



Dave Yost • Auditor of State

**FINANCIAL CONDITION
MERCER COUNTY**

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MERCER COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the ~~Of~~ ~~and~~ ~~the~~ County Commissioners:

Report on the Financial Statements

We have audited the accompanying cash basis 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, 2015, 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, 2015, and the respective changes in cash financial position and the respective budgetary comparison for the General, Motor Vehicle, Developmental Disabilities, and Adult Detention Facility funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Supplemental Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2016, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

July 25, 2016

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2015**

	Governmental Activities	Business- Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$14,313,583	\$4,369,992	\$18,683,575
Cash and Cash Equivalents in Segregated Accounts	14,734		14,734
Cash and Cash Equivalents with Fiscal Agent	168,713		168,713
Total Assets	<u>14,497,030</u>	<u>4,369,992</u>	<u>18,867,022</u>
Net Position:			
Restricted for:			
Debt Service	43,621		43,621
Capital Projects	242,142		242,142
Other Purposes	8,793,801		8,793,801
Unrestricted	5,417,466	4,369,992	9,787,458
Total Net Position	<u>\$14,497,030</u>	<u>\$4,369,992</u>	<u>\$18,867,022</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Receipts			
	Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	
Governmental Activities:				
General Government:				
Legislative and Executive	\$5,718,735	\$1,856,834	\$124,174	
Judicial	1,982,881	844,484	274,855	
Public Safety	5,194,259	383,060	582,365	
Public Works	6,167,463	1,377,350	6,103,374	
Health	324,718	72,806		
Human Services	11,581,518	201,178	6,160,534	
Conservation and Recreation	263,492		10,035	\$404,878
Economic Development and Assistance	1,658,898		144,583	100,000
Capital Outlay	1,541,660			
Debt Service:				
Principal Retirement	1,332,598			
Interest and Fiscal Charges	436,123			
Total Governmental Activities	36,202,345	4,735,712	13,399,920	504,878
Business-Type Activities:				
County Home	866,041	38,816	85,858	
Sanitary Sewer	2,019,973	1,506,105	235,000	
Other Enterprise:				
Water		43,677		
Solid Waste	62,429	92,982		
Ambulance	908,600	945,721	15,000	
Total Business-Type Activities	3,857,043	2,627,301	335,858	
Total	\$40,059,388	\$7,363,013	\$13,735,778	\$504,878

General Receipts:

Property Taxes Levied for:

General Operating
Human Services - Developmental Disabilities
County Home

Sales Taxes:

General Operating
Adult Detention Facility
Grants and Entitlements not Restricted to Other Programs
Interest
Donations
Other
OPWC Loans Issued
OWDA Loans Issued

Total General Receipts

Advances
Transfers

Total General Receipts, Advances, and Transfers

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements.

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

Governmental Activities	Business-Type Activities	Total
(\$3,737,727)		(\$3,737,727)
(863,542)		(863,542)
(4,228,834)		(4,228,834)
1,313,261		1,313,261
(251,912)		(251,912)
(5,219,806)		(5,219,806)
151,421		151,421
(1,414,315)		(1,414,315)
(1,541,660)		(1,541,660)
(1,332,598)		(1,332,598)
(436,123)		(436,123)
<u>(17,561,835)</u>		<u>(17,561,835)</u>
	(\$741,367)	(741,367)
	(278,868)	(278,868)
	43,677	43,677
	30,553	30,553
	52,121	52,121
	<u>(893,884)</u>	<u>(893,884)</u>
<u>(17,561,835)</u>	<u>(893,884)</u>	<u>(18,455,719)</u>
2,414,755		2,414,755
3,956,596		3,956,596
	654,356	654,356
5,053,422		5,053,422
2,526,595		2,526,595
1,302,800		1,302,800
264,371	12	264,383
1,800		1,800
3,682,458	86,747	3,769,205
415,674		415,674
	130,935	130,935
19,618,471	872,050	20,490,521
28,824	(28,824)	
1,698	(1,698)	
<u>19,648,993</u>	<u>841,528</u>	<u>20,490,521</u>
2,087,158	(52,356)	2,034,802
<u>12,409,872</u>	<u>4,422,348</u>	<u>16,832,220</u>
<u>\$14,497,030</u>	<u>\$4,369,992</u>	<u>\$18,867,022</u>

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	<u>General</u>	<u>Motor Vehicle</u>	<u>Developmental Disabilities</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$2,753,090	\$2,094,808	\$2,104,939
Cash and Cash Equivalents in Segregated Accounts			
Cash and Cash Equivalents with Fiscal Agent			168,713
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	144,299		
Total Assets	<u>2,897,389</u>	<u>2,094,808</u>	<u>2,273,652</u>
Fund Balances:			
Non-spendable	144,299		
Restricted	154	2,094,808	2,273,652
Committed			
Assigned	1,896,515		
Unassigned (Deficit)	856,421		
Total Fund Balances	<u>\$2,897,389</u>	<u>\$2,094,808</u>	<u>\$2,273,652</u>

See Accompanying Notes to the Basic Financial Statements.

Adult Detention Facility	Other Governmental	Total
\$2,379,912	\$4,836,535	\$14,169,284
	14,734	14,734
		168,713
		144,299
<u>2,379,912</u>	<u>4,851,269</u>	<u>14,497,030</u>
		144,299
	4,566,651	8,935,265
2,379,912	143,385	2,523,297
	146,940	2,043,455
	(5,707)	850,714
<u>\$2,379,912</u>	<u>\$4,851,269</u>	<u>\$14,497,030</u>

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGE IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Motor Vehicle	Developmental Disabilities
Receipts:			
Property Taxes	\$2,414,755		\$3,956,596
Sales Taxes	5,053,422		
Special Assessments			
Charges for Services	1,993,161	\$587,496	110,539
Licenses and Permits	2,917		
Fines and Forfeitures	32,294	32,428	
Intergovernmental	1,472,998	5,876,972	2,342,079
Interest	264,029	18,612	
Donations	1,800		7,023
Other	704,288	108,000	114,611
	<u>11,939,664</u>	<u>6,623,508</u>	<u>6,530,848</u>
Total Receipts			
Disbursements:			
Current:			
General Government:			
Legislative and Executive	4,836,282		
Judicial	1,592,774		
Public Safety	2,447,097		
Public Works	9,181	5,747,788	
Health	256,715		
Human Services	372,562		6,614,873
Conservation and Recreation	243,348		
Economic Development and Assistance	253,443		
Other			
Capital Outlay			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
	<u>10,011,402</u>	<u>5,747,788</u>	<u>6,614,873</u>
Total Disbursements			
Excess of Receipts Over (Under) Disbursements	<u>1,928,262</u>	<u>875,720</u>	<u>(84,025)</u>
Other Financing Sources (Uses):			
OPWC Loans Issued		415,674	
Advances In	2,705,784	1,100	
Advances Out	(2,468,336)	(1,600)	
Transfers In			
Transfers Out	(1,250,541)	(223,754)	
	<u>(1,013,093)</u>	<u>191,420</u>	
Total Other Financing Sources (Uses)			
Changes in Fund Balances	915,169	1,067,140	(84,025)
Fund Balances at Beginning of Year	<u>1,982,220</u>	<u>1,027,668</u>	<u>2,357,677</u>
Fund Balances at End of Year	<u>\$2,897,389</u>	<u>\$2,094,808</u>	<u>\$2,273,652</u>

See Accompanying Notes to the Basic Financial Statements.

