

Interest on the Bonds is not excludible from gross income for federal income tax purposes and is not exempt for purposes of Illinois state income taxation. See “TAX MATTERS” herein.

\$6,060,000

**THE MERCER COUNTY PUBLIC BUILDING COMMISSION
MERCER COUNTY, ILLINOIS**

TAXABLE JAIL ADDITION REVENUE BONDS, SERIES 2010

Dated: Date of Delivery

Due: December 1, as shown below

The Bonds are issued pursuant to an Indenture of Trust between the Issuer and U.S. Bank National Association, as Trustee, for the purpose of (i) funding the design, construction, installation and equipping of a 72 bed expansion of the Mercer County Jail owned by the Issuer and operated by Mercer County, Illinois, as well as modifications to the existing jail facility, all as described herein, (ii) funding a reserve fund, (iii) capitalizing the initial interest to accrue on the Bonds and (iv) paying the costs of issuing the Bonds. Capitalized terms used on this cover page have the meanings set forth herein.

The Bonds will be issued in fully registered form and registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will serve as the securities depository for the Bonds. Beneficial Ownership Interests in the Bonds, in non-certificated book-entry only form, may be purchased by or through participants in the DTC system in integral multiples of \$5,000. Beneficial Ownership Interests will be governed as to the payment of debt service requirements, the receipt of notices and other communications, prior redemption, transfers and various other matters in connection with the Bonds by the rules and operating procedures applicable to the DTC book-entry system as described herein.

The Bonds will bear interest at the rates per annum specified below payable on June 1 and December 1 each year, commencing December 1, 2010, and will mature on the dates specified below, subject to redemption prior to maturity as described herein.

MATURITY SCHEDULE

\$800,000 6.00% Term Bonds Due December 1, 2015¹ – Priced at 99.000 to Yield 6.219% – CUSIP® No. 587899 AA3²

\$1,210,000 7.50% Term Bonds Due December 1, 2020¹ – Priced at 99.000 to Yield 7.640% – CUSIP® No. 587899 AB1²

\$1,550,000 8.60% Term Bonds Due December 1, 2025¹ – Priced at 98.730 to Yield 8.750% – CUSIP® No. 587899 AC9²

\$2,500,000 9.10% Term Bonds Due December 1, 2030¹ – Priced at 98.500 to Yield 9.263% – CUSIP® No. 587899 AD7²

¹ Subject to mandatory sinking fund redemption prior to maturity as described herein.

² The Issuer takes no responsibility for the accuracy of the CUSIP® information, which is included solely for the convenience of the purchasers of the Bonds.

The Bonds are special limited obligations of the Issuer payable solely from, and secured by an irrevocable and exclusive first lien on, the Pledged Revenue pledged thereto under the Indenture and all moneys and earnings thereon held in the funds and accounts created by the Indenture (except the Bonds Rebate Fund). The Pledged Revenue will consist primarily of User Fees to be paid by the County pursuant to the Use and Cooperation Agreement for the Mercer County Jail Addition to be entered into by and among the Issuer, the County and the Trustee in respect of the use and operation by the County of the Jail Addition being financed with the proceeds of the Bonds as described herein, together with Subsidy Payments received from the U.S. Treasury in connection with the portion of the Bonds constituting Build America Bonds and any other amounts paid by the County to the Issuer or amounts otherwise received by the Issuer and pledged to the payment of the Bonds. *The User Fees and other amounts payable by the County pursuant to the Use Agreement will constitute currently budgeted expenditures subject to annual appropriation by the County, and therefore the County may elect, prior to the beginning of any Fiscal Year, to terminate its right to continue to occupy, use and operate the Jail Addition pursuant to the Use Agreement.* If the County fails or elects not to appropriate such amounts by the beginning of the Fiscal Year, an Event of Nonappropriation will occur and, if not cured, will result in the termination of the Use Term, whereupon the County will be obligated to vacate or surrender possession of the Jail Addition, and the Trustee will be empowered, among other things, to use and operate the Jail Addition itself or hire or contract with any other person or entity to do so and, with certain limitations, to recover from the County certain monetary damages, as described herein.

The payment of the Bonds is not secured by an encumbrance, mortgage or other pledge of property of the Issuer or the County, except for the Pledged Revenue, and no property of the Issuer or the County, subject to such exception, is liable to be forfeited or taken in payment of the Bonds. The Bonds do not constitute a debt of the Issuer or of any public body within the meaning of any statutory or constitutional limitation as to debt.

AN INVESTMENT IN THE BONDS INVOLVES RISK. This cover page is provided for quick reference only. It is not a summary of this issue. Prospective investors should read this Official Statement in its entirety in order to make an informed investment decision, giving particular attention to “RISKS AND OTHER INVESTMENT CONSIDERATIONS.”

The Bonds are offered when, as and if issued by the Issuer, subject to: prior sale; the approving legal opinion of Peck, Shaffer & Williams LLP, Chicago, Illinois, as Bond Counsel; and certain other conditions. Peck, Shaffer & Williams LLP, Denver, Colorado, has assisted the Issuer in the preparation of this Official Statement. Certain matters will be passed upon for the Issuer by Califf & Harper, P.C., Moline, Illinois, as general counsel to the Issuer; and for the County by the State’s Attorney for the County. It is expected that the Bonds will be available for delivery on or about June 29, 2010.



PRELIMINARY NOTICES

This Official Statement does not constitute an offer to sell the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer. No dealer, salesman or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Issuer or any other person. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

The information contained in this Official Statement has been obtained from sources deemed to be reliable. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information, and this Official Statement is not to be construed as the promise or guarantee of the Underwriter.

The order and placement of materials in this Official Statement, including the appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections of this Official Statement. The offering of the Bonds is made only by means of this entire Official Statement.

This Official Statement is submitted in connection with the initial offering and sale of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose.

Neither the Securities and Exchange Commission nor any state securities regulatory authority has approved or disapproved of the Bonds or passed upon the adequacy or accuracy of this Official Statement. Any representation to the contrary is a criminal offense.

IT IS EXPECTED THAT PROSPECTIVE INVESTORS WILL CONDUCT AN INDEPENDENT INVESTIGATION OF THE LEGAL AND FINANCIAL ASPECTS OF THE BONDS IN ORDER TO DETERMINE WHETHER AN INVESTMENT IN THE BONDS IS CONSISTENT WITH THEIR INVESTMENT OBJECTIVES. PROSPECTIVE INVESTORS SHOULD READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY, INCLUDING THE APPENDICES, IN ORDER TO MAKE AN INFORMED INVESTMENT DECISION.

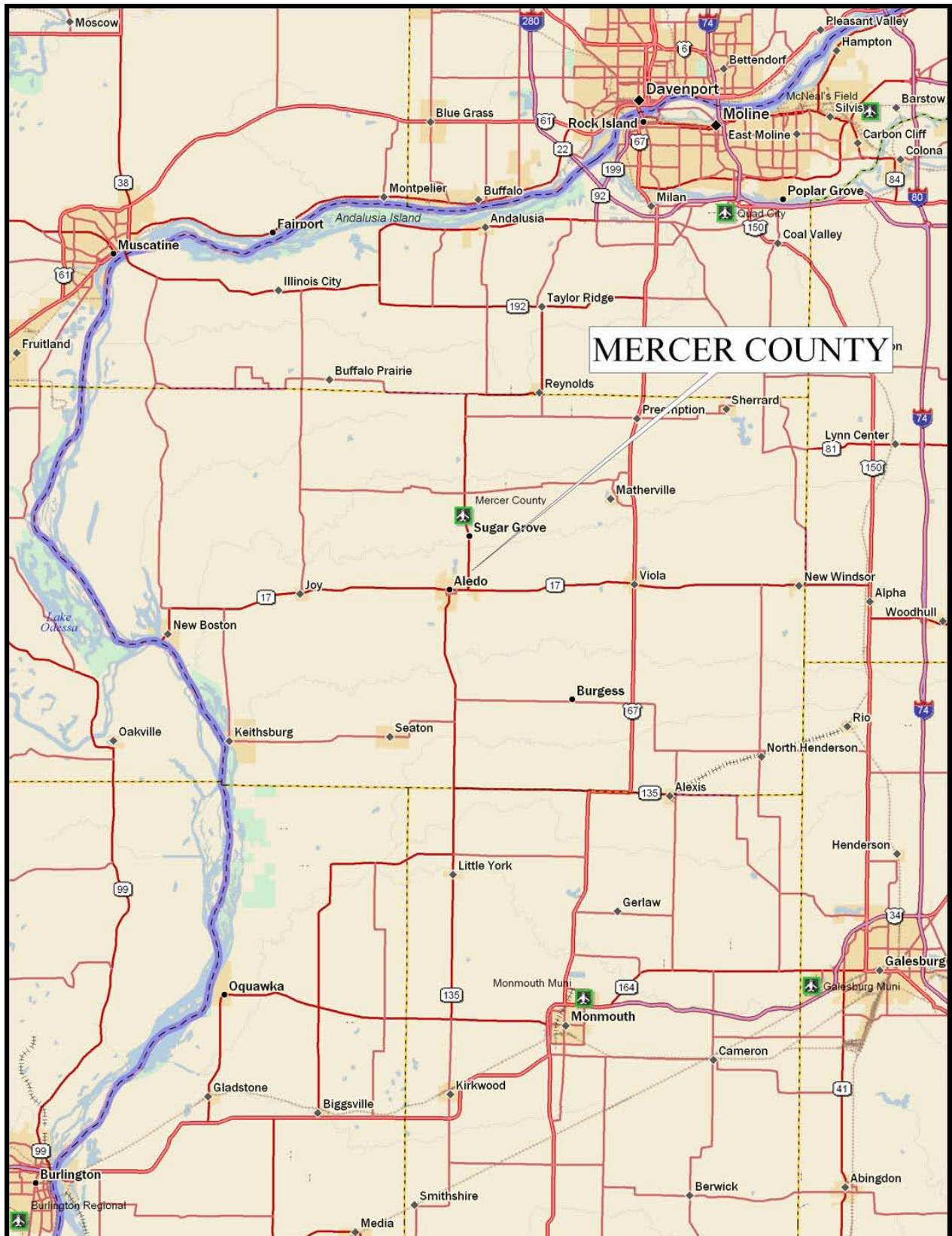
THE TRUSTEE ASSUMES NO RESPONSIBILITY FOR THIS OFFICIAL STATEMENT AND HAS NOT REVIEWED OR UNDERTAKEN TO VERIFY ANY INFORMATION CONTAINED HEREIN.

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VICINITY MAP



OFFICIAL STATEMENT

Relating to

\$6,060,000

THE MERCER COUNTY PUBLIC BUILDING COMMISSION

MERCER COUNTY, ILLINOIS

TAXABLE JAIL ADDITION REVENUE BONDS, SERIES 2010

INTRODUCTION

This Official Statement provides information in connection with the offering, issuance and sale by The Mercer County Public Building Commission, Mercer County, Illinois (the “Issuer”), of \$6,060,000 in aggregate principal amount of Taxable Jail Addition Revenue Bonds, Series 2010 (the “Bonds”). Unless otherwise defined herein, capitalized terms used herein are defined in “APPENDIX A – GLOSSARY OF TERMS.”

The Bonds were offered initially pursuant to a Preliminary Private Placement Memorandum dated May 18, 2010, and were planned to be sold by the Issuer directly to investors with Municipal Capital Markets Group, Inc., Greenwood Village, Colorado, serving in the capacity as placement agent (the “Placement Agent”). In the course of marketing the Bonds it was determined that the Placement Agent would instead purchase the Bonds from the Issuer as underwriter (the “Underwriter”) and resell the Bonds to investors. As a result of this change, the name of this offering document has been changed to an Official Statement, all references herein to the Placement Agent have been changed to Underwriter and the description of the means of offering the Bonds has been revised accordingly. This Official Statement also contains certain other information that was not available for inclusion or differs from that in the Preliminary Private Placement Memorandum, including, without limitation, the interest rates, prices, yields and CUSIP® numbers of the Bonds, the estimated application of the proceeds of the Bonds, the purchase price for the Bonds to be paid by the Underwriter and certain other information related to or dependent upon the foregoing, as well as the information that is required to be disclosed annually pursuant to the Continuing Disclosure Agreement (as defined herein). In addition, a special optional redemption provision has been added, the prepayment option under the Use Agreement (as defined herein) has been modified and the average daily population of the Original Jail (as defined herein) has been updated through May 2010. Accordingly, purchasers of the Bonds should read this Official Statement in its entirety.

