



Dave Yost • Auditor of State

**MERCER COUNTY FINANCIAL CONDITION
MERCER COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying 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, 2013, 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, 2013, and the respective changes in cash financial position and the budgetary comparison for the General, Motor Vehicle, Developmental Disabilities and Adult Detention Facility, thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, 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. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 August 14, 2014, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

August 14, 2014

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**FINANCIAL CONDITION
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
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, 2013, 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, 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 2013, 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, 2013
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, 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 2013 and 2012.

**Table 1
Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and Other Assets	\$12,508,633	\$10,478,781	\$3,824,778	\$4,225,538	\$16,333,411	\$14,704,319
Net Position:						
Restricted	13,066,668	8,983,385			13,066,668	8,983,385
Unrestricted Deficit)	(498,035)	1,495,396	3,824,778	4,225,538	3,326,743	5,720,934
Total Net Position	\$12,508,633	\$10,478,781	\$3,824,778	\$4,225,538	\$16,333,411	\$14,704,319

The change in net position for governmental activities was a 19 percent increase. This increase can be attributed to grant resources received for the Lake Restoration Study, modest increases in both property and sales taxes, and a large one-time reimbursement.

For business-type activities, there was a 9 percent decrease in net position. In the prior year, the County received over \$1 million in loan proceeds.

**FINANCIAL CONDITION
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

Table 2 reflects the change in net position for 2013 and 2012.

**Table 2
Change in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Receipts:						
Program Receipts:						
Charges for Services	\$4,650,382	\$4,510,304	\$2,406,312	\$2,462,237	\$7,056,694	\$6,972,541
Operating Grants, Contributions and Interest	16,416,951	15,087,178	361,441	105,677	16,778,392	15,192,855
Total Program Receipts	<u>21,067,333</u>	<u>19,597,482</u>	<u>2,767,753</u>	<u>2,567,914</u>	<u>23,835,086</u>	<u>22,165,396</u>
General Receipts:						
Property Taxes:						
General Operating	1,981,822	1,942,545			1,981,822	1,942,545
Human Services – Developmental Disabilities	3,924,941	3,835,286			3,924,941	3,835,286
County Home			648,943	633,170	648,943	633,170
Sales Taxes:						
General Operating	4,636,441	4,340,752			4,636,441	4,340,752
Adult Detention Facility	2,317,769	2,176,732			2,317,769	2,176,732
Grants and Entitlements	1,211,950	991,220			1,211,950	991,220
Interest	149,037	176,679		2,678	149,037	179,357
Other	2,720,983	2,020,083	51,046	58,162	2,772,029	2,078,245
Loans Issued	143,874	32,949	140,514	1,012,932	284,388	1,045,881
Total General Receipts	<u>17,086,817</u>	<u>15,516,246</u>	<u>840,503</u>	<u>1,706,942</u>	<u>17,927,320</u>	<u>17,223,188</u>
Total Receipts	<u>38,154,150</u>	<u>35,113,728</u>	<u>3,608,256</u>	<u>4,274,856</u>	<u>41,762,406</u>	<u>39,388,584</u>
Program Disbursements:						
General Government:						
Legislative and Executive	5,139,620	4,616,791			5,139,620	4,616,791
Judicial	1,764,056	1,456,224			1,764,056	1,456,224
Public Safety	4,697,418	4,377,888			4,697,418	4,377,888
Public Works	8,747,566	8,923,913			8,747,566	8,923,913
Health	307,105	294,463			307,105	294,463
Human Services	11,502,064	10,661,711			11,502,064	10,661,711
Conservation and Recreation	231,058	184,643			231,058	184,643
Economic Development and Assistance	548,502	961,176			548,502	961,176
Capital Outlay	1,536,269	1,591,402			1,536,269	1,591,402
Debt Service:						
Principal Retirement	1,169,574	1,340,639			1,169,574	1,340,639
Interest and Fiscal Charges	499,333	508,986			499,333	508,986
County Home			737,331	685,870	737,331	685,870
Sanitary Sewer			1,899,970	2,420,139	1,899,970	2,420,139

**FINANCIAL CONDITION
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Other Enterprise:						
Water			272,451	3,458	272,451	3,458
Solid Waste			123,544	136,223	123,544	136,223
Ambulance			957,453	911,275	957,453	911,275
Total Disbursements	36,142,565	34,917,836	3,990,749	4,156,965	40,133,314	39,074,801
Increase (Decrease) in Net Position						
Before Advances	2,011,585	195,892	(382,493)	117,891	1,629,092	313,783
Advances	18,267	15,175	(18,267)	(15,175)		
Change in Net Position	2,029,852	211,067	(400,760)	102,716	1,629,092	313,783
Net Position at Beginning of Year	10,478,781	10,267,714	4,225,538	4,122,822	14,704,319	14,390,536
Net Position at End of Year	\$12,508,633	\$10,478,781	\$3,824,778	\$4,225,538	\$16,333,411	\$14,704,319

For governmental activities, program receipts increased over 7 percent from the prior year. This increase is primarily due to an increase in operating grants related to resources received for the Lake Restoration Study. The 10 percent increase in general receipts is primarily due to modest increases in property taxes and sales taxes, the receipt of casino taxes, and a one-time insurance reimbursement.

The overall change in disbursements for governmental activities was not significant (little over 3 percent). 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 83 percent of governmental disbursements in 2013.

The decrease in receipts for business-type activities is largely due to loan proceeds received in the prior year of approximately \$1 million.

The decrease in sanitary sewer disbursements is related to capital-related to costs for the Wastewater 4th Lagoon project in the prior year. The increase in water disbursements is due to capital-related expenditures for the State Route 29 Waterline project.

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

**FINANCIAL CONDITION
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
General Government:				
Legislative and Executive	\$5,139,620	\$4,616,791	\$1,291,969	\$2,320,187
Judicial	1,764,056	1,456,224	867,091	685,248
Public Safety	4,697,418	4,377,888	3,742,180	3,344,303
Public Works	8,747,566	8,923,913	6,349	298,592
Health	307,105	294,463	233,091	220,078
Human Services	11,502,064	10,661,711	5,216,094	4,172,011
Conservation and Recreation	231,058	184,643	227,280	182,991
Economic Development and Assistance	548,502	961,176	286,002	655,917
Capital Outlay	1,536,269	1,591,402	1,536,269	1,591,402
Debt Service:				
Principal Retirement	1,169,574	1,340,639	1,169,574	1,340,639
Interest and Fiscal Charges	499,333	508,986	499,333	508,986
Total Disbursements	\$36,142,565	\$34,917,836	\$15,075,232	\$15,320,354

For 2013, 42 percent of the services provided by the County were paid for through general receipts, compared to 44 percent in 2012. A review of the above table demonstrates that program receipts contributed significantly to several programs. Charges for services for the public works program consist of work performed by the County Engineer for townships and villages within the County. The public works program also receives a significant amount of operating grants and contributions from state levied shared gas taxes and motor vehicle licenses. The human services program receives substantial support through various grant programs.

Governmental Funds Financial Analysis

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

For 2013, the General Fund ended the year with a deficit fund balance primarily due to advances made to other funds to provide cash flow resources for those activities.

Fund balance increased over \$3 million in the Motor Vehicle Fund due to advances received from the General Fund for the construction of a new facility.

The change in fund balance for both the Developmental Disabilities and the Adult Detention Facility funds was not significant.

Business-Type Activities Financial Analysis

There was a modest increase in net position for the County Home Fund (approximately \$50,000).

Net position in the Sanitary Sewer Fund decreased 16 percent. In the prior year, loan proceeds were received for construction related activities.

**FINANCIAL CONDITION
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

Budgetary Highlights

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

The County's most significant budgeted fund is the General Fund. Changes from the original budget to the final budget were not significant for either receipts or disbursements. Actual receipts were \$1 million more than amounts anticipated due to conservative projections and a one-time reimbursement. Actual disbursements were \$1.9 million less than budgeted amounts. The most significant changes were related to the legislative and executive and public safety programs.

Current Issues

The study and preliminary engineering is complete to construct a sanitary sewer collection system in unsewered areas in Marion Township and transport the wastewater to a combination of existing wastewater treatment plants in the area. This project, the Southwest Portion of the Grand Lake Watershed Project and commonly referred to as Marion Township Phase II, will be constructed in four segments. The Saint Sebastian area is the first segment with an estimated project cost of \$1 million. The County will be applying for financing for this project in 2015. After financing is obtained for this segment, the County will start on the Saint Rose area.

