



Dave Yost • Auditor of State

**MERCER COUNTY
DECEMBER 31, 2017**

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MERCER COUNTY
DECEMBER 31, 2017

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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 County Commissioners:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Mercer County, Ohio (the County), as of and for the year ended December 31, 2017, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Mercer County, Ohio, as of December 31, 2017, and the respective changes in cash financial position and where applicable cash flows and the respective budgetary comparison for the General, Motor Vehicle, Developmental Disabilities, and Adult Detention Facility funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

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 October 30, 2018, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

October 30, 2018

Mercer County
Statement of Net Position - Cash Basis
December 31, 2017

	Governmental Activities	Business- Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$19,046,026	\$3,639,133	\$22,685,159
Cash and Cash Equivalents in Segregated Accounts	9,515	0	9,515
Cash and Cash Equivalents with Fiscal Agent	1,747,255	0	1,747,255
Total Assets	\$20,802,796	\$3,639,133	\$24,441,929
<u>Net Position</u>			
Restricted for			
Debt Service	\$291,777	\$0	\$291,777
Capital Projects	449,947	0	449,947
Other Purposes	13,251,894	0	13,251,894
Unrestricted	6,809,178	3,639,133	10,448,311
Total Net Position	\$20,802,796	\$3,639,133	\$24,441,929

See Accompanying Notes to the Basic Financial Statements

Mercer County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2017

	Program Receipts			
	Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities</u>				
General Government				
Legislative and Executive	\$5,843,395	\$1,833,921	\$115,042	\$0
Judicial	1,940,966	1,046,492	196,304	0
Public Safety	6,073,047	396,123	687,857	0
Public Works	9,843,775	1,528,333	6,126,064	3,673,562
Health	1,251,424	123,799	86,313	0
Human Services	10,875,693	95,787	6,037,926	0
Conservation and Recreation	285,632	0	3,853	0
Economic Development and Assistance	1,334,901	0	178,102	0
Capital Outlay	685,955	0	0	0
Debt Service				
Principal Retirement	1,765,255	0	0	0
Interest and Fiscal Charges	290,505	0	0	0
Total Governmental Activities	<u>40,190,548</u>	<u>5,024,455</u>	<u>13,431,461</u>	<u>3,673,562</u>
<u>Business-Type Activities</u>				
Sanitary Sewer	1,628,436	1,717,155	0	0
Other Enterprise				
Water	32,733	54,550	0	0
Solid Waste	66,164	88,357	0	0
Ambulance	867,824	936,590	22,489	0
Total Business-Type Activities	<u>2,595,157</u>	<u>2,796,652</u>	<u>22,489</u>	<u>0</u>
Total	<u>\$42,785,705</u>	<u>\$7,821,107</u>	<u>\$13,453,950</u>	<u>\$3,673,562</u>

General Receipts

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

Total General Receipts

Advances

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
(\$3,894,432)	\$0	(\$3,894,432)
(698,170)	0	(698,170)
(4,989,067)	0	(4,989,067)
1,484,184	0	1,484,184
(1,041,312)	0	(1,041,312)
(4,741,980)	0	(4,741,980)
(281,779)	0	(281,779)
(1,156,799)	0	(1,156,799)
(685,955)	0	(685,955)
(1,765,255)	0	(1,765,255)
(290,505)	0	(290,505)
<u>(18,061,070)</u>	<u>0</u>	<u>(18,061,070)</u>
0	88,719	88,719
0	21,817	21,817
0	22,193	22,193
0	91,255	91,255
<u>0</u>	<u>223,984</u>	<u>223,984</u>
<u>(18,061,070)</u>	<u>223,984</u>	<u>(17,837,086)</u>
2,556,380	0	2,556,380
4,247,176	0	4,247,176
700,818	0	700,818
477,974	0	477,974
5,598,053	0	5,598,053
2,798,492	0	2,798,492
1,305,179	0	1,305,179
462,469	0	462,469
2,553,514	278,375	2,831,889
300,000	0	300,000
0	43,820	43,820
21,000,055	322,195	21,322,250
65,119	(65,119)	0
(5)	5	0
<u>21,065,169</u>	<u>257,081</u>	<u>21,322,250</u>
3,004,099	481,065	3,485,164
<u>17,798,697</u>	<u>3,158,068</u>	<u>20,956,765</u>
<u>20,802,796</u>	<u>\$3,639,133</u>	<u>\$24,441,929</u>

Mercer County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2017

	General	Motor Vehicle	Developmental Disabilities	Adult Detention Facility
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,501,951	\$3,122,312	\$2,591,900	\$2,852,350
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Cash and Cash Equivalents with Fiscal Agent	0	0	1,747,255	0
<u>Restricted Assets</u>				
Equity in Pooled Cash and Cash Equivalents	189,870	0	0	0
Total Assets	\$3,691,821	\$3,122,312	\$4,339,155	\$2,852,350
<u>Fund Balances</u>				
Nonspendable	\$189,870	\$0	\$0	\$0
Restricted	12,155	3,122,312	4,339,155	0
Committed	0	0	0	2,852,350
Assigned	2,181,391	0	0	0
Unassigned	1,308,405	0	0	0
Total Fund Balances	\$3,691,821	\$3,122,312	\$4,339,155	\$2,852,350

See Accompanying Notes to the Basic Financial Statements

Other	
<u>Governmental</u>	<u>Total</u>
\$6,787,643	\$18,856,156
9,515	9,515
0	1,747,255
<u>0</u>	<u>189,870</u>
<u>\$6,797,158</u>	<u>\$20,802,796</u>
\$0	\$189,870
6,330,126	13,803,748
245,830	3,098,180
221,202	2,402,593
<u>0</u>	<u>1,308,405</u>
<u>\$6,797,158</u>	<u>\$20,802,796</u>

Mercer County
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General	Motor Vehicle	Developmental Disabilities	Adult Detention Facility
<u>Receipts</u>				
Property Taxes	\$2,556,380	\$0	\$4,247,176	\$0
Sales Taxes	5,598,053	0	0	2,798,492
Special Assessments	0	0	0	0
Charges for Services	2,112,790	562,710	2,442	0
Licenses and Permits	3,426	0	0	0
Fines and Forfeitures	39,514	37,168	0	0
Intergovernmental	1,502,762	8,304,516	1,513,330	28,314
Interest	458,860	47,273	870	0
Donations	21,231	0	4,193	0
Other	834,258	23,277	277,327	7,046
Total Receipts	13,127,274	8,974,944	6,045,338	2,833,852
<u>Disbursements</u>				
Current				
General Government				
Legislative and Executive	4,958,324	0	0	0
Judicial	1,774,042	0	0	0
Public Safety	2,930,596	0	0	2,173,988
Public Works	10,532	8,417,679	0	0
Health	364,777	0	0	0
Human Services	313,848	0	4,929,462	0
Conservation and Recreation	265,553	0	0	0
Economic Development and Assistance	364,279	0	0	0
Other	0	0	0	0
Capital Outlay	0	0	0	0
Debt Service				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Disbursements	10,981,951	8,417,679	4,929,462	2,173,988
Excess of Receipts Over (Under) Disbursements	2,145,323	557,265	1,115,876	659,864
<u>Other Financing Sources (Uses)</u>				
OPWC Loan Issued	0	300,000	0	0
Advances In	2,789,236	53,000	0	0
Advances Out	(2,940,640)	(2,000)	0	0
Transfers In	0	0	0	765,000
Transfers Out	(1,278,748)	(476,255)	0	(1,367,400)
Total Other Financing Sources (Uses)	(1,430,152)	(125,255)	0	(602,400)
Changes in Fund Balances	715,171	432,010	1,115,876	57,464
Fund Balances at Beginning of Year	2,976,650	2,690,302	3,223,279	2,794,886
Fund Balances at End of Year	\$3,691,821	\$3,122,312	\$4,339,155	\$2,852,350

