



Dave Yost • Auditor of State

**MERCER COUNTY FINANCIAL CONDITION
MERCER COUNTY**

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MERCER COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Mercer County Commissioners
Central Service Building
220 West Livingston Street
Celina, OH 45822

To the Board of County Commissioners:

Report on the Financial Statements

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, Ohio (the County), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mercer County, Ohio, as of December 31, 2012, and the respective changes in cash financial position and the budgetary comparison for the General, Real Estate Assessment, Motor Vehicle, Developmental Disabilities, and Adult Detention Facility funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

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Accounting Basis

Ohio Administrative Code § 117-2-03 (B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the County's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net position, changes in net position, and governmental activities. The Schedule of Federal Awards Expenditure (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional analysis and are not a required part of the basic financial statements.

These tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information 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, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2013 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

July 19, 2013

**FINANCIAL CONDITION
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
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, 2012, 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 position 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, Real Estate Assessment, Motor Vehicle, Developmental Disabilities, Adult Detention Facility, County Home, and Sanitary Sewer funds.

Reporting the County as a Whole

The statement of net position and the statement of activities reflect how the County did financially during 2012, within the limitations of cash basis accounting. The statement of net position presents the cash balance of the governmental and business-type activities of the County at year end. The statement of activities compares 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 position 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, 2012
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, 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, Real Estate Assessment, Motor Vehicle, Developmental Disabilities, Adult Detention Facility, 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 position for 2012 and 2011.

**Table 1
Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and Other Assets	\$10,478,781	\$10,267,714	\$4,225,538	\$4,122,822	\$14,704,319	\$14,390,536
Net Position:						
Restricted	8,983,385	7,967,847			8,983,385	7,967,847
Unrestricted	1,495,396	2,299,867	4,225,538	4,122,822	5,720,934	6,422,689
Total Net Position	\$10,478,781	\$10,267,714	\$4,225,538	\$4,122,822	\$14,704,319	\$14,390,536

For change in net position for both governmental and business-type activities was approximately 2 percent which is not a significant change.

**FINANCIAL CONDITION
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED
(Continued)**

Table 2 reflects the change in net position for 2012 and 2011.

**Table 2
Change in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Receipts:						
Program Receipts:						
Charges for Services	\$ 4,510,304	\$ 4,118,304	\$2,462,237	\$2,208,679	\$ 6,972,541	\$ 6,326,983
Operating Grants, Contributions, and Interest	15,087,178	15,901,909	105,677	122,392	15,192,855	16,024,301
Capital Grants & Contributions				262,884		262,884
Total Program Receipts	<u>19,597,482</u>	<u>20,020,213</u>	<u>2,567,914</u>	<u>2,593,955</u>	<u>22,165,396</u>	<u>22,614,168</u>
General Receipts:						
Property Taxes:						
General Operating	1,942,545	1,769,082			1,942,545	1,769,082
Human Services – Developmental Disabilities	3,835,286	4,029,111			3,835,286	4,029,111
County Home			633,170	611,670	633,170	611,670
Sales Taxes:						
General Operating	4,340,752	4,083,952			4,340,752	4,083,952
Adult Detention Facility	2,176,732	2,038,270			2,176,732	2,038,270
Grants and Entitlements	991,220	1,151,533			991,220	1,151,533
Interest	176,679	280,050	2,678		179,357	280,050
Other	2,020,083	2,013,774	58,162	96,743	2,078,245	2,110,517
Notes Issued		206,000				206,000
Bonds Issued		2,460,000				2,460,000
Loans Issued	32,949	112,873	1,012,932	1,137,863	1,045,881	1,250,736
Total General Receipts	<u>15,516,246</u>	<u>18,144,645</u>	<u>1,706,942</u>	<u>1,846,276</u>	<u>17,223,188</u>	<u>19,990,921</u>
Total Receipts	<u>35,113,728</u>	<u>38,164,858</u>	<u>4,274,856</u>	<u>4,440,231</u>	<u>39,388,584</u>	<u>42,605,089</u>
Program Disbursements:						
General Government:						
Legislative and Executive	4,616,791	4,766,353			4,616,791	4,766,353
Judicial	1,456,224	1,531,083			1,456,224	1,531,083
Public Safety	4,377,888	3,969,586			4,377,888	3,969,586
Public Works	8,923,913	8,991,392			8,923,913	8,991,392
Health	294,463	300,091			294,463	300,091
Human Services	10,661,711	11,734,079			10,661,711	11,734,079
Conservation and Recreation	184,643	206,240			184,643	206,240
Economic Development and Assistance	961,176	691,825			961,176	691,825
Capital Outlay	1,591,402	199,874			1,591,402	199,874
Debt Service:						
Principal Retirement	1,340,639	4,004,406			1,340,639	4,004,406
Interest and Fiscal Charges	508,986	666,760			508,986	666,760
County Home			685,870	724,477	685,870	724,477
Sanitary Sewer			2,420,139	2,660,230	2,420,139	2,660,230

(Continued)

**FINANCIAL CONDITION
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED
(Continued)**

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Other Enterprise:						
Water			3,458	1,100	3,458	1,100
Solid Waste			136,223	214,701	136,223	214,701
Ambulance			911,275	748,349	911,275	748,349
Total Disbursements	34,917,836	37,061,689	4,156,965	4,348,857	39,074,801	41,410,546
Increase in Net Position						
Before Advances	195,892	1,103,169	117,891	91,374	313,783	1,194,543
Advances	15,175	15,821	(15,175)	(15,821)		
Change in Net Position	211,067	1,118,990	102,716	75,553	313,783	1,194,543
Net Position at Beginning of Year	10,267,714	9,148,724	4,122,822	4,047,269	14,390,546	13,195,993
Net Position at End of Year	<u>\$10,478,781</u>	<u>\$10,267,714</u>	<u>\$4,225,538</u>	<u>\$4,122,822</u>	<u>\$14,704,319</u>	<u>\$14,390,536</u>

For governmental activities, overall program receipts decreased 2 percent from the prior year (which was not significant); however, charges for services increased by almost 10 percent from increases in property tax transfer fees and recorder fees on property transfers, along with special assessments charged on ditch projects. Operating grants, contributions, and interest decreased by 5 percent primarily from a reduction of grants received to fund road and bridge projects.

The 14 percent decrease in general receipts is primarily due to debt proceeds issued in the prior year. Property tax receipts for general operating purposes increased due to an increase in the current agricultural use value assessment. Sales tax receipts increased due to a general improvement in the economy. Unrestricted grants and entitlements decreased due to a state reduction in the local government fund distributions.

Disbursements for governmental activities had an overall decrease of 6 percent from the prior year. Public safety disbursements increased primarily from an increase in personnel costs and increased fuel costs for the Sheriff's department. The Sheriff's department restored step increases and had an increase in overtime relating to crime investigations. Human services costs decreased due to personnel reductions for both job and family services and the child support enforcement agency. Economic development and assistance costs increased from new revolving loans issued in 2012. Capital outlay disbursements increased from ditch construction costs relating to the Walterbusch tile, Prairie Creek cleanup, and lake restoration projects. Principal retirement decreased due to refunding general obligation bonds in 2011.

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 82 percent of governmental disbursements in 2012.

Overall program receipts for business-type activities did not change significantly from the prior year; however, charges for services increased from an increase in sewer rates, operating grants, contributions, and interest decreased from the elimination of the tangible personal property reimbursement (county home), and capital grants and contributions decreased due to the receipt of grants in 2011 for various wastewater projects. There was not a significant change in general receipts. OWDA loans were issued in 2012 for the construction of a lagoon.

**FINANCIAL CONDITION
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED
(Continued)**

The decrease in county home disbursements was primarily due to a one-time payment to OPERS for the non-contribution of an employee as from a decrease in hospitalization costs.

The decrease in sanitary sewer costs reflects a decrease in projects.

Solid waste costs decreased over 36 percent. There was a change in employee costs and the elimination of payments to the County Board of Health and to local refuse haulers.

The cost of ambulance operations increased 22 percent. There were significant purchases of equipment during 2012 including an ambulance and defibrillators.