The County has submitted a grant application for community development block grant funds, in the amount of \$440,000, to finance the replacement of water lines in East Jefferson Township. The total project is estimated to cost in excess of \$1.2 million. The County will seek a thirty-year Ohio Water Development Loan for the balance. If the County is successful in obtaining the grant, the project could be competitive bid by the end of this calendar year.

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.

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2013**

	Governmental Activities	Business- Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$12,319,831	\$3,824,778	\$16,144,609
Cash and Cash Equivalents in Segregated Accounts	8,788		8,788
Cash and Cash Equivalents with Fiscal Agent	180,014		180,014
Total Assets	<u>12,508,633</u>	<u>3,824,778</u>	<u>16,333,411</u>
Net Position:			
Restricted for:			
Debt Service	380,889		380,889
Capital Projects	702,685		702,685
Other Purposes	11,923,094		11,923,094
Unrestricted (Deficit)	(498,035)	3,824,778	3,326,743
Total Net Position	<u>\$12,508,633</u>	<u>\$3,824,778</u>	<u>\$16,333,411</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Program Receipts		
Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	
Governmental Activities:			
General Government:			
Legislative and Executive	\$5,139,620	\$1,777,939	\$2,069,712
Judicial	1,764,056	753,194	143,771
Public Safety	4,697,418	390,214	565,024
Public Works	8,747,566	1,479,474	7,261,743
Health	307,105	74,014	
Human Services	11,502,064	175,547	6,110,423
Conservation and Recreation	231,058		3,778
Economic Development and Assistance	548,502		262,500
Capital Outlay	1,536,269		
Debt Service:			
Principal Retirement	1,169,574		
Interest and Fiscal Charges	499,333		
Total Governmental Activities	36,142,565	4,650,382	16,416,951
Business-Type Activities:			
County Home	737,331	40,354	90,728
Sanitary Sewer	1,899,970	1,416,997	
Other Enterprise:			
Water	272,451	21,423	249,713
Solid Waste	123,544	156,304	
Ambulance	957,453	771,234	21,000
Total Business-Type Activities	3,990,749	2,406,312	361,441
Total	\$40,133,314	\$7,056,694	\$16,778,392

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**

Governmental Activities	Business-Type Activities	Total
(\$1,291,969)		(\$1,291,969)
(867,091)		(867,091)
(3,742,180)		(3,742,180)
(6,349)		(6,349)
(233,091)		(233,091)
(5,216,094)		(5,216,094)
(227,280)		(227,280)
(286,002)		(286,002)
(1,536,269)		(1,536,269)
(1,169,574)		(1,169,574)
(499,333)		(499,333)
<u>(15,075,232)</u>		<u>(15,075,232)</u>
	(\$606,249)	(606,249)
	(482,973)	(482,973)
	(1,315)	(1,315)
	32,760	32,760
	<u>(165,219)</u>	<u>(165,219)</u>
	<u>(1,222,996)</u>	<u>(1,222,996)</u>
<u>(15,075,232)</u>	<u>(1,222,996)</u>	<u>(16,298,228)</u>
1,981,822		1,981,822
3,924,941		3,924,941
	648,943	648,943
4,636,441		4,636,441
2,317,769		2,317,769
1,211,950		1,211,950
149,037		149,037
2,720,983	51,046	2,772,029
143,874		143,874
	140,514	140,514
<u>17,086,817</u>	<u>840,503</u>	<u>17,927,320</u>
18,267	(18,267)	
<u>17,105,084</u>	<u>822,236</u>	<u>17,927,320</u>
2,029,852	(400,760)	1,629,092
<u>10,478,781</u>	<u>4,225,538</u>	<u>14,704,319</u>
<u>\$12,508,633</u>	<u>\$3,824,778</u>	<u>\$16,333,411</u>

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	<u>General</u>	<u>Motor Vehicle</u>	<u>Developmental Disabilities</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents (Deficit)	(\$598,693)	\$3,486,166	\$2,568,289
Cash and Cash Equivalents in Segregated Accounts			
Cash and Cash Equivalents with Fiscal Agent			180,014
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	<u>137,284</u>		
Total Assets (Deficit)	<u>(461,409)</u>	<u>3,486,166</u>	<u>2,748,303</u>
Fund Balances:			
Non-spendable	137,284		
Restricted	154	3,486,166	2,748,303
Committed			
Assigned	1,067,500		
Unassigned (Deficit)	<u>(1,666,347)</u>		
Total Fund Balances (Deficit)	<u>(\$461,409)</u>	<u>\$3,486,166</u>	<u>\$2,748,303</u>

See Accompanying Notes to the Basic Financial Statements.

Adult Detention Facility	Other Governmental	Total
\$1,388,057	\$5,338,728	\$12,182,547
	8,788	8,788
		180,014
		137,284
<u>1,388,057</u>	<u>5,347,516</u>	<u>12,508,633</u>
		137,284
1,388,057	5,246,858	12,869,538
	38,420	38,420
	62,238	1,129,738
		(1,666,347)
<u>\$1,388,057</u>	<u>\$5,347,516</u>	<u>\$12,508,633</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, 2013**

	General	Motor Vehicle	Developmental Disabilities
Receipts:			
Property Taxes	\$1,981,822		\$3,924,941
Sales Taxes	4,636,441		
Special Assessments			
Charges for Services	1,869,406	\$911,789	83,880
Licenses and Permits	2,736		
Fines and Forfeitures	28,626	21,798	
Intergovernmental	1,468,638	6,068,332	2,362,790
Interest	148,571	14,419	
Donations	1,000		4,104
Other	1,047,228	82,186	142,539
Total Receipts	11,184,468	7,098,524	6,518,254
Disbursements:			
Current:			
General Government:			
Legislative and Executive	4,525,062		
Judicial	1,481,491		
Public Safety	2,111,843		
Public Works	9,009	7,241,283	
Health	232,156		
Human Services	344,018		6,435,089
Conservation and Recreation	215,875		
Economic Development and Assistance	364,686		
Other			
Capital Outlay:			
Debt Service			
Principal Retirement			
Interest and Fiscal Charges			
Total Disbursements	9,284,140	7,241,283	6,435,089
Excess of Receipts Over (Under) Disbursements	1,900,328	(142,759)	83,165
Other Financing Sources (Uses):			
OPWC Loans Issued		143,874	
Advances In	1,876,614	3,100,900	
Advances Out	(4,571,095)	(900)	
Transfers In			
Transfers Out	(1,240,954)	(75,574)	
Total Other Financing Sources (Uses)	(3,935,435)	3,168,300	
Changes in Fund Balances	(2,035,107)	3,025,541	83,165
Fund Balances at Beginning of Year	1,573,698	460,625	2,665,138
Fund Balances (Deficit) at End of Year	(\$461,409)	\$3,486,166	\$2,748,303

See Accompanying Notes to the Basic Financial Statements.