Adult Detention Facility	Other Governmental	Total
		\$6,371,351
\$2,526,595		7,580,017
	\$589,916	589,916
	1,138,192	3,829,388
	159,712	162,629
	89,057	153,779
24,204	5,366,908	15,083,161
	95,764	378,405
	3,380	12,203
19,223	2,736,336	3,682,458
<u>2,570,022</u>	<u>10,179,265</u>	<u>37,843,307</u>
	882,453	5,718,735
	390,107	1,982,881
1,828,957	918,205	5,194,259
	410,494	6,167,463
	68,003	324,718
	4,594,083	11,581,518
	20,144	263,492
	1,405,455	1,658,898
	7,658	7,658
	1,541,660	1,541,660
	1,332,598	1,332,598
	428,465	428,465
<u>1,828,957</u>	<u>11,999,325</u>	<u>36,202,345</u>
<u>741,065</u>	<u>(1,820,060)</u>	<u>1,640,962</u>
		415,674
	2,437,978	5,144,862
	(2,646,102)	(5,116,038)
824,150	2,035,918	2,860,068
(1,196,488)	(187,587)	(2,858,370)
<u>(372,338)</u>	<u>1,640,207</u>	<u>446,196</u>
368,727	(179,853)	2,087,158
<u>2,011,185</u>	<u>5,031,122</u>	<u>12,409,872</u>
<u>\$2,379,912</u>	<u>\$4,851,269</u>	<u>\$14,497,030</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, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property Taxes	\$2,306,800	\$2,306,800	\$2,393,915	\$87,115
Sales Taxes	4,700,000	4,700,000	5,053,422	353,422
Charges for Services	1,720,789	1,720,789	1,989,857	269,068
Licenses and Permits	2,600	2,600	2,917	317
Fines and Forfeitures	25,000	25,000	32,287	7,287
Intergovernmental	1,356,834	1,356,834	1,472,998	116,164
Interest	303,055	303,055	264,029	(39,026)
Donations			1,800	1,800
Other	648,200	648,200	704,288	56,088
Total Receipts	<u>11,063,278</u>	<u>11,063,278</u>	<u>11,915,513</u>	<u>852,235</u>
Disbursements:				
Current:				
General Government:				
Legislative and Executive	5,618,655	5,222,137	5,021,694	200,443
Judicial	1,784,114	1,802,260	1,624,665	177,595
Public Safety	3,236,635	2,546,453	2,523,004	23,449
Public Works	154,363	9,373	9,181	192
Health	256,670	256,774	256,715	59
Human Services	455,497	439,342	384,770	54,572
Conservation and Recreation	244,000	244,000	243,348	652
Economic Development and Assistance	341,397	341,397	256,044	85,353
Total Disbursements	<u>12,091,331</u>	<u>10,861,736</u>	<u>10,319,421</u>	<u>542,315</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,028,053)</u>	<u>201,542</u>	<u>1,596,092</u>	<u>1,394,550</u>
Other Financing Sources (Uses):				
Advances In	12,559	12,559	2,705,784	2,693,225
Advances Out		(637,115)	(2,468,336)	(1,831,221)
Transfers In	20,800	20,800		(20,800)
Transfers Out	(149,294)	(1,250,541)	(1,250,541)	
Total Other Financing Sources (Uses)	<u>(115,935)</u>	<u>(1,854,297)</u>	<u>(1,013,093)</u>	<u>841,204</u>
Changes in Fund Balance	(1,143,988)	(1,652,755)	582,999	2,235,754
Fund Balance at Beginning of Year	1,411,931	1,411,931	1,411,931	
Prior Year Encumbrances Appropriated	<u>413,179</u>	<u>413,179</u>	<u>413,179</u>	
Fund Balance at End of Year	<u>\$681,122</u>	<u>\$172,355</u>	<u>\$2,408,109</u>	<u>\$2,235,754</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, 2015**