See Accompanying Notes to the Basic Financial Statements

Other Governmental	Total
\$1,178,792	\$7,982,348
0	8,396,545
770,123	770,123
1,232,084	3,910,026
166,602	170,028
97,596	174,278
6,871,706	18,220,628
106,179	613,182
13,437	38,861
1,411,606	2,553,514
<u>11,848,125</u>	<u>42,829,533</u>
877,514	5,835,838
166,924	1,940,966
968,463	6,073,047
1,415,564	9,843,775
886,647	1,251,424
5,632,383	10,875,693
20,079	285,632
970,622	1,334,901
7,557	7,557
685,955	685,955
1,765,255	1,765,255
290,505	290,505
<u>13,687,468</u>	<u>40,190,548</u>
<u>(1,839,343)</u>	<u>2,638,985</u>
0	300,000
2,906,640	5,748,876
(2,741,117)	(5,683,757)
2,520,787	3,285,787
(163,389)	(3,285,792)
<u>2,522,921</u>	<u>365,114</u>
683,578	3,004,099
<u>6,113,580</u>	<u>17,798,697</u>
<u>\$6,797,158</u>	<u>\$20,802,796</u>

Mercer County
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts</u>				
Property Taxes	\$2,406,000	\$2,406,000	\$2,484,994	\$78,994
Sales Taxes	5,200,000	5,200,000	5,598,053	398,053
Charges for Services	1,647,323	1,647,323	2,117,102	469,779
Licenses and Permits	3,040	3,040	3,426	386
Fines and Forfeitures	30,000	30,000	39,608	9,608
Intergovernmental	1,474,000	1,474,000	1,502,762	28,762
Interest	385,600	385,600	460,293	74,693
Donations	1,500	21,500	21,231	(269)
Other	855,048	860,048	834,258	(25,790)
Total Receipts	12,002,511	12,027,511	13,061,727	1,034,216
<u>Disbursements</u>				
Current				
General Government				
Legislative and Executive	6,059,364	5,677,764	5,169,153	508,611
Judicial	1,933,267	1,970,986	1,812,890	158,096
Public Safety	3,755,331	3,033,504	3,011,535	21,969
Public Works	154,865	10,558	10,532	26
Health	367,050	367,191	364,947	2,244
Human Services	488,890	414,734	332,867	81,867
Conservation and Recreation	266,300	266,300	265,553	747
Economic Development and Assistance	507,925	512,925	365,739	147,186
Total Disbursements	13,532,992	12,253,962	11,333,216	920,746
Excess of Receipts Over (Under) Disbursements	<u>(1,530,481)</u>	<u>(226,451)</u>	<u>1,728,511</u>	<u>1,954,962</u>
<u>Other Financing Sources (Uses)</u>				
Advances In	110,000	110,000	2,789,236	2,679,236
Advances Out	0	(569,140)	(2,940,640)	(2,371,500)
Transfers Out	<u>(135,000)</u>	<u>(1,290,750)</u>	<u>(1,278,748)</u>	<u>12,002</u>
Total Other Financing Sources (Uses)	(25,000)	(1,749,890)	(1,430,152)	319,738
Changes in Fund Balance	(1,555,481)	(1,976,341)	298,359	2,274,700
Fund Balance at Beginning of Year	2,359,528	2,359,528	2,359,528	0
Prior Year Encumbrances Appropriated	<u>418,272</u>	<u>418,272</u>	<u>418,272</u>	<u>0</u>
Fund Balance at End of Year	<u>\$1,222,319</u>	<u>\$801,459</u>	<u>\$3,076,159</u>	<u>\$2,274,700</u>

See Accompanying Notes to the Basic Financial Statements

Mercer County
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Motor Vehicle Fund
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Receipts</u>				
Charges for Services	\$606,750	\$606,750	\$562,710	(\$44,040)
Fines and Forfeitures	34,300	34,300	37,084	2,784
Intergovernmental	8,053,573	8,062,292	8,304,516	242,224
Interest	32,616	32,616	47,273	14,657
Other	24,625	24,625	23,277	(1,348)
Total Receipts	8,751,864	8,760,583	8,974,860	214,277
<u>Disbursements</u>				
<u>Current</u>				
Public Works	10,307,181	11,150,863	9,685,207	1,465,656
Excess of Receipts Under Disbursements	(1,555,317)	(2,390,280)	(710,347)	1,679,933
<u>Other Financing Sources (Uses)</u>				
OPWC Loans Issued	206,000	206,000	300,000	94,000
Advances In	8,719	8,719	53,000	44,281
Advances Out	0	(36,775)	(2,000)	34,775
Transfers Out	(476,255)	(476,255)	(476,255)	0
Total Other Financing Sources (Uses)	(261,536)	(298,311)	(125,255)	173,056
Changes in Fund Balance	(1,816,853)	(2,688,591)	(835,602)	1,852,989
Fund Balance (Deficit) at Beginning of Year	(1,394,039)	(1,394,039)	(1,394,039)	0
Prior Year Encumbrances Appropriated	4,076,733	4,076,733	4,076,733	0
Fund Balance (Deficit) at End of Year	\$865,841	(\$5,897)	\$1,847,092	\$1,852,989

See Accompanying Notes to the Basic Financial Statements

Mercer County
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Developmental Disabilities Fund
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Receipts</u>				
Property Taxes	\$3,891,500	\$3,891,500	\$4,127,106	\$235,606
Charges for Services	0	0	2,442	2,442
Intergovernmental	1,418,935	1,418,935	1,513,330	94,395
Donations	3,000	3,000	4,193	1,193
Other	152,840	152,840	152,327	(513)
Total Receipts	5,466,275	5,466,275	5,799,398	333,123
<u>Disbursements</u>				
<u>Current</u>				
Human Services	5,932,919	6,095,559	5,803,700	291,859
Changes in Fund Balance	(466,644)	(629,284)	(4,302)	624,982
Fund Balance at Beginning of Year	2,133,292	2,133,292	2,133,292	0
Prior Year Encumbrances Appropriated	52,567	52,567	52,567	0
Fund Balance at End of Year	\$1,719,215	\$1,556,575	\$2,181,557	\$624,982

See Accompanying Notes to the Basic Financial Statements

Mercer County
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Adult Detention Facility Fund
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		
<u>Receipts</u>				
Sales Taxes	\$2,400,000	\$2,400,000	\$2,798,492	\$398,492
Intergovernmental	15,000	15,000	28,314	13,314
Other	0	0	7,046	7,046
Total Receipts	2,415,000	2,415,000	2,833,852	418,852
<u>Disbursements</u>				
Current				
Public Safety	2,142,389	2,342,131	2,281,967	60,164
Excess of Receipts Over Disbursements	272,611	72,869	551,885	479,016
<u>Other Financing Sources (Uses)</u>				
Transfers In	800,000	800,000	765,000	(35,000)
Transfers Out	(1,367,400)	(1,367,400)	(1,367,400)	0
Total Other Financing Sources (Uses)	(567,400)	(567,400)	(602,400)	(35,000)
Changes in Fund Balance	(294,789)	(494,531)	(50,515)	444,016
Fund Balance at Beginning of Year	2,690,446	2,690,446	2,690,446	0
Prior Year Encumbrances Appropriated	104,440	104,440	104,440	0
Fund Balance at End of Year	<u>\$2,500,097</u>	<u>\$2,300,355</u>	<u>\$2,744,371</u>	<u>\$444,016</u>