Adult Detention Facility	Other Governmental	Total
		\$5,906,763
\$2,317,769		6,954,210
	\$414,197	414,197
	1,088,807	3,953,882
	168,126	170,862
	61,017	111,441
10,063	7,603,491	17,513,314
	87,398	250,388
	9,132	14,236
12,777	1,436,253	2,720,983
<u>2,340,609</u>	<u>10,868,421</u>	<u>38,010,276</u>
	613,861	5,138,923
	282,565	1,764,056
1,583,634	1,001,941	4,697,418
	1,497,274	8,747,566
	74,949	307,105
	4,722,957	11,502,064
	15,183	231,058
	183,816	548,502
	697	697
	1,536,269	1,536,269
	1,169,574	1,169,574
	499,333	499,333
<u>1,583,634</u>	<u>11,598,419</u>	<u>36,142,565</u>
<u>756,975</u>	<u>(729,998)</u>	<u>1,867,711</u>
		143,874
	1,475,087	6,452,601
	(1,862,339)	(6,434,334)
824,150	2,203,891	3,028,041
<u>(1,539,972)</u>	<u>(171,541)</u>	<u>(3,028,041)</u>
<u>(715,822)</u>	<u>1,645,098</u>	<u>162,141</u>
41,153	915,100	2,029,852
<u>1,346,904</u>	<u>4,432,416</u>	<u>10,478,781</u>
<u>\$1,388,057</u>	<u>\$5,347,516</u>	<u>\$12,508,633</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property Taxes	\$1,884,500	\$1,884,500	\$1,944,686	\$60,186
Sales Taxes	4,275,000	4,275,000	4,636,441	361,441
Charges for Services	1,621,333	1,621,333	1,869,596	248,263
Licenses and Permits	2,500	2,500	2,736	236
Fines and Forfeitures	31,400	31,400	28,388	(3,012)
Intergovernmental	1,293,568	1,443,568	1,468,638	25,070
Interest	178,257	178,257	148,571	(29,686)
Donations			1,000	1,000
Other	611,423	611,423	1,047,228	435,805
Total Receipts	<u>9,897,981</u>	<u>10,047,981</u>	<u>11,147,284</u>	<u>1,099,303</u>
Disbursements:				
Current:				
General Government:				
Legislative and Executive	5,047,189	5,341,298	4,625,796	715,502
Judicial	1,613,093	1,658,332	1,518,151	140,181
Public Safety	2,886,353	2,941,690	2,151,103	790,587
Public Works	128,708	128,708	9,009	119,699
Health	231,902	231,902	232,156	(254)
Human Services	382,099	386,143	369,179	16,964
Conservation and Recreation	214,782	255,790	215,875	39,915
Economic Development and Assistance	379,748	529,748	369,325	160,423
Total Disbursements	<u>10,883,874</u>	<u>11,473,611</u>	<u>9,490,594</u>	<u>1,983,017</u>
Excess of Receipts Over (Under) Disbursements	<u>(985,893)</u>	<u>(1,425,630)</u>	<u>1,656,690</u>	<u>3,082,320</u>
Other Financing Sources (Uses):				
Advances In	16,500	116,500	1,876,614	1,760,114
Advances Out		(195,191)	(4,571,095)	(4,375,904)
Transfers Out	(167,500)	(2,606,408)	(1,240,954)	1,365,454
Total Other Financing Sources (Uses)	<u>(151,000)</u>	<u>(2,685,099)</u>	<u>(3,935,435)</u>	<u>(1,250,336)</u>
Changes in Fund Balance	(1,136,893)	(4,110,729)	(2,278,745)	1,831,984
Fund Balance at Beginning of Year	1,061,419	1,061,419	1,061,419	
Prior Year Encumbrances Appropriated	447,413	447,413	447,413	
Fund Balance (Deficit) at End of Year	<u>\$371,939</u>	<u>(\$2,601,897)</u>	<u>(\$769,913)</u>	<u>\$1,831,984</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, 2013**

	<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	\$874,600	\$874,600	\$911,789	\$37,189
Fines and Forfeitures	20,000	20,000	21,604	1,604
Intergovernmental	6,474,479	6,549,479	6,068,332	(481,147)
Interest	20,000	20,000	14,419	(5,581)
Other	80,200	80,200	82,186	1,986
Total Receipts	<u>7,469,279</u>	<u>7,544,279</u>	<u>7,098,330</u>	<u>(445,949)</u>
Disbursements:				
Current:				
Public Works	<u>12,972,279</u>	<u>13,149,110</u>	<u>11,198,451</u>	<u>1,950,659</u>
Excess of Receipts Under Disbursements	<u>(5,503,000)</u>	<u>(5,604,831)</u>	<u>(4,100,121)</u>	<u>1,504,710</u>
Other Financing Sources (Uses):				
OPWC Loans Issued	250,000	250,000	143,874	(106,126)
Advances In	4,901,500	5,001,500	3,100,900	(1,900,600)
Advances Out		(900)	(900)	
Transfers Out	(75,574)	(75,574)	(75,574)	
Total Other Financing Sources (Uses)	<u>5,075,926</u>	<u>5,175,026</u>	<u>3,168,300</u>	<u>(2,006,726)</u>
Changes in Fund Balance	(427,074)	(429,805)	(931,821)	(502,016)
Fund Balance at Beginning of Year	201,457	201,457	201,457	
Prior Year Encumbrances Appropriated	<u>247,100</u>	<u>247,100</u>	<u>247,100</u>	
Fund Balance (Deficit) at End of Year	<u>\$21,483</u>	<u>\$18,752</u>	<u>(\$483,264)</u>	<u>(\$502,016)</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, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property Taxes	\$3,762,000	\$3,762,000	\$3,851,276	\$89,276
Charges for Services	80,000	80,000	83,880	3,880
Intergovernmental	2,152,000	2,152,000	2,362,790	210,790
Donations	3,000	3,000	4,104	1,104
Other	100,000	100,000	142,325	42,325
Total Receipts	<u>6,097,000</u>	<u>6,097,000</u>	<u>6,444,375</u>	<u>347,375</u>
Disbursements:				
Current:				
Human Services	<u>6,741,098</u>	<u>6,896,086</u>	<u>6,605,292</u>	<u>290,794</u>
Changes in Fund Balance	(644,098)	(799,086)	(160,917)	638,169
Fund Balance at Beginning of Year	2,375,256	2,375,256	2,375,256	
Prior Year Encumbrances Appropriated	<u>105,098</u>	<u>105,098</u>	<u>105,098</u>	
Fund Balance at End of Year	<u><u>\$1,836,256</u></u>	<u><u>\$1,681,268</u></u>	<u><u>\$2,319,437</u></u>	<u><u>\$638,169</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Sales Taxes	\$2,000,000	\$2,000,000	\$2,317,769	\$317,769
Intergovernmental	10,000	10,000	10,063	63
Other			12,777	12,777
Total Receipts	<u>2,010,000</u>	<u>2,010,000</u>	<u>2,340,609</u>	<u>330,609</u>
Disbursements:				
Current:				
Public Safety	<u>1,543,336</u>	<u>1,701,496</u>	<u>1,640,959</u>	<u>60,537</u>
Excess of Receipts Over Disbursements	<u>466,664</u>	<u>308,504</u>	<u>699,650</u>	<u>391,146</u>
Other Financing Sources (Uses):				
Transfers In	1,183,743	1,183,743	824,150	(359,593)
Transfers Out	<u>(1,554,756)</u>	<u>(1,554,756)</u>	<u>(1,539,972)</u>	<u>14,784</u>
Total Other Financing Sources (Uses)	<u>(371,013)</u>	<u>(371,013)</u>	<u>(715,822)</u>	<u>(344,809)</u>
Changes in Fund Balance	95,651	(62,509)	(16,172)	46,337
Fund Balance at Beginning of Year	1,260,085	1,260,085	1,260,085	
Prior Year Encumbrances Appropriated	<u>86,819</u>	<u>86,819</u>	<u>86,819</u>	
Fund Balance at End of Year	<u>\$1,442,555</u>	<u>\$1,284,395</u>	<u>\$1,330,732</u>	<u>\$46,337</u>

See Accompanying Notes to the Basic Financial Statements.

MERCER COUNTY

STATEMENT OF FUND NET POSITION - CASH BASIS
ENTERPRISE FUNDS
DECEMBER 31, 2013

	<u>County Home</u>	<u>Sanitary Sewer</u>	<u>Other Enterprise</u>	<u>Total</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	<u>\$1,049,314</u>	<u>\$1,688,794</u>	<u>\$1,086,670</u>	<u>\$3,824,778</u>
Net Position:				
Unrestricted	<u>\$1,049,314</u>	<u>\$1,688,794</u>	<u>\$1,086,670</u>	<u>\$3,824,778</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL SECTION
MERCER COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>County Home</u>	<u>Sanitary Sewer</u>	<u>Other Enterprise</u>	<u>Total</u>
Operating Revenues:				
Charges for Services	\$40,354	\$1,416,997	\$948,961	\$2,406,312
Other	8,152	25,712	17,207	51,071
Total Operating Revenues	<u>48,506</u>	<u>1,442,709</u>	<u>966,168</u>	<u>2,457,383</u>
Operating Expenses:				
Personal Services	487,088	353,059	182,887	1,023,034
Contractual Services	168,783	990,614	857,180	2,016,577
Materials and Supplies	81,460	140,973	313,381	535,814
Debt Service:				
Principal Retirement		356,962		356,962
Total Operating Expenses	<u>737,331</u>	<u>1,841,608</u>	<u>1,353,448</u>	<u>3,932,387</u>
Operating Loss	<u>(688,825)</u>	<u>(398,899)</u>	<u>(387,280)</u>	<u>(1,475,004)</u>
Non-Operating Revenues (Expenses):				
Property Taxes	648,943			648,943
Grants	90,703		270,713	361,416
OWDA Loans Issued		140,514		140,514
Interest Expense		(58,362)		(58,362)
Total Non-Operating Revenues (Expenses)	<u>739,646</u>	<u>82,152</u>	<u>270,713</u>	<u>1,092,511</u>
Income (Loss) Before Advances	50,821	(316,747)	(116,567)	(382,493)
Advances Out		<u>(15,175)</u>	<u>(3,092)</u>	<u>(18,267)</u>
Changes in Net Position	50,821	(331,922)	(119,659)	(400,760)
Net Position at Beginning of Year	<u>998,493</u>	<u>2,020,716</u>	<u>1,206,329</u>	<u>4,225,538</u>
Net Position at End of Year	<u><u>\$1,049,314</u></u>	<u><u>\$1,688,794</u></u>	<u><u>\$1,086,670</u></u>	<u><u>\$3,824,778</u></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, 2013**