	<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	\$836,100	\$836,100	\$587,496	(\$248,604)
Fines and Forfeitures	24,753	24,753	32,410	7,657
Intergovernmental	6,850,649	6,850,649	5,876,972	(973,677)
Interest	8,000	8,000	18,612	10,612
Other	235,050	235,050	108,000	(127,050)
Total Receipts	<u>7,954,552</u>	<u>7,954,552</u>	<u>6,623,490</u>	<u>(1,331,062)</u>
Disbursements:				
Current:				
Public Works	<u>6,867,915</u>	<u>7,259,821</u>	<u>6,370,650</u>	<u>889,171</u>
Excess of Receipts Over Disbursements	<u>1,086,637</u>	<u>694,731</u>	<u>252,840</u>	<u>(441,891)</u>
Other Financing Sources (Uses):				
OPWC Loans Issued			415,674	415,674
Advances In			1,100	1,100
Advances Out		(1,600)	(1,600)	
Transfers Out	(141,870)	(253,599)	(223,754)	29,845
Total Other Financing Sources (Uses)	<u>(141,870)</u>	<u>(255,199)</u>	<u>191,420</u>	<u>446,619</u>
Changes in Fund Balance	944,767	439,532	444,260	4,728
Fund Balance at (Deficit) Beginning of Year	(1,180,423)	(1,180,423)	(1,180,423)	
Prior Year Encumbrances Appropriated	<u>2,200,448</u>	<u>2,200,448</u>	<u>2,200,448</u>	
Fund Balance at End of Year	<u>\$1,964,792</u>	<u>\$1,459,557</u>	<u>\$1,464,285</u>	<u>\$4,728</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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property Taxes	\$3,811,500	\$3,811,500	\$3,953,016	\$141,516
Charges for Services	80,000	80,000	110,539	30,539
Intergovernmental	2,158,000	2,158,000	2,342,079	184,079
Donations	3,000	3,000	7,023	4,023
Other	100,000	100,000	107,119	7,119
Total Receipts	<u>6,152,500</u>	<u>6,152,500</u>	<u>6,519,776</u>	<u>367,276</u>
Disbursements:				
Current:				
Human Services	<u>6,936,218</u>	<u>6,936,218</u>	<u>6,645,595</u>	<u>290,623</u>
Changes in Fund Balance	(783,718)	(783,718)	(125,819)	657,899
Fund Balance at Beginning of Year	1,983,210	1,983,210	1,983,210	
Prior Year Encumbrances Appropriated	<u>26,218</u>	<u>26,218</u>	<u>26,218</u>	
Fund Balance at End of Year	<u><u>\$1,225,710</u></u>	<u><u>\$1,225,710</u></u>	<u><u>\$1,883,609</u></u>	<u><u>\$657,899</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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Sales Taxes		\$1,500,000	\$2,526,595	\$1,026,595
Intergovernmental	\$6,000	6,000	24,204	18,204
Other			19,223	19,223
Total Receipts	<u>6,000</u>	<u>1,506,000</u>	<u>2,570,022</u>	<u>1,064,022</u>
Disbursements:				
Current:				
Public Safety	<u>1,839,783</u>	<u>1,979,444</u>	<u>1,931,597</u>	<u>47,847</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,833,783)</u>	<u>(473,444)</u>	<u>638,425</u>	<u>1,111,869</u>
Other Financing Sources (Uses):				
Transfers In		1,500,000	824,150	(675,850)
Transfers Out		(1,196,488)	(1,196,488)	
Total Other Financing Sources (Uses)		<u>303,512</u>	<u>(372,338)</u>	<u>(675,850)</u>
Changes in Fund Balance	(1,833,783)	(169,932)	266,087	436,019
Fund Balance at Beginning of Year	1,930,179	1,930,179	1,930,179	
Prior Year Encumbrances Appropriated	<u>81,006</u>	<u>81,006</u>	<u>81,006</u>	
Fund Balance at End of Year	<u>\$177,402</u>	<u>\$1,841,253</u>	<u>\$2,277,272</u>	<u>\$436,019</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF FUND NET POSITION - CASH BASIS
ENTERPRISE FUNDS
DECEMBER 31, 2015**

	<u>County Home</u>	<u>Sanitary Sewer</u>	<u>Other Enterprise</u>	<u>Total</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	<u>\$1,074,383</u>	<u>\$1,952,279</u>	<u>\$1,343,330</u>	<u>\$4,369,992</u>
Net Position:				
Unrestricted	<u>\$1,074,383</u>	<u>\$1,952,279</u>	<u>\$1,343,330</u>	<u>\$4,369,992</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	County Home	Sanitary Sewer	Other Enterprise	Total
Operating Revenues:				
Charges for Services	\$38,816	\$1,506,105	\$1,082,380	\$2,627,301
Other	10,191	47,287	29,269	86,747
Total Operating Revenues	<u>49,007</u>	<u>1,553,392</u>	<u>1,111,649</u>	<u>2,714,048</u>
Operating Expenses:				
Personal Services	560,118	357,132	206,090	1,123,340
Contractual Services	230,540	1,068,248	574,743	1,873,531
Materials and Supplies	75,383	120,989	190,196	386,568
Debt Service:				
Principal Retirement		424,291		424,291
Total Operating Expenses	<u>866,041</u>	<u>1,970,660</u>	<u>971,029</u>	<u>3,807,730</u>
Operating Income (Loss)	<u>(817,034)</u>	<u>(417,268)</u>	<u>140,620</u>	<u>(1,093,682)</u>
Non-Operating Revenues (Expenses):				
Property Taxes	654,356			654,356
Grants	85,858	235,000	15,000	335,858
OWDA Loans Issued		130,935		130,935
Interest Revenue			12	12
Interest Expense		(49,313)		(49,313)
Total Non-Operating Revenues (Expenses)	<u>740,214</u>	<u>316,622</u>	<u>15,012</u>	<u>1,071,848</u>
Income (Loss) Before Advances and Transfers	(76,820)	(100,646)	155,632	(21,834)
Advances In		39,600	2,393	41,993
Advances Out		(63,175)	(7,642)	(70,817)
Transfers Out			(1,698)	(1,698)
Changes in Net Position	(76,820)	(124,221)	148,685	(52,356)
Net Position at Beginning of Year	<u>1,151,203</u>	<u>2,076,500</u>	<u>1,194,645</u>	<u>4,422,348</u>
Net Position at End of Year	<u>\$1,074,383</u>	<u>\$1,952,279</u>	<u>\$1,343,330</u>	<u>\$4,369,992</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>County Home</u>	<u>Sanitary Sewer</u>	<u>Other Enterprise</u>	<u>Total</u>
Increases (Decreases) in Cash and Cash Equivalents				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$38,816	\$1,506,105	\$1,082,380	\$2,627,301
Cash Payments for Personal Services	(560,118)	(357,132)	(206,090)	(1,123,340)
Cash Payments for Contractual Services	(230,540)	(1,068,248)	(574,743)	(1,873,531)
Cash Payments for Supplies	(75,383)	(120,989)	(190,196)	(386,568)
Cash Received from Other Revenues	10,191	47,287	29,269	86,747
Net Cash Provided by (Used for) Operating Activities	<u>(817,034)</u>	<u>7,023</u>	<u>140,620</u>	<u>(669,391)</u>
Cash Flows from Non-capital Financing Activities:				
Cash Received from Property Taxes	654,356			654,356
Cash Received from Grants	85,858	235,000	15,000	335,858
Cash Received from Advances In		39,600	2,393	41,993
Cash Payments for Advances Out		(63,175)	(7,642)	(70,817)
Cash Payments for Transfers Out			(1,698)	(1,698)
Net Cash Provided by Non-capital Financing Activities	<u>740,214</u>	<u>211,425</u>	<u>8,053</u>	<u>959,692</u>
Cash Flows from Capital and Related Financing Activities:				
Principal Paid on OPWC Loans		(15,000)		(15,000)
OWDA Loans Issued		130,935		130,935
Principal Paid on OWDA Loans		(327,272)		(327,272)
Interest Paid on OWDA Loans		(48,061)		(48,061)
Principal Paid on Rural Industrial Park Loan		(22,019)		(22,019)
Interest Paid on Rural Industrial Park Loan		(1,252)		(1,252)
Principal Paid on Midwest Electric Loan		(60,000)		(60,000)
Net Cash Used for Capital and Related Financing Activities		<u>(342,669)</u>		<u>(342,669)</u>
Cashflows from Investing Activities:				
Interest			12	12
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(76,820)</u>	<u>(124,221)</u>	<u>148,685</u>	<u>(52,356)</u>
Cash and Cash Equivalents at Beginning of Year	<u>1,151,203</u>	<u>2,076,500</u>	<u>1,194,645</u>	<u>4,422,348</u>
Cash and Cash Equivalents at End of Year	<u>\$1,074,383</u>	<u>\$1,952,279</u>	<u>\$1,343,330</u>	<u>\$4,369,992</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
MERCER COUNTY**

**STATEMENT OF CASH BASIS FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2015**

Assets:	
Equity in Pooled Cash and Cash Equivalents	\$7,393,491
Cash and Cash Equivalents in Segregated Accounts	<u>792,818</u>
Total Assets	<u><u>\$8,186,309</u></u>
Net Position:	
Undistributed Assets	<u><u>\$8,186,309</u></u>

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, 2015**

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 2015.