See Accompanying Notes to the Basic Financial Statements

Mercer County
Statement of Fund Net Position - Cash Basis
Enterprise Funds
December 31, 2017

	Sanitary Sewer	Other Enterprise	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$2,140,543	\$1,498,590	\$3,639,133
<u>Net Position</u>			
Unrestricted	\$2,140,543	\$1,498,590	\$3,639,133

See Accompanying Notes to the Basic Financial Statements

Mercer County
Statement of Revenues, Expenses, and Changes in Fund Net Position - Cash Basis
Enterprise Funds
For the Year Ended December 31, 2017

	Sanitary Sewer	Other Enterprise	Total
<u>Operating Revenues</u>			
Charges for Services	\$1,717,155	\$1,079,497	\$2,796,652
Donations	0	7,100	7,100
Other	26,073	252,302	278,375
Total Operating Revenues	<u>1,743,228</u>	<u>1,338,899</u>	<u>3,082,127</u>
<u>Operating Expenses</u>			
Personal Services	397,800	154,883	552,683
Contractual Services	631,035	638,365	1,269,400
Materials and Supplies	101,024	173,473	274,497
Other	83	0	83
Debt Service			
Principal Retirement	447,698	0	447,698
Total Operating Expenses	<u>1,577,640</u>	<u>966,721</u>	<u>2,544,361</u>
Operating Income	<u>165,588</u>	<u>372,178</u>	<u>537,766</u>
<u>Non-Operating Revenues (Expenses)</u>			
Grants	0	15,389	15,389
OWDA Loans Issued	43,820	0	43,820
Interest Expense	(50,796)	0	(50,796)
Total Non-Operating Revenues (Expenses)	<u>(6,976)</u>	<u>15,389</u>	<u>8,413</u>
Income Before Advances and Transfers	158,612	387,567	546,179
Advances In	136,000	1,906	137,906
Advances Out	(53,025)	(150,000)	(203,025)
Transfers In	0	5	5
Changes in Net Position	241,587	239,478	481,065
Net Position at Beginning of Year	<u>1,898,956</u>	<u>1,259,112</u>	<u>3,158,068</u>
Net Position at End of Year	<u>\$2,140,543</u>	<u>\$1,498,590</u>	<u>\$3,639,133</u>

See Accompanying Notes to the Basic Financial Statements

Mercer County
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2017

	Sanitary Sewer	Other Enterprise	Total
Increases in Cash and Cash Equivalents			
<u>Cash Flows from Operating Activities</u>			
Cash Received from Customers	\$1,717,155	\$1,079,497	\$2,796,652
Cash Received from Donations	0	7,100	7,100
Cash Received from Other Revenues	26,073	252,302	278,375
Cash Payments for Personal Services	(397,800)	(154,883)	(552,683)
Cash Payments for Contractual Services	(631,035)	(638,365)	(1,269,400)
Cash Payments for Supplies	(101,024)	(173,473)	(274,497)
Cash Payments for Other Expenses	(83)	0	(83)
Net Cash Received from Operating Activities	<u>613,286</u>	<u>372,178</u>	<u>985,464</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Cash Received from Grants	0	15,389	15,389
Cash Received from Advances In	136,000	1,906	137,906
Cash Payments for Advances Out	(53,025)	(150,000)	(203,025)
Cash Received from Transfers In	0	5	5
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>82,975</u>	<u>(132,700)</u>	<u>(49,725)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Principal Paid on OPWC Loans	(15,000)	0	(15,000)
OWDA Loans Issued	43,820	0	43,820
Principal Paid on OWDA Loans	(368,849)	0	(368,849)
Interest Paid on OWDA Loans	(50,780)	0	(50,780)
Principal Paid on Rural Industrial Park Loan	(3,849)	0	(3,849)
Interest Paid on Rural Industrial Park Loan	(16)	0	(16)
Principal Paid on Midwest Electric Loan	(60,000)	0	(60,000)
Net Cash Used for Capital and Related Financing Activities	<u>(454,674)</u>	<u>0</u>	<u>(454,674)</u>
Net Increase in Cash and Cash Equivalents	241,587	239,478	481,065
Cash and Cash Equivalents at Beginning of Year	<u>1,898,956</u>	<u>1,259,112</u>	<u>3,158,068</u>
Cash and Cash Equivalents at End of Year	<u>\$2,140,543</u>	<u>\$1,498,590</u>	<u>\$3,639,133</u>

See Accompanying Notes to the Basic Financial Statements

Mercer County
Statement of Cash Basis Fiduciary Net Position
Agency Funds
December 31, 2017

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$11,014,248
Cash and Cash Equivalents in Segregated Accounts	<u>451,308</u>
Total Assets	<u><u>\$11,465,556</u></u>
<u>Net Position</u>	
Undistributed Assets	<u><u>\$11,465,556</u></u>

See Accompanying Notes to the Basic Financial Statements

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Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

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

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

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

A. Primary Government

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

B. Component Units

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the County. There were no component units of Mercer County in 2017.

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

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

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity (continued)

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

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

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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

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

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

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

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Proprietary Funds

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

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

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

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

Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County did not have any trust funds in 2017. The County's agency funds are used to account for assets held by the County for political subdivisions for which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

C. Basis of Accounting

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

D. Budgetary Process

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

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

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

E. Cash and Investments

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

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

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

During 2017, the County invested in negotiable and nonnegotiable certificates of deposit, federal agency securities, commercial paper, municipal securities, mutual funds, and STAR Ohio. Investments are reported at cost or fair value for mutual funds and net value per share for STAR Ohio.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants". The County measures the investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given twenty-four hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant are combined for this purpose.

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 2017 were \$458,860 which includes \$394,059 assigned from other County funds.

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

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

F. Restricted Assets

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

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

G. Capital Assets

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

H. Compensated Absences

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

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.

Note 2 - Summary of Significant Accounting Policies (continued)

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:

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

Assigned - Amounts in the assigned classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. 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 2018 along with amounts for auto title administration, economic development, capital improvements, and building maintenance.

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

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

L. Operating Receipts and Disbursements

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

M. Internal Activity

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

N. Pension

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

Note 3 - Change in Accounting Principles

For 2017, the County has implemented Governmental Accounting Standard Board (GASB) Implementation Guide No. 2016-1. These changes were incorporated in the County's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 - Compliance

Ohio Administrative Code Section 117-2-03(B) requires the County to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). For 2017, the County prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standard Board Statement No. 34, report on the basis of cash receipts and cash disbursements rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the County may be fined and subject to various other administrative remedies for its failure to file the required financial report.

Note 5 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash, receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund, and the Motor Vehicle, Developmental Disabilities, and Adult Detention Facility special revenues funds is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) for the General Fund, Motor Vehicle Fund, Developmental Disabilities Fund, and Adult Detention Facility Fund were \$345,705, \$1,266,805, \$66,123, and \$107,979, respectively.