The Issuer

The Issuer of the Bonds is The Mercer County Public Building Commission, a municipal corporation of the State of Illinois (the “State”) duly organized and existing under the laws of the State, including particularly the Public Building Commission Act, being Section 50, Subsection 20/1, *et seq.*, of the Illinois Compiled Statutes (“ILCS”), for the purpose, among other things, of providing in good and sufficient repair a jail facility for the use and operation of the County of Mercer, Illinois (“Mercer County” or the “County”). See “THE MERCER COUNTY JAIL” and the “THE ISSUER.”

The County

Mercer County is a body politic and corporate and a political subdivision of the State. It is one of the State’s 102 counties, encompassing approximately 561 square miles of primarily agricultural property located in the west central portion of the State bordering the Mississippi River. The estimated population

of the County as of July 1, 2009, was 16,276 residents. The principal municipalities in the County are the City of Aledo, which is the County Seat, and the Village of Viola. See the “VICINITY MAP” in the forepart of this Official Statement.

The County possesses general governmental powers under State law, and pursuant thereto provides a broad range of services to its citizens, including general government, public safety, corrections, judiciary, road and bridge, health and public welfare and social services. The County also collects and distributes property taxes for the various taxing authorities within the County. See “APPENDIX D – THE COUNTY” and “APPENDIX E – COUNTY FISCAL YEAR 2008 ANNUAL FINANCIAL REPORT.”

The Mercer County Jail, the Project and the Use Agreement

The County currently operates a 30 bed jail (the “Mercer County Jail” or the “Original Jail”) located in Aledo, Illinois. The Original Jail comprises a portion of a 9,838 square foot building owned by the Issuer (the “Original Jail Building”). Also located in the Original Jail Building are the County Sheriff’s offices and the County’s emergency 911 dispatch center. The County currently leases the Original Jail Building and the site thereof (the “Site”) from the Issuer. This lease will be cancelled in connection with this financing, and thereafter the County will continue to use and operate the Original Jail Building pursuant to an operating agreement to be entered into with the Issuer. See “THE MERCER COUNTY JAIL.”

The County has determined to expand the capacity of the Original Jail by 72 beds (the “Jail Addition”) and to make certain modifications to the Original Jail Building. On the date of issuance and delivery of the Bonds (the “Closing Date”), the Issuer, the County and the Trustee will enter into a “Use and Cooperation Agreement for the Mercer County Jail Addition” (the “Use Agreement”), pursuant to which the Issuer will agree to issue the Bonds to fund the design, acquisition, construction, installation and equipping of these improvements (the “Project”) and cause the Project to be completed. The County will in turn have the right to use and operate the Jail Addition for a term (the “Use Term”) extending through November 30, 2030, unless sooner terminated as provided in the Use Agreement, for which the Issuer will be obligated to pay user fees (the “User Fees”) to the Issuer on the dates and in the amounts sufficient to pay the principal of and interest on the Bonds when due, as well as the costs of operating and maintaining the Jail Addition and certain administrative costs and expenses associated with the Use Agreement, the Jail Addition and this financing (the “Additional Expenses”). The Issuer will assign its right to receive the User Fees and certain of the Additional Expenses, as well as its other rights under the Use Agreement, with the exception of certain reserved rights, to the Trustee for the benefit of the registered owners of the Bonds (the “Owners”). See “THE MERCER COUNTY JAIL,” “APPLICATION OF BOND PROCEEDS; THE PROJECT – The Project,” “USER FEES AND OTHER PLEDGED REVENUE” and “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENT.”

The County may elect to prepay the User Fees, in whole (and thereby terminate the Use Agreement) or in part, by paying an amount (the “Prepayment Option Price”) equal to the redemption price of the Bonds on the related redemption date thereof, as discussed in “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENT – Prepayment Option.” See also “THE BONDS – Redemption Prior to Maturity.”

The obligations of the County under the Use Agreement are payable from the general resources of the County, although the County plans to fund such obligations with revenues generated from the rental of excess inmate beds in the Mercer County Jail on a per diem basis as discussed in “THE MERCER COUNTY JAIL.” Such revenues are not, however, pledged to the payment of the County’s obligations.

*Payment by the County of User Fees and Additional Expenses will constitute currently budgeted expenditures subject to the annual appropriation of such amounts by the County, and therefore the County may elect, prior to the beginning of any Fiscal Year, to terminate the Use Term and its right to continue to occupy, use and operate the Jail Addition pursuant to the Use Agreement. In the event that the governing body of the County (the “Mercer County Board” or the “County Board”) fails or elects not to budget and appropriate, on or before November 30th of each Fiscal Year, moneys to pay all User Fees and the reasonably estimated Additional Expenses coming due for the ensuing Fiscal Year (December 1 through November 30), an “Event of Nonappropriation” will occur which, if not cured, will result in the termination of the Use Term, whereupon the County will be obligated to vacate or surrender possession of the Jail Addition by December 1 of the Fiscal Year in respect of which the Event of Nonappropriation occurs. The Use Term may also be terminated, and the Jail Addition vacated by the County, upon the occurrence of an event of default thereunder (a “Use Agreement Default”). In either event, the Trustee will be empowered, among other things, to use and operate the Jail Addition itself or hire or contract with any other person or entity to do so and, with certain limitations, to recover from the County certain monetary damages. The Jail Addition has been designed so that it may be generally isolated from and operated independently of the Original Jail, although some common use and retrofitting of the Original Jail would be required. The County, the Issuer and the Trustee covenant and agree in the Use Agreement to cooperate with each other in the independent operations of the Original Jail and the Jail Addition following the termination of the Use Term, which covenant will both survive the termination of the Use Term. See “THE MERCER COUNTY JAIL,” “APPLICATION OF BOND PROCEEDS; THE PROJECT – The Project” and “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENT – Payments by the County – Other Covenants and Agreements – *Agreement to Cooperate Upon the Occurrence of a Use Agreement Default or Event of Nonappropriation* – Events of Default and Remedies – *Remedies* – *Limitations on Remedies*.”*

The Bonds

Authorization. The Bonds are being issued in accordance with the constitution and laws of the State, particularly the Public Building Commission Act, and pursuant to a resolution (the “Authorizing Resolution”) adopted by the Issuer’s Board of Commissioners (the “Issuer Board”) and an Indenture of Trust (the “Indenture”) to be entered into between the Issuer and U.S. Bank National Association, Chicago, Illinois, as trustee (the “Trustee”). The Trustee will also perform the functions of paying agent and registrar for the Bonds. See “THE BONDS.”

Purpose. The Bonds are being issued for the purpose of (i) funding the Project, (ii) funding the “Reserve Fund” established by the Indenture, (iii) capitalizing the initial interest to accrue on the Bonds and (iv) paying the costs of issuing the Bonds, all as described in “APPLICATION OF BOND PROCEEDS; THE PROJECT.”

General Provisions. The Bonds will be dated the Closing Date, and will bear interest, mature and be subject to redemption prior to maturity as described on the cover page hereof and in “THE BONDS.”

Book-Entry Only Registration. The Bonds will be issued in fully registered form and registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will serve as securities depository for the Bonds. Ownership interests in the Bonds (“Beneficial Ownership Interests”), in non-certificated book-entry only form, may be purchased in integral multiples of \$5,000 (“Authorized Denominations”) by or through participants in the DTC system (“DTC Participants”). Beneficial Ownership Interests will be recorded in the name of the purchasers thereof (“Beneficial Owners”) on the books of the DTC Participants from whom they are acquired, and will be governed as to payment, prior redemption, transfers, the receipt of notices and other communications with respect to the Bonds and various other matters by the rules and operating

procedures applicable to the DTC book-entry system as described in “THE BONDS – General Provisions” and “APPENDIX F – DTC BOOK-ENTRY SYSTEM.” References herein to the registered owners of the Bonds (the “Owners”) mean Cede & Co. or such other nominee as may be designated by DTC, and not the Beneficial Owners.

Security and Sources of Payment for the Bonds

Limited Obligations. The Bonds are special limited obligations of the Issuer payable solely from and to the extent of, and secured by an irrevocable and exclusive first lien on, the revenues pledged thereto under the Indenture (the “Pledged Revenue”) and all moneys and earnings thereon held in the Funds and Accounts created by the Indenture, except the Bonds Rebate Fund (the “Rebate Fund”). The Pledged Revenue is pledged by the Issuer to the payment of the Bonds.

The Pledged Revenue will consist primarily of the User Fees paid by the County for the use and operation of the Jail Addition, and will also include any Subsidy Payments received by the Issuer from the U.S. Treasury as described in “Tax Matters – *Build America Bonds*” below and any other amounts paid by the County to the Issuer or amounts otherwise received by the Issuer and pledged to the payment of the principal of, premium, if any, and interest on the Bonds, including any accrued but unpaid amounts and interest due as a result of compounding (the “Debt Service Requirements”). The Pledged Revenue is to be deposited by the Issuer with the Trustee for deposit in the Revenue Fund and thereafter disbursed by the Trustee to the “Bond Payment Fund” established by the Indenture to pay the Bonds or, if necessary, to replenish the Reserve Fund.

The payment of the Bonds is not secured by an encumbrance, mortgage or other pledge of property of the Issuer or the County, except for the Pledged Revenue, and no property of the Issuer or the County, subject to such exception, is liable to be forfeited or taken in payment of the Bonds. The Bonds do not constitute a debt of the Issuer or of any public body within the meaning of any statutory or constitutional limitation as to debt.

See generally “SECURITY AND SOURCES OF PAYMENT,” “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENT,” “APPENDIX D – THE COUNTY” and “APPENDIX E – COUNTY FISCAL YEAR 2008 ANNUAL FINANCIAL REPORT.”

The Reserve Fund. The Indenture also establishes the Reserve Fund to be held and maintained by the Trustee. During the Use Term, moneys in the Reserve Fund is to be used by the Trustee to pay the Debt Service Requirements with respect to the Bonds if and to the extent of an insufficiency of moneys available therefor in the Bond Payment Fund. *However, upon termination of the Use Term for any reason other than prepayment of the Prepayment Option Price or payment in full or other defeasance of all the outstanding Bonds, moneys in the Reserve Fund may be used, at the direction of the Owner of more than 50% of the then outstanding Bonds (the “Majority Owner”), either (i) to pay the Debt Service Requirements with respect to the Bonds if and to the extent of an insufficiency of moneys available therefor in the Bond Payment Fund, or (ii) to pay the operating expenses in connection with the Jail Addition.*

The Reserve Fund will be fully funded in the amount of \$440,000 (the “Maximum Required Reserve”) on the Closing Date from the proceeds of the Bonds and during the Use Term is to be maintained in such amount. Disbursements from the Reserve Fund following the termination of the Use Term are not required to be replenished. See “APPLICATION OF BOND PROCEEDS; THE PROJECT – Estimated Application of Bond Proceeds” and “SECURITY AND SOURCES OF PAYMENT – The Reserve Fund.”

Legal Matters

Peck, Shaffer & Williams LLP, Chicago, Illinois, is serving as bond counsel (“Bond Counsel”) in connection with the offering and issuance of the Bonds and will deliver its opinion substantially in the form appended to this Official Statement. Peck, Shaffer & Williams LLP, Denver, Colorado, has assisted the Issuer in the preparation of this Official Statement. Certain matters will be passed upon for the Issuer by Califf & Harper, P.C., Moline, Illinois, as general counsel to the Issuer; and for the County by the State’s Attorney for Mercer County. See “LEGAL MATTERS.”

Tax Matters

General. Interest on the Bonds is not excludible from gross income for federal income tax purposes and is not exempt for purposes of Illinois state income taxation. See “TAX MATTERS” and “APPENDIX H – FORM OF OPINION OF BOND COUNSEL.”