	County Home	Sanitary Sewer	Other Enterprise	Total
Increases (Decreases) in Cash and Cash Equivalents				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$40,354	\$1,416,997	\$948,961	\$2,406,312
Cash Payments for Personal Services	(487,088)	(353,059)	(182,887)	(1,023,034)
Cash Payments for Contractual Services	(168,783)	(990,614)	(857,180)	(2,016,577)
Cash Payments for Supplies	(81,460)	(140,973)	(313,381)	(535,814)
Cash Received from Other Revenues	8,152	25,712	17,207	51,071
Net Cash Used for Operating Activities	<u>(688,825)</u>	<u>(41,937)</u>	<u>(387,280)</u>	<u>(1,118,042)</u>
Cash Flows from Non-capital Financing Activities:				
Cash Received from Property Taxes	648,943			648,943
Cash Received from Grants	90,703		270,713	361,416
Cash Payments for Advances Out		(15,175)	(3,092)	(18,267)
Net Cash Provided by (Used for) Non-capital Financing Activities	<u>739,646</u>	<u>(15,175)</u>	<u>267,621</u>	<u>992,092</u>
Cash Flows from Capital and Related Financing Activities:				
Principal Paid on Special Assessment Bonds		(10,800)		(10,800)
Interest Paid on Special Assessment Bonds		(1,110)		(1,110)
Principal Paid on OPWC Loans		(17,780)		(17,780)
Proceeds of OWDA Loans		140,514		140,514
Principal Paid on OWDA Loans		(307,644)		(307,644)
Interest Paid on OWDA Loans		(54,613)		(54,613)
Principal Paid on Rural Industrial Park Loan		(20,738)		(20,738)
Interest Paid on Rural Industrial Park Loan		(2,639)		(2,639)
Net Cash Used for Capital and Related Financing Activities		<u>(274,810)</u>		<u>(274,810)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	50,821	(331,922)	(119,659)	(400,760)
Cash and Cash Equivalents at Beginning of Year	<u>998,493</u>	<u>2,020,716</u>	<u>1,206,329</u>	<u>4,225,538</u>
Cash and Cash Equivalents at End of Year	<u>\$1,049,314</u>	<u>\$1,688,794</u>	<u>\$1,086,670</u>	<u>\$3,824,778</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF CASH BASIS FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2013**

Assets:

Equity in Pooled Cash and Cash Equivalents	\$4,038,302
Cash and Cash Equivalents in Segregated Accounts	<u>247,184</u>
Total Assets	<u><u>4,285,486</u></u>

Net Position:

Undistributed Assets	<u><u>\$4,285,486</u></u>
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See Accompanying Notes to the Basic Financial Statements.

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**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. REPORTING ENTITY

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

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

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

A. Primary Government

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

B. Component Units

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the County. There were no component units of Mercer County in 2013.

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

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

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

1. REPORTING ENTITY (Continued)

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.

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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

1. Governmental Funds

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

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

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

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

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

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

2. Proprietary Funds

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

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The County's 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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2013. 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.

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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2013, the County invested in nonnegotiable certificates of deposit, U.S. corporation notes, 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 2013 were \$148,571 which includes \$128,926 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.

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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Fund balance policy of the County Commissioners authorizes department managers to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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.

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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

3. COMPLIANCE

Ohio Administrative Code Section 117-2-03 (B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements on a cash basis which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net 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.

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash, receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the General Fund, and the Motor Vehicle, Developmental Disabilities, and Adult Detention Facility special revenues funds is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) for the General Fund, Motor Vehicle fund, Developmental Disabilities fund, and Adult Detention Facility fund were \$188,224, \$3,961,845, \$67,361, and \$57,325, respectively.

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;

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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;
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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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, \$3,209,645 of the County's bank balance of \$20,359,813 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.

B. Investments

As of December 31, 2013, the County had the following investments:

	<u>Total</u>	<u>Up to Six Months</u>	<u>More Than Two Years</u>
General Electric Corporation Notes	\$501,931	\$501,931	
Municipal Securities	230,870		\$230,870
Total Investments	<u>\$732,801</u>	<u>\$501,931</u>	<u>\$230,870</u>

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

The 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	\$501,931	68.49%
Municipal Securities	230,870	31.51

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

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 2013 represent the collection of 2012 taxes. Real property taxes received in 2013 were levied after October 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of 2012 taxes. Public utility real and tangible personal property taxes received in 2013 became a lien on December 31, 2011, were levied after October 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

The full tax rate for all County operations for the year ended December 31, 2013, was \$11.86 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2013 property tax receipts were based are as follows:

Real Property:	
Residential/Agriculture	\$776,619,560
Commercial/Industrial/Mineral	88,885,330
Public Utility Property:	
Real	88,920
Personal	24,151,000
Total Assessed Value	<u>\$889,744,810</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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

8. INTERFUND ACTIVITY AND NEGATIVE GENERAL FUND BALANCE

During 2013, the County made a number of cash advances to various funds. As of December 31, 2013, \$4,823,581 of the advances had not been repaid, of which \$4,391,000 was related to manuscript debt. Cash advances are generally made to provide working capital for operations or projects or to provide cash flow resources. Advances expected to be repaid within one year to the General Fund from the Motor Vehicle special revenue fund, Other Governmental funds, and the Sanitary Sewer enterprise fund are \$3,100,000, \$1,413,245 and \$15,175, respectively. Advances expected to be repaid within one year to Other Enterprise funds from Other Governmental funds are \$3,092. The result of outstanding debt caused the General Fund balance in the accompanying financial statements to be (\$461,409) at December 31, 2013, while the actual cash balance at this time on the County's book was actually \$3,987,930.

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 2013, the County contracted with the Midwest Pool Risk Management Agency, Inc. for insurance coverage.

Coverage provided was as follows:

General Liability	\$2,000,000
Automobile Liability	2,000,000
Ohio Stop Gap (Additional Workers' Compensation Coverage)	2,000,000
Excess Liability	2,000,000
Building and Contents	73,233,000
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 2012 and settled claims have not exceeded this coverage in the past three years.

For 2013, 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 2013, 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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

9. RISK MANAGEMENT (Continued)

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.

10. SIGNIFICANT CONTRACTUAL COMMITMENTS

The County had the following contractual commitments outstanding as of December 31, 2013:

<u>Contractor</u>	<u>Purpose</u>	<u>Commitment</u>
Braun Excavating	Miller Ditch Improvement	\$161,410
Bruns Construction Enterprises	Engineer Facility – General Construction	2,744,345
Buschur Electric, Inc.	Engineer Facility – Electrical	461,880
Consolidated Hunter Heating	Engineer Facility – Plumbing	157,000
Fanning/Howey	Marion Township Industrial Park Phase Two	71,600
Garmann Miller	Engineer Facility – Architect	64,173
Independent Concrete Pipe	Rice Road Bridge Replacement	17,507
Independent Concrete Pipe	Wilson Road Bridge Replacement	22,737
Sahmbaugh & Son, LP	Engineer Facility – Fire Protection	76,575
Smith-Boughan, Inc.	Engineer Facility – HVAC	275,846
VTF Excavation, LLC	Prairie Creek Phase Two	29,000
VTF Excavation, LLC	Hayes Vantilburg Ditch Improvement	269,143

At year end, the significant encumbrances expected to be honored upon performance by the vendor in 2014 are as follows:

Motor Vehicle	\$3,961,845
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**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

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. The Ohio Revised Code authorizes OPERS to calculate employee contribution rates for public safety employees and limits the law enforcement rate to the public safety rate plus an additional percent are not to exceed 2 percent. For the year ended December 31, 2013, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 12 percent and 12.6 percent, respectively. Effective January 1, 2014, the member contribution rate for law enforcement increased to 13 percent. 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 2013, member and employer contribution rates were consistent across all three plans.