Note 6 - Deposits and Investments

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts in eligible institutions pursuant to Ohio Revised Code Section 135.32;
6. 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 or consisting exclusively of obligations described in division (1) or (2) above; commercial paper as described in Ohio Revised Code Section 135.143(A)(6); and repurchase agreements secured by such obligations provided these investments 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 simultaneously exchange either securities or cash, equal value for equal value;

Note 6 - Deposits and Investments (continued)

9. Up to 40 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, which are rated in the highest classification 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 the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. A current unpaid or delinquent tax line of credit provided certain conditions are met related to a County land reutilization corporation organized under Ohio Revised Code Chapter 1724; and,
12. Up to 2 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 and all interest and principal shall be denominated and payable in United States funds.

Investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, 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. Bankers' acceptances must mature within one hundred eighty days. Commercial paper and corporate notes must mature within two hundred seventy days. All other investments 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 they 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 if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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, \$130,386 of the County's bank balance of \$13,301,152 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.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 6 - Deposits and Investments (continued)

The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by (1) eligible securities pledged to the County and deposited with a qualified trustee by the financial institution as security for repayment and whose market value at all times shall be at least 105 percent of the deposits being secured or (2) by participation in the Ohio Pooled Collateral System, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of December 31, 2017, the County had the following investments:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Up to Six Months</u>	<u>Six Months to One Year</u>	<u>One Year to Two Years</u>	<u>More Than Two Years</u>
Cost					
Negotiable Certificates of Deposit	\$6,138,990	\$248,000	\$2,225,000	\$943,000	\$2,722,990
Federal Farm Credit Bank Notes	1,998,324	0	0	0	1,998,324
Federal Home Loan Bank Notes	2,250,000	0	0	0	2,250,000
Federal Home Loan Mortgage Corporation Notes	5,054,309	0	0	300,000	4,754,309
Federal National Mortgage Association Notes	2,645,000	0	0	0	2,645,000
Commercial Paper	2,472,296	2,472,296	0	0	0
Municipal Securities	606,931	9,400	0	9,700	587,831
Fair Value					
Mutual Fund	15,413	15,413	0	0	0
Net Value Per Share					
STAR Ohio	523,458	523,458	0	0	0
Total Investments	\$21,704,721	\$3,268,567	\$2,225,000	\$1,252,700	\$14,958,454

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

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 6 - Deposits and Investments (continued)

The negotiable certificates of deposit are generally covered by FDIC insurance. The Federal Farm Credit Bank Notes, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, and mutual fund carry a rating of Aaa by Moodys. The commercial paper carries a rating of P-1 by Moody's. For municipal securities, \$245,000 is rated Aa2 by Moody's and the remainder is not rated. The County has no policy regarding interest rate or credit risk beyond the requirements of State statute. Ohio law requires commercial paper be rated in the highest qualification by two nationally recognized rating services and must mature within two hundred seventy days and mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. STAR Ohio carries a rating of AAA by Standards and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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

	Fair Value	Percentage of Portfolio
Negotiable Certificates of Deposit	\$6,138,990	28.28%
Federal Farm Credit Bank Notes	1,998,324	9.21
Federal Home Loan Bank Notes	2,250,000	10.37
Federal Home Loan Mortgage Corporation Notes	5,054,309	23.29
Federal National Mortgage Association Notes	2,645,000	12.19
Commercial Paper	2,472,296	11.39
Municipal Securities	606,931	2.80

Note 7 - Property Taxes

Property taxes include amounts levied against all real and public utility property located in the County. Real property tax revenues received in 2017 represent the collection of 2016 taxes. Real property taxes received in 2017 were levied after October 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2017 represent the collection of 2016 taxes. Public utility real and tangible personal property taxes received in 2017 became a lien on December 31, 2015, were levied after October 1, 2016, 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.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 7 - Property Taxes (continued)

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

The full tax rate for all County operations for the year ended December 31, 2017, was \$11.96 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2017 property tax receipts were based are as follows:

Real Property	
Residential/Agriculture	\$992,696,060
Commercial/Industrial/Mineral	93,283,140
Public Utility Property	
Real	108,720
Personal	23,378,000
Total Assessed Value	<u><u>\$1,109,465,920</u></u>

Note 8 - Permissive Sales and Use Tax

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

Note 9 - Interfund Activity

During 2017, the County made a number of cash advances to various funds. As of December 31, 2017, \$2,773,789 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 \$2,483,731 and \$51,175, respectively.

Note 10 - Risk Management

A. Property and Liability

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2017, 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	84,691,256
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 2016 and settled claims have not exceeded this coverage in the past three years.

For 2017, 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 2017, 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.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 10 - Risk Management (continued)

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

C. Medical and Life Insurance

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

Note 11 - Significant Contractual Commitments

The County had the following contractual commitments outstanding as of December 31, 2017:

Contractor	Purpose	Commitment
Access Engineering Solutions	Sharpsburg Road Improvement	\$30,150
Braun Excavating	MSK Harris Tile	185,000
Dura Mark, Inc.	Various County Road Improvements	77,083
Forterra Pipe & Precast, LLC	Wabash Road Culvert	37,312
Jutte Excavating	Wabash Road Bridge	480,000
KCI Associates of Ohio	Beaver Creek Treatment Train	16,513
KCI Associates of Ohio	Coldwater Creek Treatment	17,933
Lake Erie Construction	Various County Road Improvements	86,655
Shinn Brothers	Beaver Creek Treatment Train-Pump Station	259,300
Shinn Brothers	Mud Pike Road Improvement	163,865
The Shelly Company	Monroe & Siegrist Jutte Road Resurfacing	170,000
VTF Excavation	Montezuma Streets	353,500
VTF Excavation	Ripley Sheets Tile	410,000

At year end, the significant encumbrances expected to be honored upon performance by the vendor in 2018 are as follows:

General Fund	\$345,705
Motor Vehicle	1,266,805
Adult Detention Facility	107,979
Other Governmental Funds	1,313,034

Note 12 - Defined Benefit Pension Plan

Net Pension Liability

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

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

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

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

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

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

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

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 12 - Defined Benefit Pension Plan (continued)

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

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

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

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

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 12 - Defined Benefit Pension Plan (continued)

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

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

	State and Local	Public Safety	Law Enforcement
2017 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee	10.0 %	*	**
2017 Actual Contribution Rates			
Employer			
Pension	13.0 %	17.1 %	17.1 %
Postemployment Health Care Benefits	1.0	1.0	1.0
Total Employer	14.0 %	18.1 %	18.1 %
Total Employee	10.0 %	12.0 %	13.0 %

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The County's contractually required contribution was \$1,501,720 for 2017.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 12 - Defined Benefit Pension Plan (continued)

Net Pension Liability

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

Proportion of the Net Pension Liability:	
Current Measurement Date	0.09903500%
Prior Measurement Date	0.09801000%
Change in Proportionate Share	0.00102500%
Proportionate Share of the Net Pension Liability	\$22,489,164

Actuarial Assumptions

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB Statement No. 67. In 2016, the OPERS actuarial consultants conducted an experience study for the period 2011 through 2015 comparing assumptions to actual results. The experience study incorporates both a historical review and forward looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions with the most notable being a reduction in the actuarially assumed rate of return from 8 percent to 7.5 percent for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuations, reflecting experience study results, prepared as of December 31, 2016, compared to December 31, 2015, are presented below.

	December 31, 2016	December 31, 2015
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.05 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013	3 percent simple	3 percent simple
Post-January 7, 2013	3 percent simple through 2018, then 2.15 percent simple	3 percent simple through 2018, then 2.8 percent simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	individual entry age	individual entry age

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 12 - Defined Benefit Pension Plan (continued)

For 2016, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table. For males, healthy annuitant mortality tables were used adjusted for mortality improvements back to the observation period base of 2006 and then established the base year as 2015. For females, healthy annuitant mortality tables were used adjusted for mortality improvements back to the observation period base of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality Table adjusted for mortality improvements back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables were determined by applying the MP-2015 mortality improvements scale to the above described tables.