Build America Bonds. A portion of the Bonds will be issued as “Qualified Build America Bonds,” and a portion of the Bonds will be issued as “Recovery Zone Economic Development Bonds,” under the American Recovery and Reinvestment Act of 2009 (“Recovery Act”), the credits with respect to which will to be payable to the Issuer, and not available as tax credits to the Beneficial Owners of the Bonds.

As part of the Recovery Act, Congress added Sections 54AA and 6431 to the Internal Revenue Code of 1986, as amended (the “Federal Tax Code”), which permits states and local governments to issue two types of taxable obligations, referred to as “Build America Bonds,” with federal subsidies to offset a portion of their interest costs, as an alternative to issuing traditional tax-exempt obligations. Interest on Build America Bonds is includable in gross income for federal income tax purposes.

In order to qualify as Build America Bonds, the obligations must comply with certain requirements specified in the Federal Tax Code. If the Build America Bonds comply with certain additional requirements specified in the Federal Tax Code, such obligations may constitute “Qualified Bonds” under Section 54AA of the Federal Tax Code, and upon compliance by the issuer of the Qualified Bonds with certain procedural requirements provided in the Federal Tax Code and Treasury Regulations, an amount equal to 35% of the taxable interest payable on such Qualified Bonds (“Qualified Bonds Credit Payments”) is payable to the issuer by the U.S. Treasury. This direct payment to the issuer is in lieu of the tax credits otherwise allowed to owners of Build America Bonds under Section 54AA of the Federal Tax Code.

Build America Bonds may also qualify as Recovery Zone Economic Development Bonds (“RZEDBs”) under Section 1400U-2 of the Federal Tax Code if: (i) the Available Project Proceeds (as defined in the Recovery Act), less amounts deposited in a reasonably required reserve, are to be used for one or more “qualified economic development purposes”; (ii) the issuer of the Build America Bonds designates the obligations as RZEDBs; and (iii) the aggregate amount of RZEDBs designated by the issuer does not exceed the amount of such bonds allocated to the issuer under Section 1400U-1 of the Federal Tax Code. A qualified economic development purpose is any expenditure for purposes of promoting development or other economic activity in a “Recovery Zone,” including: (i) capital expenditures paid or incurred with respect to property located in such zone; (ii) expenditures for public infrastructure and construction of public facilities; and (iii) expenditures for job training and educational programs. A Recovery Zone is any area designated by the issuer as having significant poverty, unemployment, rate of home foreclosures, or general distress, any area designated by the issuer as economically distressed by reason of the closure or realignment of a military installation pursuant to the Defense Base Closure and Realignment Act of 1990, or any area currently designated as an empowerment zone or renewal community. Upon compliance by the issuer of the RZEDBs with certain procedural

requirements provided in the Federal Tax Code and Treasury Regulations, an amount equal to 45% of the taxable interest payable on such RZEDBs (“RZEDBs Credit Payments”) is payable to the issuer by the U.S. Treasury.

The Issuer has made an irrevocable election to designate \$5,416,000 in principal amount of the Bonds as Qualified Bonds, consisting of \$570,000 in principal amount of the Bonds maturing in 2015, all of the Bonds maturing in 2020 and 2025 and \$2,086,000 in principal amount of the Bonds maturing in 2030. The Issuer has also designated the entire County as a Recovery Zone and has made an irrevocable election to designate \$414,000 in principal amount of the Bonds as RZEDBs, consisting of a portion of the Bonds maturing in 2030. The Issuer intends to apply for Qualified Bonds Credit Payments and RZEDBs Credit Payments (together, “Subsidy Payments”) with respect to such Qualified Bonds and RZEDBs, respectively, pursuant to Section 6431 of the Federal Tax Code. The Subsidy Payments are to be deposited to the credit of the Revenue Fund and may thereupon be used for the purposes as discussed in “SECURITY AND SOURCES OF PAYMENT – The Revenue Fund; Flow of Funds.” *The Qualified Bonds Credit Payments will be paid to the Issuer only to the extent that the portion of the Bonds designated as Qualified Bonds remain Qualified Bonds, and the RZEDBs Credit Payments will be paid to the Issuer only to the extent that the portion of the Bonds designated as RZEDBs remain RZEDBs, which requires the Issuer to comply with certain covenants and to establish certain facts and expectations with respect to the Bonds, the use and investment of proceeds thereof and the use of property financed thereby.* See “APPENDIX B – ADDITIONAL PROVISIONS OF THE INDENTURE – Tax Matters – Covenants.” Subsidy Payments may also be subject to offset against certain amounts that may, for unrelated reasons, be owed by the Issuer to an agency of the United States of America.

The balance of the Bonds, in the principal amount of \$230,000, do not constitute Build America Bonds, and the Issuer will not be entitled to any subsidy payments from the U.S. Treasury with respect to such Bonds.

Investment Considerations

AN INVESTMENT IN THE BONDS INVOLVES RISK. Prospective purchasers should read this Official Statement in its entirety, including the appendices, giving particular attention to the matters discussed in “RISKS AND OTHER INVESTMENT CONSIDERATIONS,” in order to make an informed investment decision.

IT IS EXPECTED THAT PROSPECTIVE INVESTORS WILL CONDUCT AN INDEPENDENT INVESTIGATION OF THE LEGAL AND FINANCIAL ASPECTS OF THE BONDS IN ORDER TO DETERMINE WHETHER AN INVESTMENT IN THE BONDS IS CONSISTENT WITH THEIR INVESTMENT OBJECTIVES.

Continuing Disclosure

Pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, which prohibits underwriters from purchasing or selling certain municipal securities unless the issuers of those securities agree to provide continuing disclosure information for the benefit of the owners of those securities, the Issuer, the County and the Trustee will enter into a “Continuing Disclosure Agreement” in which the Issuer will agree to provide or cause to be provided annually to the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system certain financial information and operating data concerning the Issuer, the Jail Addition, the Use Agreement and the County, as an “obligated person” with respect to the Bonds, and to provide contemporaneous notice of certain enumerated events, if determined to be material. See “CONTINUING DISCLOSURE” and “APPENDIX G – FORM OF CONTINUING DISCLOSURE AGREEMENT” for a description of the annual information and the notices of material

events to be provided and other terms of the Continuing Disclosure Agreement, as well as “APPENDIX B – SUMMARY OF ADDITIONAL PROVISIONS OF THE INDENTURE – Additional General Covenants” and “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENT – Other Covenants and Agreements – *Compliance with the Continuing Disclosure Agreement*”

Additional Information

This Official Statement includes financial and other information concerning the Issuer and the County, as well as descriptions of the Bonds, the Indenture and the Use Agreement. The descriptions of documents in this Official Statement do not purport to be definitive or comprehensive, and all references to those documents are qualified in their entirety by reference to those documents. Copies of documents not appended hereto are available from the Issuer. During the period of the initial offering of the Bonds, copies of such documents will also be available from the Underwriter.

Additional information and copies of the documents referred to herein are available from the Issuer at The Mercer County Public Building Commission, c/o Karla C. Steele, Califf & Harper, P.C., 506 15th Street, Suite 600, Moline, Illinois 61265, telephone (309) 764-8300; or from the Underwriter at Municipal Capital Markets Group, Inc., 8400 E. Prentice Avenue, Suite 500, Greenwood Village, Colorado 80111, telephone (303) 779-4900.

Forward Looking Statements

This Official Statement contains statements relating to future results that are “forward looking statements” as defined in the federal Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect,” “assume” and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. See also “RISKS AND OTHER INVESTMENT CONSIDERATIONS” and “FORWARD LOOKING STATEMENTS.”

Miscellaneous

The cover page, prefatory information and appendices to this Official Statement are integral parts hereof and must be read together with all other parts of this Official Statement.

Information contained herein has been obtained from officers, employees and records of the Issuer and the County and from other sources believed to be reliable. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder is under any circumstances intended to create an implication that there has been no change in the affairs of the Issuer or the County since the date hereof.

In accordance with its responsibilities under the federal securities laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness.

This Official Statement is not to be construed as a contract or agreement between the Issuer, the Issuer or the Underwriter and the Owners or Beneficial Owners of any of the Bonds.

THE FOREGOING INFORMATION IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE DETAILED INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT. EACH PROSPECTIVE INVESTOR SHOULD READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY.

THE MERCER COUNTY JAIL

The Original Jail Building, known as the Mercer County Jail, is located at 906 SW 3rd Street in Aledo, Illinois, the County Seat. The facility was constructed in 1988 and consists of a one-story slab-on-grade building encompassing 9,838 square feet located on a 1.32 acre Site. The building serves primarily as the County jail, and also contains offices for the County Sheriff's Office as well as the County's emergency 911 dispatch center. The Original Jail is the only detention facility in the County. The nearest other detention facility is located approximately 20 miles away in the Town of Monmouth in neighboring Warren County, Illinois.

The Original Jail is used to house all sentenced and arrested County prisoners, as well as federal prisoners in transit or awaiting trial. It includes 15 cells, adjacent day rooms and ancillary facilities such as inmate visitation, control, booking, kitchen, laundry, work release and activity rooms, a sally port, offices and storage areas. The Original Jail has a design capacity of 36 inmates, is generally at or in excess of this capacity and has on occasion housed as many as 50 inmates. Because prisoners must be segregated by sex, age and security risk, the limited number of cells often creates logistical and overcrowding issues.

The following table sets forth the average daily population of inmates held in the Original Jail since 2005. The figures do not include prisoners that are not in residence due to work-release programs and prisoners released on bail on the day of being booked.

Average Daily Population of the Original Jail
(Rounded)

<u>Year</u>	<u>Total Inmates</u>	<u>County Inmates</u>	<u>Federal Inmates</u>
2005	30	8	22
2006	35	10	25
2007	39	15	24
2008	36	13	23
2009	40	17	23
2010 ¹	49	25	24

¹ Through May 2010.

Source: Mercer County Sheriff's Office

The County Board and the County Sheriff have proposed to expand the Original Jail by the addition of 72 beds and ancillary support facilities. See "APPLICATION OF BOND PROCEEDS; THE PROJECT – The Project." The Jail Addition has been designed to add the maximum number of inmate beds that can be accommodated in a single floor facility on the existing Site rather than on a specific need basis. As a result, the Jail Addition will provide substantially more inmate beds than the County currently requires. While the County has a direct need for some of the additional beds, the County plans to make its excess capacity available on a per diem basis to other jurisdictions both in Illinois and Iowa, as well as to the U.S. Marshals Service, with which the County has an open-ended contract for the detention of federal prisoners and material witnesses. The current per diem rate paid by the U.S. Marshals Service, which is based on actual and allowable costs associated with the operation of the Original Jail, is \$50. However, the County plans to request an increase in this per diem rate, as permitted in the agreement, to not less than \$60. The County Board and County Sheriff believe at this per diem rate the Jail Addition can be self-supporting (after credits against User Fees for interest earned on the investment of the Reserve Fund and the receipt of Subsidy Payments, and without the need to apply general County resources) from the average daily rental of 39 beds. See "SECURITY AND SOURCES OF PAYMENT – The Pledged Revenue and the Use Agreement."

The Original Jail is currently staffed by eight full time and three part time correctional officers, including the Jail Administrator, and other Sheriff's Office are being cross trained to provide additional part time support if needed. Upon completion of the Jail Addition, four additional corrections officers are expected to be required.

The County originally held fee simple title to the Original Jail Building and the Site thereof. In 1987, the County conveyed the Original Jail Building and the Site to the Issuer with a reverter provision, and in turn entered into a non-cancelable lease agreement (the "Original Jail Lease") to lease the property from the Issuer. The Original Jail Lease has been amended and extended several times, including the addition thereto of the County's Jail Annex and the County Courthouse, with the current lease term expiring on December 1, 2011. The County provides for the levy and collection of a direct annual tax sufficient to pay the annual lease payments under the Original Jail Lease. Rental payments are equal to the amount collected from the public building lease tax levy set by the County. In connection with this financing, the Original Jail Building and the lot upon which it is located will be released from the Original Jail Lease, and thereafter the County will continue to use and operate the Original Jail Building pursuant to an operating agreement expected to be entered into with the Issuer. *Any amounts payable by the County pursuant to an operating agreement for the Original Jail will not constitute Pledged Revenue.*

APPLICATION OF BOND PROCEEDS; THE PROJECT

General

The Bonds are being issued for the purpose of funding the Project, funding the Reserve Fund, capitalizing the initial interest to accrue on the Bonds and paying the costs of issuing the Bonds.