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

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
General Government:				
Legislative and Executive	\$4,616,791	\$4,766,353	\$2,320,187	\$2,729,577
Judicial	1,456,224	1,531,083	685,248	807,231
Public Safety	4,377,888	3,969,586	3,344,303	3,120,999
Public Works	8,923,913	8,991,392	298,592	(614,301)
Health	294,463	300,091	220,078	224,867
Human Services	10,661,711	11,734,079	4,172,011	5,298,986
Conservation and Recreation	184,643	206,240	182,991	206,230
Economic Development and Assistance	961,176	691,825	655,917	557,385
Capital Outlay	1,591,402	199,874	1,591,402	199,874
Debt Service:				
Principal Retirement	1,340,639	4,004,406	1,340,639	4,004,406
Interest and Fiscal Charges	508,986	666,760	508,986	666,760
Total Disbursements	\$34,917,836	\$37,061,689	\$15,320,354	\$17,202,014

For 2012, 44 percent of the services provided by the County were paid for through general receipts, compared to 46 percent in 2011. A review of the above table demonstrates that program receipts contributed significantly to several programs. Charges for services for the public works program consist of work performed by the County Engineer for townships and villages within the County. The public works program also receives a significant amount of operating grants and contributions from state levied shared gas taxes and motor vehicle licenses. The human services program receives substantial support through various grant programs.

**FINANCIAL CONDITION
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED
(Continued)**

Governmental Funds Financial Analysis

The County's major governmental funds are the General Fund and the Real Estate Assessment, Motor Vehicle, Developmental Disabilities, and Adult Detention Facility special revenue funds.

For 2012, the General Fund had a 29 percent decrease in fund balance primarily due to advances made to other funds to provide cash flow resources for those activities.

Fund balance increased in the Real Estate Assessment Fund as receipts exceeded disbursements.

Fund balance decreased 57 percent in the Motor Vehicle Fund due to increased spending for road and bridge projects.

Fund balance increased 33 percent in the Developmental Disabilities Fund, primarily due to an increase in intergovernmental receipts. Disbursements decreased from a reduction of services provided through related organizations.

Fund balance increased 52 percent in the Adult Detention Facility Fund. Sales taxes receipts were greater than the amount of resources transferred during 2012.

Business-Type Activities Financial Analysis

During 2012, net position in the County Home Fund increased almost 9 percent. Receipts and disbursements were similar to the prior year; however receipts were again in excess disbursements.

There was a modest increase in net position of the Sanitary Sewer Fund.

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. There was little change in receipts from the original budget to the final budget. Actual receipts were over \$1.1 million more than amounts anticipated due to conservative projections. For disbursements, changes from the original budget to the final budget were not significant (primarily reflected in the legislative and executive program). Actual disbursements were approximately \$461 thousand less than budgeted amounts. The most significant decrease was in the legislative and executive program.

Current Issues

The County Engineer is constructing a 63,390 square foot facility. The estimated cost of the project is \$6.25 million to be partially financed with a fifteen year \$4.9 million bond issue. The estimated completion of the project is 2014.

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

The County has signed an agreement to purchase new finance software.

**FINANCIAL CONDITION
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED
(Continued)**

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.

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**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2012**

	Governmental Activities	Business- Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$10,394,561	\$4,225,538	\$14,620,099
Cash and Cash Equivalents in Segregated Accounts	9,670		9,670
Cash and Cash Equivalents with Fiscal Agent	74,550		74,550
Total Assets	<u>10,478,781</u>	<u>4,225,538</u>	<u>14,704,319</u>
Net Position:			
Restricted for:			
Debt Service	41,213		41,213
Capital Projects	414,038		414,038
Other Purposes	8,528,134		8,528,134
Unrestricted	1,495,396	4,225,538	5,720,934
Total Net Position	<u>\$10,478,781</u>	<u>\$4,225,538</u>	<u>\$14,704,319</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Program Receipts</u>		
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>
Governmental Activities:			
General Government:			
Legislative and Executive	\$4,616,791	\$1,780,786	\$515,818
Judicial	1,456,224	714,106	56,870
Public Safety	4,377,888	319,962	713,623
Public Works	8,923,913	1,447,710	7,177,611
Health	294,463	74,385	
Human Services	10,661,711	173,355	6,316,345
Conservation and Recreation	184,643		1,652
Economic Development and Assistance	961,176		305,259
Capital Outlay	1,591,402		
Debt Service:			
Principal Retirement	1,340,639		
Interest and Fiscal Charges	508,986		
Total Governmental Activities	<u>34,917,836</u>	<u>4,510,304</u>	<u>15,087,178</u>
Business-Type Activities:			
County Home	685,870	38,560	89,977
Sanitary Sewer	2,420,139	1,405,257	
Other Enterprise:			
Water	3,458	33,654	
Solid Waste	136,223	130,483	
Ambulance	911,275	854,283	15,700
Total Business-Type Activities	<u>4,156,965</u>	<u>2,462,237</u>	<u>105,677</u>
Total	<u>\$39,074,801</u>	<u>\$6,972,541</u>	<u>\$15,192,855</u>

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
OPWC Loans Issued
OWDA Loans Issued
Total General Receipts

Advances
Total General Receipts and Advances

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements.

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

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$2,320,187)		(\$2,320,187)
(685,248)		(685,248)
(3,344,303)		(3,344,303)
(298,592)		(298,592)
(220,078)		(220,078)
(4,172,011)		(4,172,011)
(182,991)		(182,991)
(655,917)		(655,917)
(1,591,402)		(1,591,402)
(1,340,639)		(1,340,639)
<u>(508,986)</u>		<u>(508,986)</u>
<u>(15,320,354)</u>		<u>(15,320,354)</u>
	(\$557,333)	(557,333)
	(1,014,882)	(1,014,882)
	30,196	30,196
	(5,740)	(5,740)
	<u>(41,292)</u>	<u>(41,292)</u>
	<u>(1,589,051)</u>	<u>(1,589,051)</u>
<u>(15,320,354)</u>	<u>(1,589,051)</u>	<u>(16,909,405)</u>
1,942,545		1,942,545
3,835,286		3,835,286
	633,170	633,170
4,340,752		4,340,752
2,176,732		2,176,732
991,220		991,220
176,679	2,678	179,357
2,020,083	58,162	2,078,245
32,949		32,949
	<u>1,012,932</u>	<u>1,012,932</u>
15,516,246	1,706,942	17,223,188
15,175	<u>(15,175)</u>	
<u>15,531,421</u>	<u>1,691,767</u>	<u>17,223,188</u>
211,067	102,716	313,783
<u>10,267,714</u>	<u>4,122,822</u>	<u>14,390,536</u>
<u>\$10,478,781</u>	<u>\$4,225,538</u>	<u>\$14,704,319</u>

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	<u>General</u>	<u>Real Estate Assessment</u>	<u>Motor Vehicle</u>	<u>Developmental Disabilities</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,442,082	\$1,095,250	\$460,625	\$2,590,588
Cash and Cash Equivalents in Segregated Accounts				
Cash and Cash Equivalents with Fiscal Agent Restricted Assets				74,550
Equity in Pooled Cash and Cash Equivalents	131,616			
Total Assets	<u>1,573,698</u>	<u>1,095,250</u>	<u>460,625</u>	<u>2,665,138</u>
Fund Balances:				
Non-spendable	131,616			
Restricted	154	1,095,250	460,625	2,665,138
Committed				
Assigned	1,217,850			
Unassigned	224,078			
Total Fund Balances	<u>\$1,573,698</u>	<u>\$1,095,250</u>	<u>\$460,625</u>	<u>\$2,665,138</u>

See Accompanying Notes to the Basic Financial Statements.