For 2015, 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, 2015. The prior 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.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefits portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio, and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016, and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefits portfolio contains the investment assets of the traditional pension plan, the defined benefit component of the combined plan, and the annuitized accounts of the member-directed plan. The Defined Benefits portfolio historically included the assets of the member-directed retiree medical accounts funded through the VEBA Trust; however, the VEBA Trust was closed as of June 30, 2016, and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefits 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 annual money weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefits portfolio was 8.3 percent for 2016.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 12 - Defined Benefit Pension Plan (continued)

The allocation of investment assets with the Defined Benefits 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 2016 and the long-term expected real rates of return.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	18.00	4.92
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total pension liability for 2016 was 7.5 percent. The discount rate for 2015 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 contractually required rates as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 7.5 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 (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
County's Proportionate Share of the Net Pension Liability	\$34,357,222	\$22,489,164	\$12,599,233

Note 13 - Postemployment Benefits

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

OPERS maintains a cost-sharing multiple-employer defined benefit postemployment health care trust which funds multiple health care plans including medical coverage, prescription drug coverage, and deposits to a health reimbursement arrangement to qualifying benefit recipients of both the traditional and combined pension plans. This trust is also used to fund health care for member-directed plan participants in the form of a retiree medical account (RMA). At retirement or refund, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed 14 percent of earnable salary and public safety and law enforcement employers contributed 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 13 - Postemployment Benefits (continued)

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund the health care plans. The portion of the employer contribution allocated to health care for members of the traditional and combined pension plans was 1 percent for 2017. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants of the member-directed plan was 4 percent for 2017.

Substantially all of the County's contribution allocated to fund postemployment health care benefits relates to the cost-sharing multiple-employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015 was \$111,551, \$248,478, and \$236,859, respectively. For 2017, 92 percent has been contributed. The full amount has been contributed for 2016 and 2015.

Note 14 - Compensated Absences

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

Note 15 - Long-Term Obligations

The County's long-term debt activity for the year ended December 31, 2017, was as follows:

	Interest Rate	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
Adult Detention Facility (Original Amount \$10,500,000)	3.25-5%	\$735,000	\$0	\$735,000	\$0	\$0
Adult Detention Facility Refunding (Original Amount \$4,475,000)	1-4	4,365,000	0	60,000	4,305,000	810,000
2010 Various Purpose - Road Improvements (Original Amount \$665,000)	2-3.75	215,000	0	70,000	145,000	70,000
2010 Various Purpose - Correctional Facility (Original Amount \$2,535,000)	2-4	1,280,000	0	195,000	1,085,000	200,000
2010 Various Purpose - Ditch Improvement (Original Amount \$390,000)	2-4	225,000	0	25,000	200,000	25,000

(continued)

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 15 - Long-Term Obligations (continued)

	Interest Rate	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017	Due Within One Year
<u>Governmental Activities (continued)</u>						
General Obligation Bonds (continued)						
2011 Central Services Refunding (Original Amount \$2,460,000)	1-3.5%	\$1,520,000	\$0	\$200,000	\$1,320,000	\$200,000
Total General Obligation Bonds		8,340,000	0	1,285,000	7,055,000	1,305,000
OPWC Loans						
2001 Four Bridge Replacement (Original Amount \$76,979)	0	15,394	0	3,849	11,545	3,849
2002 Home Waterline Improvement (Original Amount \$80,000)	0	28,000	0	4,000	24,000	4,000
2002 Five Bridge Replacement (Original Amount \$60,000)	0	21,000	0	3,000	18,000	3,000
2005 Six Bridge Repair (Original Amount \$60,225)	0	25,597	0	3,011	22,586	3,011
2007 Bridge Replacement (Original Amount \$137,801)	0	79,236	0	6,890	72,346	6,890
2009 Carthagen Road (Original Amount \$300,000)	0	195,000	0	15,000	180,000	15,000
2009 Bridge Replacement (Original Amount \$157,500)	0	98,437	0	7,875	90,562	7,875
2010 Bridge Replacement (Original Amount \$142,500)	0	96,188	0	7,125	89,063	7,125
2011 County Road 30B Improvement (Original Amount \$74,250)	0	53,830	0	3,713	50,117	3,712
2011 County Road 23 Improvement (Original Amount \$71,572)	0	55,468	0	3,579	51,889	3,578
2013 Bridge Replacement (Original Amount \$234,578)	0	211,120	0	11,729	199,391	11,729
2015 County Road 81 and 170 Road Improvements (Original Amount \$209,674)	0	199,190	0	10,484	188,706	10,484
Widening and Resurfacing (Original Amount \$300,000)	0	0	300,000	0	300,000	0
Total OPWC Loans		1,078,460	300,000	80,255	1,298,205	80,253
LGIF Loans Payable	0	3,500,000	0	400,000	3,100,000	400,000
Total Governmental Activities		\$12,918,460	\$300,000	\$1,765,255	\$11,453,205	\$1,785,253

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 15 - Long-Term Obligations (continued)

	Interest Rate	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017	Due Within One Year
Business-Type Activities						
OPWC Loans						
2003 Philothea Area Wastewater (Original Amount \$300,000)	0%	\$82,500	\$0	\$15,000	\$67,500	\$15,000
OWDA Loans						
2002 Staeger Road Sanitary Sewer (Original Amount \$109,521)	3.64	28,635	0	6,776	21,859	7,025
2002 SR 129 and Burge Road (Original Amount \$400,463)	3.49	125,668	0	23,425	102,243	24,250
2005 Lake Acres (Original Amount \$248,037)	2.75	135,799	0	15,397	120,402	15,824
East Jefferson Phase 3 Sewers (Original Amount \$1,091,575)	0	791,391	0	54,579	736,812	54,579
West Jefferson Township Sewer (Original Amount \$1,214,964)	0	728,980	0	60,748	668,232	60,748
Marion Township Sewer (Original Amount \$2,254,469)	1	1,678,626	0	108,135	1,570,491	109,220
Northeast Sanitary Sewers (Original Amount \$51,750)	0	10,350	0	10,350	0	0
Planning and Design for Unsewered (Original Amount \$132,943)	0	89,123	43,820	0	132,943	0
MCI Lagoon (Original Amount \$1,121,386)	1	888,212	0	53,253	834,959	53,787
East Jefferson Water Line (Original Amount \$1,107,150)	0.91	1,089,180	0	36,186	1,052,994	0
Total OWDA Loans		5,565,964	43,820	368,849	5,240,935	325,433
Ohio Water and Sewer Loans						
1991 Sandy Beach Area Sewer District (Original Amount \$42,822)	0	42,822	0	0	42,822	0
1992 Southwest Sewer (Original Amount \$269,223)	0	269,223	0	0	269,223	0
2001 Rotary SR 269 Sewer (Original Amount \$110,167)	0	88,673	0	0	88,673	0
Total Ohio Water and Sewer Loans		400,718	0	0	400,718	0
Rural Industrial Park Loan						
2001 Rural Industrial Park - SR269 (Original Amount \$200,000)	0-3	3,849	0	3,849	0	0
Midwest Electric Loan Agreement (Original Amount \$360,000)	0	180,000	0	60,000	120,000	60,000
Total Business-Type Activities		\$6,233,031	\$43,820	\$447,698	\$5,829,153	\$400,433

Note 15 - Long-Term Obligations (continued)

General Obligation Bonds

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

Adult Detention Facility

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

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

As of December 31, 2017, \$4,210,000 of the refunded bonds was still outstanding.