The County's 2013 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 both the traditional and combined plans was 1 percent for 2013. Effective January 1, 2014, the portion of the employer contribution allocated to health care increased to 2 percent. 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, 2013, 2012, and 2011 was \$1,711,317, \$1,243,994, and \$1,173,686, respectively. For 2013, 96 percent has been contributed. The full amount has been contributed for 2012 and 2011. Contributions to the member-directed plan for 2013 were \$25,265 made by the County and \$18,046 made by the plan members.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

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 2013, state and local employers contributed 14 percent of covered payroll and public safety and law enforcement employers contributed 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 1 percent for 2013. Effective January 1, 2014, the portion of the employer contribution allocated to health care was raised to 2 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, 2013, 2012, and 2011 was \$129,428, \$484,400, and \$458,950, respectively. For 2013, 96 percent has been contributed. The full amount has been contributed for 2012 and 2011.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

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. LONG-TERM OBLIGATIONS

The County's long-term debt activity for the year ended December 31, 2013, was as follows:

	<u>Interest Rate</u>	<u>Balance 12/31/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2013</u>	<u>Due Within One Year</u>
Governmental Activities:						
General Obligation Bonds:						
Adult Detention Facility (Original Amount \$10,500,000)	3.25-5%	\$7,645,000		\$640,000	\$7,005,000	\$665,000
2010 Various Purpose – Road Improvements (Original Amount \$665,000)	2-3.75	480,000		65,000	415,000	65,000
2010 Various Purpose – Correctional Facility (Original Amount \$2,535,000)	2-4	2,010,000		175,000	1,835,000	180,000
2010 Various Purpose – Ditch Improvement (Original Amount \$390,000)	2-4	325,000		25,000	300,000	25,000
2011 Central Services Refunding (Original Amount \$2,460,000)	1-3.5	2,280,000		185,000	2,095,000	185,000
Total General Obligation Bonds		<u>12,740,000</u>		<u>1,090,000</u>	<u>11,650,000</u>	<u>1,120,000</u>
OPWC Loans:						
1995 Karch/Tama (Original Amount \$174,070)		\$17,408		\$8,704	\$8,704	\$4,352
1997 Siegrist-Jutte and Kahn Road Bridge (Original Amount \$256,554)		44,896		12,828	32,068	6,413
2001 Four Bridge Replacement (Original Amount \$76,979)		30,791		3,849	26,942	1,925
2002 Home Waterline Improvement (Original Amount \$80,000)		44,000		4,000	40,000	4,000
2002 Five Bridge Replacement (Original Amount \$60,000)		33,000		3,000	30,000	1,500

(Continued)

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

	<u>Interest Rate</u>	<u>Balance 12/31/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2013</u>	<u>Due Within One Year</u>
OPWC Loans: (Continued)						
2005 Six Bridge Repair (Original Amount \$60,225)		37,641		3,011	34,630	1,506
2007 Bridge Replacement (Original Amount \$137,801)		106,796		6,890	99,906	3,445
2009 Carthagen Road (Original Amount \$300,000)		255,000		15,000	240,000	7,500
2009 Bridge Replacement (Original Amount \$157,500)		129,937		7,875	122,062	3,937
2010 Bridge Replacement (Original Amount \$142,500)		124,688		7,125	117,563	3,563
2011 County Road 30B Improvement (Original Amount \$74,250)		68,681		3,713	64,968	1,856
2011 County Road 23 Improvement (Original Amount \$71,572)		69,783		3,579	66,204	1,790
2013 Bridge Replacement (Original Amount \$143,874)			143,874		143,874	
Total OPWC Loans		<u>962,621</u>	<u>143,874</u>	<u>79,574</u>	<u>1,026,921</u>	<u>41,787</u>
Total Governmental Activities		<u>\$13,702,621</u>	<u>\$143,874</u>	<u>\$1,169,574</u>	<u>\$12,676,921</u>	<u>\$1,161,787</u>
Business-Type Activities:						
Special Assessment Bonds						
1992 Southwest Sanitary Sewer (Original Amount \$148,600)	5.0%	\$22,200		\$10,800	\$11,400	\$11,400
OPWC Loans						
1993 Northwood Collection System (Original Amount \$55,600)		4,170		2,780	1,390	1,390
2003 Philothea Area Wastewater (Original Amount \$300,000)		142,500		15,000	127,500	7,500
Total OPWC Loans		<u>146,670</u>		<u>17,780</u>	<u>128,890</u>	<u>8,890</u>
OWDA Loans						
2002 Staeger Road Sanitary Sewer (Original Amount \$109,521)	3.64	53,423		5,866	47,557	3,013
2002 SR 129 and Burge Road (Original Amount \$400,463)	3.49	211,670		20,398	191,272	10,467
2005 Lake Acres (Original Amount \$248,037)	2.75	193,350		13,804	179,546	7,045
East Jefferson Phase 3 Sewers (Original Amount \$1,091,575)		995,892		40,764	955,128	27,289
West Jefferson Township Sewer (Original Amount \$1,214,964)		971,972		60,748	911,224	30,374
Marion Township Sewer (Original Amount \$2,254,469)	1	2,100,541		103,906	1,996,635	52,343
Northeast Sanitary Sewers (Original Amount \$51,750)		48,250	3,500	10,350	41,400	5,175
Planning and Design for Un-sewered MCI Lagoon	1	11,140	17,900		29,040	
		976,561	119,114	51,808	1,043,867	
Total OWDA Loans		<u>5,562,799</u>	<u>140,514</u>	<u>307,644</u>	<u>5,395,669</u>	<u>135,706</u>

(Continued)

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

	Interest Rate	Balance 12/31/2012	Additions	Reductions	Balance 12/31/2013	Due Within One Year
Ohio Water and Sewer Loans:						
1991 Sandy Beach Area Sewer District (Original Amount \$42,822)		42,822			42,822	0
1992 Southwest Sewer (Original Amount \$269,223)		269,223			269,223	0
2001 Rotary SR 269 Sewer (Original Amount \$110,167)		88,673			88,673	
Total Ohio Water and Sewer Loans		400,718			400,718	
Rural Industrial Park Loan						
2001 Rural Industrial Park – SR269 (Original Amount \$200,000)	0-3	90,664		20,738	69,926	21,369
Total Business-Type Activities		\$6,223,051	\$140,514	\$356,962	\$6,006,603	\$177,365

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.

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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

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. The amortization schedule for the 2013 Bridge Replacement loan is not available until the completion of the project. Total principal remaining on the enterprise related loans is \$128,890, payable through December 2022. For the current year, principal paid was \$17,780. For 2013, the Sanitary Sewer enterprise fund had an operating loss of \$398,899.

OWDA Loans

OWDA loans consist of monies owed to the Ohio Water Development Authority for various sewer projects. OWDA loans are payable solely from special assessments and from the gross revenues of the enterprise funds. Amortization schedules for the Planning and Design for Unsewered and MCI Lagoon loans are not available until the completion of the project. Total principal and interest remaining on the completed OWDA loan projects is \$4,573,637, payable through December 2031. For the current year, principal and interest paid was \$362,257. For 2013, the Sanitary Sewer enterprise fund had an operating loss of \$398,899.

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 \$73,388, payable through December 2017. For 2013, the Sanitary Sewer enterprise fund had an operating loss of \$398,899.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

At December 31, 2013, the County's overall debt margin was \$17,576,236 with an unvoted debt margin of \$5,730,064.