Adult Detention Facility	Other Governmental	Total
\$1,346,904	\$3,327,496	\$10,262,945
	9,670	9,670
		74,550
		131,616
<u>1,346,904</u>	<u>3,337,166</u>	<u>10,478,781</u>
		131,616
1,346,904	3,283,852	8,851,923
	44,031	44,031
	9,283	1,227,133
		224,078
<u>\$1,346,904</u>	<u>\$3,337,166</u>	<u>\$10,478,781</u>

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Real Estate Assessment</u>	<u>Motor Vehicle</u>	<u>Developmental Disabilities</u>
Receipts:				
Property Taxes	\$1,942,545			\$3,835,286
Sales Taxes	4,340,752			
Special Assessments:				
Charges for Services	1,815,132	\$634,352	\$787,802	83,976
Licenses and Permits	2,892			
Fines and Forfeitures	33,858		22,897	
Intergovernmental	1,106,717		6,516,208	2,447,785
Interest	176,240		18,477	
Donations	200			4,644
Other	738,414		29,160	175,184
Total Receipts	<u>10,156,750</u>	<u>634,352</u>	<u>7,374,544</u>	<u>6,546,875</u>
Disbursements:				
Current:				
General Government:				
Legislative and Executive	4,004,992	555,387		
Judicial	1,310,230			
Public Safety	1,980,495			
Public Works	9,317		7,943,492	
Health	219,825			
Human Services	308,955			5,882,724
Conservation and Recreation	171,722			
Economic Development and Assistance	207,461			
Capital Outlay				
Debt Service:				
Principal Retirement				
Interest and Fiscal Charges				
Total Disbursements	<u>8,212,997</u>	<u>555,387</u>	<u>7,943,492</u>	<u>5,882,724</u>
Excess of Receipts Over (Under) Disbursements	<u>1,943,753</u>	<u>78,965</u>	<u>(568,948)</u>	<u>664,151</u>
Other Financing Sources (Uses):				
OPWC Loans Issued			32,949	
Advances In	382,593		3,150	
Advances Out	(1,838,474)		(1,300)	
Transfers In				
Transfers Out	(1,140,650)		(75,639)	
Total Other Financing Sources (Uses)	<u>(2,596,531)</u>		<u>(40,840)</u>	
Changes in Fund Balances	(652,778)	78,965	(609,788)	664,151
Fund Balances at Beginning of Year	<u>2,226,476</u>	<u>1,016,285</u>	<u>1,070,413</u>	<u>2,000,987</u>
Fund Balances at End of Year	<u>\$1,573,698</u>	<u>\$1,095,250</u>	<u>\$460,625</u>	<u>\$2,665,138</u>

See Accompanying Notes to the Basic Financial Statements.

Adult Detention Facility	Other Governmental	Total
		\$5,777,831
\$2,176,732		6,517,484
	\$504,077	504,077
	375,603	3,696,865
	193,195	196,087
	56,520	113,275
42,193	5,833,657	15,946,560
	85,791	280,508
	23,165	28,009
840	1,076,485	2,020,083
<u>2,219,765</u>	<u>8,148,493</u>	<u>35,080,779</u>
	56,412	4,616,791
	145,994	1,456,224
1,378,400	1,018,993	4,377,888
	971,104	8,923,913
	74,638	294,463
	4,470,032	10,661,711
	12,921	184,643
	753,715	961,176
	1,591,402	1,591,402
	1,340,639	1,340,639
	508,986	508,986
<u>1,378,400</u>	<u>10,944,836</u>	<u>34,917,836</u>
<u>841,365</u>	<u>(2,796,343)</u>	<u>162,943</u>
		32,949
	1,840,226	2,225,969
	(371,020)	(2,210,794)
824,150	1,690,581	2,514,731
(1,204,606)	(93,836)	(2,514,731)
<u>(380,456)</u>	<u>3,065,951</u>	<u>48,124</u>
460,909	269,608	211,067
885,995	3,067,558	10,267,714
<u>\$1,346,904</u>	<u>\$3,337,166</u>	<u>\$10,478,781</u>

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property Taxes	\$1,810,400	\$1,810,400	\$1,934,851	\$124,451
Sales Taxes	4,000,000	4,000,000	4,340,752	340,752
Charges for Services	1,598,263	1,598,263	1,835,354	237,091
Licenses and Permits	2,500	2,500	2,892	392
Fines and Forfeitures	38,250	38,250	33,812	(4,438)
Intergovernmental	815,568	815,568	1,106,717	291,149
Interest	230,000	230,000	176,240	(53,760)
Donations		50	200	150
Other	509,382	509,382	738,414	229,032
Total Receipts	<u>9,004,363</u>	<u>9,004,413</u>	<u>10,169,232</u>	<u>1,164,819</u>
Disbursements:				
Current:				
General Government:				
Legislative and Executive	4,555,177	4,467,847	4,337,274	130,573
Judicial	1,460,053	1,450,422	1,355,783	94,639
Public Safety	2,763,598	2,024,598	2,012,956	11,642
Public Works	125,337	125,337	9,317	116,020
Health	219,830	219,830	219,825	5
Human Services	369,564	366,188	324,385	41,803
Conservation and Recreation	168,351	177,161	172,504	4,657
Economic Development and Assistance	264,765	272,594	210,309	62,285
Total Disbursements	<u>9,926,675</u>	<u>9,103,977</u>	<u>8,642,353</u>	<u>461,624</u>
Excess of Receipts Over (Under) Disbursements	<u>(922,312)</u>	<u>(99,564)</u>	<u>1,526,879</u>	<u>1,626,443</u>
Other Financing Sources (Uses):				
Advances In	6,253	6,253	382,593	376,340
Advances Out		(39,867)	(1,838,474)	(1,798,607)
Transfers Out	(206,347)	(1,388,146)	(1,140,650)	247,496
Total Other Financing Sources (Uses)	<u>(200,094)</u>	<u>(1,421,760)</u>	<u>(2,596,531)</u>	<u>(1,174,771)</u>
Changes in Fund Balance	(1,122,406)	(1,521,324)	(1,069,652)	451,672
Fund Balance at Beginning of Year	1,877,729	1,877,729	1,877,729	
Prior Year Encumbrances Appropriated	<u>253,342</u>	<u>253,342</u>	<u>253,342</u>	
Fund Balance at End of Year	<u><u>\$1,008,665</u></u>	<u><u>\$609,747</u></u>	<u><u>\$1,061,419</u></u>	<u><u>\$451,672</u></u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
REAL ESTATE ASSESSMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Charges for Services	\$600,000	\$600,000	\$634,352	\$34,352
Disbursements:				
Current:				
General Government:				
Legislative and Executive	659,670	1,234,333	1,120,122	114,211
Changes in Fund Balance	(59,670)	(634,333)	(485,770)	148,563
Fund Balance at Beginning of Year	442,837	442,837	442,837	
Prior Year Encumbrances Appropriated	572,247	572,247	572,247	
Fund Balance at End of Year	<u>\$955,414</u>	<u>\$380,751</u>	<u>\$529,314</u>	<u>\$148,563</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
MOTOR VEHICLE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Charges for Services	\$756,885	\$756,885	\$787,802	\$30,917
Fines and Forfeitures	20,200	20,200	22,890	2,690
Intergovernmental	7,425,215	7,596,415	6,516,208	(1,080,207)
Interest	20,000	20,000	18,477	(1,523)
Other	80,075	80,075	29,160	(50,915)
Total Receipts	<u>8,302,375</u>	<u>8,473,575</u>	<u>7,374,537</u>	<u>(1,099,038)</u>
Disbursements:				
Current:				
Public Works	8,962,047	9,205,116	8,195,991	1,009,125
Excess of Receipts Under Disbursements	<u>(659,672)</u>	<u>(731,541)</u>	<u>(821,454)</u>	<u>(89,913)</u>
Other Financing Sources (Uses):				
OPWC Loans Issued			32,949	32,949
Advances In			3,150	3,150
Advances Out		(1,300)	(1,300)	
Transfers Out	(111,994)	(120,969)	(75,639)	45,330
Total Other Financing Sources (Uses)	<u>(111,994)</u>	<u>(122,269)</u>	<u>(40,840)</u>	<u>81,429</u>
Changes in Fund Balance	(771,666)	(853,810)	(862,294)	(8,484)
Fund Balance at Beginning of Year	306,678	306,678	306,678	
Prior Year Encumbrances Appropriated	<u>757,073</u>	<u>757,073</u>	<u>757,073</u>	
Fund Balance at End of Year	<u>\$292,085</u>	<u>\$209,941</u>	<u>\$201,457</u>	<u>(\$8,484)</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
DEVELOPMENTAL DISABILITIES FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property Taxes	\$3,640,000	\$3,640,000	\$3,824,267	\$184,267
Charges for Services	75,000	75,000	83,976	8,976
Intergovernmental	1,886,500	1,886,500	2,361,178	474,678
Donations	3,000	3,000	4,644	1,644
Other	150,000	150,000	175,184	25,184
Total Receipts	<u>5,754,500</u>	<u>5,754,500</u>	<u>6,449,249</u>	<u>694,749</u>
Disbursements:				
Current:				
Human Services	<u>6,563,390</u>	<u>6,612,947</u>	<u>5,924,301</u>	<u>688,646</u>
Changes in Fund Balance	(808,890)	(858,447)	524,948	1,383,395
Fund Balance at Beginning of Year	1,655,418	1,655,418	1,655,418	
Prior Year Encumbrances Appropriated	<u>194,890</u>	<u>194,890</u>	<u>194,890</u>	
Fund Balance at End of Year	<u><u>\$1,041,418</u></u>	<u><u>\$991,861</u></u>	<u><u>\$2,375,256</u></u>	<u><u>\$1,383,395</u></u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
ADULT DETENTION FACILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Sales Taxes	\$1,850,000	\$1,850,000	\$2,176,732	\$326,732
Intergovernmental	10,000	10,000	42,193	32,193
Other			840	840
Total Receipts	<u>1,860,000</u>	<u>1,860,000</u>	<u>2,219,765</u>	<u>359,765</u>
Disbursements:				
Current:				
Public Safety	1,371,833	1,527,442	1,465,219	62,223
Capital Outlay	15,000	9,206		9,206
Total Disbursements	<u>1,386,833</u>	<u>1,536,648</u>	<u>1,465,219</u>	<u>71,429</u>
Excess of Receipts Over Disbursements	<u>473,167</u>	<u>323,352</u>	<u>754,546</u>	<u>431,194</u>
Other Financing Sources (Uses):				
Transfers In	828,600	828,600	824,150	(4,450)
Transfers Out	(1,198,813)	(1,204,606)	(1,204,606)	
Total Other Financing Sources (Uses)	<u>(370,213)</u>	<u>(376,006)</u>	<u>(380,456)</u>	<u>(4,450)</u>
Changes in Fund Balance	102,954	(52,654)	374,090	426,744
Fund Balance at Beginning of Year	820,294	820,294	820,294	
Prior Year Encumbrances Appropriated	<u>65,701</u>	<u>65,701</u>	<u>65,701</u>	
Fund Balance at End of Year	<u>\$988,949</u>	<u>\$833,341</u>	<u>\$1,260,085</u>	<u>\$426,744</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF FUND NET POSITION - CASH BASIS
ENTERPRISE FUNDS
DECEMBER 31, 2012**

