginning of Year	869,672	1,962,058	1,215,539	4,047,269
Net Assets at End of Year	\$917,410	\$1,946,010	\$1,259,402	\$4,122,822

See Accompanying Notes to the Basic Financial Statements

Mercer County
Statement of Cash Flows - Cash Basis
Enterprise Funds
For the Year Ended December 31, 2011

	County Home	Sanitary Sewer	Other Enterprise	Total
Increases (Decreases) in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$44,891	\$1,171,737	\$992,051	\$2,208,679
Cash Payments for Personal Services	(487,243)	(298,767)	(228,587)	(1,014,597)
Cash Payments for Contractual Services	(154,489)	(1,951,565)	(613,076)	(2,719,130)
Cash Payments for Supplies	(82,745)	(86,317)	(122,487)	(291,549)
Cash Received from Other Revenues	4,800	87,519	4,424	96,743
Net Cash Provided by (Used for) Operating Activities	<u>(674,786)</u>	<u>(1,077,393)</u>	<u>32,325</u>	<u>(1,719,854)</u>
<u>Cash Flows from Noncapital Financing Activities</u>				
Cash Received from Property Taxes	611,670	0	0	611,670
Cash Received from Grants	110,854	262,884	8,000	381,738
Cash Received from Donations	0	0	3,538	3,538
Cash Received from Advances In	0	0	2,000	2,000
Cash Payments for Advances Out	0	(15,821)	(2,000)	(17,821)
Interest Paid on Outstanding Advance	0	(9,890)	0	(9,890)
Net Cash Provided by Noncapital Financing Activities	<u>722,524</u>	<u>237,173</u>	<u>11,538</u>	<u>971,235</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Principal Paid on Special Assessment Bonds	0	(9,800)	0	(9,800)
Interest Paid on Special Assessment Bonds	0	(2,115)	0	(2,115)
Principal Paid on OPWC Loans	0	(17,780)	0	(17,780)
Proceeds of OWDA Loans	0	1,137,863	0	1,137,863
Principal Paid on OWDA Loans	0	(230,567)	0	(230,567)
Interest Paid on OWDA Loans	0	(29,951)	0	(29,951)
Principal Paid on Rural Industrial Park Loan	0	(19,532)	0	(19,532)
Interest Paid on Rural Industrial Park Loan	0	(3,946)	0	(3,946)
Net Cash Provided by Capital and Related Financing Activities	<u>0</u>	<u>824,172</u>	<u>0</u>	<u>824,172</u>
Net Increase (Decrease) in Cash and Cash Equivalents	47,738	(16,048)	43,863	75,553
Cash and Cash Equivalents at Beginning of Year	<u>869,672</u>	<u>1,962,058</u>	<u>1,215,539</u>	<u>4,047,269</u>
Cash and Cash Equivalents at End of Year	<u><u>\$917,410</u></u>	<u><u>\$1,946,010</u></u>	<u><u>\$1,259,402</u></u>	<u><u>\$4,122,822</u></u>

See Accompanying Notes to the Basic Financial Statements

Mercer County
Statement of Cash Basis Fiduciary Net Assets
Agency Funds
December 31, 2011

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,143,389
Cash and Cash Equivalents in Segregated Accounts	<u>220,829</u>
 Total Assets	 <u><u>\$4,364,218</u></u>
 <u>Net Assets</u>	
Undistributed Assets	<u><u>\$4,364,218</u></u>

See Accompanying Notes to the Basic Financial Statements

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

1. REPORTING ENTITY

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

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

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

A. Primary Government

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

B. Component Units

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

C.A. Group is a legally separate, not-for-profit corporation served by a board appointed by the Mercer County Board of Developmental Disabilities (DD). C.A. Group, under a contractual agreement with the Mercer County Board of DD, provides sheltered employment for mentally disabled or handicapped adults in Mercer County. The Mercer County Board of DD provides C.A. Group with personnel necessary for the operation of the habilitation services to the clients, land and buildings for the operation of the center, maintenance and repair of the buildings, and professional staff to supervise and train clients of C.A. Group. Based on the significant services and resources provided by the County to C.A. Group and C.A. Group's sole purpose of providing assistance to the disabled and handicapped adults of Mercer County, C.A. Group is a component unit of Mercer County. Its exclusion from the County's financial statements would cause the financial statements to be misleading. C.A. Group operates on a fiscal year ending December 31. Information about this component unit is presented in Note 18 to the basic financial statements. Further information for C.A. Group can be obtained from C.A. Group, P.O. Box 137, Celina, Ohio 45822.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

1. REPORTING ENTITY (Continued)

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

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

The County participates in four jointly governed organizations, three insurance pools, and a related organization. These organizations are presented in Notes 19, 20, and 21 to the basic financial statements. These organizations are:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Fund Financial Statements

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

B. Fund Accounting

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

1. Governmental Funds

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

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

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

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

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Funds

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

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

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

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

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

3. Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County did not have any trust funds in 2011. The County's agency funds are used to account for assets held by the County for political subdivisions for which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

C. Basis of Accounting

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

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

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

During 2011, the County invested in non-negotiable certificates of deposit, U.S. corporation notes, and federal agency 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 2011 were \$279,778 which includes \$243,611 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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

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 Assets

Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include resources restricted for the upkeep of the County's roads and bridges, child support and welfare services, services for the handicapped and mentally disabled, and activities of the County's courts. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

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:

Non-spendable - The non-spendable 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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. In the General Fund, assigned amounts represent intended uses established by the County Commissioners or by a County official delegated that authority by resolution.

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 resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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.

L. Operating Receipts and Disbursements

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Internal Activity

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

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

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

3 CHANGE IN ACCOUNTING PRINCIPALS AND RESTATEMENT OF FUND BALANCE/NETASSETS

For 2011, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned, and/or unassigned.

The restatement due to the implementation of GASB Statement No. 54 had the following effect on fund balance of the major and non-major funds of the County as they were previously reported.