The Project

A portion of the proceeds of the Bonds will be applied to fund the design, construction, installation and equipping of an addition to the Original Jail Building encompassing 13,397 square feet of space with cells on one level with a mezzanine. The Jail Addition will include 36 cells for two inmates each (72 beds total) with adjacent day rooms, a new vehicular sally port, intake/booking area, two holding cells, master control room and exercise room. The Project will also include certain modifications to the Original Jail Building, including expansion of the kitchen and laundry, rearrangement of the staff offices, construction of a storage room for the kitchen and an expansion of inmate visitation to include video visitation.

Both the Original Jail Building and the Jail Addition will be fully protected by a fire suppression system. Security electronics will be combined into a new head-in room with control of all existing and new doors and cameras from the new master control room. The current control/dispatch area will become the backup location for master control and can be run independently if needed, although all of the head-in equipment will be located in the Original Jail Building.

The Jail Addition will be physically connected to the Original Jail Building by two corridors and doorways. The Jail Addition will also have its own exterior access door. Thus, the Jail Addition may be generally isolated from and operated independently of the Original Jail Building if desired, although some common use and retrofitting of the Original Jail Building would be required. For example, joint use of the kitchen, laundry and visitation areas would be necessary, and emergency egress from the Original Jail Building through the Jail Addition would need to be maintained for fire safety reasons. In addition, the existing sally port and booking area in the Original Jail Building would need to be put back in operation or an arrangement made for joint use of the new facilities in the Jail Addition. The County, the Issuer and the Trustee covenant and agree in the Use Agreement to cooperate with each other in the independent

operations of the Original Jail and the Jail Addition following the termination of the Use Term, which covenant will both survive the termination of the Use Term. See “THE MERCER COUNTY JAIL” and “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENT – Other Covenants and Agreements – *Agreement to Cooperate Upon the Occurrence of a Use Agreement Default or Event of Nonappropriation.*”

The Issuer agrees in the Use Agreement to cause the Project to be acquired, constructed and installed with reasonable dispatch, but in any event not later than three years from the Closing Date (the “Required Completion Date”); to enter into the necessary contracts for the acquisition, construction and installation of the Project (“Project Contracts”) and assign its interests in such Project Contracts directly to the Trustee, as the Issuer’s assignee; and to make all other contracts, take all other actions and do all things reasonably necessary for the acquisition, construction and installation of the Project and, in connection therewith, to comply with all applicable provisions of State and local law. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENT – Acquisition, Construction and Installation of the Project.”

The Project has been designed by Downing Architects, P.C., Bettendorf, Iowa, and Durrant Architects, Des Moines, Iowa. The construction contract for the Project was competitively bid, has been awarded contingent upon receipt of the proceeds of this offering and will be secured by a performance and completion bond for the full amount thereof. Construction of the Project is expected to commence in June of 2010 and take approximately 12 months to complete.

The Project Fund

General. The Indenture establishes the Bonds Project Fund (the “Project Fund”), which is to be held and maintained by the Trustee in accordance with the provisions of the Indenture. A portion of the proceeds of the Bonds will be deposited in the Project Fund on the Closing Date. Except as otherwise described below, amounts on deposit in the Project Fund are to be applied solely to pay Project Costs, which are defined in the Indenture as the Issuer’s costs properly attributable to the Project or any part thereof, including, without limitation: (a) the costs of labor and materials, of machinery, furnishings and equipment and of the restoration of property damaged or destroyed in connection with construction work; (b) the costs of insurance premiums, indemnity and fidelity bonds, financing charges, bank fees, taxes or other municipal or governmental charges lawfully levied or assessed; (c) administrative and general overhead costs; (d) the costs of reimbursing funds advanced by the Issuer in anticipation of reimbursement from proceeds of the Bonds, including any intrafund or interfund loan, provided that such reimbursements are in compliance with reimbursement regulations promulgated by the Internal Revenue Service under the Federal Tax Code; (e) the costs of surveys, appraisals, plans, designs, specifications and estimates; (f) the costs, fees and expenses of printers, engineers, architects, financial consultants, legal advisors or other agents or employees; (g) the costs of publishing, reproducing, posting, mailing or recording documents; (h) the costs of contingencies or reserves; (i) the costs of issuing the Bonds; (j) the costs of paying permissible capitalized interest on the Bonds; (k) the costs of repaying any short-term financing, construction loans and other temporary loans, and of the incidental expenses incurred by the Issuer in connection with such loans; (l) the costs of acquiring any property, rights, easements, licenses, privileges, agreements and franchises; (m) the costs of demolition, removal and relocation; and (n) all other lawful costs as determined by the Issuer Board.

Costs of Issuance. The Trustee is to disburse from the Project Fund the costs of issuance of the Bonds as directed by a written certificate of the Chairman of the Issuer.

Other Project Costs. So long as no Event of Default under the Indenture (an “Indenture Default”) occurs and is continuing, the Trustee is also to disburse funds from the Project Fund for the Project in accordance with requisitions signed by an Issuer Representative (as defined in “APPENDIX A

– GLOSSARY OF TERMS”), which may be the Issuer’s accountant, in substantially the form and containing the supporting information provided in the Indenture. Upon the receipt by the Trustee of a “Certificate of Final Completion” indicating that all Project Costs have been paid, any balance remaining in the Project Fund is to be credited to the Revenue Fund, whereupon the Project Fund will be terminated. Upon the occurrence and continuance of an Indenture Default, the Trustee is to cease disbursing moneys from the Project Fund and instead apply such moneys in the manner discussed in “APPENDIX B – ADDITIONAL PROVISIONS OF THE INDENTURE – Defaults and Remedies.”

Investment of Moneys in the Project Fund. Moneys credited to the Project Fund may be deposited or invested, at the request and direction of the Issuer Representative, only in deposits or investments that the Issuer is permitted to make under State law (“Permitted Investments”), subject to the tax covenants in the Indenture. Except to the extent otherwise required by such covenants, all earnings from the investment or reinvestment of moneys credited to the Project Fund are to be credited to such Fund. See “APPENDIX B – ADDITIONAL PROVISIONS OF THE INDENTURE – Investment of Funds and Accounts – Tax Matters.”

Estimated Application of Bond Proceeds

The following table sets forth the estimated application of the proceeds of the Bonds.

Estimated Application of Bond Proceeds

(Rounded)

Sources:

Principal amount of the Bonds	\$6,060,000
Less original issue discount	<u>(77,285)</u>
Total sources	<u>\$5,982,715</u>

Uses:

Costs of the Project ¹	\$4,792,472
Deposit to the Reserve Fund ²	440,000
Capitalized Interest ³	441,000
Costs of issuance ⁴	<u>309,243</u>
Total uses	<u>\$5,982,715</u>

¹ Interest earned on amounts deposited to the Project Fund, estimated to be approximately \$7,528, will also be applied to Project Costs.

² This amount constitutes the Maximum Required Reserve. See “SECURITY AND SOURCES OF PAYMENT – The Reserve Fund.”

³ This amount, constituting approximately 17 months of interest on the Bonds, will be deposited in the Interest Account of the Bond Payment Fund and disbursed to pay the initial interest to accrue on the Bonds. See “THE BONDS – Debt Service Requirements.”

⁴ This amount includes the underwriting discount, legal fees, Trustee fees, printing costs and other costs of issuing the Bonds. See also “UNDERWRITING.”

THE BONDS

The following is a summary of certain provisions of the Bonds during such time as they are subject to the DTC book-entry system. Reference is hereby made to the Indenture in its entirety for the detailed provisions pertaining to the Bonds, including provisions applicable upon discontinuance of participation in the DTC book-entry system. See also “SECURITY AND SOURCES OF PAYMENT” for a summary of certain additional provisions of the Bonds and the Indenture.

Authorization

The Bonds are issued under authority of the constitution and laws of the State, particularly the Public Building Commission Act, and pursuant to the Authorizing Resolution and the Indenture.

General Provisions

The Bonds will be issued in the aggregate principal amount, bear interest at the rates and mature on the dates specified on the cover page hereof, subject to redemption prior to maturity as discussed in “Redemption Prior to Maturity” below. Interest on the Bonds (calculated on the basis of a 360-day year of twelve 30-day months) will accrue from the Closing Date and will be payable on December 1, 2010, and semiannually on each June 1 and December 1 thereafter (each an “Interest Payment Date”).

To the extent principal of any Bond is not paid when due, such principal will remain outstanding until paid; and to the extent interest on any Bond is not paid when due, such interest will compound semiannually on each Interest Payment Date at the rate then borne by the Bond.

DTC Book-Entry System

The Bonds will be issued in fully registered form and registered initially in the name of Cede & Co., as nominee of DTC, which will serve as securities depository for the Bonds. Beneficial Ownership Interests in the Bonds, in non-certificated book-entry only form, may be purchased in Authorized Denominations by or through DTC Participants. Beneficial Ownership Interests will be recorded in the name of the Beneficial Owners on the books of the DTC Participants from whom they are acquired, and transfers of such Beneficial Ownership Interests will be accomplished by entries made on the books of the DTC Participants acting on behalf of the Beneficial Owners. References herein to the Owners of the Bonds mean Cede & Co. or such other nominee as may be designated by DTC, and not the Beneficial Owners. For a more detailed description of the DTC book-entry system, see “APPENDIX F – DTC BOOK-ENTRY SYSTEM.”

Principal and interest payments with respect to the Bonds will be payable by the Trustee, as paying agent for the Bonds, to Cede & Co., as the Owner of the Bonds, for subsequent credit to the accounts of the Beneficial Owners as discussed in “APPENDIX F – DTC BOOK-ENTRY SYSTEM.”

None of the Issuer, the Trustee or the Underwriter has any responsibility or obligation to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC or any DTC Participant, (ii) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the Owners of the Bonds under the Indenture, (iii) the payment by DTC or any DTC Participant of any amount received under the Indenture with respect to the Bonds, (iv) any consent given or other action taken by DTC or its nominee as the Owner of the Bonds or (v) any other related matter.

Payment and Security

The debt service requirements with respect to the Bonds are payable solely from and to the extent of the Pledged Revenue, including all moneys and earnings thereon held in the funds and accounts created by the Indenture, as discussed in “SECURITY AND SOURCES OF PAYMENT” hereafter.

Redemption Prior to Maturity

Optional Redemption. The Bonds are subject to redemption prior to maturity, at the option of the Issuer, as a whole or in integral multiples of \$5,000, in inverse order of maturity and by lot within a maturity, as follows:

- (i) if the Bonds are to be redeemed from moneys derived by the Issuer from a source other than borrowed moneys or moneys derived from any refunding or refinancing of the Bonds or other obligations of the Issuer (collectively, “borrowed moneys”), the Bonds may be redeemed on any date occurring on or after December 1, 2020, at a redemption price equal to the principal

amount of the Bonds to be redeemed plus accrued interest thereon to the redemption date, without redemption premium; and

(ii) if the Bonds are to be redeemed from borrowed moneys, the Bonds may only be redeemed on December 1, 2020, and on any date thereafter, upon payment of the redemption price of the Bonds to be redeemed as set forth below (expressed as a percentage of the principal amount so redeemed) plus accrued interest to the redemption date:

<u>Redemption Date</u>	<u>Redemption Price</u>
December 1, 2020 through November 30, 2021	101.0%
December 1, 2021 through November 30, 2022	100.5
December 1, 2022 and thereafter	100.0

Special Optional Redemption. The Bonds are also subject to redemption prior to maturity, at the option of the Issuer, in whole but not in part, in the event that the United States Treasury or the Internal Revenue Service determines to reduce or eliminate the amount of the Subsidy Payments to the Issuer, provided that such determination is not the result of any act or omission on the part of the Issuer to satisfy the requirements to qualify to receive such Subsidy Payments. If the Issuer determines to redeem the Bonds following the occurrence of such an event, the Bonds are to be redeemed on the first Interest Payment Date following the effective date of such event and at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the redemption date, without redemption premium. See also “INTRODUCTION – Tax Matters – *Build America Bonds*.”