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

<u>Year</u>	<u>General Obligation Bonds</u>		<u>OPWC Loans</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2014	\$1,120,000	\$438,994	\$41,787
2015	1,150,000	405,269	75,219
2016	1,195,000	369,932	70,867
2017	1,225,000	329,758	58,042
2018	1,270,000	277,581	58,040
2019-2023	5,660,000	611,101	280,585
2024-2028	30,000	1,200	228,428
2029-2032			70,079
	<u>\$11,650,000</u>	<u>\$2,433,835</u>	<u>\$883,047</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>
2014	\$11,400	\$570	\$8,890	\$135,706	\$16,656
2015			15,000	273,206	31,517
2016			15,000	275,645	29,078
2017			15,000	278,140	26,583
2018			15,000	275,521	24,027
2019-2023			60,000	1,329,951	81,105
2024-2028				1,192,989	35,450
2029-2031				561,604	6,459
	<u>\$11,400</u>	<u>\$570</u>	<u>\$128,890</u>	<u>\$4,322,762</u>	<u>\$250,875</u>

<u>Year</u>	<u>Rural Industrial Park Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$21,369	\$1,806
2015	22,019	1,156
2016	22,689	486
2017	3,849	14
	<u>\$69,926</u>	<u>\$3,462</u>

15. 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, 2013
(Continued)**

15. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Motor Vehicle</u>	<u>Developmental Disabilities</u>	<u>Adult Detention Facility</u>
Non-spendable for:				
Unclaimed Monies	\$137,284			
Restricted for:				
Adult Detention Facility Operations				\$1,388,057
Board of Developmental Disabilities Ops.			\$2,748,303	
Road and Bridge Repair/Improvement		\$3,486,166		
Sheriff Operations	154			
Total Restricted	<u>154</u>	<u>3,486,166</u>	<u>2,748,303</u>	<u>1,388,057</u>
Assigned for:				
4-H Camp Improvements	12,689			
Building Maintenance	128,690			
Document Recording	68,623			
Economic Development/Rehabilitation	343,142			
Flood Damage	8,859			
Parent Education	890			
Sheriff Operations	58,641			
Title Administration	288,867			
Unpaid Obligations	157,099			
Total Assigned	<u>1,067,500</u>			
Unassigned (Deficit)	<u>(1,666,347)</u>			
Total Fund Balance (Deficit)	<u>(\$461,409)</u>	<u>\$3,486,166</u>	<u>\$2,748,303</u>	<u>\$1,388,057</u>

<u>Fund Balance</u>	<u>Other Governmental</u>	<u>Total</u>
Non-spendable for:		
Unclaimed Monies		\$137,284
Restricted for:		
Adult Detention Facility Operations		1,388,057
Airport Improvements	\$99,999	99,999
Board of Developmental Disabilities Operations		2,748,303
Child Support Enforcement	336,912	336,912
County Home Improvements	12,257	12,257
Court Operations	327,538	327,538
Crime Victim Assistance	3,460	3,460
Debt Retirement	380,889	380,889
Delinquent Tax Collections	58,127	58,127
Ditch Maintenance	1,012,815	1,012,815
Dog and Kennel Operations	23,039	23,039
Economic Development/Rehabilitation	558,969	558,969
Environmental Restoration	5,137	5,137
Emergency Management Agency	62,548	62,548
Industrial Park Improvements	1,533	1,533
Job and Family Services Operations	397,896	397,896
Juvenile Corrections	141,805	141,805
Law Library	10,222	10,222
Park Maintenance	118,016	118,016
Real Estate Assessment	1,180,809	1,180,809
Road and Bridge Repair/Improvement		3,486,166
Sheriff Operations	514,887	515,041
Total Restricted	<u>5,246,858</u>	<u>12,869,538</u>

(Continued)

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

15. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>Other Governmental</u>	<u>Total</u>
Committed to:		
Sheriff Operations	38,420	38,420
Assigned for:		
4-H Camp Improvements		\$12,689
Building Maintenance		128,690
Capital Improvements	62,170	62,170
Debt Service	68	68
Document Recording		68,623
Economic Development/Rehabilitation		343,142
Flood Damage		8,859
Parent Education		890
Sheriff Operations		58,641
Title Administration		288,867
Unpaid Obligations		157,099
Total Assigned	<u>62,238</u>	<u>1,129,738</u>
Unassigned (Deficit)		<u>(1,666,347)</u>
Total Fund Balance	<u>\$5,347,516</u>	<u>\$12,508,633</u>

16. INTERFUND TRANSFERS

During 2013, 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 \$416,804, 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 \$75,574, \$1,539,972, and \$171,541, respectively, to subsidize operations of other funds and to make debt payments as they came due.

17. JOINTLY GOVERNED ORGANIZATIONS

A. Mercer County Regional Planning Commission

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

The Commission makes plans and maps of the region showing the Commission's recommendations for systems of transportation, highways, park and recreational facilities, water supply, sewerage and sewage disposal, garbage disposal, civic centers, and other public improvements which affect the development of the region as a whole, or more than one political subdivision within the region and which do not begin and terminate within the boundaries of any single subdivision. During 2013, 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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 2013, a tax levy provided \$665,991 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.

18. INSURANCE POOLS

A. County Commissioners Association of Ohio Service Corporation

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

18. INSURANCE POOLS (Continued)

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.

19. RELATED ORGANIZATION

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

20. RELATED PARTY TRANSACTIONS

During 2013, 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 \$91,130 for such contributions.

21. CONTINGENT LIABILITIES

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

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

22. SUBSEQUENT EVENTS

- On January 14, 2014, the County entered into a loan agreement for Ohio Local Government Innovation Funds to construct vehicle storage wing building at the Engineer's Facility for up to \$500,000 at the annual rate of 0%.
- On February 18, 2014, the County entered into a loan agreement for Ohio Local Government Innovation Fund for "Sign Department of Mercer County" Project for up to \$500,000 at the annual rate of 0%.
- On April 22, 2014, the County authorized the issuance of \$342,750 taxable various purpose bond anticipation notes, series 2014 - purposes of refunding notes originally issues to pay the cost of making capital improvement. The note has interest rate of 1.2% and will mature on April 24, 2015.
- On May 6, 2014, the County entered into a loan agreement for Ohio Local Government Innovation Funds for the RED14055-Bridge-Culvert Project for up to \$500,000 at annual rate of 0%.
- On May 6, 2014, the County entered into a loan agreement for Ohio Local Government Innovation Funds for the RED14056-Administrative Office Project for up to \$500,000 at annual rate of 0%.
- On May 6, 2014, the County entered into a loan agreement for Ohio Local Government Innovation Funds for the RED14057-Vehicle Maintenance Wing Project for up to \$500,000 at annual rate of 0%.
- On June 3, 2014, the County authorized the issuance of \$630,000 of taxable infrastructure improvement bond anticipation notes, series 2014 - Marion Township Industrial Park Project. The note has interest rate of 1.20% and will mature on June 5, 2015
- On July 8, 2014, the County authorized the issuance of \$2,000,000 of taxable county engineer facility bond anticipation notes, series 2014. This note has interest rate of 1.2% and will mature on July 10, 2015
- On July 22, 2014, the County entered into a loan agreement for Ohio Local Government Innovation Funds for the RED14080-Mercer County Snow & Ice Control Facilities for up to \$500,000 at annual rate of 0%.

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**FINANCIAL CONDITION
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
Cash Assistance:				
School Breakfast Program		10.553	\$3,911	
Non-Cash Assistance (food distribution)				
National School Lunch Program		10.555		\$6,237
Cash Assistance:				
National School Lunch Program		10.555	6,136	
			<u>10,047</u>	<u>6,237</u>
Total Nutrition Cluster				
<i>(Passed through Ohio Department of Job and Family Services)</i>				
Supplemental Nutrition Assistance Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1213-11-0082	10.561	\$151,745	
			<u>161,792</u>	<u>6,237</u>
Total U.S. Department of Agriculture				
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>(Passed through Ohio Development Services Agency)</i>				
Community Development Block Grants:				
Community Development Block Grants/State's Program	B-C-11-1BX-1	14.228	34,239	
	B-E-12-1BX-1		500,000	
	B-F-12-1BX-1		369,939	
			<u>904,178</u>	
Total Community Development Block Grants/State's Program				
Home Investment Partnership Program	B-C-11-1BX-2	14.239	188,818	
			<u>1,092,996</u>	
Total U.S. Department of Housing and Urban Development				
U.S. DEPARTMENT OF JUSTICE				
<i>(Passed through Attorney General's Crime Victim Services)</i>				
Crime Victim Assistance	2013VAGENE068	16.575	18,492	
	2014VAGENE068		7,662	
			<u>26,154</u>	
Total Crime Victim Assistance				
<i>(Passed through Bureau of Justice Assistance)</i>				
Bulletproof Vest Partnership	N/A	16.607	5,164	
<i>(Passed through Office of Criminal Justice Services)</i>				
Edward Byrne Justice Assistance	2012-JG-LLE-5165	16.738	6,858	
ARRA - JAG Special Solicitation	2009-RA— LSS-2452		30,000	
			<u>36,858</u>	
Total U.S. Department of Justice				
68,176				
UNITED STATES DEPARTMENT OF LABOR				
<i>(Passed through Ohio Department of Job & Family Services)</i>				
Workforce Investment Act (WIA) Cluster:				
WIA - Adult (FY13/PY13)	N/A	17.258	209,180	
WIA - Adult (FY14)	N/A		39,329	
WIA - Adult (FY13) - Admin	N/A		15,785	
WIA - Adult (FY12/PY12) - Admin	N/A		7,437	
			<u>271,731</u>	
Total WIA - Adult				