2010 Various Purpose

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

2011 Central Services Refunding

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

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

OPWC Loans

OPWC loans consist of monies owed to the Ohio Public Works Commission for the improvement and replacement of the County's infrastructure. OPWC loans are payable from the governmental debt service funds and from the gross revenues of the enterprise funds. The revenues of the Motor Vehicle special revenue fund are pledged to repay the governmental OPWC loans. The gross revenues of the Sanitary Sewer enterprise fund are pledged to repay the enterprise portion of the OPWC loans. An amortization schedule for the Widening and Resurfacing loan is not available until the completion of the project and, therefore, not included in the schedule of future principal and interest requirements. Total principal remaining on the enterprise related loans is \$67,500, payable through December 2022. For the current year, principal paid was \$15,000. For 2017, the Sanitary Sewer enterprise fund had operating income of \$165,588.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 15 - Long-Term Obligations (continued)

OWDA Loans

OWDA loans consist of monies owed to the Ohio Water Development Authority for various sewer projects. OWDA loans are payable solely from special assessments and from the gross revenues of the enterprise funds. Amortization schedules for the Planning and Design for Unsewered and East Jefferson Water Line loans are not available until the completion of the project and, therefore, not included in the schedule of future principal and interest requirements. Total principal and interest remaining on the completed OWDA loan projects is \$4,054,998 and \$197,382, respectively, payable through December 2032. For the current year, principal and interest paid was \$368,849 and \$50,780, respectively. For 2017, the Sanitary Sewer enterprise fund had operating income of \$165,588.

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 \$3,100,000, payable through July 31, 2025.

Ohio Water and Sewer Loans

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

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

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 was fully retired in 2017.

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 \$120,000, payable through July 1, 2019. For 2017, the Sanitary Sewer enterprise fund had operating income of \$165,588.

At December 31, 2017, the County's overall debt margin was \$24,550,446 with an unvoted debt margin of \$9,408,457.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 15 - Long-Term Obligations (continued)

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
2018	\$1,305,000	\$208,543	\$80,253	\$400,000
2019	1,360,000	159,818	80,255	400,000
2020	1,325,000	116,294	78,327	400,000
2021	1,365,000	82,475	78,329	400,000
2022	1,400,000	47,262	76,404	400,000
2023-2027	300,000	12,000	346,500	1,100,000
2028-2032	0	0	203,230	0
2033-2035	0	0	54,907	0
	<u>\$7,055,000</u>	<u>\$626,392</u>	<u>\$998,205</u>	<u>\$3,100,000</u>

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

Year	OPWC Loans	OWDA Loans		Midwest Electric Loan
	Principal	Principal	Interest	Principal
2018	\$15,000	\$325,433	\$30,341	\$60,000
2019	15,000	328,616	27,323	60,000
2020	15,000	331,867	24,242	0
2021	15,000	327,363	21,156	0
2022	7,500	302,620	18,390	0
2023-2027	0	1,487,480	60,484	0
2028-2032	0	951,619	15,446	0
	<u>\$67,500</u>	<u>\$4,054,998</u>	<u>\$197,382</u>	<u>\$120,000</u>

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 16 - Fund Balance

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

Fund Balance	General	Motor Vehicle	Developmental Disabilities	Adult Detention Facility
Nonspendable for:				
Unclaimed Monies	\$189,870	\$0	\$0	\$0
Restricted for:				
Board of Developmental Disabilities Operations	0	0	4,339,155	0
Road and Bridge Repair/ Improvement	0	3,122,312	0	0
Sheriff Operations	12,155	0	0	0
Total Restricted	12,155	3,122,312	4,339,155	0
Committed to:				
Adult Detention Facility Operations	0	0	0	2,852,350
Assigned for:				
4-H Camp Improvements	12,338	0	0	0
Building Maintenance	106,460	0	0	0
Document Recording	85,592	0	0	0
Economic Development/ Rehabilitation	518,877	0	0	0
Flood Damage	8,859	0	0	0
Parent Education	890	0	0	0
Projected Budget Shortage	640,979	0	0	0
Sheriff Operations	14,763	0	0	0
Title Administration	477,409	0	0	0
Unpaid Obligations	315,224	0	0	0
Total Assigned	2,181,391	0	0	0
Unassigned	1,308,405	0	0	0
Total Fund Balance	\$3,691,821	\$3,122,312	\$4,339,155	\$2,852,350

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 16 - Fund Balance (continued)

Fund Balance	Other Governmental	Total
Nonspendable for:		
Unclaimed Monies	\$0	\$189,870
Restricted for:		
Airport Improvements	993	993
Board of Developmental Disabilities Operations	0	4,339,155
Child Support Enforcement	248,589	248,589
County Home	1,119,337	1,119,337
Court Operations	632,923	632,923
Crime Victim Assistance	5,237	5,237
Debt Retirement	291,777	291,777
Delinquent Tax Collections	70,160	70,160
Ditch Maintenance	1,072,595	1,072,595
Dog and Kennel Operations	36,946	36,946
Economic Development/ Rehabilitation	1,091,381	1,091,381
Environmental Restoration	3,528	3,528
Emergency Management Agency	13,701	13,701
Job and Family Services Operations	304,098	304,098
Juvenile Corrections	120,065	120,065
Law Library	102,489	102,489
Mental Illness Training	490	490
Park Maintenance	141,549	141,549
Real Estate Assessment	609,215	609,215
Road and Bridge Repair/ Improvement	68,113	3,190,425
Sheriff Operations	396,940	409,095
Total Restricted	6,330,126	13,803,748

(continued)

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 16 - Fund Balance (continued)

Fund Balance	Other Governmental	Total
Committed to:		
Adult Detention Facility Operations	\$0	\$2,852,350
Sheriff Operations	245,830	245,830
Total Committed	245,830	3,098,180
Assigned for:		
4-H Camp Improvements	0	12,338
Building Maintenance	0	106,460
Capital Improvements	200,000	200,000
Debt Service	21,202	21,202
Document Recording	0	85,592
Economic Development/ Rehabilitation	0	518,877
Flood Damage	0	8,859
Parent Education	0	890
Projected Budget Shortage	0	640,979
Sheriff Operations	0	14,763
Title Administration	0	477,409
Unpaid Obligations	0	315,224
Total Assigned	221,202	2,402,593
Unassigned (Deficit)	0	1,308,405
Total Fund Balance	\$6,797,158	\$20,802,796

Note 17 - Interfund Transfers

During 2017, transfers were made from the General Fund to the Adult Detention Facility special revenue fund, in the amount of \$765,000, and to other governmental funds, in the amount of \$513,748, to subsidize operations in those funds. The Motor Vehicle and Adult Detention Facility special revenue funds made transfers to other governmental funds, in the amount of \$476,255 and \$1,367,400, respectively, to subsidize operations of other funds and to make debt payments as they came due. Other governmental funds made transfers to other enterprise funds, in the amount of \$5 to subsidize operations. Other governmental funds made transfers to other governmental funds, in the amount of \$163,384, to make debt payments as they came due.