	<u>General</u>	<u>Motor Vehicle</u>	<u>Developmental Disabilities</u>	<u>Other Governmental</u>	<u>Total Governmental Activities</u>
Fund Balance at December 31, 2010	\$1,826,093	\$765,615	\$2,029,824	\$4,532,076	\$9,153,608
Change in Fund Structure	236,987	803		(242,674)	(4,884)
Adjusted Fund Balance at December 31, 2010	<u>\$2,063,080</u>	<u>\$766,418</u>	<u>\$2,029,824</u>	<u>\$4,289,402</u>	<u>\$9,148,724</u>

The restatement had the following effect on net assets.

	<u>Total Governmental Activities</u>	<u>Total Business-Type Activities</u>
Net Assets at December 31, 2010	\$9,153,608	\$4,047,269
Change in Fund Structure	(4,884)	
Adjusted Net Assets at December 31, 2010	<u>\$9,148,724</u>	<u>\$4,047,269</u>

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

4. COMPLIANCE

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

5. DEPOSITS AND INVESTMENTS

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry zero-coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange similar securities, or cash, equal value for equal value;

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,122,767 of the County's bank balance of \$15,593,237 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

B. Investments

As of December 31, 2011, the County had the following investments:

	Total	One Year to Two Years	More Than Two Years
General Electric Corporation Notes	\$1,265,739	\$1,265,739	
Federal Farm Credit Bank Notes	499,350		\$ 499,350
Federal Home Loan Bank Notes	1,810,000		1,810,000
Total Investments	\$3,575,089	\$1,265,739	\$2,309,350

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

The Federal Farm Credit Bank Notes and Federal Home Loan Bank Notes carry a rating of Aaa by Moodys. The General Electric Corporation Notes carry a rating of AA2 by Moodys. The rating was downgraded on April 13, 2012 to A1. The County has no policy dealing with credit risk beyond the requirements of State statute.

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

	Fair Value	Percentage of Portfolio
General Electric	\$1,265,739	35.40%
Federal Farm Credit Bank	499,350	13.97
Federal Home Loan Bank	1,810,000	50.63

6. PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the County. Real property tax revenues received in 2011 represent the collection of 2010 taxes. Real property taxes received in 2011 were levied after October 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

6. PROPERTY TAXES (Continued)

Public utility property tax revenues received in 2011 represent the collection of 2010 taxes. Public utility real and tangible personal property taxes received in 2011 became a lien on December 31, 2009, were levied after October 1, 2010, 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.

The full tax rate for all County operations for the year ended December 31, 2011, was \$11.86 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2011 property tax receipts were based are as follows:

Real Property	
Residential/Agriculture	\$712,901,320
Commercial/Industrial/Mineral	91,682,680
Public Utility Property	
Real	74,300
Personal	21,045,000
Total Assessed Value	<u>\$825,703,300</u>

7. 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.

8. INTERFUND ACTIVITY

During 2011, the County made a number of cash advances to various funds. As of December 31, 2011, \$724,551 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 Other Governmental funds and the Sanitary Sewer enterprise fund are \$338,107 and \$15,175, respectively, and to the Motor Vehicle special revenue fund from Other Governmental funds, in the amount of \$1,850.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

9. RISK MANAGEMENT

A. Property and Liability

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2011, the County contracted with the Midwest Pool Risk Management Agency, Inc. for insurance coverage.

Coverage provided was as follows:

General Liability	\$2,000,000
Automobile Liability	2,000,000
Ohio Stop Gap (Additional Workers' Compensation Coverage)	2,000,000
Excess Liability	5,000,000
Building and Contents	63,763,000
Earthquake	100,000,000
Flood	50,000,000
Comprehensive Boiler and Machinery	50,000,000

There has been no significant reduction in insurance coverage from 2010 and settled claims have not exceeded this coverage in the past three years.

For 2011, 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 2011, 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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

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

10. SIGNIFICANT CONTRACTUAL COMMITMENTS

The County had the following contractual commitments outstanding as of December 31, 2011:

<u>Contractor</u>	<u>Purpose</u>	<u>Commitment</u>
VTF Excavation, LLC	Prairie Creek Treatment Train	\$ 105,984
VTF Excavation, LLC	CR 219A Road Improvements	539,422
VTF Excavation, LLC	Walterbusch Ditch Improvement	18,863
VTF Excavation, LLC	MCI-4 th Lagoon	1,018,392
Fanning/Howey	MCI-4 th Lagoon	46,000
Tumbusch Construction, Inc.	Sharpsburg Road Improvement	22,549

11. DEFINED BENEFIT PENSION PLANS

Plan Description - The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for public safety and law enforcement employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in the state and local classifications and 12 percent for public safety and law enforcement members. For the year ended December 31, 2011, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11 percent and 11.6 percent, respectively. While members in the state and local classifications may participate in all three plans, public safety and law enforcement classifications exist only within the traditional plan. For 2011, member and employer contribution rates were consistent across all three plans.

The County's 2011 contribution rate was 14 percent, except for those plan members in public safety or law enforcement, for whom the County's contribution was 18.1 percent of covered payroll. The portion of the County's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the County's contribution allocated to health care for members in the traditional plan was 4 percent for 2011. The portion of the employer contribution allocated to health care for members in the combined plan was 6.05 percent for 2011. Employer contribution rates are actuarially determined.

The County's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 was \$1,173,686, \$1,089,351, and \$958,879, respectively. For 2011, 95 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009. Contributions to the member-directed plan for 2011 were \$18,497 made by the County and \$13,212 made by the plan members.

12. POSTEMPLOYMENT BENEFITS

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

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

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

12. 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/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed 14 percent of covered payroll and public safety and law enforcement employers contributed 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in the traditional plan was 4 percent for 2011. The portion of the employer contribution allocated to health care for members in the combined plan was 6.05 percent for 2011.