**FINANCIAL CONDITION
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures	Non-Cash Expenditures
WIA - Youth (PY12)	N/A	17.259	131,716	
WIA - Youth (PY13) - Admin	N/A		19,281	
WIA - Youth (PY12) - Admin	N/A		31,258	
WIA - Youth (PY11) - Admin	N/A		1,760	
Total WIA - Youth			<u>184,015</u>	
WIA Dislocated Worker Formula Grant (FY12/PY12) - Admin	N/A	17.278	8,710	
WIA Dislocated Worker Formula Grant (FY13) - Admin	N/A		11,557	
WIA Dislocated Worker Formula Grant (PY13)	N/A		196,487	
WIA Dislocated Worker Formula Grant (FY12/PY12)	N/A		113,937	
Rapid Response (FY13)			4,940	
Total WIA - Dislocated Worker			<u>335,631</u>	
Total Workforce Investment Act (WIA) Cluster			<u>791,377</u>	
Total U.S. Department of Labor			791,377	
U.S DEPARTMENT OF TRANSPORTATION				
<i>(Passed through Ohio Department of Transportation)</i>				
Job Access_Reverse Commute Program	JARC-4054-087-131	20.516	69,064	
Capital Assistance Program for Elderly Persons & Persons with Disabilities	CRD 0054-008-131	20.513	41,407	
Highway Planning and Construction	PID #84821	20.205	300,786	
	PID #89488		183,329	
	PID #84818		390,360	
	PID #84823		326,250	
	PID #89127		921	
	PID #92511		914	
	PID #89455		4,891	
	PID #84819		152,582	
	PID #93895		33,840	
Total Highway Planning and Construction			<u>1,393,873</u>	
<i>(Passed through Office of Criminal Justice Services)</i>				
State and Community Highway Safety	SC-2013-54-00-00-00323-00	20.600	6,229	
High Visibility Enforcement Overtime	HVEO-2013-54-00-00-00308-00		14,431	
Total State and Community Highway Safety			<u>20,660</u>	
Total U.S. Department of Transportation			1,525,004	
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	351,246	
Temporary Assistance for Needy Families	G-1213-11-0082	93.558	574,120	
Adoption Assistance	G-1213-11-0082	93.659	29,552	
Title IV-E - Foster Care	G-1213-11-0082	93.658	270,920	
Stephanie Tubbs Jones Child Welfare Services Program	G-1213-11-0082	93.645	43,411	
Promoting Safe and Stable Families	G-1213-11-0082	93.556	37,786	

**FINANCIAL CONDITION
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures	Non-Cash Expenditures
Child Care Cluster:				
Child Care and Development Block Grant	G-1213-11-0082	93.575	35,140	
Child Abuse and Neglect Prevention Month	N/A	93.590	702	
Chafee Foster Care Independence Program	G-1213-11-0082	93.674	6,593	
<i>(Passed through Ohio Department of DD)</i>				
Social Services Block Grant Program	MR-54	93.667	29,805	
<i>(Passed through Ohio Department of Job & Family Services)</i>				
Social Services Block Grant Program	G-1213-11-0082	93.667	<u>335,392</u>	
Total Social Services Block Grant Program			365,197	
<i>(Passed through Ohio Department of Developmental Disabilities)</i>				
Medical Assistance Program	5400015	93.778	99,067	
<i>(Passed through Ohio Department of Job & Family Services)</i>				
Medical Assistance Program	G-1213-11-0082	93.778	<u>243,313</u>	
Total Medical Assistance Program			342,380	
<i>(Passed through Ohio Secretary of State)</i>				
Voting Access for Individuals with Disabilities - Grants to State		93.617	540	
			930	
Total Voting Access Grant			<u>1,470</u>	
Total U.S. Department of Health and Human Services			2,058,517	
U.S. DEPARTMENT OF HOMELAND SECURITY				
<i>(Passed through Ohio Emergency Management Agency)</i>				
Emergency Management Performance		97.042	47,543	
			729	
Total Emergency Management Performance			<u>48,272</u>	
<i>(Passed Through Ohio Department of Public Safety)</i>				
Homeland Security Grant		97.067	6,145	
Citizens Corps Grant			4,000	
Total Homeland Security Grant			<u>10,145</u>	
Total U.S. Department of Homeland Security			58,417	
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY				
<i>(Passed Through the Ohio Environmental Agency)</i>				
Nonpoint Source Implementation Grants		66.460	<u>124,763</u>	
Total U.S. Department of Environmental Protection Agency			<u>124,763</u>	
Total Federal Assistance			<u>\$5,881,042</u>	<u>\$6,237</u>

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

**MERCER COUNTY FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2013**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – SUB-RECIPIENTS

The County passes certain federal awards received from Ohio Department of Job and Family Services to other governments or not-for-profit agencies (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 subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that sub-recipients achieve the award's performance goals.

NOTE C – 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 2013 is as follows:

Beginning loans receivable balance as of January 1, 2013	\$2,364,091
Loans made	65,000
Loans defaulted	
Loan principal repaid	<u>(263,289)</u>
Ending loans receivable balance as of December 31, 2013	\$2,165,802
Cash balance on hand in the revolving loan fund as of December 31, 2013	\$467,156

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2013, 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, 2013
(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 – TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2013, the County made allowable transfers of \$192,674 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 \$574,120 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 2013 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$766,794
Transfer to Social Services Block Grant	<u>(192,674)</u>
Total Temporary Assistance for Needy Families	<u><u>\$574,120</u></u>

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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 W. Livingston Street
Celina, Ohio 45822

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 14, 2014, wherein we 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 2013-001.

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



Dave Yost
Auditor of State

Columbus, Ohio

August 14, 2014



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 Services Building
220 W. Livingston Street
Celina, Ohio 45822

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited 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, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

Management's Responsibility

The County's Management is responsible for complying with 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, Workforce Investment Act Cluster, and Medical Assistance Program

As described in Findings 2013-002 through 2013-005 in the accompanying schedule of findings, the County did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2013-002	14.288	Community Development Block Grant	Cash Management
2013-003	17.258, 17.259, & 17.278	Workforce Investment Act Cluster	Activities Allowed/ Unallowed
2013-004	17.258, 17.259, & 17.278	Workforce Investment Act Cluster	Sub-recipient Monitoring
2013-005	93.778	Medical Assistance Program	Allowable Costs

Compliance with these requirements is necessary, in our opinion, for the County to comply with the requirements applicable to these programs.

Qualified Opinion on Community Development Block Grant, Workforce Investment Act Cluster and Medical Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on Community Development Block Grant, Workforce Investment Act Cluster, and Medicaid paragraph, Mercer County complied, in all material respects, with the requirements referred to above that could directly and materially affect its Community Development Block Grant, Workforce Investment Act Cluster and Medicaid programs for the year ended December 31, 2013.

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, 2013.

Other Matters

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

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 certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2013-002 through 2013-005 to be material weaknesses.

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

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

August 14, 2014

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**FINANCIAL CONDITION
MERCER COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2013**

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; CFDA #17.258, 17.259 & 17.278 and CFDA # 93.778 Unmodified- CFDA #93.558 and CFDA #93.563
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA #14.228 Community Development Block Grant CFDA #17.258, 17.259 & 17.278 Workforce Investment Act Cluster CFDA #93.558 Temporary Assistance for Needy Families CFDA #93.778 Medical Assistance Program CFDA #93.563 Child Support Enforcement
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2013-001

1. Not Reporting in Accordance with GAAP - Noncompliance

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

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

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

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. CDBG -Cash Management

Finding Number	2013-002
CFDA Title and Number	CFDA # 14.228 Community Development Block Grant (CDBG)
Federal Award Number / Year	B-C-11-1BX-1, B-E-12-1BX-1 & B-F-12-BX-1
Federal Agency	Department of Housing and Urban Development
Pass-Through Agency	Ohio Development Services Agency

NONCOMPLIANCE AND MATERIAL WEAKNESS

24 CFR § 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 2013-002
 (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-E-12-1BX-1 had a balance of \$130,000 on June 11, 2013, it increased and then did not get to a balance of less than \$5,000 until October 17, 2013. CDBG Grant B-F-12-1BX-1 had a balance of \$86,049 on August 19, 2013 and increased to over \$242,000; and, this grant did not get to a balance below \$5,000 as of December 31, 2013. Finally, CDBG Grant B-C-11-1BX-1 had two instances of noncompliance. The grant had a balance of \$22,428 on January 14, 2013 but did not get to a balance less than \$5,000 until May 16, 2013; and, on June 6, 2013 there was a balance of \$7,502, but the balance was not under \$5,000 until August 2, 2013.