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 five jointly governed organizations, three insurance pools, and two related organizations. 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, 2015
(Continued)**

1. REPORTING ENTITY (Continued)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the County's accounting policies.

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

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

B. Fund Accounting

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

1. Governmental Funds

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

3. Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County did not have any trust funds in 2015. 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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the County Commissioners during the year.

E. Cash and Investments

To improve cash management, cash received by the County is pooled and invested. Individual fund integrity is maintained through County records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately within departments of the County and not held by the County Treasurer are recorded as "Cash and Cash Equivalents in Segregated Accounts".

Cash and cash equivalents that are held separately for the County by fiscal agents are recorded as "Cash and Cash Equivalents with Fiscal Agents".

During 2015, the County invested in negotiable and nonnegotiable certificates of deposit, federal agency securities, mutual funds, and municipal securities. Investments are reported at cost.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2015 were \$264,029 which includes \$227,959 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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Net Position

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

K. Fund Balance

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

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assigned – Amounts in the assigned classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the County Commissioners. Fund balance policy of the County Commissioners authorizes department managers to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The County Commissioners have also assigned fund balance to cover a gap between estimated resources and appropriations in 2016 along with amounts for auto title administration, economic development, and debt service.

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

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

L. Operating Receipts and Disbursements

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

M. Internal Activity

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

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

N. Pension

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

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, the Motor Vehicle, Developmental Disabilities, and Adult Detention Facility special revenues funds is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) for the General Fund, Motor Vehicle Fund, Developmental Disabilities Fund, and Adult Detention Facility Fund were \$310,293, \$623,125, \$13,752, and \$102,640, 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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry zero-coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange similar securities, or cash, equal value for equal value;
9. Up to twenty-five percent of the County's average portfolio in either of the following:
 - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed 10 percent of the value of the outstanding commercial paper of the issuing corporation, and which mature within two hundred seventy days after purchase;
 - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within one hundred eighty days after purchase;
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;

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and
12. Up to 1 percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

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

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

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

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$6,131,584 of the County's bank balance of \$15,749,896 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, 2015, the County had the following investments:

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

	<u>Total</u>	<u>Up to Six Months</u>	<u>One Year to Two Years</u>	<u>More Than Two Years</u>
Negotiable Certificates of Deposit	\$3,960,000		\$249,000	\$3,711,000
Federal Home Loan Mortgage Corporation Notes	1,999,925			1,999,925
Federal Home Loan Mortgage Corporation Bonds	2,497,000			2,497,000
Federal National Mortgage Association Notes	249,988			249,988
Mutual Fund	105	\$105		
Municipal Securities	3,208,700	2,645,000		563,700
Total Investments	<u>\$11,915,718</u>	<u>\$2,645,105</u>	<u>\$249,000</u>	<u>\$9,021,613</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 negotiable certificates of deposit are covered by FDIC insurance. The Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Mortgage Corporation Bonds, Federal National Mortgage Association Notes, and mutual fund carry a rating of Aaa by Moodys or a AA+ by Standard and Poors. The municipal securities are not rated. The County has no policy dealing with credit risk beyond the requirements of State statute. Ohio law requires mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

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

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Negotiable Certificates of Deposit	\$3,960,000	33.23%
Federal Home Loan Corporation Notes	1,999,925	16.78
Federal Home Loan Corporation Bonds	2,497,000	20.96
Federal National Mortgage Association Notes	249,988	2.10
Municipal Securities	3,208,700	26.93

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 2015 represent the collection of 2014 taxes. Real property taxes received in 2015 were levied after October 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

6. PROPERTY TAXES (Continued)

Public utility property tax revenues received in 2015 represent the collection of 2014 taxes. Public utility real and tangible personal property taxes received in 2015 became a lien on December 31, 2013, were levied after October 1, 2014, 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, 2015, was \$11.56 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2015 property tax receipts were based are as follows:

Real Property	
Residential/Agriculture	\$971,138,430
Commercial/Industrial/Mineral	92,415,580
Public Utility Property	
Real	97,330
Personal	23,474,000
Total Assessed Value	<u>\$1,087,125,340</u>

7. PERMISSIVE SALES AND USE TAX

The County Commissioners, by resolution, imposed a 1 percent tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of tangible personal property in the County, including motor vehicles not subject to the sales tax. On November 6, 2007, the voters approved a .5 percent fifteen year sales tax to construct a new adult detention facility. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. A warrant payable to the County is to be made within five days of the certification.

8. INTERFUND ACTIVITY

During 2015, the County made a number of cash advances to various funds. As of December 31, 2015, \$2,128,693 of the advances had not been repaid. Cash advances are generally made to provide working capital for operations or projects or to provide cash flow resources. Advances expected to be repaid within one year to the General Fund from the other governmental funds and the Sanitary Sewer enterprise fund are \$1,822,957 and \$195,600, respectively. Advances expected to be repaid within one year to the Motor Vehicle special revenue fund from other governmental funds are \$1,600. Advances expected to be repaid within one year to other enterprise funds from other governmental funds are \$7,642.

The result of outstanding debt caused the fund balance in the General Fund in the accompanying financial statements to be \$2,897,389 at December 31, 2015 while the actual cash balance at this time on the County's books was \$3,443,664.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

9. RISK MANAGEMENT

A. Property and Liability

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2015, 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	83,028,000
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 2014 and settled claims have not exceeded this coverage in the past three years.

For 2015, 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 2015, the County participated in the County Commissioners Association of Ohio Service Corporation, a workers' compensation group rating plan (Plan). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the Plan. Each county pays its workers' compensation premium to the State based on the rate for the Plan rather than the county's individual rate.