	County Home	Sanitary Sewer	Other Enterprise	Total
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$998,493	\$2,020,716	\$1,206,329	\$4,225,538
Net Position:				
Unrestricted	\$998,493	\$2,020,716	\$1,206,329	\$4,225,538

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>County Home</u>	<u>Sanitary Sewer</u>	<u>Other Enterprise</u>	<u>Total</u>
Operating Revenues:				
Charges for Services	\$38,560	\$1,405,257	\$1,018,420	\$2,462,237
Other	5,246	42,153	10,763	58,162
Total Operating Revenues	<u>43,806</u>	<u>1,447,410</u>	<u>1,029,183</u>	<u>2,520,399</u>
Operating Expenses:				
Personal Services	470,560	345,913	174,321	990,794
Contractual Services	134,462	1,543,125	596,271	2,273,858
Materials and Supplies	80,848	115,812	280,364	477,024
Debt Service:				
Principal Retirement		358,273		358,273
Total Operating Expenses	<u>685,870</u>	<u>2,363,123</u>	<u>1,050,956</u>	<u>4,099,949</u>
Operating Loss	<u>(642,064)</u>	<u>(915,713)</u>	<u>(21,773)</u>	<u>(1,579,550)</u>
Non-Operating Revenues (Expenses):				
Property Taxes	633,170			633,170
Grants	89,977		15,700	105,677
Interest Revenue		2,678		2,678
OWDA Loans Issued		1,012,932		1,012,932
Interest Expense		(57,016)		(57,016)
Total Non-Operating Revenues (Expenses)	<u>723,147</u>	<u>958,594</u>	<u>15,700</u>	<u>1,697,441</u>
Income (Loss) Before Advances	81,083	42,881	(6,073)	117,891
Advances In		47,000	452	47,452
Advances Out		(15,175)	(47,452)	(62,627)
Changes in Net Position	81,083	74,706	(53,073)	102,716
Net Position at Beginning of Year	<u>917,410</u>	<u>1,946,010</u>	<u>1,259,402</u>	<u>4,122,822</u>
Net Position at End of Year	<u>\$998,493</u>	<u>\$2,020,716</u>	<u>\$1,206,329</u>	<u>\$4,225,538</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF CASH FLOWS - CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>County Home</u>	<u>Sanitary Sewer</u>	<u>Other Enterprise</u>	<u>Total</u>
Increases (Decreases) in Cash and Cash Equivalents:				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$38,560	\$1,405,257	\$1,018,420	\$2,462,237
Cash Payments for Personal Services	(470,560)	(345,913)	(174,321)	(990,794)
Cash Payments for Contractual Services	(134,462)	(1,543,125)	(596,271)	(2,273,858)
Cash Payments for Supplies	(80,848)	(115,812)	(280,364)	(477,024)
Cash Received from Other Revenues	5,246	42,153	10,763	58,162
Net Cash Used for Operating Activities	<u>(642,064)</u>	<u>(557,440)</u>	<u>(21,773)</u>	<u>(1,221,277)</u>
Cash Flows from Noncapital Financing Activities:				
Cash Received from Property Taxes	633,170			633,170
Cash Received from Grants	89,977		15,700	105,677
Cash Received from Advances In		47,000	452	47,452
Cash Payments for Advances Out		(15,175)	(47,452)	(62,627)
Interest Paid on Outstanding Advance		(9,232)		(9,232)
Net Cash Provided by (Used for) Non-capital Financing Activities	<u>723,147</u>	<u>22,593</u>	<u>(31,300)</u>	<u>714,440</u>
Cash Flows from Capital and Related Financing Activities:				
Principal Paid on Special Assessment Bonds		(10,300)		(10,300)
Interest Paid on Special Assessment Bonds		(1,625)		(1,625)
Principal Paid on OPWC Loans		(17,780)		(17,780)
Proceeds of OWDA Loans		1,012,932		1,012,932
Principal Paid on OWDA Loans		(310,067)		(310,067)
Interest Paid on OWDA Loans		(42,857)		(42,857)
Principal Paid on Rural Industrial Park Loan		(20,126)		(20,126)
Interest Paid on Rural Industrial Park Loan		(3,302)		(3,302)
Net Cash Provided by Capital and Related Financing Activities		<u>606,875</u>		<u>606,875</u>
Cash Flows from Investing Activities:				
Interest		2,678		2,678
Net Increase (Decrease) in Cash and Cash Equivalents	81,083	74,706	(53,073)	102,716
Cash and Cash Equivalents at Beginning of Year	<u>917,410</u>	<u>1,946,010</u>	<u>1,259,402</u>	<u>4,122,822</u>
Cash and Cash Equivalents at End of Year	<u>\$998,493</u>	<u>\$2,020,716</u>	<u>\$1,206,329</u>	<u>\$4,225,538</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF CASH BASIS FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2012**

Assets:

Equity in Pooled Cash and Cash Equivalents	\$5,037,556
Cash and Cash Equivalents in Segregated Accounts	<u>283,934</u>
Total Assets	<u><u>5,321,490</u></u>

Net Position:

Undistributed Assets	<u><u>\$5,321,490</u></u>
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See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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. There were no component units of Mercer County in 2012.