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

The County's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2011, 2010, and 2009 was \$458,950, \$606,714, and \$677,870, respectively. For 2011, 95 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

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

13. COMPENSATED ABSENCES

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

14. NOTE OBLIGATIONS

The changes in the County's note obligations during 2011 were as follows:

	<u>Interest Rate</u>	<u>Balance 12/31/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2011</u>
Governmental Activities:					
Bond Anticipation Notes					
Various Purpose Series 2010	2.56%	\$205,300		\$205,300	
Various Purpose Series 2011	1.74				\$206,000
Total Bond Anticipation Notes		205,300	\$206,000	205,300	206,000
Special Assessment Notes					
Various Purpose Series 2010	2.39	260,500		260,500	
Total Governmental Activities		\$465,800	\$206,000	\$465,800	\$206,000

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

On April 29, 2011, the County issued bond anticipation notes, in the amount of \$206,000, to partially retire notes previously issued in 2010 for various ditches and improvements to the fairgrounds, in the amount of \$205,300. The notes had an interest rate of 1.74 percent and matured on April 27, 2012. The notes were paid from the Ditch Special Assessment Note debt service fund and the General Obligation Bond Anticipation Note debt service fund.

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

15. LONG-TERM OBLIGATIONS

The County's long-term debt activity for the year ended December 31, 2011, was as follows:

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

	<u>Interest Rate</u>	<u>Balance 12/31/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/11</u>	<u>Due Within One Year</u>
Governmental Activities:						
General Obligation Bonds:						
1998 Central Services (Original Amount \$3,750,000)	4.85-5%	\$ 2,540,000		\$2,540,000		
Adult Detention Facility (Original Amount \$10,500,000)	3.25-5	8,865,000		600,000	\$ 8,265,000	\$ 620,000
2010 Various Purpose - Road Improvements (Original Amount \$665,000)	2-3.75	600,000		60,000	540,000	60,000
2010 Various Purpose – Correctional Facility (Original Amount \$2,535,000)	2-4	2,355,000		170,000	2,185,000	175,000
2010 Various Purpose - Ditch Improvement (Original Amount \$390,000)	2-4	365,000		20,000	345,000	20,000
2011 Central Services Refunding (Original Amount \$2,460,000)	1-3.5		\$2,460,000		2,460,000	180,000
Total General Obligation Bonds		<u>14,725,000</u>	<u>2,460,000</u>	<u>3,390,000</u>	<u>13,795,000</u>	<u>1,055,000</u>
OPWC Loans:						
1995 Karch/Tama (Original Amount \$174,070)		34,814		8,703	26,111	4,352
1997 Siegrist-Jutte and Kahn Road Bridge (Original Amount \$256,554)		70,552		12,828	57,724	6,414
2001 Four Bridge Replacement (Original Amount \$76,979)		38,489		3,849	34,640	1,924
2002 Home Waterline Improvement (Original Amount \$80,000)		52,000		4,000	48,000	4,000
OPWC Loans (continued)						
2002 Five Bridge Replacement (Original Amount \$60,000)		39,000		3,000	36,000	1,500
2005 Six Bridge Repair (Original Amount \$60,225)		43,664		3,012	40,652	1,505
2007 Bridge Replacement (Original Amount \$137,801)		120,576		6,890	113,686	3,445
2009 Carthagera Road (Original Amount \$300,000)		285,000		15,000	270,000	7,500
2009 Bridge Replacement (Original Amount \$157,500)		145,687		7,875	137,812	3,937
2010 Bridge Replacement (Original Amount \$142,500)		138,938		7,125	131,813	3,563
2011 County Road 30B Improvement (Original Amount \$74,250)			74,250		74,250	
2011 County Road 23 Improvement (Original Amount \$38,623)			38,623		38,623	
Total OPWC Loans		<u>968,720</u>	<u>112,873</u>	<u>72,282</u>	<u>1,009,311</u>	<u>38,140</u>
Sheriff Loan (Original Amount \$248,954)	6.92	76,324		76,324		
Total Governmental Activities		<u>\$15,770,044</u>	<u>\$2,572,873</u>	<u>\$3,538,606</u>	<u>\$14,804,311</u>	<u>\$1,093,140</u>

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

	Interest Rate	Balance 12/31/2010	Additions	Reductions	Balance 12/31/2011	Due Within One Year
Business-Type Activities:						
Special Assessment Bonds:						
1992 Southwest Sanitary Sewer (Original Amount \$148,600)	5.0%	\$ 42,300		\$ 9,800	\$ 32,500	\$ 10,300
OPWC Loans:						
1993 Northwood Collection System (Original Amount \$55,600)	0	9,730		2,780	6,950	2,780
2003 Philothea Area Wastewater (Original Amount \$300,000)	0	172,500		15,000	157,500	7,500
Total OPWC Loans		182,230		17,780	164,450	10,280
OWDA Loans:						
1988 MCI (Original Amount \$831,193)	2	62,211		41,330	20,881	20,881
2002 Staeger Road Sanitary Sewer (Original Amount \$109,521)	3.64	64,538		5,457	59,081	2,803
2002 SR 129 and Burge Road (Original Amount \$400,463)	3.49	250,408		19,034	231,374	9,767
2005 Lake Acres (Original Amount \$248,037)	2.75%	219,852		13,070	206,782	6,670
East Jefferson Phase 3 Sewers	0	754,864	\$ 336,711	31,894	1,059,681	
West Jefferson Township Sewer (Original Amount \$1,214,964)	0	1,093,468		60,748	1,032,720	30,374
Marion Township Sewer	1	1,458,317	796,152	53,784	2,200,685	
Northeast Sanitary Sewers	0	45,000	5,000	5,250	44,750	
Planning and Design for Un- sewered	0	3,980			3,980	
Total OWDA Loans		3,952,638	1,137,863	230,567	4,859,934	70,495
Ohio Water and Sewer Loans						
1991 Sandy Beach Area Sewer District (Original Amount \$42,822)	0	42,822			42,822	
1992 Southwest Sewer (Original Amount \$269,223)	0	269,223			269,223	
2001 Rotary SR 269 Sewer (Original Amount \$110,167)	0	88,673			88,673	
Total Ohio Water and Sewer Loans		400,718			400,718	
Rural Industrial Park Loan						
2001 Rural Industrial Park - SR269 (Original Amount \$200,000)	0-3	130,322		19,532	110,790	20,126
Total Business-Type Activities		\$4,708,208	\$1,137,863	\$277,679	\$5,568,392	\$111,201

General Obligation Bonds

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

1998 Central Services

In 1998, the County issued \$3,750,000 in un-voted general obligation bonds for renovating a building for use as County offices. During 2011, the bonds were fully retired with the proceeds of the 2011 Central Services refunding general obligation bonds.