Mandatory Sinking Fund Redemption. The Bonds are also subject to mandatory sinking fund redemption, in part, by lot in integral principal amounts of \$5,000, on the dates and in principal amounts set forth in the following table, at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the redemption date, without redemption premium:

Mandatory Sinking Fund Redemption Schedule for the Bonds

<u>Redemption Date</u> <u>(December 1)</u>	<u>Bonds Maturing December 1</u>			
	<u>2015</u>	<u>2020</u>	<u>2025</u>	<u>2030</u>
2012	\$185,000	--	--	--
2013	195,000	--	--	--
2014	205,000	--	--	--
2015 ¹	215,000	--	--	--
2016	--	\$ 220,000	--	--
2017	--	230,000	--	--
2018	--	240,000	--	--
2019	--	255,000	--	--
2020 ¹	--	265,000	--	--
2021	--	--	\$ 275,000	--
2022	--	--	290,000	--
2023	--	--	310,000	--
2024	--	--	330,000	--
2025 ¹	--	--	345,000	--
2026	--	--	--	\$ 365,000
2027	--	--	--	390,000
2028	--	--	--	410,000
2029	--	--	--	435,000
2030 ¹	--	--	--	900,000
	<u>\$800,000</u>	<u>\$1,210,000</u>	<u>\$1,550,000</u>	<u>\$2,500,000</u>

¹ Maturity, not a sinking fund redemption.

The amount of the applicable sinking fund installment for any particular date and maturity may be reduced by the principal amount of Bonds of that maturity that prior to such date have been redeemed (otherwise than through the operation of the sinking fund) and cancelled and not theretofore applied as a credit against a sinking fund installment. Such reductions, if any, are to be applied in such year or years as may be determined by the Issuer.

Notice of Redemption. In the event any of the Bonds or portions thereof are called for prior redemption, notice thereof identifying the Bonds or portions thereof to be redeemed is to be given by the Trustee by mailing a copy of the redemption notice by first class mail (postage prepaid), not less than 30 days prior to the date fixed for redemption, to the Owner of each Bond to be redeemed in whole or in part (initially Cede & Co.) at the address shown on the registration books maintained by or on behalf of the Issuer by the Trustee. Failure to give such notice by mailing to any Owner, or any defect therein, will not affect the validity of any proceeding for the redemption of other Bonds as to which no such failure or defect exists. The redemption of the Bonds may be contingent or subject to such conditions as may be specified in the notice, and if funds for the redemption are not irrevocably deposited with the Trustee or otherwise placed in escrow and in trust prior to the giving of notice of redemption, the notice will be specifically subject to the deposit of funds by the Issuer. All Bonds called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time.

The Trustee is required to send notice of redemption of the Bonds only to Cede & Co. (or subsequent nominee of DTC) as the Owner thereof. Receipt of such notice initiates DTC's standard call. In the event of a partial call, the Beneficial Ownership Interests to be redeemed will be determined in accordance with the rules and procedures of the DTC book-entry system as discussed in "APPENDIX F – DTC BOOK-ENTRY SYSTEM." DTC Participants are responsible for notifying the Beneficial Owners of the redemption of their Beneficial Ownership Interests and for remitting the redemption price thereof to such Beneficial Owners. Any failure by DTC or DTC Participants to notify a Beneficial Owner of any such notice of redemption and its content or effect will not affect the validity of the redemption of the Bonds properly called for redemption or any other action premised on that notice.

Debt Service Requirements

Set forth in the following table are the Debt Service Requirements with respect to the Bonds assuming no prior redemption other than mandatory sinking fund redemption. See also "USER FEES AND OTHER PLEDGED REVENUE."

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Debt Service Requirements
(Rounded)

Calendar Year	Principal^{1,2}	Interest^{1,3}	Annual Total
2010	\$ --	\$ 209,533	\$ 209,533
2011	--	499,550	499,550
2012	185,000	499,550	684,550
2013	195,000	488,450	683,450
2014	205,000	476,750	681,750
2015	215,000	464,450	679,450
2016	220,000	451,550	671,550
2017	230,000	435,050	665,050
2018	240,000	417,800	657,800
2019	255,000	399,800	654,800
2020	265,000	380,675	645,675
2021	275,000	360,800	635,800
2022	290,000	337,150	627,150
2023	310,000	312,210	622,210
2024	330,000	285,550	615,550
2025	345,000	257,170	602,170
2026	365,000	227,500	592,500
2027	390,000	194,285	584,285
2028	410,000	158,795	568,795
2029	435,000	121,485	556,485
2030	900,000	81,900	981,900
	<u>\$6,060,000</u>	<u>\$7,060,003</u>	<u>\$13,120,003</u>

¹ The interest on the Bonds is payable on each June 1 and December 1, commencing December 1, 2010, and the principal of the Bonds is payable on December 1.

² See "Redemption Prior to Maturity – *Mandatory Sinking Fund Redemption*" above.

³ See the cover page hereof for the interest rates on the Bonds.

Source: The Underwriter

SECURITY AND SOURCES OF PAYMENT

Limited Obligations

The Bonds are special limited obligations of the Issuer payable solely from and to the extent of, and secured by an irrevocable and exclusive first lien on, the Pledged Revenue and all moneys and earnings thereon held in the Funds and Accounts created by the Indenture, except the Rebate Fund. The Pledged Revenue is pledged by the Issuer to the payment of the Bonds. The Owners may not look to any other revenues or funds of the Issuer or the County for the payment of the Debt Service Requirements with respect to the Bonds.

The payment of the Bonds is not secured by an encumbrance, mortgage or other pledge of property of the Issuer or the County, except for the Pledged Revenue, and no property of the Issuer or the County, subject to such exception, is liable to be forfeited or taken in payment of the Bonds. The Bonds do not constitute a debt of the Issuer or of any public body within the meaning of any statutory or constitutional limitation as to debt.

The Pledged Revenue

The Pledged Revenue will consist primarily of the User Fees to be paid by the County pursuant to the Use Agreement, together with any Subsidy Payments received by the Issuer from the U.S. Treasury as described in “INTRODUCTION – Tax Matters – *Build America Bonds*” and any other amounts paid by the County to the Issuer or amounts received by the Issuer and pledged to the payment of the Debt Service Requirements of the Bonds. See “USER FEES AND OTHER PLEDGED REVENUE.”

The Use Agreement

On the Closing Date the County, the Issuer and the Trustee will enter into the Use Agreement pursuant to which the Issuer will agree to issue the Bonds to fund the Project and cause the Project to be completed. The County will in turn have the right to use and operate the Jail Addition for a Use Term extending through November 30, 2030, unless sooner terminated as provided in the Use Agreement, for which the County will be obligated to pay User Fees to the Issuer on the dates and in the amounts sufficient to pay the principal of and interest on the Bonds when due, together with Additional Expenses. The Issuer will assign its right to receive the User Fees and certain of the Additional Expenses, as well as its other rights under the Use Agreement, with the exception of certain reserved rights, to the Trustee for the benefit of the Owners. The County is entitled to a credit against its obligation to pay User Fees to the extent that moneys are on deposit in the Revenue Fund and available as a credit against the payment of User Fees. See “THE MERCER COUNTY JAIL,” “APPLICATION OF BOND PROCEEDS; THE PROJECT – The Project,” “USER FEES AND OTHER PLEDGED REVENUE” and “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENT.”

The County may elect to prepay the User Fees, in whole (and thereby terminate the Use Agreement) or in part, by paying the then applicable Prepayment Option Price, being an amount equal to the redemption price of the Bonds on the related redemption date thereof, as discussed in “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENT – Prepayment Option.” See also “THE BONDS – Redemption Prior to Maturity.”

The obligations of the County under the Use Agreement are payable from the general resources of the County, although the County plans to fund such obligations with revenues generated from the rental of excess inmate beds in the Mercer County Jail on a per diem basis as discussed in “THE MERCER COUNTY JAIL.” Such revenues are not, however, pledged to the payment of the County’s obligations.

Payment by the County of User Fees and Additional Expenses will constitute currently budgeted expenditures subject to the annual appropriation of such amounts by the County, and therefore the County may elect, prior to the beginning of each Fiscal Year, to terminate the Use Term and its right to continue to occupy, use and operate the Jail Addition pursuant to the Use Agreement. In the event that the County Board does not approve the budget and appropriate, on or before November 30th of each Fiscal Year, moneys to pay all User Fees and the reasonably estimated Additional Expenses coming due for the ensuing Fiscal Year, an Event of Nonappropriation will occur which, if not cured, will result in the termination of the Use Term, whereupon the County will be obligated to vacate or surrender possession of the Jail Addition by December 1 of the Fiscal Year in respect of which the Event of Nonappropriation occurs. The Use Term may also be terminated, and the Jail Addition vacated by the County, upon the occurrence of a Use Agreement Default. In either event, the Trustee will be empowered, among other things, to use and operate the Jail Addition itself or hire or contract with any other person or entity to do so and, with certain limitations, to recover from the County certain monetary damages. The Jail Addition has been designed so that it may be generally isolated from and operated independently of the Original Jail, although some common use and retrofitting of the Original Jail would be required. The County, the Issuer and the Trustee covenant and agree in the Use Agreement to cooperate with each other in the

independent operations of the Original Jail and the Jail Addition following the termination of the Use Term, which covenant will both survive the termination of the Use Term. See “THE MERCER COUNTY JAIL,” “APPLICATION OF BOND PROCEEDS; THE PROJECT – The Project” and “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENT – Payments by the County – Other Covenants and Agreements – *Agreement to Cooperate Upon the Occurrence of a Use Agreement Default or Event of Nonappropriation* – Events of Default and Remedies – *Remedies – Limitations on Remedies.*”

The Issuer covenants and agrees in the Indenture that: (a) the Issuer will not lower or reduce the amounts due and owing by the County under the Use Agreement; (b) the Issuer and the County have entered into the Use Agreement for the purpose of, among other things, providing User Fees sufficient to pay Debt Service Requirements of the Bonds; and (c) to the extent that the County does not appropriate moneys necessary to provide the User Fees necessary to pay the Debt Service Requirements of the Bonds, the Issuer will exercise all remedies available to it to seek performance under the Use Agreement, including using its best efforts to identify a new operator of the Jail Addition who will agree to pay User Fees sufficient to satisfy the Debt Service Requirements of the Bonds.

The Revenue Fund; Flow of Funds

The Indenture establishes the Revenue Fund, which is to be held and maintained by the Trustee in accordance with the provisions of the Indenture. The Issuer is to deposit all Pledged Revenue with the Trustee immediately upon receipt thereof for deposit by the Trustee to the Revenue Fund. Moneys deposited to the Revenue Fund shall be applied by the Trustee in the following order of priority:

- FIRST: To the credit of the Bond Payment Fund the amounts specified in “The Bond Payment Fund” below; and
- SECOND: To the credit of the Reserve Fund the amounts specified in “The Reserve Fund” below.

If the amount on deposit in the Revenue Fund, together with amounts on deposit in the Reserve Fund and the Bond Payment Fund, are sufficient to pay, whether by redemption or at maturity, all Debt Service Requirements with respect to the Bonds that will accrue to the redemption date or maturity date, all amounts on deposit in the Revenue Fund may, at the written direction of the Issuer, be transferred to the Bond Payment Fund and used to pay the Debt Service Requirements with respect to the Bonds at the times and in the amounts required for the payment of such Debt Service Requirements.

Moneys credited to the Revenue Fund may be deposited or invested, at the request and direction of the Issuer Representative, only in Permitted Investments, subject to the tax covenants in the Indenture. Except to the extent otherwise required by such covenants, all earnings from the investment or reinvestment of moneys credited to the Revenue Fund are to be credited to such Fund. See “APPENDIX B – ADDITIONAL PROVISIONS OF THE INDENTURE – Investment of Funds and Accounts – Tax Matters.”