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

1. REPORTING ENTITY (Continued)

The County participates in four jointly governed organizations, three insurance pools, and a related organization. These organizations are presented in Notes 18, 19, and 20 to the basic financial statements. These organizations are:

Mercer County Regional Planning Commission
Tri-County Mental Health Board
West Central Ohio Network
West Central Partnership, Inc.
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. Following are the more significant of the County's accounting policies.

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Real Estate Assessment, Motor Vehicle, Developmental Disabilities, and Adult Detention Facility special revenue funds.

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

Real Estate Assessment Fund – This fund accounts for charges to the County's political subdivisions restricted for state-mandated county-wide real estate reappraisals.

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

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

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

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

2. Proprietary Funds

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and 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 2012. 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.

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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2012, the County invested in nonnegotiable certificates of deposit, U.S. corporation notes, federal agency securities, and municipal securities. Investments are reported at cost.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2012 were \$176,240 which includes \$150,542 assigned from other County funds.

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

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

F. Restricted Assets

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

Unclaimed monies that have a legal restriction on their use are reported as restricted.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets

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

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Net Position

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

K. Fund Balance

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

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.

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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 PRINCIPLES

For 2012, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements", Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53", and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62".

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements which are a type of public-public or public-private partnership. The implementation of this statement did not result in any change to the County's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change to the County's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related note disclosures. These changes were incorporated in the County's 2012 financial statements; however, there was no effect on beginning net position and/or fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change to the County's financial statements.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and, thereby, enhance the usefulness of the financial reports. The implementation of this statement did not result in any change to the County's financial statements.

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 position/fund balances, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

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;
9. Up to twenty-five percent of the County's average portfolio in either of the following:
 - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed 10 percent of the value of the outstanding commercial paper of the issuing corporation, and which mature within two hundred seventy days after purchase;
 - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within one hundred eighty days after purchase;

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,257,714 of the County's bank balance of \$17,543,324 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

As of December 31, 2012, the County had the following investments:

	<u>Total</u>	<u>Up to Six Months</u>	<u>Six Months To One Year</u>	<u>One Year To Two Years</u>	<u>More Than Two Years</u>
General Electric Corporation Notes	\$1,773,756		\$1,265,739	\$508,017	
Federal Home Loan Bank Notes	310,000				\$310,000
Municipal Securities	926,000	\$926,000			
Total Investments	\$3,009,756	\$926,000	\$1,265,739	\$508,017	\$310,000

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 Home Loan Bank Notes carry a rating of Aaa by Moodys. The General Electric Corporation Notes carry a rating of A1 by Moodys. The municipal securities are not rated. 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.

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
General Electric Corporation	\$1,773,756	58.93%
Federal Home Loan Bank	310,000	10.30
Municipal Securities	926,000	30.77

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 2012 represent the collection of 2011 taxes. Real property taxes received in 2012 were levied after October 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2012 represent the collection of 2011 taxes. Public utility real and tangible personal property taxes received in 2012 became a lien on December 31, 2010, were levied after October 1, 2011, 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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

6. PROPERTY TAXES (Continued)

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, 2012, was \$11.86 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2012 property tax receipts were based are as follows:

Real Property:	
Residential/Agriculture	\$772,722,230
Commercial/Industrial/Mineral	89,317,020
Public Utility Property:	
Real	77,230
Personal	21,675,000
Total Assessed Value	<u>\$883,791,480</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 2012, the County made a number of cash advances to various funds. As of December 31, 2012, \$2,131,582 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 \$1,809,163 and \$15,175, respectively.

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 2012, the County contracted with the Midwest Pool Risk Management Agency, Inc. for insurance coverage.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

9. RISK MANAGEMENT (Continued)

Coverage provided was as follows:

General Liability	\$2,000,000
Automobile Liability	2,000,000
Ohio Stop Gap (Additional Workers' Compensation Coverage)	2,000,000
Excess Liability	2,000,000
Building and Contents	70,606,000
Earthquake	100,000,000
Flood	50,000,000
Comprehensive Boiler and Machinery	100,000,000

There has been no significant reduction in insurance coverage from 2011 and settled claims have not exceeded this coverage in the past three years.

For 2012, 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 2012, the County participated in the County Commissioners Association of Ohio Service Corporation, a workers' compensation group rating plan (Plan). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the Plan. Each county pays its workers' compensation premium to the State based on the rate for the Plan rather than the county's individual rate.

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

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

C. Medical and Life Insurance

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

10. SIGNIFICANT CONTRACTUAL COMMITMENTS

The County had the following contractual commitments outstanding as of December 31, 2012:

<u>Contractor</u>	<u>Purpose</u>	<u>Commitment</u>
Eicher Construction	CHIP Program	\$22,900
Fenson Contracting, LLC	Ellis Marchal Ditch Improvement	31,127
Germann Miller	Mercer County Engineer Facility	387,269
Independent Concrete Pipe	Burkettsville-St. Henry Road Bridge	15,840
Shinn Brothers, Inc.	Grandstand Roof Repairs	258,882
VTF Excavation, LLC	Boley Ditch Improvement	177,986
VTF Excavation, LLC	Prairie Creek Treatment Train	144,813

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.

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 12.1 percent for public safety and law enforcement members. For the year ended December 31, 2012, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11.5 percent and 12.1 percent, respectively. Effective January 1, 2013, the member contribution rate for public safety and law enforcement increased to 12 percent and 12.6 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 2012, member and employer contribution rates were consistent across all three plans.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

The County's 2012 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 2012. The portion of the employer contribution allocated to health care for members in the combined plan was 6.05 percent for 2012. 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, 2012, 2011, and 2010 was \$1,243,994, \$1,173,686, and \$1,089,351, respectively. For 2012, 95 percent has been contributed. The full amount has been contributed for 2011 and 2010. Contributions to the member-directed plan for 2012 were \$19,223 made by the County and \$13,731 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.

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 2012, 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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

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 2012. The portion of the employer contribution allocated to health care for members in the combined plan was 6.05 percent for 2012. Effective January 1, 2013, the portion of the employer contribution allocated to health care was lowered to 1 percent for both plans as recommended by the OPERS actuary.

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, 2012, 2011, and 2010 was \$484,400, \$458,950, and \$606,714, respectively. For 2012, 95 percent has been contributed. The full amount has been contributed for 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.

13. COMPENSATED ABSENCES

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

14. NOTE OBLIGATIONS

The changes in the County's note obligations during 2012 were as follows:

	<u>Interest Rate</u>	<u>Balance 12/31/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2012</u>
Governmental Activities:					
Bond Anticipation Notes:					
Various Purpose Series 2011	1.74%	\$206,000	\$0	\$206,000	\$0

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. 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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

15. LONG-TERM OBLIGATIONS

The County's long-term debt activity for the year ended December 31, 2012, was as follows:

	<u>Interest Rate</u>	<u>Balance 12/31/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2012</u>	<u>Due Within One Year</u>
Governmental Activities:						
General Obligation Bonds:						
Adult Detention Facility (Original Amount \$10,500,000)	3.25-5%	\$8,265,000		\$ 620,000	\$7,645,000	\$ 640,000
2010 Various Purpose – Road Improvements (Original Amount \$665,000)	2-3.75	540,000		60,000	480,000	65,000
2010 Various Purpose – Correctional Facility (Original Amount \$2,535,000)	2-4	2,185,000		175,000	2,010,000	175,000
2010 Various Purpose – Ditch Improvement (Original Amount \$390,000)	2-4	345,000		20,000	325,000	25,000
2011 Central Services Refunding (Original Amount \$2,460,000)	1-3.5	2,460,000		180,000	2,280,000	185,000
Total General Obligation Bonds		<u>13,795,000</u>		<u>1,055,000</u>	<u>12,740,000</u>	<u>1,090,000</u>
OPWC Loans:						
1995 Karch/Tama (Original Amount \$174,070)		26,111		8,703	17,408	4,352
1997 Siegrist-Jutte and Kahn Road Bridge (Original Amount \$256,554)		57,724		12,828	44,896	6,413
2001 Four Bridge Replacement (Original Amount \$76,979)		34,640		3,849	30,791	1,925
2002 Home Waterline Improvement (Original Amount \$80,000)		48,000		4,000	44,000	4,000
2002 Five Bridge Replacement (Original Amount \$60,000)		36,000		3,000	33,000	1,500
2005 Six Bridge Repair (Original Amount \$60,225)		40,652		3,011	37,641	1,505
2007 Bridge Replacement (Original Amount \$137,801)		113,686		6,890	106,796	3,446
2009 Carthagen Road (Original Amount \$300,000)		270,000		15,000	255,000	7,500
2009 Bridge Replacement (Original Amount \$157,500)		137,812		7,875	129,937	3,937
2010 Bridge Replacement (Original Amount \$142,500)		131,813		7,125	124,688	3,563
2011 County Road 30B Improvement (Original Amount \$74,250)		74,250		5,569	68,681	1,856
2011 County Road 23 Improvement (Original Amount \$38,623)		38,623	\$32,949	1,789	69,783	1,789
Total OPWC Loans		<u>1,009,311</u>	<u>32,949</u>	<u>79,639</u>	<u>962,621</u>	<u>41,786</u>
Total Governmental Activities		<u>14,804,311</u>	<u>32,949</u>	<u>1,134,639</u>	<u>13,702,621</u>	<u>1,131,786</u>