Adult Detention Facility

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

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

2010 Various Purpose Bonds

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

2011 Central Services Refunding Bonds

On October 26, 2011, the County issued \$2,460,000 in un-voted 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.

Special Assessment Bonds

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

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. Amortization schedules for the County Road 30B Improvement and County Road 23 Improvement loans are not available until the completion of the project. Total principal remaining on the enterprise related loans is \$164,450, payable through December 2022. For the current year, principal paid was \$17,780. For 2011, the Sanitary Sewer enterprise fund had an operating loss of \$1,355,072.

Sheriff Loan

The County entered into a loan agreement to purchase software for the sheriff's department. The final maturity of the loan was January 8, 2011. The loan was paid from the Adult Detention Facility capital projects fund.

OWDA Loans

OWDA loans consist of monies owed to the Ohio Water Development Authority for various water and sewer projects. OWDA loans are payable solely from special assessments and from the gross revenues of the enterprise funds. Amortization schedules for the East Jefferson Phase 3 Sewers, Marion Township Sewer, Northeast Sanitary Sewers, and Planning and Design for Un-sewered Area loans are not available until the completion of the project. Total principal and interest remaining on the completed OWDA loan projects is \$1,647,262, payable through December 2029. For the current year, principal and interest paid was \$260,518. For 2011, the Sanitary Sewer enterprise fund had an operating loss of \$1,355,072.

Ohio Water and Sewer Loans

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

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

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 \$119,736, payable through December 2017. For 2011, the Sanitary Sewer enterprise fund had an operating loss of \$1,355,072.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

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

At December 31, 2011, the County's overall debt margin was \$15,560,973 with an un-voted debt margin of \$4,675,423.

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

<u>Year</u>	<u>General Obligation Bonds</u>		<u>OPWC Loans</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2012	\$ 1,055,000	\$ 496,961	\$ 38,140
2013	1,090,000	469,007	72,281
2014	1,120,000	438,994	72,281
2015	1,150,000	405,269	67,929
2016	1,195,000	369,932	63,578
2017-2021	6,475,000	1,139,590	251,826
2022-2026	1,710,000	80,050	211,997
2027-2031			118,406
	<u>\$13,795,000</u>	<u>\$3,399,803</u>	<u>\$896,438</u>

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

<u>Year</u>	<u>Special Assessment Bonds</u>		<u>OPWC Loans</u>	<u>OWDA Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2012	\$10,300	\$1,625	\$ 10,280	\$ 70,495	\$ 8,361
2013	10,800	1,110	17,780	100,174	14,969
2014	11,400	570	16,390	101,468	13,673
2015			15,000	102,805	12,337
2016			15,000	104,188	10,954
2017-2021			75,000	539,451	32,375
2022-2026			15,000	380,386	3,755
2027-2029				151,871	
	<u>\$32,500</u>	<u>\$3,305</u>	<u>\$164,450</u>	<u>\$1,550,838</u>	<u>\$96,424</u>

**Rural Industrial
Park Loan**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 20,126	\$3,048
2013	20,738	2,436
2014	21,369	1,806
2015	22,019	1,156
2016	22,689	486
2017	3,849	14
	<u>\$110,790</u>	<u>\$8,946</u>

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

16. FUND BALANCE

Fund balance is classified as non-spendable, 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.

<u>Fund Balance</u>	<u>General</u>	<u>Motor Vehicle</u>	<u>Developmental Disabilities</u>	<u>Other Governmental</u>
Non-spendable for:				
Unclaimed Monies	\$ 128,654			
Restricted for:				
Adult Detention Facility Improvements				\$ 715,698
Airport Improvements				993
Board of Developmental Disabilities Operations			\$2,000,987	
Child Support Enforcement				302,542
County Home Improvements				20,257
Court Operations				230,364
Crime Victim Assistance				2,486
Debt Retirement				30,967
Delinquent Tax Collections				61,757
Ditch Maintenance				522,340
Dog and Kennel Operations				23,903
Economic Development/Rehabilitation				616,447
Environmental Restoration				16,869
Emergency Management Agency				4,018
Job and Family Services Operations				392,956
Juvenile Corrections				91,211
Law Library				7,879
Park Maintenance				94,734
Real Estate Assessment				1,033,139
Road and Bridge Repair/Improvement		\$1,070,413		
Sheriff Operations	279			599,233
Total Restricted	<u>279</u>	<u>1,070,413</u>	<u>2,000,987</u>	<u>4,767,793</u>
Committed to:				
Adult Detention Facility Operations				170,297
Sheriff Operations				17,410
Total Committed				<u>187,707</u>
Assigned for:				
4-H Camp Improvements	17,250			
Building Maintenance	96,516			
Capital Improvements				11,000
Debt Service				3,338
Document Recording	50,923			
Economic Development/Rehabilitation	101,501			
Flood Damage	8,859			
Parent Education	890			
Sheriff Operations	86,916			
Title Administration	190,770			
Unpaid Obligations	227,919			
Total Assigned	<u>781,544</u>			<u>14,338</u>
Unassigned	1,315,999			
Total Fund Balance	<u>\$2,226,476</u>	<u>\$1,070,413</u>	<u>\$2,000,987</u>	<u>\$4,969,838</u>

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

17. INTERFUND TRANSFERS

During 2011, transfers were made from the General Fund, the Motor Vehicle special revenue fund, and Other Governmental funds to Other Governmental funds, in the amount of \$1,199,039, \$68,282, and \$1,703,415, respectively, to subsidize operations of other funds and to make debt payments as they came due.