Note 18 - Jointly Governed Organizations

A. Mercer County Regional Planning Commission

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

The Commission makes plans and maps of the region showing the Commission's recommendations for systems of transportation, highways, park and recreational facilities, water supply, sewerage and sewage disposal, garbage disposal, civic centers, and other public improvements which affect the development of the region as a whole, or more than one political subdivision within the region and which do not begin and terminate within the boundaries of any single subdivision. During 2017, 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 2017, a tax levy provided \$668,210 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, Preble, Shelby, Union, and Hardin Counties. The Board of Directors is made up of the superintendents from each of these MRDD Boards. West CON is the administrator of supported living programs for each of these Boards of MRDD. The degree of control exercised by any participating government is limited to its representation on the Board. Financial information can be obtained from the West Central Ohio Network, 315 East Court Street, Sidney, Ohio 45365.

Note 18 - Jointly Governed Organizations (continued)

D. West Central Partnership, Inc.

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

E. Grand Lake Saint Marys Lake Facilities Authority

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

Note 19 - Insurance Pools

A. County Commissioners Association of Ohio Service Corporation

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

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

B. Midwest Pool Risk Management Agency, Inc.

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

Note 19 - Insurance Pools (continued)

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

C. Midwest Employee Benefit Consortium

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

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

Note 20 - Related Organizations

A. Mercer County District Library

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

B. Lakefield Airport Authority

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

Although the County has no obligation to provide financial resources to the airport, the County Commissioners have in prior years allocated certain funds to the Airport Authority. In 2017, this allocation was \$40,968.

Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 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.

Note 22 - Subsequent Events

On April 22, 2018, the County authorized the issuance of \$1,034,200 of taxable various purpose bond anticipation notes for the purpose of renewing various purpose bond anticipation notes for ditch improvements and sewer projects.

On August 30, 2018, the County authorized the issuance of \$986,600 of bond anticipation notes for ditch improvements.

MERCER COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Pass Through Subrecipients	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>(Passed through Ohio Department of Job and Family Services)</i>				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1617-11-5551/ G-1819-11-5777	10.561		\$152,152
Total U.S. Department of Agriculture				<u>152,152</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>(Passed through Ohio Development Services Agency)</i>				
Community Development Block Grants/State's Program	B-C-15-1BX-1	14.228		84,844
	B-F-15-1BX-1			371,148
	B-F-16-1BX-1			61,803
Total Community Development Block Grants/State's Program				<u>517,795</u>
Home Investment Partnerships Program	B-C-15-1BX-2	14.239		35,183
Total U.S. Department of Housing and Urban Development				<u>552,978</u>
U.S. DEPARTMENT OF JUSTICE				
<i>(Passed through Ohio Attorney General's Office)</i>				
Crime Victim Assistance	2017VAGENE068	16.575		28,213
	2018VAGENE068			1,634
Total Crime Victim Assistance				<u>29,847</u>
Total U.S. Department of Justice				<u>29,847</u>
U.S. DEPARTMENT OF LABOR				
<i>(Passed through Ohio Department of Job & Family Services)</i>				
WIA/WIOA Cluster:				
WIA/WIOA - Adult Program	N/A	17.258		57,583
WIA/WIOA - Youth Activities	N/A	17.259	\$35,506	57,969
WIA/WIOA - Dislocated Worker Formula Grants	N/A	17.278		313,367
Total WIA/WIOA Cluster				<u>428,919</u>
WIOA National Dislocated Worker Grants/WIA - National Emergency Grants	N/A	17.277		969
Employment Services Cluster				
Employment Service/Wagner-Peyser Funded Activities	N/A	17.207		3,911
Total U.S. Department of Labor/WIA				<u>433,799</u>
U.S. DEPARTMENT OF TRANSPORTATION				
<i>(Passed through Ohio Department of Transportation)</i>				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	PID #89127	20.205		271,156
	PID #89486			1,594,904
	PID #96971			1,170,556
	PID #98672			139,728
	PID #98678			1,307
	PID #103470			7,740
Total Highway Planning and Construction Cluster				<u>3,185,391</u>
<i>(Passed through Ohio Department of Public Safety)</i>				
Highway Safety Cluster:				
State and Community Highway Safety	STEP-2017-54-00-00-00513-00	20.600		10,648
National Priority Safety Programs	IDEP-2017-54-00-00-00366-00	20.616		15,799
Total Highway Safety Cluster				<u>26,447</u>
Total U.S. Department of Transportation				<u>3,211,838</u>
U.S. DEPARTMENT OF EDUCATION				
<i>(Passed through Ohio Department of Developmental Disabilities)</i>				
Special Education - Grants for Infants and Families	N/A	84.181		109,886
Total U.S. Department of Education				<u>109,886</u>

MERCER COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Pass Through Subrecipients	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>(Passed through Ohio Department of Job & Family Services)</i>				
Child Support Enforcement	JFSFCS17	93.563		376,908
	JFSFC17	93.563		<u>60,369</u>
Total Child Support Enforcement				437,277
TANF Cluster:				
Temporary Assistance for Needy Families	JFSFC17	93.558	13,288	583,280
Adoption Assistance	G-1617-11-5551/ G-1819-11-5777	93.659		37,958
Foster Care-Title IV-E	G-1617-11-5551/ G-1819-11-5777	93.658		509,675
Stephanie Tubbs Jones Child Welfare Services Program	G-1617-11-5551/ G-1819-11-5777	93.645		47,557
Promoting Safe and Stable Families	G-1617-11-5551/ G-1819-11-5777	93.556		56,437
CCDF Cluster:				
Child Care and Development Block Grant	G-1617-11-5551/ G-1819-11-5777	93.575		33,268
Chafee Foster Care Independence Program	G-1617-11-5551/ G-1819-11-5777	93.674		7,161
Children's Health Insurance Program	G-1617-11-5551/ G-1819-11-5777	93.767		39,478
<i>(Passed through Ohio Department of Developmental Disabilities)</i>				
Social Services Block Grant	N/A	93.667		22,512
<i>(Passed through Ohio Department of Job & Family Services)</i>				
Social Services Block Grant	G-1617-11-5551/ G-1819-11-5777	93.667		<u>427,328</u>
Total Social Services Block Grant				<u>449,840</u>
<i>(Passed through Ohio Department of Developmental Disabilities)</i>				
<i>Medicaid Cluster:</i>				
Medical Assistance Program	5400015	93.778		110,626
<i>(Passed through Ohio Department of Job & Family Services)</i>				
Medical Assistance Program	G-1617-11-5551/ G-1819-11-5777	93.778		<u>474,812</u>
Total Medical Assistance Program/Medicaid Cluster				<u>585,438</u>
Total U.S. Department of Health and Human Services				<u><u>2,787,369</u></u>
U.S. Department of Homeland Security				
<i>(Passed through Ohio Department of Public Safety)</i>				
Pre-Disaster Mitigation	EMC-2016-PC-0001	97.047		7,125
Emergency Management Performance Grants	EMC-2016-EP-00009-S01	97.042		<u>54,859</u>
Total U.S. Department of Homeland Security				<u><u>61,984</u></u>
U.S. ENVIRONMENTAL PROTECTION AGENCY				
<i>(Passed Through the Ohio Environmental Protection Agency)</i>				
Nonpoint Source Implementation Grants	N/A	66.460		<u>9,528</u>
Total U.S. Environmental Protection Agency				<u><u>9,528</u></u>
Total Expenditures of Federal Awards			<u>\$48,794</u>	<u><u>\$7,349,381</u></u>

The accompanying notes are an integral part of this schedule.

MERCER COUNTY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 C.F.R. 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2017**

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, 2017. 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 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.