The Bond Payment Fund

The Indenture establishes the Bond Payment Fund, including therein the Interest Account and the Principal Account, which is to be held and maintained by the Trustee in accordance with the provisions of the Indenture. Moneys in the Bond Payment Fund are to be used by the Trustee only to pay the Debt Service Requirements with respect to the Bonds. Moneys in the Interest Account are to be used to pay the interest on the Bonds, and moneys in the Principal Account are to be used to pay the principal of and premium, if any, on the Bonds.

Immediately upon receipt of Pledged Revenue, the Trustee is to credit to the Interest Account of the Bond Payment Fund from the Revenue Fund an amount that, when combined with other legally available moneys therein, is sufficient to pay the interest on the Bonds that is payable on each succeeding Interest Payment Date, and is to credit to the Principal Account of the Bond Payment Fund from the Revenue Fund an amount that, when combined with other legally available moneys therein, is sufficient to pay the principal of and premium, if any, on the Bonds, whether at maturity or upon prior redemption.

In the event that on the 5th Business Day prior to each Interest Payment Date the amounts transferred from the Revenue Fund to the Bond Payment Fund are insufficient to pay the Debt Service Requirements payable on the next succeeding Interest Payment Date, the Trustee is to immediately notify the Issuer of such deficiency, and the Trustee is thereupon to transfer the amount of any such deficiency from amounts on deposit in the Reserve Fund, but subject to the direction of the Majority Owner as discussed in “The Reserve Fund” below.

In the event that available moneys credited to the Bond Payment Fund are insufficient for the payment of all the Debt Service Requirements that are payable on any due date, the available amount is to be allocated by the Trustee proportionally among the Bonds in accordance with the amount of interest, principal and premium, if any, that is payable with respect to such Bonds on such date, as partial payment of the amounts due, in the following order of priority: (i) accrued but unpaid interest and interest due as a result of compounding, if any; (ii) current interest; (iii) principal that has been paid on the nominal due date thereof; (iv) current principal; and (v) prior redemption premium. Any partial payments of principal are to be in integral multiples of \$5,000, and the Bonds or portions thereof to be redeemed pursuant to such partial payment are to be selected by lot in the manner provided in the Indenture.

Moneys credited to the Bond Payment Fund and the Accounts thereof may be deposited or invested, at the request and direction of the Issuer Representative, only in Permitted Investments, subject to the tax covenants in the Indenture. Except to the extent otherwise required by such covenants, all earnings from the investment or reinvestment of moneys credited to the Bond Payment Fund and the Accounts thereof are to be credited to such Fund and Accounts. See also “APPENDIX B – ADDITIONAL PROVISIONS OF THE INDENTURE – Investment of Funds and Accounts – Tax Matters.”

The Reserve Fund

The Indenture also establishes the Reserve Fund, which is to be held and maintained by the Trustee in accordance with the provisions of the Indenture as additional security for the Bonds and used as follows:

During the Use Term. During the Use Term, moneys in the Reserve Fund are to be used by the Trustee to pay the Debt Service Requirements with respect to the Bonds if and to the extent of an insufficiency of moneys available therefor in the Bond Payment Fund. During this period the Reserve Fund is to be maintained in the amount of the Maximum Required Reserve, and will be funded in such amount on the Closing Date from the proceeds of the Bonds. See “APPLICATION OF BOND PROCEEDS; THE PROJECT – Estimated Application of Bond Proceeds.” Whenever the amount on deposit in the Reserve Fund is less than the Maximum Required Reserve, the amount of such deficiency is to be transferred to the Reserve Fund from the Revenue Fund at the earliest practicable time in accordance with and subject to the limitations discussed in “The Revenue Fund; Flow of Funds” above. Further, the Use Agreement obligates the County to replenish such amount as an Additional Expense.

Upon Termination of the Use Term. Upon the termination of the Use Term for any reason other than prepayment of the Prepayment Option Price or payment in full or other defeasance of all the outstanding Bonds, moneys in the Reserve Fund may be used, at the direction of the Majority Owner,

either (i) to pay the Debt Service Requirements with respect to the Bonds if and to the extent of an insufficiency of moneys available therefor in the Bond Payment Fund, or (ii) to pay the operating expenses in connection with the Jail Addition. Disbursements from the Reserve Fund following the termination of the Use Term are not required to be replenished.

The amount credited to the Reserve Fund is never to exceed the Maximum Required Reserve. Amounts credited to the Reserve Fund in excess of the Maximum Required Reserve are to be transferred to the Bond Payment Fund.

Investments credited to the Reserve Fund are to be valued on the basis of their current market value, as reasonably determined by the Issuer, which value is to be determined at least semiannually prior to each June 1 and December 1, and any deficiency resulting from such valuation is to be remedied at the earliest practicable time, but in accordance with and subject to the limitations discussed in “The Revenue Fund; Flow of Funds” and “The Bond Payment Fund” above.

Moneys credited to the Reserve Fund may be deposited or invested, at the request and direction of the Issuer Representative, only in Permitted Investments, subject to the tax covenants in the Indenture. Except to the extent otherwise required by such covenants, so long as the amount of the Reserve Fund is equal to the Maximum Required Reserve, all interest income from the investment or reinvestment of moneys credited to the Reserve Fund is to be credited to the Revenue Fund. If the amount of the Reserve Fund is less than the Maximum Required Reserve, then such interest income is to be retained in such Fund. See also “APPENDIX B – ADDITIONAL PROVISIONS OF THE INDENTURE – Investment of Funds and Accounts – Tax Matters.”

If the amount on deposit in the Reserve Fund, together with amounts on deposit in the Revenue Fund and the Bond Payment Fund, are sufficient to pay, whether by redemption or at maturity, all Debt Service Requirements with respect to the Bonds that will accrue to the redemption date or maturity date, all amounts on deposit in the Reserve Fund are to be transferred to the Bond Payment Fund and used to pay the Debt Service Requirements with respect to the Bonds at the times and in the amounts required for the payment of the Debt Service Requirements with respect to the Bonds.

No Additional Obligations Payable from the Pledged Revenue

The Indenture provides that the Issuer may not issue or incur any bonds, notes, debentures, debt or other obligations having any lien or encumbrance of any nature whatsoever on or against the Pledged Revenue other than the Bonds, regardless of whether or not such obligations are payable from Pledged Revenue on a basis that is superior, on a parity with or subordinate to the payment of the Bonds.

USER FEES AND OTHER PLEDGED REVENUE

Set forth in the following table are the gross User Fees payable by the County under the Use Agreement and the net User Fees expected to be payable after the application of credits for the receipt of other Pledged Revenue deposited to the Revenue Fund and certain other amounts held by the Trustee under the Indenture. See also “THE BONDS – Debt Service Requirements.”

User Fees and Other Funds
(Rounded)

Fiscal Year Ended Nov. 30	Gross User Fees¹	Other Pledged Revenue		Capitalized Interest	Reserve Fund Principal³	Net User Fees Payable⁴
		Subsidy Payments²	Reserve Fund Interest³			
2010	\$ 209,533	\$ 72,891	\$ 6,459	\$130,183	\$ --	\$ --
2011	499,550	173,780	15,400	310,370	--	--
2012	684,550	173,780	15,400	447	--	494,923
2013	683,450	173,780	15,400	--	--	494,270
2014	681,750	170,630	15,400	--	--	495,720
2015	679,450	166,325	15,400	--	--	497,725
2016	671,550	161,810	15,400	--	--	494,340
2017	665,050	156,035	15,400	--	--	493,615
2018	657,800	149,997	15,400	--	--	492,403
2019	654,800	143,697	15,400	--	--	495,703
2020	645,675	137,004	15,400	--	--	493,271
2021	635,800	130,047	15,400	--	--	490,353
2022	627,150	121,770	15,400	--	--	489,980
2023	622,210	113,041	15,400	--	--	493,769
2024	615,550	103,710	15,400	--	--	496,440
2025	602,170	93,777	15,400	--	--	492,993
2026	592,500	83,392	15,400	--	--	493,708
2027	584,285	71,767	15,400	--	--	497,118
2028	568,795	59,346	15,400	--	--	494,049
2029	556,485	46,287	15,400	--	--	494,798
2030	<u>981,900</u>	<u>32,432</u>	<u>15,400</u>	<u>--</u>	<u>440,000</u>	<u>494,068</u>
	<u>\$13,120,003</u>	<u>\$2,535,298</u>	<u>\$314,459</u>	<u>\$441,000</u>	<u>\$440,000</u>	<u>\$9,389,246</u>

¹ User Fees are payable on the 25th day of each month, commencing in July of 2010.

² See "INTRODUCTION – Tax Matters – *Build America Bonds*" and "RISKS AND OTHER INVESTMENT CONSIDERATIONS – Application of Subsidy Payments From the U.S. Treasury." These amounts assume that there is no prior redemption, other than mandatory sinking fund redemption of the Qualified Bonds or RZEDBs.

³ Assumes the investment of amounts in the Reserve Fund at the rate of 3.5% per annum and the application of the Reserve Fund to pay the final principal payment on the Bonds. See "SECURITY AND SOURCES OF PAYMENT – The Reserve Fund."

⁴ The County is entitled to a credit against its obligation to pay User Fees to the extent that moneys are on deposit in the Revenue Fund and available as a credit against the payment of User Fees. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENT – Payments by the County – *User Fees*." This would include, without limitation, Subsidy Payments and certain interest earned on moneys deposited with the Trustee.

Source: The Underwriter

RISKS AND OTHER INVESTMENT CONSIDERATIONS

In addition to factors set forth elsewhere in this Official Statement, prospective investors should carefully consider the following factors in connection with an investment in the Bonds.

Limited Obligations

The Bonds are special limited obligations of the Issuer payable solely from and to the extent of, and secured by an irrevocable and exclusive first lien on, the Pledged Revenue and all moneys and earnings thereon held in the Funds and Accounts created by the Indenture, except the Rebate Fund. The Bonds are also payable under certain circumstances from and to the extent of other amounts pledged thereto under the Indenture, including the Net Proceeds of certain insurance policies and condemnation awards, the Net Proceeds of the exercise of any Use Agreement Remedy by the Trustee or from certain other amounts made available under the Indenture. The Owners may not look to any other funds of the

Issuer or the County for the payment of the Debt Service Requirements with respect to the Bonds. The payment of the Bonds is not secured by an encumbrance, mortgage or other pledge of property of the Issuer or the County, except for the Pledged Revenue, and no property of the Issuer or the County, subject to such exception, is liable to be forfeited or taken in payment of the Bonds. The Bonds do not constitute a debt of the Issuer or of any public body within the meaning of any statutory or constitutional limitation as to debt. See generally “SECURITY AND SOURCES OF PAYMENT,” “APPENDIX B – ADDITIONAL PROVISIONS OF THE INDENTURE” and “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENT.”

County Payment Obligations Subject to Annual Appropriation

The User Fees and Additional Expenses payable by the County pursuant to the Use Agreement will constitute currently budgeted expenditures subject to annual appropriation by the County. The obligation of the County to pay User Fees and Additional Expenses does not constitute a mandatory charge or requirement of the County in any ensuing Fiscal Year beyond the then current Fiscal Year or constitute or give rise to a general obligation or other indebtedness of the County. The Use Agreement does not directly or indirectly obligate the County to continue the Use Term beyond the then current Fiscal Year or to make any payments thereunder beyond those budgeted and appropriated for the then current Fiscal Year. *The County may elect, prior to the beginning of each Fiscal Year, to terminate its right to continue to occupy, use and operate the Jail Addition pursuant to the Use Agreement, constituting an Event of Nonappropriation.* See “SECURITY AND SOURCES OF PAYMENT” and both “Option of the County to Terminate the Use Term” and “Effect of Termination of the Use Term” hereafter.

Source of Payment of County Obligations; Reliance on Rental Revenue

The obligations of the County under the Use Agreement, to the extent budgeted and appropriated by the County Board, are payable from the general resources of the County. However, the County plans to fund such obligations with revenues generated from the rental of excess inmate beds in the Mercer County Jail as discussed in “THE MERCER COUNTY JAIL.” However, such revenues are not pledged to the payment of the County’s obligations.