18. C.A. GROUP

**C.A. Group
Statement of Net Assets
December 31, 2011**

Assets:	
Equity in Pooled Cash and Cash Equivalents	\$174,521
Accounts Receivable	102,456
Other Assets	832
Depreciable Capital Assets	365,604
Total Assets	643,413
Liabilities:	
Accounts Payable	66,053
Accrued Wages Payable	37,847
Intergovernmental Payable	1,285
Notes Payable	146,953
Total Liabilities	252,138
Net Assets:	
Unrestricted	\$391,275

**C.A. Group
Statement of Revenues, Expenses, and Changes
In Fund Net Assets
For the Year Ended December 31, 2011**

Operating Revenues:	
Charges for Services	\$1,189,586
Operating Expenses:	
Personnel Services	874,841
Contractual Services	8,498
Materials and Supplies	328,823
Other Operating Expenses	938
Depreciation	50,253
Total Operating Expenses	1,263,353
Operating Loss	(73,767)
Non-Operating Revenues (Expenses):	
Grants	4,000
Donations	1,356
Interest Revenue	3,796
Interest Expense	(4,910)
Gain on Sale of Capital Assets	10,875
Total Non-Operating Revenues (Expenses)	15,117

(Continued)

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

18. C.A. GROUP (Continued)

**C.A. Group
Statement of Revenues, Expenses, and Changes
In Fund Net Assets
For the Year Ended December 31, 2011
(Continued)**

Change in Net Assets	(58,650)
Net Assets at Beginning of Year	449,925
Net Assets at End of Year	\$391,275

**C.A. Group
Statement of Cash Flows
December 31, 2011**

Cash Flows from Operating Activities:	
Continuing Operations:	
Cash Received from Customers	\$947,250
Cash Payments for Personal Services	(870,435)
Cash Payments to Suppliers	(316,122)
Cash Received from Other Revenues	203,676
Net Cash Used for Operating Activities	(35,631)
Cash Flows from Non-Capital Financing Activities:	
Cash Received from Grants	4,000
Cash Received from Donations	1,356
Net Cash Provided by Noncapital Financing Activities	5,356
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(\$53,996)
Proceeds from Sale of Capital Assets	10,875
Principal Paid on Notes	(8,290)
Interest Paid on Notes	(4,910)
Net Cash Used for Capital and Related Financing Activities	56,321)
Cash Flows from Investing Activities:	
Interest	3,796
Net Decrease in Cash and Cash Equivalents	(82,800)
Cash and Cash Equivalents at Beginning of Year	257,321
Cash and Cash Equivalents at End of Year	\$174,521
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(73,767)
	(Continued)

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

18. C.A. GROUP (Continued)

**C.A. Group
Statement of Cash Flows
December 31, 2011
(Continued)**

Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	50,253
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	(34,428)
Decrease in Intergovernmental Receivable	(4,230)
Increase in Accounts Payable	22,228
Increase in Accrued Wages Payable	4,405
Decrease in Intergovernmental Payable	(92)
Net Cash Used for Operating Activities	<u>(\$35,631)</u>

A. Summary of Significant Accounting Policies

1. Basis of Presentation

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

2. Measurement Focus and Basis of Accounting

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

3. Materials and Supplies Inventory

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

B. Deposits and Investments

Custodial credit risk for deposits is the risk that in the event of bank failure, C. A. Group will not be able to recover deposits or collateral securities that are in the possession of an outside party. C. A. Group's bank balance of \$174,521 was fully covered by FDIC insurance.

C. Capital Assets

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

Capital asset activity for the year ended December 31, 2011, was as follows:

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

18. C.A. GROUP (Continued)

	<u>Balance 12/31/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2011</u>
Depreciable Capital Assets:				
Buildings	\$336,610	\$31,027		\$367,637
Equipment	208,231	20,310	(\$8,210)	220,331
Vehicles	171,813	2,659		174,472
Total Depreciable Capital Assets	<u>716,654</u>	<u>53,996</u>	<u>(8,210)</u>	<u>762,440</u>
Less Accumulated Depreciation for:				
Buildings	(39,271)	(16,831)		(56,102)
Equipment	(168,094)	(11,483)	8,210	(171,367)
Vehicles	(147,428)	(21,939)		(169,367)
Total Accumulated Depreciation	<u>(354,793)</u>	<u>(50,253)</u>	<u>8,210</u>	<u>(396,836)</u>
Depreciable Capital Assets, Net	<u>\$361,861</u>	<u>\$ 3,743</u>	<u>\$ 0</u>	<u>\$365,604</u>

D. Risk Management

C.A. Group is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2011, C.A. Group contracted with the Ohio School Plan for commercial, directors and officers liability, and individual fidelity bond; and with Erie Insurance for property and general liability, medical liability, and uninsured motorist auto liability.

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

E. Significant Concentration of Business with Two Customers

Two customers provide approximately 26 percent of the service revenue to C.A. Group. If canceled, the volume of business would have a severe impact on the production operations of C.A. Group. However, management would still carry on developmental disabilities programs regardless of services it could lose until new customers were secured. Management is unsure of the risk of these companies canceling during the next year or thereafter.

F. Notes Payable

The changes in the C.A. Group's note obligation during 2011 were as follows:

	<u>Interest Rate</u>	<u>Balance 12/31/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2011</u>	<u>Due Within One Year</u>
Building Note	4.15%	<u>\$155,243</u>	<u>\$0</u>	<u>\$8,290</u>	<u>\$146,953</u>	<u>\$6,552</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 6,552	\$ 5,975
2013	6,829	5,698
2014	7,118	5,409
2015	7,419	5,108
2016	7,733	4,794
2017-2028	<u>111,302</u>	<u>27,799</u>
	<u>\$146,953</u>	<u>\$54,783</u>

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

19. 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 2011, 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 County 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 2011, a tax levy provided \$752,649 for the operations of the organization. Financial information can be obtained from the Mercer County Auditor, 101 North Main Street, Room 105, Celina, Ohio 45822-1794.