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 a Request 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 coordinate with the project engineer and contractor to better anticipate the amounts and dates pay applications will be submitted, so we disburse the funds in a more timely manner.

2. WIA - Random Moment Sampling (RMS)

Finding Number	2013-003
CFDA Title and Number	CFDA # 17.258, 17.259 & 17.278 Workforce Investment Act Cluster (WIA)
Federal Award Number / Year	PY 2011, 2012 & 2013 and FY 2012, 2013 & 2014
Federal Agency	Department of Labor
Pass-Through Agency	Ohio Department of Job & Family Services

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Admin. Code § 5101:9-7-20(E)(2) states the employee clicks on the webRMS link included in the e-mail to access the observation moment: (a) The employee selects the appropriate program and activity code, (b) The employee is required to complete the comment section. Comments shall demonstrate that the selected program and activity codes support the work being performed by the assigned position at the time of the observation:

- An employee working on a case shall include a case number or other unique identifier establishing case / client identity.
- An employee not working on a case enters comments. The employee shall ensure that adequate backup documentation is available to verify the activity being performed.
- An employee attending a meeting or training at the time of the observation moment shall enter the title / subject, location, and facilitator.

**FINDING NUMBER 2013-003
 (Continued)**

- An employee on break, at lunch, on leave or on personal business at the time of the observation shall indicate the position was idle.

Six of the 25 cases tested in the 3rd quarter of Workforce RMS did not include a case number or other unique identifier to establish a case / client identity.

WIA should develop procedures over Random Moment Sampling (RMS) to monitor that all required parts of the employee observations are completed accurately.

Official’s Response: We have created an action plan on this issue: Fiscal Officer and Director have met with all staff in regards to RMS. They are going to have to be more detailed and specific in their answers. We will reject any of their RMS hits that are not detailed enough and send it back to them to complete again. Fiscal Officer and Director are working together to ensure that RMS hits are conclusive and accurate. Director is keeping a file on all Controlled RMS hits.

3. WIA – Sub-recipient Monitoring

Finding Number	2013-004
CFDA Title and Number	CFDA # 17.258, 17.259 & 17.278 Workforce Investment Act Cluster (WIA)
Federal Award Number / Year	PY 2011, 2012 & 2013
Federal Agency	Department of Labor
Pass-Through Agency	Ohio Department of Job & Family Services

NONCOMPLIANCE AND MATERIAL WEAKNESS

20 CFR § 667.410 (a) states that each recipient and sub-recipient must conduct regular oversight and monitoring of its WIA activities and those of its sub-recipients and contracts in order to:

- (1) Determine that expenditures have been made against the cost categories and within the cost limitations specified in the Act and the regulations in this part;
- (2) Determine whether or not there is compliance with other provisions of the Act and the WIA regulations and other applicable laws and regulations; and
- (3) Provide technical assistance as necessary and appropriate.

The County did not perform any on-site visits or desk reviews over the Mercer County Educational Service Center (sub-recipient) of WIA funds.

WIA should develop procedures to perform the necessary desk reviews and on-site reviews as stated in the Mercer County Educational Service Center contract.

Official’s Response: WIA Area 8 went through Fiscal Officer changes this past year. With a new Director and new Fiscal Officer last year we did not get the monitoring report done on a timely manner. Director takes full responsibility for it not getting done on time. We now have working knowledge on how and when to monitor our Sub-recipients. This has been completed by our Fiscal Officer in the past two months. We will no longer have any issues with getting our monitoring completed.

FINDING NUMBER 2013-005

4. Adequate Documentation for Medicaid NET Transports

Finding Number	2013-005
CFDA Title and Number	CFDA # 93.778, Medical Assistance Program
Federal Award Number / Year	MCDFMT13 , MCDFMT14 & JFSFMT13
Federal Agency	Department of Health & Human Services
Pass-Through Agency	Ohio Department of Job & Family Services

NONCOMPLIANCE AND MATERIAL WEAKNESS

2 CFR 225 Appendix A, Section C(1)(j) states that to be allowable under Federal awards, cost must be adequately documented.

The Mercer County Department of Job and family Services (the Agency) contracted with a non-profit transportation vendor (SOURCES) to provide Medicaid Non-Emergency Transportation (NET) services. These services were billed on a per mile basis. The Agency was not receiving specific medical provider street address information from SOURCES for mileage certification or medical provider validation purposes. The Agency contacted with SOURCES for NET transports and SOURCES faxed activity reports to the agency throughout the month. The activity reports included client name, SSN, doctor name, destination city, date and time of transport. The monthly invoices from SOURCES contained the client name, dates of transport, cities of origin and destination and total mileage but none of the above documentation provided specific street address information. As such, the Agency did not have sufficient documentation to determine the reasonableness of the mileage and services invoiced for client transports. Further, insufficient medical provider address information inhibited the Agency's ability to validate a Medicaid provider. Additionally, the Agency did not receive documentation from SOURCES to verify services were actually performed. SOURCES maintained driver logs, which contained the actual starting ending mileage but they should contain the client's signature to verify the transport. The Agency was not receiving these documents from SOURCES and therefore was unable to ensure services invoiced were actually being provided or to sufficiently monitor for unallowable transport activity.

The Agency should require the transportation vendor to submit detailed documentation of each transport provided, including the origin and destination location addresses. The Agency should further ensure the vendor is obtaining client signatures to document services were actually provided. Finally, the Agency should modify its procedures for reviewing vendor invoices to ensure services invoiced are authorized, that mileage invoiced is reasonable and that services were actually provided to the consumer. Any services which cannot be substantiated through these procedures should not be reimbursed to the provider.

Official's Response: Mercer County Job & Family Services needed to obtain additional documentation to validate the mileage, the provider and the client signature for the NET program. Mercer County Job & Family Services has taken measures to address the concerns with the NET Program noted above.

- The Vendor has been independently maintaining driver logs with the client signature and specific destination location.
- MCJFS requested that these logs be submitted with the NET invoices, starting in January 2014.
- In addition to monitoring invoices as received, Mercer County Job & Family Services will conduct on-site monitoring no less than a biennial basis to assure clear adherence to the deliverables and conditions of the agreement.

FINDING NUMBER 2013-005
(Continued)

Mercer County Department of Job and Family Services takes adherence to monitoring observations seriously. The goal of the Agency is to provide efficient and effective programs and services in a fiscally responsible matter.

Mercer County Department of Job and Family Services has submitted a Corrective Action Plan to the Ohio Department of Job and Family Services. This corrective action has been implemented and measures are in place to improve the fiscal condition of this Agency Program.

**FINANCIAL CONDITION
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	ORC 117.38 and OAC 117-2-03(B) – failure to file financial statements prepared in accordance with generally accepted accounting principles (GAAP)	No	Repeated as Finding# 2013-001
2012-002	24 CFR Section 85.21(c)- cash management noncompliance for CDBG	No	Repeated as Finding 2013-002

**FINANCIAL CONDITION
MERCER COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
December 31, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-002	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.	May 2014	Renee Muhlenkamp
2013-003	We now have working knowledge on how and when to monitor our Sub-recipients. This has been completed by our Fiscal Officer in the past two months. We will no longer have any issues with getting our monitoring completed.	June 2014	Ben Salazar
2013-004	Fiscal Officer and Director have met with all staff in regards to RMS. They are going to have to be more detailed and specific in their answers. We will reject any of their RMS hits that are not detailed enough and send it back to them to complete again. Fiscal Officer and Director are working together to ensure that RMS hits are conclusive and accurate. Director is keeping a file on all Controlled RMS hits.	June 2014	Ben Salazar
2013-005	Mercer County Job & Family Services has taken measures to address the concerns with the NET program: the vendor had been independently maintaining driving logs with the client signature and specific destination location, MCJFS requested that these logs be submitted with the NET invoices and MCJFS will conduct on-site monitoring on no less than a biennial basis to assure clear adherence to the deliverables and conditions of the agreement.	January 2014	Angela Nickell



Dave Yost • Auditor of State

FINANCIAL CONDITION OF MERCER COUNTY

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 16, 2014