NOTE C – INDIRECT COST RATE

The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – 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 E - 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 F - MATCHING REQUIREMENTS

Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

MERCER COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 C.F.R. 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

NOTE G - TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2017, the County made allowable transfers of \$268,555 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 \$583,280 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 2017 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$ 851,835
Transfer to Social Services Block Grant	<u>(268,555)</u>
Total Temporary Assistance for Needy Families	<u>\$ 583,280</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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 30, 2018, wherein we noted the County uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

County's Response to Finding

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the County's response to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

October 30, 2018



Dave Yost • Auditor of State

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

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

To the Board of County Commissioners:

Report on Compliance for each Major Federal Program

We have audited the Mercer County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Mercer County's major federal programs for the year ended December 31, 2017. 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.

Basis for Qualified Opinion on Community Development Block Grants/State's Program

As described in finding 2017-003 in the accompanying schedule of findings, the County did not comply with requirements regarding the following:

Finding #	CFDA#	Program (or Cluster) Name	Compliance Requirement
2017-003	14.228	Community Development Block Grants/State's Program	Cash Management

Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to this program.

Qualified Opinion on Community Development Block Grants/State's Program

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Community Development Block Grants/State's Program* paragraph, Mercer County complied, in all material respects, with the requirements referred to above that could directly and materially affect the Community Development Block Grants/State's Program for the year ended December 31, 2017.

Unmodified Opinion on the Other Major Federal Program

In our opinion, Mercer County complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended December 31, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of findings as item 2017-002. Our opinion on each major federal program is not modified with respect to this matter.

The County's responses to our noncompliance findings are described in the accompanying schedule of findings and corrective action plan. We did not subject the County's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with 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's compliance requirement will not be prevented, or timely detected or corrected. A *significant deficiency in internal over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2017-003.

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

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



Dave Yost
Auditor of State
Columbus, Ohio

October 30, 2018

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MERCER COUNTY
SCHEDULE OF FINDINGS
2 C.F.R. § 200.515
DECEMBER 31, 2017

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2017-001

Noncompliance – Not Reporting in Accordance with GAAP

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

Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the County to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

The County prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38, the County may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the County’s ability to evaluate and monitor the overall financial condition of the County. To help provide the users with more meaningful financial statements, the County should prepare its annual financial statements according to generally accepted accounting principles.

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 managements requirements without substantial additional costs.

3. FINDINGS FOR FEDERAL AWARDS

Noncompliance Citation

Finding Number	2017-002		
CFDA Title and Number	Highway Planning and Construction Cluster – CFDA #20.205		
Federal Award Identification Number / Year	PID# 89127,89486,96971,98672,103470		
Federal Agency	U.S. Department of Transportation		
Compliance Requirement	Other		
Pass-Through Entity	Ohio Department of Transportation		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	

**FINDING NUMBER 2017-002
 (Continued)**

2 C.F.R. § 200.510(b)(3) requires, in part, that the auditee prepare a Schedule of Expenditures of Federal awards for the period covered by the auditee’s financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. The Schedule must include total Federal awards expended for each individual Federal program and for a cluster of programs, provide the cluster name and the total for the cluster.

The County prepared a Schedule of Expenditures of Federal Awards (the Schedule) and Notes to the Schedule of Expenditures of Federal Awards; however, the expenditures for the major federal program Highway Planning and Construction Cluster – CFDA #20.205 were overstated by \$480,452.

We also noted similar errors in certain non-major programs resulting in an understatement of expenditures. The accompanying Schedule has been adjusted to eliminate these errors. These errors did not impact the accompanying financial statements.

The County should implement procedures as part of the preparation of the Schedule of Expenditures of Federal Awards to reduce the risk of inaccurate reporting of federal expenditures and noncompliance with 2 C.F.R. § 200.510(b). The Schedule should be reviewed after preparation and tied to the underlying cash reports of the County for accuracy or other supporting documentation. Failure to do so could result in material misstatements on the Schedule.

Official’s Response:

Mercer County will continue to implement procedures to ensure the schedule is accurate and to work with the departments reporting to obtain documentation.

Material Weakness / Noncompliance

Finding Number	2017-003		
CFDA Title and Number	Community Development Block Grants/State’s Program – CFDA #14.228		
Federal Award Identification Number / Year	B-C-15-1BX-1 B-F-15-1BX-1 B-F-16-1BX-1		
Federal Agency	U.S. Department of Housing and Urban Development		
Compliance Requirement	Cash Management		
Pass-Through Entity	Ohio Development Services Agency		
Repeat Finding from Prior Audit?	No	Finding Number? (if repeat)	N/A

2 C.F.R. § 2400.101 gives regulatory effect to the Department of Housing and Urban Development for **24 C.F.R. § 85.21(c)** and **2 C.F.R. § 200.305(b)(1)** which provides, in part, that grantees and sub-grantees shall be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the grantee, and financial management systems that meet the standards for fund control and accountability as established in this part. Advance payments to a grantee must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the grantee in carrying out the purpose of the approved program or project. **2 C.F.R. § 200.305(b)(5)** states, that to the extent available, the non-Federal entity must disburse funds available from program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments.

**FINDING NUMBER 2017-003
(Continued)**

Ohio Development Services Agency Program Policy Notice: OCD 17-01(A)(2)(f) provides, in part, that the grantee must develop a cash management system to minimize the time elapsed between the funds transfer from OCD and funds disbursed by the grantee, in compliance with 2 C.F.R. § 200.305 – Payment. Implementing the cash management system shall ensure disbursed OCD funds-on-hand balance is less than \$5,000 within 30 days of receiving the funds. Lump sum drawdowns are not permitted.

The Community Development Block Grants (CDBG) B-C-15-1BX-1, B-F-15-1BX-1, B-F-16-1BX-1 all had instances in which the balance of the grant remained greater than \$5,000 thirty days after receipt of advanced funds. There were eight out of sixteen cash draws for the CDBG grants that had a balance in excess of \$5,000 thirty days after receipt of the cash draw. The balances remaining ranged from \$6,330 to \$306,794 and cash was drawn with balances remaining that appeared to be sufficient for the expenditures recorded in the following thirty days. Balances held ranged from thirty days to two months past the thirty days limit.

The draws were made in error due to not having proper monitoring procedures in place to ensure that funds were being properly drawn as needed and spent within the guidance of the grant requirements. Failure to monitor cash and expenditures to meet grant requirements could lead to changes in funding being made available and potential findings regarding interest to be earned and repayment of funds.

The County should develop cash management procedures to monitor the 30-day rule regarding the prompt disbursement of grant funds received and to use available balances and program income revenues before requesting additional grant funds. The County should then submit a Request for Payment for current cash needs and monitor the receipts, disbursements, and balances of the Community Development Block Grant funds to avoid excessive federal fund cash balances.

Official's Response:

Mercer County will continue to work with management to monitor the 30 day rule regarding grant funds.



Mercer County

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 C.F.R. 200.511(b)
December 31, 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	ORC § 117.38 and OAC § 117-2-03(B) – not filing financial report on a GAAP basis	Not Corrected	Repeated as Finding 2017-001



**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2017**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	Mercer County believes that reporting on a GAAP basis is cost prohibitive. Therefore, the County switched to an OCBOA basis of reporting, which meets managements requirements without substantial additional costs.	N/A	Randy Grapner, County Auditor
2017-002	Mercer County will continue to implement procedures to ensure the schedule is accurate and to work with the departments reporting to obtain documentation	N/A	Randy Grapner, County Auditor
2017-003	Mercer County will continue to work with management to monitor the 30 day rule regarding grant funds.	N/A	Randy Grapner, County Auditor



Dave Yost • Auditor of State

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 4, 2018**