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

	<u>Interest Rate</u>	<u>Balance 12/31/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2012</u>	<u>Due Within One Year</u>
Business-Type Activities:						
Special Assessment Bonds:						
1992 Southwest Sanitary Sewer (Original Amount \$148,600)	5.0%	32,500		10,300	22,200	10,800
OPWC Loans:						
1993 Northwood Collection System (Original Amount \$55,600)		6,950		2,780	4,170	1,390
2003 Philothea Area Wastewater (Original Amount \$300,000)		157,500		15,000	142,500	7,500
Total OPWC Loans		<u>164,450</u>		<u>17,780</u>	<u>146,670</u>	<u>8,890</u>
OWDA Loans:						
1988 MCI (Original Amount \$831,193)	2	20,881		20,881		
2002 Staeger Road Sanitary Sewer (Original Amount \$109,521)	3.64	59,081		5,658	53,423	2,906
2002 SR 129 and Burge Road (Original Amount \$400,463)	3.49	231,374		19,704	211,670	10,111
2005 Lake Acres (Original Amount \$248,037)	2.75	206,782		13,432	193,350	6,855
East Jefferson Phase 3 Sewers		1,059,681		63,789	995,892	
West Jefferson Township Sewer (Original Amount \$1,214,964)		1,032,720		60,748	971,972	30,374
Marion Township Sewer	1	2,200,685		100,144	2,100,541	
Northeast Sanitary Sewers		44,750	3,500		48,250	
Planning and Design for Unsewered		3,980	7,160		11,140	
MCI Lagoon	1		1,002,272	25,711	976,561	
Total OWDA Loans		<u>4,859,934</u>	<u>1,012,932</u>	<u>310,067</u>	<u>5,562,799</u>	<u>50,246</u>
Ohio Water and Sewer Loans:						
1991 Sandy Beach Area Sewer Dist. (Original Amount \$42,822)		42,822			42,822	
1992 Southwest Sewer (Original Amount \$269,223)		269,223			269,223	
2001 Rotary SR 269 Sewer (Original Amount \$110,167)		88,673			88,673	
Total Ohio Water and Sewer Loans		<u>400,718</u>			<u>400,718</u>	
Rural Industrial Park Loan:						
2001 Rural Industrial Park – SR269 (Original Amount \$200,000)	0-3	110,790		20,126	90,664	20,738
Total Business-Type Activities		<u>\$5,568,392</u>	<u>\$1,012,932</u>	<u>\$ 358,273</u>	<u>\$6,223,051</u>	<u>\$ 90,674</u>

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, 2012
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

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.

OPWC Loans

OPWC loans consist of monies owed to the Ohio Public Works Commission for the improvement and replacement of the County's infrastructure. OPWC loans are payable from the governmental debt service funds and from the gross revenues of the enterprise funds. The revenues of the Motor Vehicle special revenue fund are pledged to repay the governmental OPWC loans. The gross revenues of the Sanitary Sewer enterprise fund are pledged to repay the enterprise portion of the OPWC loans. Total principal remaining on the enterprise related loans is \$146,670, payable through December 2022. For the current year, principal paid was \$17,780. For 2012, the Sanitary Sewer enterprise fund had an operating loss of \$915,713.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

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, Planning and Design for Unsewered, and MCI Lagoon loans are not available until the completion of the project. Total principal and interest remaining on the completed OWDA loan projects is \$1,510,834, payable through December 2029. For the current year, principal and interest paid was \$352,924. For 2012, the Sanitary Sewer enterprise fund had an operating loss of \$915,713.

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 \$96,562, payable through December 2017. For 2012, the Sanitary Sewer enterprise fund had an operating loss of \$915,713.

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, 2012, the County's overall debt margin was \$17,483,610 with an un-voted debt margin of \$5,726,738.

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

<u>Year</u>	<u>General Obligation Bonds</u>		<u>OPWC Loans</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2013	\$ 1,090,000	\$ 469,007	\$ 41,786
2014	1,120,000	438,994	79,572
2015	1,150,000	405,269	75,221
2016	1,195,000	369,932	70,868
2017	1,225,000	329,758	58,042
2018-2022	6,660,000	877,882	284,430
2023-2027	300,000	12,000	238,442
2028-2032			114,260
	<u>\$12,740,000</u>	<u>\$2,902,842</u>	<u>\$962,621</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>
2013	\$10,800	\$1,110	\$ 8,890	\$ 50,246	\$ 7,325
2014	11,400	570	17,780	101,468	13,673
2015			15,000	102,805	12,337
2016			15,000	104,188	10,954
2017			15,000	105,616	9,526
2018-2022			75,000	525,562	24,702
2023-2027				349,407	1,902
2028-2029				91,123	
	<u>\$22,200</u>	<u>\$1,680</u>	<u>\$146,670</u>	<u>\$1,430,415</u>	<u>\$80,419</u>

<u>Year</u>	<u>Rural Industrial Park Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$20,738	\$2,436
2014	21,369	1,806
2015	22,019	1,156
2016	22,689	486
2017	3,849	14
	<u>\$90,664</u>	<u>\$5,898</u>

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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

16. FUND BALANCE

<u>Fund Balance</u>	<u>General</u>	<u>Real Estate Assessment</u>	<u>Motor Vehicle</u>	<u>Developmental Disabilities</u>	<u>Adult Detention Facility</u>
Non-spendable for:					
Unclaimed Monies	\$ 131,616				
Restricted for:					
Adult Detention Facility Operations					\$1,346,904
Board of Developmental Disabilities Operations				\$2,665,138	
Real Estate Assessment		\$1,095,250			
Road and Bridge Repair/ Improvement			\$460,625		
Sheriff Operations	154				
Total Restricted	<u>154</u>	<u>1,095,250</u>	<u>460,625</u>	<u>2,665,138</u>	<u>1,346,904</u>
Assigned for:					
4-H Camp Improvements	12,724				
Building Maintenance	116,297				
Document Recording	66,103				
Economic Development/ Rehabilitation	279,094				
Flood Damage	8,859				
Parent Education	890				
Sheriff Operations	83,635				
Title Administration	233,190				
Unpaid Obligations	417,058				
Total Assigned	<u>1,217,850</u>				
Unassigned	224,078				
Total Fund Balance	<u>\$1,573,698</u>	<u>\$1,095,250</u>	<u>\$460,625</u>	<u>\$2,665,138</u>	<u>\$1,346,904</u>