The County currently rents beds in the Original Jail to other jurisdictions in the vicinity and to the U.S. Marshals Service on a per diem cost basis, and plans to continue this practice in the future. The County does not have any agreements with any State or local governments to house prisoners, although it does have a contract with the U.S. Marshals Service to house federal prisoners and material witnesses. The current per diem rate paid by the U.S. Marshals Service is \$50, and the County plans to request an increase in this rate. However, there can be no assurance regarding the extent to which the County will be able to rent excess bed space in the County Jail or the per diem rate that it will be able to charge and collect. In addition, any delay in the completion of the Project will adversely impact the amount of such revenues that can be generated by the County. If these revenues are insufficient to fully fund the County’s obligations under the Use Agreement, the County will be obligated to fund the shortfall from its general resources. See “SECURITY AND SOURCES OF PAYMENT,” “APPENDIX D – THE COUNTY” and “APPENDIX E – COUNTY FISCAL YEAR 2008 ANNUAL FINANCIAL REPORT.”

Reliance on Subsidy Payments from the U.S. Treasury

The Bonds are expected to be paid in part from the Subsidy Payments received by the Issuer from the U.S. Treasury. A portion of the Bonds will be issued as Qualified Build America Bonds, and a portion of the Bonds will be issued as Recovery Zone Economic Development Bonds, the credits with respect to which will to be payable to the Issuer and not available as tax credits to the Beneficial Owners of the Bonds, as discussed in “INTRODUCTION – Tax Matters – *Build America Bonds*.” The Issuer intends to apply for Qualified Bonds Credit Payments and RZEDBs Credit Payments with respect to the

portions of the Bonds designated as Qualified Bonds and RZEDBs, respectively, pursuant to Section 6431 of the Federal Tax Code, which Subsidy Payments are to be deposited to the credit of the Revenue Fund and may thereupon be used for the purposes discussed in “SECURITY AND SOURCES OF PAYMENT – The Revenue Fund; Flow of Funds.”

The Qualified Bonds Credit Payments will be paid to the Issuer only to the extent that the portion of the Bonds designated as Qualified Bonds continue to qualify as Qualified Bonds, and the RZEDBs Credit Payments will be paid to the Issuer only to the extent that the portion of the Bonds designated as RZEDBs continue to qualify as RZEDBs. Such continued qualification will require the Issuer to comply with certain covenants and to establish certain facts and expectations with respect to the Bonds, the use and investment of proceeds thereof and the use of the financed property. See “APPENDIX B – ADDITIONAL PROVISIONS OF THE INDENTURE – Tax Matters – *Covenants*.” In addition, receipt of the Subsidy Payments is contingent upon the proper and timely filing with the Internal Revenue Service of the required forms requesting payment, which forms must be filed semi-annually in connection with each interest payment on the Bonds. The Trustee will undertake to make these filings on behalf of the Issuer pursuant to an agreement with the Issuer. The amount of the Subsidy Payments payable to the Issuer also may be subject to offset against certain amounts that may be owed by the Issuer to an agency of the United States of America unrelated to the Bonds; and the receipt of Subsidy Payments could be affected by changes in the authorizing federal laws and regulations. Accordingly, there can be no assurance as to the continuing receipt or the amount of the Subsidy Payments, and failure to receive the Subsidy Payments could adversely affect the payment of the Bonds. See also “THE BONDS – Debt Service Requirements” and “USER FEES AND OTHER PLEDGED REVENUE.”

Factors Affecting the Reserve Fund

The Reserve Fund is established initially as a debt service reserve for the Bonds, will be funded on the Closing Date in the amount of the Maximum Required Reserve from the proceeds of the Bonds and, so long as the Use Term has not been terminated, is required to be maintained in the amount of the Maximum Required Reserve. However, if the Use Term is terminated for any reason other than prepayment of the Prepayment Option Price or payment in full or other defeasance of all the outstanding Bonds, moneys in the Reserve Fund may also be used, at the direction of the Majority Owner, to pay the operating expenses in connection with the Jail Addition. Further, disbursements from the Reserve Fund following the termination of the Use Term are not required to be replenished. No assurance can be given that there will be sufficient funds in the Reserve Fund if needed either to pay the Debt Service Requirements with respect to the Bonds or to maintain the Jail Addition. See “SECURITY AND SOURCES OF PAYMENT – The Revenue Fund; Flow of Funds – The Reserve Fund.”

Legal and Regulatory Matters

Various State and federal laws and regulations govern the operations of the Issuer and the County, as well as the obligations created by the issuance of the Bonds, and there can be no assurance that there will not be changes in interpretation of or additions to the applicable laws and provisions that would have a material adverse effect, directly or indirectly, on the affairs of the Issuer or the County. In addition, the County is subject to extensive regulation of its correctional operations, and while the County intends to comply with all valid laws and regulations affecting such operations, there can be no assurance that actions of and standards imposed by regulatory authorities will not result in increases in the County’s future costs of operations.

Option of the County to Terminate the Use Term

The obligation of the County to pay User Fees and Additional Expenses under the Use Agreement does not constitute an obligation of the County to apply its general resources beyond the then

current Fiscal Year. The County is not obligated to pay User Fees and Additional Expenses under the Use Agreement for any Fiscal Year unless funds are appropriated for such purpose prior to the end of the prior Fiscal Year. Failure to make such appropriation, unless waived by the Trustee under the circumstances provided in the Use Agreement, will constitute an Event of Nonappropriation and an election by the County to terminate the Use Term. Under the terms of the Use Agreement, in addition to other circumstances, an Event of Nonappropriation may be declared if the County fails to appropriate sufficient funds to repair and replace the Jail Addition or to pay the Prepayment Option Price following certain events of damage, destruction or condemnation of the Jail Addition. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENT – Payments by the County – *Nonappropriation – Damage, Destruction and Condemnation – Insufficiency of Net Proceeds.*”

The County has determined that it has a current need for the Jail Addition, and it is the present intention and expectation of the County that the appropriations contemplated under the Use Agreement will be made annually. However, such declaration of intent may not be construed as contractually obligating or otherwise binding the County to do so. There is no assurance that the County Board will appropriate the necessary funds and continue the Use Agreement for the maximum Use Term, and there is no penalty to the County, other than loss of possession and use of the Jail Addition, if the County elects not to do so and therefore terminate all of its obligations under the Use Agreement. Various political and economic factors could lead to the failure to appropriate sufficient funds to make the required payments under the Use Agreement, and prospective investors should carefully consider any factors which may influence the budgetary process. The appropriation of funds also may be affected by the County’s continuing need for the Jail Addition. In addition, the ability of the County to maintain adequate revenues for its operations and obligations in general (including obligations associated with the Use Agreement) will be dependent upon several factors outside the control of the County, such as the economy. See “MERCER COUNTY JAIL,” “APPLICATION OF BOND PROCEEDS, THE PROJECT – The Project,” “SECURITY AND SOURCES OF PAYMENT,” “APPENDIX C – THE COUNTY” and APPENDIX E – COUNTY FISCAL YEAR 2008 ANNUAL FINANCIAL REPORT.”

Effect of Termination of the Use Term

In the event of the occurrence of an Event of Nonappropriation or a Use Agreement Default, the Use Agreement will terminate, the County will be required to vacate and surrender possession of the Jail Addition and the Trustee may thereupon proceed to exercise the remedies under the Use Agreement and the Indenture, including, without limitation, the right to use and operate the Jail Addition itself or hire or contract with any other person or entity to do so and, with certain limitations, to recover from the County certain money damages. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENT – Defaults and Remedies – *Remedies – Limitations on Remedies.*”

Payment of the Bonds following an Event of Nonappropriation or a Use Agreement Default will depend upon the ability of the Trustee to generate revenue from the use of the Jail Addition. Although the Jail Addition has been designed so that it may be generally isolated from and operated independently of the Original Jail, some common use and retrofitting of the Original Jail would be required, but because the Jail Addition consists of a building designed for a particular purpose, it may not necessarily or practicably be converted to uses other than as a jail. The County, the Issuer and the Trustee covenant and agree in the Use Agreement to cooperate with each other in the independent operations of the Original Jail and the Jail Addition following the termination of the Use Term, which covenant will both survive the termination of the Use Term. Prospective investors should not assume that it will be possible for the Trustee to generate revenue from the use of the Jail Addition in the event of a termination of the Use Term within a time period or for an amount that would prevent a default in the timely payment of the Debt Service Requirements with respect to the Bonds. See “THE MERCER COUNTY JAIL,” “APPLICATION OF BOND PROCEEDS, THE PROJECT – The Project” and “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENT – Other Covenants and

Agreements – Agreement to Cooperate Upon the Occurrence of a Use Agreement Default or Event of Nonappropriation.”

Acceleration Not a Remedy for an Indenture Default

Acceleration of the Bonds is not an available remedy for an Indenture Default. See “APPENDIX B – ADDITIONAL PROVISIONS OF THE INDENTURE – Defaults and Remedies – Remedies.”

Limitations on Enforceability of Rights and Remedies

The enforceability of the Use Agreement, the Indenture and the Bonds is subject to applicable bankruptcy laws, principles of equity affecting the enforcement of creditors’ rights generally and liens securing such rights and the police and condemnation powers of the State and its political subdivisions, including the County, and may also be subject to judicial action, which could subject the Trustee and the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modifications of these rights. In addition, the nature of the Jail Addition or the application of zoning and land use requirements and regulations or requirements could adversely affect the ability of the Trustee to use the Jail Addition upon a termination of the Use Term. Because of the delays inherent in judicial enforcement of the rights and remedies of the Trustee and the Owners under the Use Agreement and the Indenture, purchasers of the Bonds should not anticipate that such remedies could be accomplished rapidly. Any delays in resolving the Trustee’s claim to possession or use of the Jail Addition may result in delays in the payment of the Bonds. See “APPENDIX B – ADDITIONAL PROVISIONS OF THE INDENTURE – Defaults and Remedies – Remedies – Miscellaneous Provisions Applicable to Indenture Defaults and Remedies” and “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENT – Defaults and Remedies – Remedies – Limitations on Remedies.”

The legal opinions to be delivered concurrently with delivery of the Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization and insolvency or other similar laws affecting the rights of creditors generally, now or hereafter in effect; to usual equity principles that may limit the specific enforcement under State law of certain remedies; to the exercise by the United States of America of the powers delegated to it by the U.S. Constitution; and to the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving an important public purpose.

No Assurance of Secondary Market

There can be no assurance that there will be a secondary market for the Bonds or, if a secondary market exists, that the Bonds can be sold for any particular price. Occasionally, because of general market conditions, lack of current information, the absence of a credit rating for the Bonds or adverse history or economic prospects connected with a particular issue or industry, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price. Consequently, Owners may be required to bear the financial risks of this investment for an indefinite period of time.

THE ISSUER

The following is a brief description of the Issuer. Prospective investors are advised that the Issuer has no responsibility for the payment of the Bonds, which are payable solely from the Pledged Revenue. Pursuant to the Use Agreement and the Indenture, the Issuer will assign to the Trustee the Use Agreement and its rights thereunder, except for Reserved Rights (as defined in APPENDIX A – GLOSSARY OF TERMS”). See “APPENDIX B – ADDITIONAL PROVISIONS OF THE INDENTURE – Grant of the Trust Estate” and “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENT.”

Creation

The Mercer County Public Building Commission is a municipal corporation and a body corporate and politic of the State created in 1985 pursuant to the Public Building Commission Act by resolution of the County Board for the limited purpose of exercising the powers and authority prescribed by the Public Building Commission Act in order to provide in good and sufficient condition and repair a jail facility for the use of the County. In 2004, the County Board expanded the purpose of the Issuer to include maintenance through the County Sheriff of the Mercer County Courthouse.

Governing Board and Administration

The Issuer is governed by a five-member Board of Commissioners appointed by the County Board to staggered five year terms. Commissioners must be residents of the County and persons experienced in real estate management, building construction or finance. Vacancies occurring on the Issuer Board as the result of a Commissioner’s resignation, removal or refusal to act are required to be filled by the County Board for the remainder of the unexpired term.