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

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

9. RISK MANAGEMENT (Continued)

C. Medical and Life Insurance

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

10. SIGNIFICANT CONTRACTUAL COMMITMENTS

The County had the following contractual commitments outstanding as of December 31, 2015:

<u>Contractor</u>	<u>Purpose</u>	<u>Commitment</u>
Braun Excavating	Smith Alt Ditch Improvement	\$165,000
Cy Schwieterman, Inc.	Unrast Moorman Tile Improvement	17,592
Fenson Contracting	Beaver Creek Erosion Control	123,540
KCI Associates of Ohio	Coldwater Creek Treatment Train	36,458
Shelly Materials	Burkettsville St. Henry/Fraham Pike Improvement	587,458
Shinn Brothers	East Jeffersonville Waterlines	246,157
VTF Excavation, LLC	Fettters Shellabarger Ditch Improvement	245,000
VTF Excavation, LLC	Coldwater Creek Treatment Train	1,797,267

At year end, the significant encumbrances expected to be honored upon performance by the vendor in 2016 are as follows:

General Fund	\$310,293
Motor Vehicle	623,125
Adult Detention Facility	102,640
Other Governmental Funds	781,288

11. DEFINED BENEFIT PENSION PLAN

A. Net Pension Liability

For 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68 were effective. These GASB pronouncements had no effect on beginning net position as reported December 31, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability is disclosed below.

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

11. DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

B. Plan Description – Ohio Public Employees Retirement System (OPERS)

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

11. DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

11. DEFINED BENEFIT PENSION PLAN (Continued)

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

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2015 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee	10.0 %	*	**
2015 Actual Contribution Rates			
Employer			
Pension	12.0 %	16.1 %	16.1 %
Postemployment Health Care Benefits	2.0	2.0	2.0
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Total Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The County's contractually required contribution was \$1,466,700 for 2015.

C. Net Pension Liability

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share.

Proportionate Share of the Net Pension Liability	\$12,017,215
Proportion of the Net Pension Liability	0.09963600%

D. Actuarial Assumptions

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

11. DEFINED BENEFIT PENSION PLAN (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05, including wage inflation
COLA or Ad Hoc COLA	3 percent simple
Investment Rate of Return	8 percent
Actuarial Cost Method	individual entry age

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

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

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan, and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money-weighted rate of return, net of investment expenses, for the Defined Benefit portfolio was 6.95 percent for 2014.

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

The table below displays the board approved asset allocation policy for 2014 and the long-term expected real rates of return.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

11. DEFINED BENEFIT PENSION PLAN (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other Investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

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

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

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
County’s Proportionate Share of the Net Pension Liability	\$22,108,232	\$12,017,215	\$3,518,147

12. POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

12. POST-EMPLOYMENT BENEFITS (Continued)

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

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (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 2015, 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 2 percent for 2015.

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 post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 was \$236,859, \$273,064, and \$129,428, respectively. For 2015, 92 percent has been contributed. The full amount has been contributed for 2014 and 2013.

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 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.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

14. LONG-TERM OBLIGATIONS

The County's long-term debt activity for the year ended December 31, 2015, was as follows:

	<u>Interest Rate</u>	<u>Balance 12/31/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2015</u>	<u>Due Within One Year</u>
Governmental Activities:						
General Obligation Bonds						
Adult Detention Facility (Original Amount \$10,500,000)	3.25-5%	\$6,340,000		\$685,000	\$5,655,000	\$710,000
2010 Various Purpose – Road Improvements (Original Amount \$665,000)	2-3.75	350,000		65,000	285,000	70,000
2010 Various Purpose – Correctional Facility (Original Amount \$2,535,000)	2-4	1,655,000		185,000	1,470,000	190,000
2010 Various Purpose – Ditch Improvement (Original Amount \$390,000)	2-4	275,000		25,000	250,000	25,000
2011 Central Services Refunding (Original Amount \$2,460,000)	1-3.5	1,910,000		190,000	1,720,000	200,000
Total General Obligation Bonds		<u>10,530,000</u>		<u>1,150,000</u>	<u>9,380,000</u>	<u>1,195,000</u>
OPWC Loans:						
1997 Siegrist-Jutte and Kahn Road Bridge (Original Amount \$256,554)	0	19,240		12,827	6,413	6,413
2001 Four Bridge Replacement (Original Amount \$76,979)	0	23,093		3,850	19,243	3,849
2002 Home Waterline Improvement (Original Amount \$80,000)	0	36,000		4,000	32,000	4,000
2002 Five Bridge Replacement (Original Amount \$60,000)	0	27,000		3,000	24,000	3,000
2005 Six Bridge Repair (Original Amount \$60,225)	0	31,619		3,011	28,608	3,011
2007 Bridge Replacement (Original Amount \$137,801)	0	93,016		6,890	86,126	6,890
2009 Carthage Road (Original Amount \$300,000)	0	225,000		15,000	210,000	15,000
2009 Bridge Replacement (Original Amount \$157,500)	0	114,187		7,875	106,312	7,875
2010 Bridge Replacement (Original Amount \$142,500)	0	110,438		7,125	103,313	7,125
2011 County Rd 30B Improvement (Original Amount \$74,250)	0	61,255		3,579	59,046	3,578
2011 County Rd 23 Improvement (Original Amount \$71,572)	0	62,625		3,579	59,046	3,578
2013 Bridge Replacement (Original Amount \$234,578)	0	234,578		11,729	222,849	11,729
2015 County Rd 81 and 170 Road Improvements (Original Amount \$209,674)	0		\$209,674		209,674	10,484

(Continued)

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

	<u>Interest Rate</u>	<u>Balance 12/31/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2015</u>	<u>Due Within One Year</u>
OPWC Loans: (Continued)						
2015 County Rd 144 Widening And Resurfacing (Original Amount \$206,000)	0		206,000		206,000	
Total OPWC Loans		1,038,051	415,674	82,598	1,371,127	86,888
LGIF Loans Payable	0	4,000,000		100,000	3,900,000	400,000
Total Governmental Activities		<u>\$15,568,051</u>	<u>\$415,674</u>	<u>\$1,332,598</u>	<u>\$14,651,127</u>	<u>\$1,681,666</u>