<u>Fund Balance</u>	<u>Other Governmental</u>	<u>Total</u>
Non-spendable for:		
Unclaimed Monies		\$131,616
Restricted for:		
Adult Detention Facility Operations		1,346,904
Airport Improvements	\$ 993	993
Board of Developmental Disabilities Operations		2,665,138
Child Support Enforcement	338,326	338,326
County Home Improvements	16,257	16,257
Court Operations	305,406	305,406
Crime Victim Assistance	3,031	3,031
Debt Retirement	41,213	41,213
Delinquent Tax Collections	63,823	63,823
Ditch Maintenance	834,726	834,726
Dog and Kennel Operations	23,650	23,650
Economic Development/Rehabilitation	393,637	393,637
Environmental Restoration	11,507	11,507
Emergency Management Agency	61,474	61,474
Job and Family Services Operations	405,548	405,548
Juvenile Corrections	105,447	105,447

(Continued)

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

16. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>Other Governmental</u>	<u>Total</u>
Restricted for (Continued):		
Law Library	5,081	5,081
Park Maintenance	106,748	106,748
Real Estate Assessment	6,375	1,101,625
Road and Bridge Repair/Improvement		460,625
Sheriff Operations	560,610	560,764
Total Restricted	<u>3,283,852</u>	<u>8,851,923</u>
Committed to:		
Sheriff Operations	44,031	44,031
Assigned for:		
4-H Camp Improvements		12,724
Building Maintenance		116,297
Capital Improvements	9,206	9,206
Debt Service	77	77
Document Recording		66,103
Economic Development/Rehabilitation		279,094
Flood Damage		8,859
Parent Education		890
Sheriff Operations		83,635
Title Administration		233,190
Unpaid Obligations		417,058
Total Assigned	<u>9,283</u>	<u>1,227,133</u>
Unassigned		224,078
Total Fund Balance	<u>\$3,337,166</u>	<u>\$10,478,781</u>

17. INTERFUND TRANSFERS

During 2012, transfers were made from the General Fund to the Adult Detention Facility special revenue fund, in the amount of \$824,150, and to other governmental funds, in the amount of \$316,500, to subsidize operations in those funds. The Motor Vehicle and Adult Detention Facility special revenue funds and Other Governmental funds made transfers to Other Governmental funds, in the amount of \$75,639, \$1,204,606, and \$93,836, respectively, to subsidize operations of other funds and to make debt payments as they came due.

18. JOINTLY GOVERNED ORGANIZATIONS

A. Mercer County Regional Planning Commission

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

18. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The Commission makes plans and maps of the region showing the Commission's recommendations for systems of transportation, highways, park and recreational facilities, water supply, sewerage and sewage disposal, garbage disposal, civic centers, and other public improvements which affect the development of the region as a whole, or more than one political subdivision within the region and which do not begin and terminate within the boundaries of any single subdivision. During 2012, the County did not contribute to the operations of the Commission. Financial information can be obtained from the Commission, 220 West Livingston Street, Room A201, Celina, Ohio 45822.

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

The Tri-County Mental Health Board is a jointly governed organization among Mercer, Paulding, and Van Wert Counties. The Tri-County Mental Health Board provides leadership in planning for and supporting community-based alcohol, drug addiction, and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting, and advocating for the rights of persons as consumers of alcohol, drug addiction, and mental health services. The Board of Trustees consists of eighteen members; four members appointed by the Director of the Ohio Department of Mental Health, four members appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services, and ten members appointed by the County Commissioners of Mercer, Paulding, and Van Wert counties in the same proportion as the County's population. During 2012, a tax levy provided \$663,233 for the operations of the organization. Financial information can be obtained from the Mercer County Auditor, 101 North Main Street, Room 105, Celina, Ohio 45822-1794.

C. West Central Ohio Network

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

D. West Central Partnership, Inc.

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

19. INSURANCE POOLS

A. County Commissioners Association of Ohio Service Corporation

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

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

B. Midwest Pool Risk Management Agency, Inc.

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

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

C. Midwest Employee Benefit Consortium

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

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

20. 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.

21. RELATED PARTY TRANSACTIONS

During 2012, 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 \$161,111 for such contributions.

22. CONTINGENT LIABILITIES

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

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

23. SUBSEQUENT EVENT

On July 9, 2013, the County issued 2013 bond anticipation notes dated July 12, 2013 in the amount of \$3,000,000 for the construction of a new Engineers Building. The notes have an interest rate of 1.2 percent and mature on July 11, 2014.

**FINANCIAL CONDITION
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2012**

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	\$3,865	
Non-Cash Assistance (food distribution)				
National School Lunch Program		10.555		\$1,843
Cash Assistance:				
National School Lunch Program		10.555	6,488	
Total Nutrition Cluster			<u>10,353</u>	<u>1,843</u>
 (Passed through Ohio Department of Job and Family Services)				
Supplemental Nutrition Assistance Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1213-11-0082	10.561	120,454	
Total U.S. Department of Agriculture, Food and Nutrition Services			<u>130,807</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-E-11-1BX-1	14.228	220,000	
	B-C-11-1BX-1		102,761	
	B-F-11-1BX-1		106,000	
	B-F-10-1BX-1		<u>154,114</u>	
Total Community Development Block Grants/State's Program			582,875	
 Home Investment Partnership Program				
Home Investment Partnership Program	B-C-11-1BX-2	14.239	174,182	
	B-C-09-1BX-2		<u>2,197</u>	
Total Home Investment Partnership Program			<u>176,379</u>	
Total U.S. Department of Housing and Urban Development			759,254	
 U.S. DEPARTMENT OF JUSTICE (Passed through Attorney General's Crime Victim Services)				
Crime Victim Assistance				
	2013VAGENE068	16.575	9,993	
	2012VAGENE068		12,091	
	2010VAGENE991		<u>809</u>	
Total Crime Victim Assistance			22,893	
 (Passed through Bureau of Justice Assistance)				
Bulletproof Vest Partnership				
	N/A	16.607	1,656	
	N/A		<u>1,244</u>	
Total Bulletproof Vest Partnership			2,900	
 (Passed through Office of Criminal Justice Services)				
Edward Byrne Memorial Justice Assistance Grant Program				
	2011-JG -LLE-5165	16.738	9,326	
Total U.S. Department of Justice			<u>35,119</u>	
 UNITED STATES DEPARTMENT OF LABOR (Passed through Ohio Department of Job & Family Services)				
Workforce Investment Act (WIA) Cluster:				
WIA - Adult (FY13)	N/A	17.258	42,408	
WIA - Adult (FY12/PY12)	N/A		314,269	
WIA - Adult (FY11/PY11)	N/A		59,290	
WIA - Adult (FY11) - Admin	N/A		2,555	
WIA - Adult (FY12) - Admin	N/A		<u>9,105</u>	
Total WIA - Adult			427,627	

**FINANCIAL CONDITION
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2012**

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) (Continued)</i>				
WIA - Youth (PY11)	N/A	17.259	120,218	
WIA - Youth (PY10)	N/A		121,361	
WIA - Youth (PY12)	N/A		8,498	
WIA - Youth (PY10) - Admin	N/A		8,290	
WIA - Youth (PY11) - Admin	N/A		18,272	
Total WIA - Youth			<u>276,639</u>	
WIA Dislocated Worker Formula Grant (FY12) - Admin	N/A	17.278	49,256	
WIA Dislocated Worker Formula Grant (PY11) - Admin	N/A	17.278	6,362	
WIA Dislocated Worker Formula Grant (PY11)	N/A	17.278	79,710	
WIA Dislocated Worker Formula Grant (FY12)	N/A	17.278	394,999	
Total WIA - Dislocated Worker			<u>530,327</u>	
Total Workforce Investment Act (WIA) Cluster			1,234,593	
Employment Service/Wagner-Peyser Funded Activities (SFY12)	N/A	17.207	18,735	
Employment Service/Wagner-Peyser Funded Activities(SFY11)	N/A	17.207	46,597	
Total Employment Service/Wagner-Peyser Funded Activities			<u>65,332</u>	
Total U.S. Department of Labor			1,299,925	
U.S DEPARTMENT OF TRANSPORTATION				
<i>(Passed through Ohio Department of Transportation)</i>				
Job Access Reverse Commute Program	JARC-4054-071-101	20.516	175,502	
Capital Assistance Program for Elderly Persons & Persons with Disabilities	CRD 0054-005-011	20.513	48,267	
Highway Planning and Construction	PID #90189	20.205	4,581	
	PID #83313		379,000	
	PID #84818		203	
	PID #91537		900	
	PID #87787		525,927	
	PID #84823		203	
	PID #89127		203	
	PID #92300		18,174	
	PID #92511		203	
	PID #83315		251,162	
	PID #83316		310,447	
	PID #83317		377,991	
	PID #89455		5,803	
	PID #84819		203	
	PID #84821		203	
Total Highway Planning and Construction			<u>1,875,203</u>	
Total U.S. Department of Transportation			2,098,972	
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>(Passed through Ohio Department of Job & Family Services)</i>				
Child Support Enforcement	G-1213-11-0083	93.563	330,286	
Temporary Assistance for Needy Families	G-1213-11-0082	93.558	500,151	
Adoption Assistance	G-1213-11-0082	93.659	30,377	
Title IV-E - Foster Care	G-1213-11-0082	93.658	184,052	
Stephanie Tubbs Jones Child Welfare Services Program	G-1213-11-0082	93.645	33,207	
Promoting Safe and Stable Families	G-1213-11-0082	93.556	45,674	
Child Care Cluster:				
Child Care and Development Block Grant	G-1213-11-0082	93.575	39,118	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	G-1213-11-0082	93.596	5,575	
Total Child Care Cluster			<u>44,693</u>	