C. West Central Ohio Network

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

19. 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.

20. INSURANCE POOLS

A. County Commissioners Association of Ohio Service Corporation

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

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

B. Midwest Pool Risk Management Agency, Inc.

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

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

C. Midwest Employee Benefit Consortium

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

20. INSURANCE POOLS (Continued)

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.

21. RELATED ORGANIZATION

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

22. RELATED PARTY TRANSACTIONS

During 2011, Mercer County provided facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of its programs to C.A. Group. C.A. Group, a component unit of Mercer County, reported \$208,915 for such contributions.

23. 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.

24. SUBSEQUENT EVENTS

On February 27, 2012, the County issued bond anticipation notes, in the amount of \$187,500, to partially retire notes previously issued for improvements of various ditches. The notes have an interest rate of 1.25 percent and mature on April 26, 2013.

On April 27, 2012, the County issued bond anticipation notes, in the amount of \$177,000, to partially retire notes previously issued for various ditches and improvements to the fairgrounds. The notes have an interest rate of 1.7 percent and mature on April 26, 2013.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

25. BUDGETARY RECONCILIATION

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

Net Change in Fund Balance General Fund	
Cash Basis	\$163,396
Increase (Decrease) Due To:	
Non-Budgeted revenues from Agency Funds	29,128
Cash on Hand	(3,044)
Elimination of Self Insurance Fund	(5,413)
Encumbrances	(253,342)
Budget Basis	(\$69,275)

Net Change in Fund Balance Motor Vehicle Gas Tax Fund	
Cash Basis	\$303,995
Increase (Decrease) Due To:	
Cash on Hand	151
Elimination of Self Insurance Fund	(555)
Encumbrances	(757,073)
Budget Basis	(\$453,482)

Net Change in Fund Balance Developmental Disabilities Fund	
Cash Basis	(\$28,837)
Increase (Decrease) Due To:	
Non-budgeted revenues from Agency Fund	49,215
Non-budgeted revenues held in outside accounts	(150,088)
Non-budgeted on-behalf expenditures	256,762
Elimination of Self Insurance Fund	(2,666)
Encumbrances	(194,890)
Budget Basis	(\$70,504)

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**FINANCIAL CONDITION
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE, FOOD AND NUTRITION SERVICES (Passed through Ohio Department of Education)				
Nutrition Cluster:				
Cash Assistance:				
School Breakfast Program		10.553	\$3,243	
Non-Cash Assistance (food distribution)				
National School Lunch Program		10.555		\$278
Cash Assistance:				
National School Lunch Program		10.555	<u>5,922</u>	
Total Nutrition Cluster			9,165	278
(Passed through Ohio Department of Job and Family Services)				
Supplemental Nutrition Assistance Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				
	G-1011-11-5082/G-1213-0082	10.561	<u>126,914</u>	
Total U.S. Department of Agriculture, Food and Nutrition Services			136,079	
U.S. DEPARTMENT OF COMMERCE NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION (Passed through Ohio Emergency Management Agency)				
Public Safety Interoperable Communications Grant Program				
Total U.S. Department of Commerce	2007-GS-H7-0053	11.555	<u>47,814</u>	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Passed through Ohio Department of Development)				
Community Development Block Grants:				
Community Development Block Grants/State's Program				
	B-C-09-1BX-1	14.228	21,886	
	B-F-09-1BX-1		1,022	
	B-F-10-1BX-1		<u>115,886</u>	
Total Community Development Block Grants/State's Program			138,794	
Community Development Block Grants/State's Program - ARRA				
	B-R-09-1BX-1	14.255	<u>317,880</u>	
Total Community Development Block Grants/State's Program			456,674	
Home Investment Partnership Program				
Total U.S. Department of Housing and Urban Development	B-C-09-1BX-2	14.239	<u>286,356</u>	
			743,030	
U.S. DEPARTMENT OF JUSTICE (Passed through Attorney General's Crime Victim Services)				
Crime Victim Assistance				
	2011VAGENE068	16.575	19,022	
	2012VAGENE068		7,485	
	2011SAGENE068		2,038	
	2012SAGENE068		<u>255</u>	
Total Crime Victim Assistance			28,800	
(Passed through Office of Criminal Justice Services)				
Edward Byrne Memorial Justice Assistance Grant Program				
	2010-JG -LLE-5165	16.738	15,000	
Edward Byrne Memorial Justice Assistance Grant Program - ARRA				
	2009-RA-CO1-2348	16.803	<u>1,894</u>	
Total U.S. Department of Justice			45,694	

(Continued)