	<u>Interest Rate</u>	<u>Balance 12/31/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2015</u>	<u>Due Within One Year</u>
Business-Type Activities:						
OPWC Loans:						
2003 Philothea Area Wastewater (Original Amount \$300,000)	0%	\$112,500		\$15,000	\$97,500	\$15,000
OWDA Loans:						
2002 Staeger Road Sanitary Sewer (Original Amount \$109,521)	3.64	41,476		6,305	35,171	6,537
2002 SR 129 and Burge Road (Original Amount \$400,463)	3.49	170,156		21,859	148,297	22,629
2005 Lake Acres (Original Amount \$248,037)	2.75	165,360		14,579	150,781	14,982
East Jefferson Phase 3 Sewers (Original Amount \$1,091,575)	0	900,549		54,579	845,970	54,579
West Jefferson Township Sewer (Original Amount \$1,214,964)	0	850,476		60,748	789,728	60,748
Marion Township Sewer (Original Amount \$2,254,469)	1	1,891,688		106,000	1,785,688	107,062
Northeast Sanitary Sewers (Original Amount \$51,750)	0	31,050		10,350	20,700	10,350
Planning and Design for Unsewered (Original Amount \$72,000)	0	72,000			72,000	
MCI Lagoon (Original Amount \$1,121,386)	1	991,539		52,852	938,687	
East Jefferson Water Line (Original Amount \$130,935)	0.91		\$130,935		130,935	
Total OWDA Loans		<u>5,114,294</u>	<u>130,935</u>	<u>327,272</u>	<u>4,917,957</u>	<u>276,887</u>
Ohio Water and Sewer Loans						
1991 Sandy Beach Area Sewer District (Original Amount \$42,822)	0	42,822			42,822	
1992 Southwest Sewer (Original Amount \$269,223)	0	269,223			269,223	
2001 Rotary SR 269 Sewer (Original Amount \$110,167)	0	88,673			88,673	
Total Ohio Water and Sewer Loans		<u>400,718</u>			<u>400,718</u>	

(Continued)

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

	<u>Interest Rate</u>	<u>Balance 12/31/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2015</u>	<u>Due Within One Year</u>
Rural Industrial Park Loan						
2001 Rural Industrial Park – SR269 (Original Amount \$200,000)	0-3	48,557		22,019	26,538	22,689
Midwest Electric Loan Agreement (Original Amount \$360,000)	0	300,000		60,000	240,000	60,000
Total Business-Type Activities		<u>\$5,976,069</u>	<u>\$130,935</u>	<u>\$424,291</u>	<u>\$5,682,713</u>	<u>\$374,576</u>

A. General Obligation Bonds

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

Adult Detention Facility

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

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

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

B. 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. As of December 31, 2015, the County Road 144 Widening and Resurfacing project funded by an OPWC loan has not been completed. An amortization schedule for the repayment of the loan will not be available until the project is completed and, therefore, is not included in the schedule of future principal and interest requirements. The revenues of the Motor Vehicle special revenue fund are pledged to repay the governmental OPWC loans. The gross revenues of the Sanitary Sewer enterprise fund are pledged to repay the enterprise portion of the OPWC loans. Total principal remaining on the enterprise related loans is \$97,500, payable through December 2022. For the current year, principal paid was \$15,000. For 2015, the Sanitary Sewer enterprise fund had an operating loss of \$417,268.

C. 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, MCI Lagoon, and East Jefferson Water Line loans are not available until the completion of the project. Total principal and interest remaining on the completed OWDA loan projects is \$3,964,191, payable through December 2031. For the current year, principal and interest paid was \$367,498. For 2015, the Sanitary Sewer enterprise fund had an operating loss of \$417,268.

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.

LGIF Loans

The County obtained eight interest free loans from the Local Government Innovative Fund program for a new engineer facility. The loans will be paid from the gross revenues of the Motor Vehicle special revenue fund. Total principal remaining on the loans is \$3,900,000, payable through July 31, 2025.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

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 \$27,038, payable through December 2017. For 2015, the Sanitary Sewer enterprise fund had an operating loss of \$417,268.

Midwest Electric Loan Agreement

The County obtained an interest free loan from Midwest Electric as the result of a federal grant to provide for State Route 29 corridor improvements. The Midwest Electric Loan will be paid from special assessments and the gross revenues of the Sanitary Sewer enterprise fund. Total principal remaining on the Midwest Electric loan is \$240,000, payable through July 1, 2019. For 2015, the Sanitary Sewer enterprise fund had an operating loss of \$417,268.

At December 31, 2015, the County's overall debt margin was \$23,321,628 with an un-voted debt margin of \$8,514,747.

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

Year	General Obligation Bonds		OPWC Loans	LGIF Loans
	Principal	Interest	Principal	Principal
2016	\$1,195,000	\$369,932	\$86,666	\$400,000
2017	1,225,000	329,758	80,255	400,000
2018	1,270,000	277,581	80,253	400,000
2019	1,325,000	230,256	80,255	400,000
2020			78,327	400,000
2021-2025	4,365,000	382,045	368,446	1,900,000
2026-2030			284,370	
2031-2035			106,555	
	<u>\$9,380,000</u>	<u>\$1,589,572</u>	<u>\$1,165,127</u>	<u>\$3,900,000</u>

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

Year	OPWC Loans	OWDA Loans		Rural Industrial Park Loan		Midwest Electric Loan
	Principal	Principal	Interest	Principal	Interest	Principal
2016	\$15,000	\$276,887	\$27,836	\$22,689	\$486	\$60,000
2017	15,000	279,411	25,312	3,849	14	60,000
2018	15,000	271,646	22,727			60,000
2019	15,000	274,289	20,084			60,000
2020	15,000	276,995	17,378			
2021-2025	22,500	1,249,225	54,389			
2026-2030		1,058,581	19,820			
2031		89,301	310			
	<u>\$97,500</u>	<u>\$3,776,335</u>	<u>\$187,856</u>	<u>\$26,538</u>	<u>\$500</u>	<u>\$240,000</u>

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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.

<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	\$144,299			
Restricted for:				
Board of Developmental Disabilities Operations			\$2,273,652	
Road and Bridge Repair/Improvement		\$2,094,808		
Sheriff Operations	154			
Total Restricted	<u>154</u>	<u>2,094,808</u>	<u>2,273,652</u>	
Committed to:				
Adult Detention Facility Operations				\$2,379,912
Assigned for:				
4-H Camp Improvements	13,610			
Building Maintenance	89,835			
Document Recording	55,986			
Economic Development/Rehabilitation	517,386			
Flood Damage	8,859			
Parent Education	890			
Projected Budget Shortage	472,177			
Sheriff Operations	24,302			
Title Administration	447,035			
Unpaid Obligations	266,435			
Total Assigned	<u>1,896,515</u>			
Unassigned	856,421			
Total Fund Balance	<u>\$2,897,389</u>	<u>\$2,094,808</u>	<u>\$2,273,652</u>	<u>\$2,379,912</u>

<u>Fund Balance</u>	<u>Other Governmental</u>	<u>Total</u>
Non-spendable for:		
Unclaimed Monies		\$144,299
Restricted for:		
Airport Improvements	\$128,971	128,971
Board of Developmental Disabilities Operations		2,273,652
Child Support Enforcement	291,375	291,375
County Home Improvements	4,257	4,257
Court Operations	386,750	386,750
Crime Victim Assistance	6,943	6,943
Debt Retirement	43,621	43,621
Delinquent Tax Collections	57,714	57,714
Ditch Maintenance	834,074	834,074