**FINANCIAL CONDITION
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2012**

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) (Continued)</i>				
Grants to States for Access and Visitation Programs	N/A	93.597	39,837	
Chafee Foster Care Independence Program	G-1213-11-0082	93.674	5,451	
<i>(Passed through Ohio Department of MRDD)</i>				
Social Services Block Grant Program	MR-54	93.667	29,478	
<i>(Passed through Ohio Department of Job & Family Services)</i>				
Social Services Block Grant Program	G-1213-11-0082	93.667	<u>330,915</u>	
Total Social Services Block Grant Program			360,393	
<i>(Passed through Ohio Department of MRDD)</i>				
Medical Assistance Program	5400015	93.778	42,938	
<i>(Passed through Ohio Department of Job & Family Services)</i>				
Medical Assistance Program	G-1213-11-0082	93.778	<u>226,143</u>	
Total Medical Assistance Program			<u>269,081</u>	
Total U.S. Department of Health and Human Services			1,843,202	
U.S DEPARTMENT OF HOMELAND SECURITY				
<i>(Passed through Ohio Emergency Management Agency)</i>				
Homeland Security Grant	2010-SS-T0-0012	97.067	12,470	
Citizens Corps Grant	2010-SS-T0-0012		<u>3,500</u>	
Total Homeland Security Grant			15,970	
<i>(Passed through Ohio Department of Public Safety)</i>				
Emergency Management Performance	EMW-2012-EP-00004-S01	97.042	47,989	
	EMW-2011-EP-00003-S01	97.042	<u>44,398</u>	
Total Emergency Management Performance			<u>92,387</u>	
Total U.S. Department of Homeland Security			108,357	
U.S. ELECTION ASSISTANCE COMMISSION				
<i>(Passed through the Ohio Secretary of State)</i>				
Help America Vote Requirements Payments - Pollworker Training Reimbursement	n/a	90.401	1,099	
Help America Vote Requirements Payments - November Paper Ballots Reimbursement	n/a		<u>1,734</u>	
Total U.S. Election Assistance Commission			<u>2,833</u>	
Total Federal Assistance			<u>\$6,278,469</u>	<u>\$1,843</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, 2012**

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 sub-recipients to help assure they use these sub-awards as authorized by laws, regulations, 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 2012 is as follows:

Beginning loans receivable balance as of January 1, 2012	\$2,351,750
Loans made	773,000
Loans defaulted	(471,473)
Loan principal repaid	<u>(289,103)</u>
Ending loans receivable balance as of December 31, 2012	\$2,364,174
Cash balance on hand in the revolving loan fund as of December 31, 2012	\$ 239,370

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2012, the County estimates \$0 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, 2012
(Continued)**

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 – DEVELOPMENTAL DISABILITIES ARRA/eFMAP

During the calendar year, the County Board of Developmental Disabilities received a refund for eFMAP (ARRA) funds for the Medicaid Program (CFDA #93.778) in the amount of \$312 from the Ohio Department of Developmental Disabilities. This refund was a correction to the eFMAP percentage for four billing cycles during July and August 2009. This revenue is not listed on the County's Schedule of Expenditures of Federal Awards since the underlying expenses occurred in prior reporting periods.

NOTE H - TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2012, the County made allowable transfers of \$217,343 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 \$500,151 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 2012 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$717,494
Transfer to Social Services Block Grant	<u>(217,343)</u>
Total Temporary Assistance for Needy Families	<u><u>\$500,151</u></u>



Dave Yost • Auditor of State

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

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

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the 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, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 19, 2013, where in noted the County uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

July 19, 2013



Dave Yost • Auditor of State

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

Mercer County Commissioners
Central Service Building
220 West Livingston Street
Celina, OH 45822

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Mercer County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Mercer County's major federal programs for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the County's major federal programs.

Management's Responsibility

The County's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Community Development Block Grant Program

As described in finding 2012-002 in the accompanying schedule of findings, the County did not comply with requirements regarding cash management applicable to its Community Development Block Grant major federal program. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to this program.

Qualified Opinion on Community Development Block Grant Program

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Community Development Block Grant Program* paragraph, the County complied, in all material respects, with the requirements referred to above that could directly and materially affect its Community Development Block Grant Program for the year ended December 31, 2012.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402

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www.ohioauditor.gov

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Mercer County complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings for the year ended December 31, 2012.

Other Matters

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

Report on Internal Control over Compliance

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

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 material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's 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 2012-002 to be a material weakness.

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

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

July 19, 2013

**MERCER COUNTY FINANCIAL CONDITION
MERCER COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified – CFDA 14.228 Unmodified – CFDA 20.205, 93.558, 93.667
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CDFA #20.205 Highway Planning & Construction CFDA # 93.558 Temporary Assistance for Needy Families CFDA# 93.667 Social Service Block Grant Program CFDA #14.228 Community Development Block Grant
(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**

1. Not Reporting in Accordance with GAAP

FINDING NUMBER 2012-001

NONCOMPLIANCE

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

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

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

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

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

Finding Number	2012-002
CFDA Title and Number	CFDA #14.228 – Community Development Block Grant (CDBG)
Federal Award Number / Year	B-C-11-1BX-1, B-F-11-1BX-1, B-E-11-1BX-1, & B-F-10-1BX-1
Federal Agency	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.

**FINDING NUMBER 2012-02
(Continued)**

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 Grant B-C-11-1BX-1 had a balance of \$20,788 on April 9, 2012, increased and did not get to a balance of less than \$5,000 until November 29, 2012. CDBG Grant B-F-11-1BX-1 had a balance of \$26,633 on April 9, 2012 and increased to over \$95,000 before getting to a balance lower than \$5,000 on December 19, 2012. Additionally, the CDBG Grant B-E-11-1BX-1 received \$220,000 on June 11, 2012 and did not get to a balance below \$5,000 until July 13, 2012. Finally, CDBG Grant B-F-10-1BX-1 had three instances of noncompliance. The grant had a balance of \$8,872 on January 3, 2012 but did not get to a balance less than \$5,000 until January 19, 2012. The January 27, 2012 balance was \$9,231 and did not get under \$5,000 until May 3, 2012, and on May 21, 2012 there was a balance of \$26,326 but the balance was not under \$5,000 until September 28, 2012.

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 more timely manner.

**FINANCIAL CONDITION
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Proceeds of Loans – overstatement of revenues and expenditures	Yes	
2011-002	ORC 117.38 and OAC 117-2-03(B) – failure to file financial statements prepared in accordance with generally accepted accounting principles (GAAP)	No	Repeated as Finding 2012-001
2011-003	24 CFR Section 85.21(c)- cash management noncompliance for CDBG	No	Repeated as Finding 2012-002

**FINANCIAL CONDITION
MERCER COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (C)
DECEMBER 31, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-002	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 2013	Renee Muhlenkamp

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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
AUGUST 15, 2013