**FINANCIAL CONDITION
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures	Non-Cash Expenditures
UNITED STATES DEPARTMENT OF LABOR				
<i>(Passed through Ohio Department of Job & Family Services)</i>				
Workforce Investment Act (WIA) Cluster:				
WIA - Adult (FY11/PY11)	N/A	17.258	252,453	
WIA - Adult (FY10/PY10)	N/A	17.258	47,623	
WIA - Adult (FY11/PY11) - Admin	N/A	17.258	32,084	
WIA - Adult (FY10/PY10) - Admin	N/A	17.258	6,752	
WIA - One Stop Resource Sharing-Multiple Grants (SFY11)	N/A	17.258	293	
WIA - Special Project (SFY11)	N/A	17.258	26,193	
WIA - Stimulus Special Projects	N/A	17.258	150,341	
WIA - Stimulus Ohio Learning Accounts	N/A	17.258	887	
Total WIA - Adult			<u>516,626</u>	
WIA - Youth (PY11)	N/A	17.259	108,709	
WIA - Youth (PY10)	N/A	17.259	384,444	
WIA - Youth (PY09)	N/A	17.259	23,837	
WIA - Youth (PY10) - Admin	N/A	17.259	33,739	
Total WIA - Youth			<u>550,729</u>	
WIA Dislocated Worker Formula Grant (FY11/PY11) - Admin	N/A	17.278	41,226	
WIA Dislocated Worker Formula Grant (FY10/PY10) - Admin	N/A	17.278	13,099	
WIA Dislocated Worker Formula Grant (FY11/PY11)	N/A	17.278	348,587	
WIA Dislocated Worker Formula Grant (PY10)	N/A	17.278	30,701	
Total WIA - Dislocated Worker			<u>433,613</u>	
WIA - Dislocated Worker (FY10) - Admin	N/A	17.260	40	
WIA - OJT Outreach - ARRA	N/A	17.260	1,925	
Total WIA - Dislocated Worker/OJT Outreach			<u>1,965</u>	
Total Workforce Investment Act (WIA) Cluster			<u>1,502,933</u>	
Employment Service/Wagner-Peyser Funded Activities (SFY12)	N/A	17.207	22,818	
Employment Service/Wagner-Peyser Funded Activities(SFY11)	N/A	17.207	11,816	
Total Employment Service/Wagner-Peyser Funded Activities			<u>34,634</u>	
Dislocated Veterans' Outreach Program (SFY12)	N/A	17.801	2,999	
Dislocated Veterans' Outreach Program (SFY11)	N/A	17.801	5,559	
Total Dislocated Veterans' Outreach Program			<u>8,558</u>	
Local Veterans' Employment Representative Program (SFY12)	N/A	17.804	256	
Local Veterans' Employment Representative Program (SFY11)	N/A	17.804	585	
Total Local Veterans' Employment Representative Program			<u>841</u>	
Total U.S. Department of Labor			1,546,966	
U.S DEPARTMENT OF TRANSPORTATION				
<i>(Passed through Ohio Department of Transportation)</i>				
Job Access_Reverse Commute Program	JARC-4054-071-101	20.516	116,882	
Capital Assistance Program for Elderly Persons & Persons with Disabilities	CRD 0054-005-011	20.513	38,597	
Highway Planning and Construction	PID #79582	20.205	313,540	
	PID #83313		250	
	PID #83354		319,272	
	PID #83314		6,190	
	PID #87787		1,240,489	
	PID #87063		31,554	
	PID #82178		96,266	
	PID #83315		250	
	PID #83316		250	
	PID #83317		250	
	PID #89455		7,266	
	PID #82176		150,000	
	PID #87270		11,890	
Total Highway Planning and Construction			<u>2,177,467</u>	
Total U.S. Department of Transportation			<u>2,332,946</u>	

(Continued)

**FINANCIAL CONDITION
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures	Non-Cash Expenditures
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>(Passed through Ohio Department of Job & Family Services)</i>				
Child Support Enforcement	G-1001-11-5083/G1213-11-0083	93.563	350,054	
Temporary Assistance for Needy Families	G-1011-11-5082/G-1213-0082	93.558	611,813	
Adoption Assistance	G-1011-11-5082/G-1213-0082	93.659	32,954	
Title IV-E - Foster Care	G-1011-11-5082/G-1213-0082	93.658	211,938	
Title IV-E - Foster Care - ARRA			<u>5,892</u>	
Total Title IV-E - Foster Care			217,830	
Stephanie Tubbs Jones Child Welfare Services Program	G-1011-11-5082/G-1213-0082	93.645	37,465	
Promoting Safe and Stable Families	G-1011-11-5082/G-1213-0082	93.556	47,808	
Child Care Cluster:				
Child Care and Development Block Grant	G-1011-11-5082/G-1213-0082	93.575	18,435	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	G-1011-11-5082/G-1213-0082	93.596	<u>24,154</u>	
Total Child Care Cluster			42,589	
Grants to States for Access and Visitation Programs	N/A	93.597	44,160	
Chafee Foster Care Independence Program	G-1011-11-5082/G-1213-0082	93.674	5,824	
Community-Based Child Abuse Prevention Grants	G-1011-11-5082/G-1213-0082	93.590	<u>1,613</u>	
<i>(Passed through Ohio Department of MRDD)</i>				
Social Services Block Grant Program	MR-54	93.667	33,986	
<i>(Passed through Ohio Department of Job & Family Services)</i>				
Social Services Block Grant Program	G-1011-11-5082/G-1213-0082	93.667	<u>309,224</u>	
Total Social Services Block Grant Program			343,210	
<i>(Passed through the Ohio Secretary of State)</i>				
Voting Access for Individuals with Disabilities_Grants to States	N/A	93.617	2,075	
<i>(Passed through Ohio Department of MRDD)</i>				
Medical Assistance Program - ARRA	5400015	93.778	35,809	
Medical Assistance Program			61,267	
<i>(Passed through Ohio Department of Job & Family Services)</i>				
Medical Assistance Program	G-1011-11-5082/G-1213-0082	93.778	<u>244,475</u>	
Total Medical Assistance Program			<u>341,551</u>	
Total U.S. Department of Health and Human Services			2,078,946	
U.S DEPARTMENT OF HOMELAND SECURITY				
<i>(Passed through Ohio Emergency Management Agency)</i>				
Homeland Security Grant	2009-SS-T9-0089	97.067	1,297	
	2008-GE-T8-0025		22,427	
	2010-SS-T0-0012		<u>34,220</u>	
Total Homeland Security Grant			57,944	
Hazard Mitigation Grant	FEMA-DR-1805-OH	97.039	898	
<i>(Passed through Ohio Department of Public Safety)</i>				
Emergency Management Performance	2010-EP-00-003	97.042	10,408	
	EMW-2011-EP-00003-S01	97.042	<u>15,849</u>	
Total Emergency Management Performance			<u>26,257</u>	
Total U.S. Department of Homeland Security			85,099	
U.S. DEPARTMENT OF THE ARMY				
<i>(Direct Program)</i>				
Water Resources Development Act - Planning Assistance for Grand Lake St. Mary's Wetland Restoration		12.XXX	<u>100,000</u>	
Total U.S. Department of the Army			100,000	
Total Federal Assistance			<u>\$7,116,574</u>	<u>\$278</u>

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

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**MERCER COUNTY FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - 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 A describes, the County reports expenditures of Federal awards to subrecipients when paid in cash.