(Continued)

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

15. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>Other Governmental</u>	<u>Total</u>
Restricted for: (Continued)		
Dog and Kennel Operations	35,435	35,435
Economic Development/Rehabilitation	876,123	876,123
Environmental Restoration	19,199	19,199
Emergency Management Agency	20,346	20,346
Industrial Park Improvements	28,303	28,303
Job and Family Services Operations	138,544	138,544
Juvenile Corrections	117,818	117,818
Law Library	52,351	52,351
Mental Illness Training	93	93
Park Maintenance	126,783	126,783
Real Estate Assessment	982,768	982,768
Road and Bridge Repair/Improvement		2,094,808
Sheriff Operations	376,992	377,146
Welfare and Low Income Services	38,191	38,191
Total Restricted	<u>4,566,651</u>	<u>8,935,265</u>
Committed to:		
Adult Detention Facility Operations		2,379,912
Sheriff Operations	143,385	143,385
Total Committed	<u>143,385</u>	<u>2,523,297</u>
Assigned for:		
4-H Camp Improvements		13,610
Building Maintenance		89,835
Capital Improvements	45,434	45,434
Debt Service	101,506	101,506
Document Recording		55,986
Economic Development/Rehabilitation		517,386
Flood Damage		8,859
Parent Education		890
Projected Budget Shortage		472,177
Sheriff Operations		24,302
Title Administration		447,035
Unpaid Obligations		266,435
Total Assigned	<u>146,940</u>	<u>2,043,455</u>
Unassigned (Deficit)	<u>(5,707)</u>	<u>850,714</u>
Total Fund Balance	<u>\$4,851,269</u>	<u>\$14,497,030</u>

16. INTERFUND TRANSFERS

During 2015, 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 \$426,391, 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 \$223,754, \$1,196,488, and \$187,587, respectively, to subsidize operations of other funds and to make debt payments as they came due. Other enterprise funds made transfers to other governmental funds, in the amount of \$1,698, to meet grant requirements.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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 2015, the County did not contribute to the operations of the Commission. Financial information can be obtained from the Commission, 220 West Livingston Street, Room A201, Celina, Ohio 45822.

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

The Tri-County Mental Health Board is a jointly governed organization among Mercer, Paulding, and Van Wert Counties. The Tri-County Mental Health Board provides leadership in planning for and supporting community-based alcohol, drug addiction, and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting, and advocating for the rights of persons as consumers of alcohol, drug addiction, and mental health services. The Board of Trustees consists of eighteen members; four members appointed by the Director of the Ohio Department of Mental Health, four members appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services, and ten members appointed by the County Commissioners of Mercer, Paulding, and Van Wert counties in the same proportion as the County's population. During 2015, a tax levy provided \$666,937 for the operations of the organization. Financial information can be obtained from the Mercer County Auditor, 101 North Main Street, Room 105, Celina, Ohio 45822-1794.

C. West Central Ohio Network

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. West Central Partnership, Inc.

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

E. Grand Lake Saint Marys Lake Facilities Authority

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

18. INSURANCE POOLS

A. County Commissioners Association of Ohio Service Corporation

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

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

B. Midwest Pool Risk Management Agency, Inc.

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

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

18. INSURANCE POOLS (Continued)

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

C. Midwest Employee Benefit Consortium

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

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

19. RELATED ORGANIZATIONS

A. Mercer County District Library

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

B. Lakefield Airport Authority

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

Although the County has no obligation to provide financial resources to the airport, the County Commissioners have in prior years allocated certain funds to the Airport Authority. In 2015, this allocation was \$81,046.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

20. RELATED PARTY TRANSACTIONS

During 2015, Mercer County provided facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of its programs to C.A. Group. C.A. Group, a legally separate not-for-profit corporation that provides sheltered employment for mentally disabled or handicapped adults in Mercer County, reported \$92,869 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 March 24, 2016 authorized the issuance of \$669,300 various purpose bond anticipation notes with an interest rate of 1.4% and mature on April 21, 2017 for the purpose of renewing various purpose bond anticipation notes for ditch improvements and sewer projects.

On March 31, 2016 authorized the issuance of \$4,210,000 Series 2016 Adult Detention Facility General Obligation refunding bonds. The bonds have an interest rate of 1.4% and mature on April 21, 2017.

On April 1, 2016 the County accepted a bid for Philothea Road Improvement Project for \$1,869,212.

On May 26, 2016 authorized the issuance of \$386,300 bond anticipation notes with an interest rate of 1.4% and mature on June 4, 2017 for the purpose of renewing taxable infrastructure improvement bond anticipation notes for the Marion Township Industrial Park Project.

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FINANCIAL CONDITION
MERCER COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Non-Cash Expenditures	Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
<i>(Passed Through Ohio Department of Education)</i>					
Child Nutrition Cluster:					
Cash Assistance					
School Breakfast Program	10.553				\$2,602
Non-Cash Assistance (food distribution)					
National School Lunch Program	10.555			\$3,576	
Cash Assistance					
National School Lunch Program	10.555				4,088
Total Child Nutrition Cluster				3,576	6,690
<i>(Passed Through Ohio Department of Job and Family Services)</i>					
Supplemental Nutrition Assistance Cluster:					
State Administrative Matching Grants for Supplemental					
Nutrition Assistance Program	10.561	G-1415-11-5397/G-1617-11-5551			126,104
Total U.S. Department of Agriculture,				3,576	132,794
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:					
<i>(Passed Through Ohio Development Services Agency)</i>					
Community Development Block Grants/State's Program:					
	14.228	B-C-13-1BX-1			13,599
		B-C-15-1BX-1			9,492
		B-F-13-1BX-1			380
		B-F-14-1BX-1			95,000
		B-F-15-1BX-1			2,324
		B-E-13-1BX-2			150,592
		B-E-15-1BX-1			385,000
		E-W-14-1BX-1			233,843
Total Community Development Block Grants/State's Program					890,230
Home Investment Partnership Program	14.239	B-C-13-1BX-2			89,418
Total U.S. Department of Housing and Urban Development					979,648
U.S. DEPARTMENT OF JUSTICE					
<i>(Passed Through Ohio Attorney General Office)</i>					
Crime Victims Assistance					
	16.575	2015VAGENE068			18,134
		2016VAGENE068			6,840
Total Crime Victim's Assistance					24,974
<i>(Passed Through Ohio Department of Public Safety)</i>					
Edward Byrne Memorial Justice Assistance Grant Program					
	16.738	2014-JG-LLE-5165			2,449
Total U.S. Department of Justice					27,423
U.S DEPARTMENT OF LABOR					
<i>(Passed Through Ohio Department of Job & Family Services)</i>					
Workforce Investment Act (WIA) Cluster:					
WIA/WIOA - Adult Program (FY15)	17.258	G-1617-15-0182			156,257
WIA/WIOA - Youth Activities (PY15)	17.259	G-1617-15-0182	\$96,174		249,071
WIA/WIOA - Dislocated Worker Formula Grant - Admin (PY15)	17.278	G-1617-15-0182			166,987
Total Workforce Investment (WIA) Cluster					572,315
WIOA National Dislocated Worker Grants / WIA					
National Emergency Grant	17.277	G-1617-15-0182			36,680
Total U.S. Department of Labor					608,995