As a sub-recipient, 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 sub-recipients achieve the award's performance goals.

NOTE C - CHILD NUTRITION CLUSTER

The County commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the County assumes it expends federal monies first.

NOTE D – FOOD DONATION PROGRAM

The County reports commodities consumed on the Schedule at the fair value. The County allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

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

The County has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs and also to lend money to eligible persons. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Department of Development. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

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

Activity in the CDBG revolving loan fund during 2011 is as follows:

Beginning loans receivable balance as of January 1, 2011	\$2,481,865
Loans made	148,165
Loans defaulted	(24,251)
Loan principal repaid	<u>(254,029)</u>
Ending loans receivable balance as of December 31, 2011	\$2,351,750
Cash balance on hand in the revolving loan fund as of December 31, 2011	\$ 396,706

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2011, the County estimates \$526,403 in loans are 60 days past due.

**MERCER COUNTY FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2011**

NOTE F - 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.

NOTE G - TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2011, the County made allowable transfers of \$147,043 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 \$612,833 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 2011 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$759,876
Transfer to Social Services Block Grant	<u>(147,043)</u>
Total Temporary Assistance for Needy Families	<u><u>\$612,833</u></u>



Dave Yost • Auditor of State

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

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

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mercer County, (the County) as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 7, 2012, wherein we noted the County uses a comprehensive basis of accounting other than generally accepted accounting principles and the County adopted provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance and Governmental Fund Type Definitions*. We also noted the C.A. Group (a component unit) was not reported with the financial data of the County, but rather was presented as a related note disclosure as Note 18. Other auditors audited Note 18, as described in our opinion on the County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that those auditors reported. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclose instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2011-002.

We also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 7, 2012.

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

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



Dave Yost
Auditor of State

September 7, 2012



Dave Yost • Auditor of State

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

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

To the Board of County Commissioners:

Compliance

We have audited the compliance of Mercer County (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Mercer County's major federal programs for the year ended December 31, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the County's compliance based on our audit.

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

As described in finding 2011-003 in the accompanying schedule of findings, the County did not comply with requirements regarding Cash Management applicable to its Community Development Block Grant and Community Development Block Grant - ARRA major federal programs. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2011-003 to be a material weakness.

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

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



Dave Yost
Auditor of State

September 7, 2012

**MERCER COUNTY FINANCIAL CONDITION
MERCER COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA #14.228 and 14.255 – Community Development Block Grant and ARRA Community Development Block Grant CFDA #17.258, 17.259, 17.260, and 17.278 – Workforce Investment Act Cluster CFDA #20.205 – Highway Planning and Construction CFDA #93.778 – Medical Assistance Program and ARRA – Medical Assistance Program
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2011-001

1. Loan Proceeds

MATERIAL WEAKNESS

The County received and booked an OWDA loan that went directly to a contractor. The contractor paid the county \$550,000 back for capacity fees, and then the county forwarded \$529,875 to the Village of Chickasaw to pay for individual hook ups to the sewer system. The debt will be repaid through the county billing the user a monthly debt fee. The \$529,875 paid to the county and then expended to the village resulted in a 17% overstatement of other revenue and contractual services on the county financial statements (Sanitary Sewer Fund) which resulted in an audit adjustment to the basic financial statements.

The County departments need to communicate activity related to debt to the County Auditor's office in order to not overstate revenue and expenditures. The County should also develop procedures for periodic monitoring and reviewing of the financial records to determine the accuracy of the reporting.

Official's Response: We will comply with the above recommendations.

FINDING NUMBER 2011-002

2. Filing of Financial Statements

NONCOMPLIANCE

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

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

In addition, the component unit, C.A. Group is presented in the Notes to the Financial Statements instead of on the face of the financial statements due to the component unit presenting their financial statements on GAAP basis and the County presenting their financial statements in accordance with accounting principles generally accepted in the United States of America.

Pursuant to Ohio Rev. Code Section 117.38, the County may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

**FINDING NUMBER 2011-002
 (Continued)**

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. Cash Management Noncompliance

Finding Number	2011-003
CFDA Title and Number	CFDA #14.228 – Community Development Block Grant and CFDA #14.255 – ARRA – Community Development Block Grant
Federal Award Number / Year	B-C-09-1BX-1, B-F-10-1BX-1, and B-R-09-1BX-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Department of Development Rules and Regulations - Cash Management

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

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

The CDBG fund (2209), Grant B-R-09-1BX-1 had a balance of \$154,579 on March 14, 2011 and did not get to a balance less than \$5,000 until May 5, 2011. In addition, on June 6, 2011 there was a balance of \$40,905 and did not get to a balance less than \$5,000 until August 11, 2011. Finally on August 16, 2011, there was a balance of \$40,604 and the balance was not under \$5,000 until September 15, 2011. CDBG fund (2202), Grant B-C-09-1BX-1 had a balance of \$11,518 on February 22, 2011 and did not have a balance under \$5,000 until June 24, 2011. CDBG fund (2201), Grant B-F-10-1BX-1 had a balance of \$37,429 on September 28, 2011 and did not get to a balance less than \$5,000 until November 30, 2011.

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

Official’s Response: We will try to work closer with the contractor and/or engineer in order to better anticipate the amounts and dates pay applications will be submitted; in order to disburse the funds in a timely manner.

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**MERCER COUNTY FINANCIAL CONDITION
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	ORC 117.38 and OAC 117-2-03(B) – failure to file financial statements prepared in accordance with generally accepted accounting principles (GAAP)	No	See Finding Number 2011-002
2010-02	24 CFR Section 85.21(c) – cash management noncompliance	No	See Finding Number 2011-003

**MERCER COUNTY FINANCIAL CONDITION
MERCER COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-002	The Community Development Office is working with the contractor and the engineer to know when pay applications and amounts should be submitted to comply with the 15-day cash management rule.	July 2012	Renee Muhlenkamp



Dave Yost • Auditor of State

MERCER COUNTY FINANCIAL CONDITION

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 11, 2012