**FINANCIAL CONDITION
MERCER COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Non-Cash Expenditures	Expenditures
U.S DEPARTMENT OF TRANSPORTATION					
<i>(Passed Through Ohio Department of Transportation)</i>					
Job Access and Reverse Commute Program	20.516	JARC-4054-087-131			66,039
Highway Planning and Construction	20.205	PID #96971 PID #99406			1,530,915 37,284
Total Highway Planning and Construction					<u>1,568,199</u>
<i>(Passed Through Ohio Department of Public Safety)</i>					
State and Community Highway Safety	20.600	STEP-2015-54-00-00-00508-00			9,861
National Priority Safety Programs	20.616	IDEP-2015-54-00-00-00405-00			14,288
Total U.S Department of Transportation					<u>1,658,387</u>
U.S DEPARTMENT OF HEALTH AND HUMAN SERVICES					
<i>(Passed Through Ohio Department of Job & Family Services)</i>					
Child Support Enforcement	93.563	G-1415-11-5398/G-1617-11-5552			392,671
Temporary Assistance for Needy Families	93.558	G-1415-11-5397/G-1617-11-5551	57,740		579,444
Adoption Assistance Recovery	93.659	G-1415-11-5397/G-1617-11-5551			33,703
Foster Care - Title IV-E Recovery	93.658	G-1415-11-5397/G-1617-11-5551			423,765
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1415-11-5397/G-1617-11-5551			38,090
Promoting Safe and Stable Families	93.556	G-1415-11-5397/G-1617-11-5551			30,005
Children's Health Insurance Programs	93.767	G-1415-11-5397/G-1617-11-5551			5,008
Child Care and Development Block Grant	93.575	G-1415-11-5397/G-1617-11-5551			31,525
Community-Based Child Abuse Prevention Grants	93.590	G-1415-11-5397/G-1617-11-5551			1,749
Chafee Foster Care Independence Program	93.674	G-1415-11-5397/G-1617-11-5551			11,634
<i>(Passed Through Ohio Department of Developmental Disabilities)</i>					
Social Services Block Grant Program	93.667				20,211
<i>(Passed Through Ohio Department of Job & Family Services)</i>					
Social Services Block Grant Program	93.667	G-1415-11-5397/G-1617-11-5551			324,594
Total Social Services Block Grant Program					<u>344,805</u>
<i>(Passed Through Ohio Department of Developmental Disabilities)</i>					
Medical Assistance Program	93.778				98,518
<i>(Passed Through Ohio Department of Job & Family Services)</i>					
Medical Assistance Program	93.778	G-1415-11-5397/G-1617-11-5551			425,911
Total Medical Assistance Program					<u>524,429</u>
Total U.S Department of Health and Human Services					<u>2,416,828</u>
U.S DEPARTMENT OF HOMELAND SECURITY					
<i>(Passed Through Ohio Emergency Management Agency)</i>					
Emergency Management Performance Grants	97.042	EMW-2015-EP-00034-S01 EMW-2013-EP-00060-S01			13,125 1,237
Total Emergency Management Performance					<u>14,362</u>
Total U.S. Department of Homeland Security					<u>14,362</u>
U.S ENVIRONMENTAL PROTECTION AGENCY					
<i>(Passed Through Ohio Environmental Agency)</i>					
Non-point Source Implementation Grants	66.460				178,656
Total U.S Environmental Protection Agency					<u>178,656</u>
Total Expenditures of Federal Awards			<u>\$153,914</u>	<u>\$3,576</u>	<u>\$6,017,093</u>

The accompanying notes are an integral part of this schedule.

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Mercer County (the County's) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – SUB-RECIPIENTS

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

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – 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 F – LOAN PROGRAMS WITH CONTINUING COMPLIANCE REQUIREMENTS

The federal loan programs listed subsequently are administered directly by the County, and balances and transactions relating to these programs are included in the County's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balances of loans outstanding at December 31, 2015 consist of:

CFDA Number	Program/Cluster Name	Outstanding Balance at December 31, 2015
14.228	Community Development Block Grant	\$385,000 out of \$2,975,580

**FINANCIAL CONDITION
MERCER COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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

The County has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Development Services Agency. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property and by UCC's on machinery and equipment.

NOTE H - 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 I - TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2015, the County made allowable transfers of \$200,656 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 \$579,444 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 2015 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$780,100
Transfer to Social Services Block Grant	<u>(200,656)</u>
Total Temporary Assistance for Needy Families	<u><u>\$579,444</u></u>



Dave Yost • Auditor of State

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

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

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mercer County, (the County) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 25, 2016, 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

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.

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

Dave Yost
Auditor of State
Columbus, Ohio

July 25, 2016



Dave Yost • Auditor of State

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

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

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited the Mercer County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Mercer County's major federal programs for the year ended December 31, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Mercer County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Dave Yost
Auditor of State
Columbus, Ohio

July 25, 2016

**FINANCIAL CONDITION
MERCER COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2015**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Development Block Grant CFDA #14.228 Highway Planning and Construction CFDA #20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

FINDING NUMBER 2015-001

Noncompliance - Not Reporting in Accordance with GAAP

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

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

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

The County should prepare its annual financial statements in accordance with generally accepted accounting principles to 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 basis of reporting, which meets management's needs without substantial additional costs.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**FINANCIAL CONDITION
MERCER COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Ohio Rev. Code 117.38 and Ohio Admin. Code § 117-2-03(B) – not filing financial report on a GAAP basis	Not Corrected	Repeated as Finding 2015-001
2014-002	24 CFR §85.21(c) – CDBG Cash Management	Partially Corrected	Repeated as management letter comment
2014-003	Ohio Admin. Code § 5101:9-7-20(E)(2) – Failure to monitor that all required parts related to Random Moment Sampling (RMS) were completed for WIA Cluster.	Corrective Action Taken and Finding is Fully Corrected	
2014-004	Ohio Admin. Code § 5101:9-7-29(C) – WIA Financial Reporting	Corrective Action Taken and Finding is Fully Corrected	

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MERCER COUNTY FINANCIAL CONDITION

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 23, 2016