The Commissioners hold quarterly regular meetings and special meetings when needed. Each Commissioner is entitled to one vote on all questions before the Issuer Board when a quorum is present. Commissioners may not receive any compensation, whether in form of salary, per diem allowance or otherwise, for or in connection with his or her services as a Commissioner. However, Commissioners are entitled to reimbursement for any necessary expenditures made in connection with the performance of their duties.

The presiding officer of the Issuer Board is the Chairman, who is elected by the Commissioners from among its members. The Issuer Board also elects or appoints a Secretary and a Treasurer, who need not be members of the Issuer Board, and may appoint such other officers as they may deem necessary.

The present Commissioners and officers of the Issuer are as follows:

<u>Name and Office</u>	<u>Principal Occupation</u>	<u>Current Term Expires (December)</u>
Douglas McCaw, Chairman	Farmer	2012
Kevin Basala	Bridge, structural and ornamental ironworker	2010
Bill Brown	Retired utility lineman	2011
Montie Schell	Business representative for a plasterer’s and cement mason’s union	2013
Floyd Utz	Seeding equipment assembler and a member of the County Board	2014

The Secretary/Treasurer of the Issuer Board is Kathryn S. Witter, who is not a Commissioner.

The Issuer Board is responsible for the government, control and management of the affairs of the Issuer. The Issuer has no employees. Day-to-day administration of the Issuer is provided either by members of the Issuer Board, employees of the County or independent contractors. Califf & Harper, P.C., Moline, Illinois, currently serves as general counsel to the Issuer.

Powers

The Public Building Commission Act sets forth the powers and functions that may be exercised by a Public Building Commission. The Issuer has the following express powers and functions, among others, and all other powers incidental or necessary, to carry out and effectuate such express powers:

- To select, locate and designate one or more areas within the territorial limits of the County (if the site is to be used for County purposes) as the site or sites to be acquired for the erection, alteration or improvement of a building or buildings, public improvement or other facilities for the authorized purposes of the Issuer.
- To acquire fee simple title to or any lesser interest in such real property, including easements and reversionary interests in the streets, alleys and other public places and personal property required for its purposes, by purchase, gift, legacy, or by the exercise of the power of eminent domain.
- To operate, maintain, manage and to make and enter into contracts for the operation, maintenance and management of such buildings and other facilities and to provide rules and regulations for the operation, maintenance and management thereof.
- To rent all or any part or parts of such building, buildings or other facilities to the County or to any branch, department, or agency thereof, or to any branch, department, or agency of the State or federal government, or to any other state or any agency or political subdivision of another state with which the Issuer has entered into an intergovernmental agreement or contract under the State's Intergovernmental Cooperation Act, or to any municipal corporation with which the Issuer has entered into an intergovernmental agreement or contract under the Intergovernmental Cooperation Act, or to any other municipal corporation, quasi-municipal corporation, political subdivision or body politic, or agency thereof, doing business, maintaining an office or rendering a public service in the County for any period of time.
- To rent space in such building or buildings that is not needed by any governmental agency for such other purposes as the Issuer Board may determine will best serve the comfort and convenience of the occupants of such building or buildings, and upon such terms and in such manner as the Issuer Board may determine.
- To issue and sell revenue bonds to provide funds for the purpose of acquiring, erecting, demolishing, improving, altering, equipping, repairing, maintaining and operating buildings and other facilities, to acquire sites necessary and convenient therefor and to pay all costs and expenses incident thereto, and to refund or refinance such revenue bonds.
- To enter into any agreement or contract with any lessee, who, pursuant to the terms of the Public Building Commission Act, is renting or is about to rent from the Issuer all or part of any building or buildings or facilities, whereby under such agreement or contract such lessee obligates itself to pay all or part of the cost of maintaining and operating the premises so leased.

Financial Information

General. The Issuer is a legally separate component unit of the County. It derives revenue solely from the County pursuant to agreements for the lease or other use by the County of public buildings. Certain financial information concerning the Issuer is included in the financial statements of the County appended hereto as “APPENDIX E – COUNTY FISCAL YEAR 2008 ANNUAL FINANCIAL REPORT.” See the Independent Auditors’ Report on such financial statements for a description of certain departures from GAAP with respect to financial information of the Issuer.

Bonds. As noted above, the Issuer has the power to issue and sell revenue bonds to provide funds to carry out its authorized purposes, which bonds do not constitute a debt of the Issuer or of any public body within the meaning of any statutory or constitutional limitation as to debt. The Issuer may enter into trust agreements to secure the payment of such bonds and to set forth the covenants and undertakings of the Issuer in connection with bonds payable from the income derived from the operation, management or use of the buildings or other facilities acquired or to be acquired by the Issuer; provided, however, that no lien may be created upon any physical property of the Issuer.

The total amount of outstanding bonds of the Issuer may not exceed 5% of the total assessed value of taxable property in the County except as otherwise authorized by a referendum held in the County. The current equalized assessed valuation of the County is \$228,887,625, 5% of which is \$11,444,381.

The Issuer currently has no bonds outstanding, although the Issuer has outstanding two loans, one from Country Bank, Aledo, Illinois, having a principal balance of \$357,963 as of April 30, 2010, and due on December 31, 2011, and the other from The National Bank, Aledo, Illinois, having a principal balance of \$750,501 as of April 30, 2010, and due on November 30, 2027. The loan from Country Bank was originally obtained in September of 2005, and modified in December of 2008, for the purpose of financing the construction of the County’s Jail Annex Building, which is different from the Original Jail Building, and is secured by a mortgage encumbering the building and the site thereof. The loan from The National Bank was obtained in June of 2007 for the purpose of financing a new roof for the County Courthouse. The County leases both of these buildings from the Issuer pursuant to the Original Jail Lease discussed in “THE MERCER COUNTY JAIL.”

The Public Building Commission Act provides that it is the duty of the Issuer Board to establish and fix rates, rentals, fees and charges for the use of any and all buildings or space therein or other facilities owned and operated by the Issuer, sufficient at all times to pay maintenance and operation costs and to pay the accruing interest and retire its bonds at maturity and to make all payments to all accounts created by any bond resolution and to comply with all covenants of any bond resolution.

FORWARD LOOKING STATEMENTS

This Official Statement contains statements relating to future results that are “forward looking statements” as defined in the federal Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect,” “assume” and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Any projection is subject to such uncertainties. Inevitably, some assumptions used to develop projections will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between projected and actual results, and those differences may be material. See also “RISKS AND OTHER INVESTMENT CONSIDERATIONS.”

NO LITIGATION

There is no litigation now pending or, to the knowledge of the officials of the Issuer, threatened which questions the formation or existence of the Issuer, the authority of the members and officers of the Issuer Board to hold their respective offices, the validity or enforceability of the Use Agreement, the Indenture, the Authorizing Resolution or the Bonds or of any proceedings of the Issuer taken in connection therewith. There is also no litigation now pending or, to the knowledge of the officials of the County, threatened which questions the validity or enforceability of the Use Agreement or of any proceedings of the County taken in connection therewith.

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Bonds are subject to approval by Peck, Shaffer & Williams, LLP, Chicago, Illinois, as Bond Counsel, whose opinion is expected to be delivered in substantially the form appended to this Official Statement. Peck, Shaffer & Williams LLP, Denver, Colorado, has assisted the Issuer in the preparation of this Official Statement. Certain legal matters will be passed upon for the Issuer by Califf & Harper, P.C., Moline, Illinois, as general counsel to the Issuer; and for the County by the State's Attorney for Mercer County.

TAX MATTERS

Federal Tax Matters

Circular 230 Advisory. As provided in Circular 230 promulgated by the U.S. Treasury, owners of the Bonds should be aware that: (a) the discussion in this Official Statement with respect to federal income tax consequences of purchasing, owning or disposing of the Bonds is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer; (b) such discussion was written in connection with the promotion or marketing (within the meaning of Treasury Circular 230) of the transactions or matters addressed by such discussion; and (c) each taxpayer should seek advice based on its particular circumstances from an independent tax advisor. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "Service") with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

General. The following is a summary of certain material federal income tax consequences of the purchase, ownership and disposition of the Bonds for the investors described below and is based, in part, on the advice of Peck, Shaffer & Williams LLP, as Bond Counsel. This summary is based upon laws, regulations, rulings and judicial decisions currently in effect, all of which are subject to change. The discussion does not deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules, including, but not limited to, partnerships or entities treated as partnerships for federal income tax purposes, pension plans and foreign investors. In addition, this summary is generally limited to investors who will hold the Bonds as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Federal Tax Code"). Prospective investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of the Bonds.

Build America Bonds. The Issuer intends to elect to (i) designate a portion of the Bonds as taxable "Build America Bonds" pursuant to Section 54AA(d) of the Federal Tax Code, (ii) designate a portion of such Build America Bonds as "Qualified Bonds" pursuant to Section 54AA(g) of the Federal Tax Code and (iii) designate a portion of such Build America Bonds as "Recovery Zone Economic

Development Bonds” pursuant to Section 1400U-2 of the Federal Tax Code as discussed in “INTRODUCTION – Tax Matters – *Build America Bonds*” and “RISKS AND OTHER INVESTMENT CONSIDERATIONS – Application of Subsidy Payments From the U.S. Treasury.” The remainder of the Bonds will not constitute Build America Bonds.

Interest Not Excludible from Gross Income. Interest on all the Bonds (including original issue discount as discussed below) is not excludible from gross income for federal income tax purposes under Section 103 of the Federal Tax Code and will be fully subject to federal income taxation. Owners of the Bonds generally must include the interest (including original issue discount) on such Bonds in gross income for federal income tax purposes.

Tax Treatment of Discount on the Bonds. The Bonds are being initially offered and sold to the public at a discount from the amounts payable at maturity thereon (“original issue discount” or “OID”). OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the “issue price” of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. The Federal Tax Code requires the current ratable inclusion in income of original issue discount greater than a specified de minimis amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument’s yield to its adjusted issue price at the beginning of the accrual period, reduced by any “qualified stated interest” allocable to the period. Qualified stated interest is interest unconditionally payable at a fixed rate or a qualified variable rate at fixed intervals of one year or less. The aggregate original issue discount allocable to an accrual period is allocated to each day included in such period. The owner of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days the owner has owned the instrument, although the owner of such debt instrument has not received cash attributable to such original issue discount in that year. The calculation and accrual of original issue discount should be based on the prepayment assumptions used by the parties in pricing the transaction. The OID accrued during the period that an initial purchaser of a Bond holds such Bond is also added to such purchaser’s tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Bond.

The Issuer expects that interest payable with respect to the Bonds will constitute qualified stated interest. However, there can be no assurance that the Service will agree.

Prospective investors should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of the Bonds and as to the treatment of OID for state tax purposes.

A purchaser (other than a person who purchases a Bond upon issuance at the issue price) who buys a Bond at a discount from its principal amount (or its adjusted issue price if issued with OID greater than a specified de minimis amount) will be subject to the market discount rules of the Federal Tax Code. In general, such market discount rules treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. Prospective investors should consult their own tax advisors concerning the application of the market discount rules to the Bonds.

Backup Withholding. Certain purchasers may be subject to backup withholding at the application rate determined by statute with respect to interest paid with respect to the Bonds if the purchasers, upon issuance, fail to supply the indenture trustee or their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other “reportable payments” (as defined in the Federal Tax Code) properly or, under certain circumstances, fail to provide the Trustee with a certified statement, under penalty of perjury, that they are not subject to backup withholding. Information returns will be sent annually to the Service and to

each purchaser setting forth the amount of interest paid with respect to the Bonds and the amount of tax withheld thereon.

Illinois Tax Matters

Interest on the Bonds is not exempt for purposes of Illinois state income taxation.

Other State, Local or Foreign Taxation

Other than the description of the treatment of interest on the Bonds for purposes of certain taxes imposed by the State of Illinois and its political subdivisions, the Issuer makes no representations regarding the tax consequences of purchase, ownership or disposition of the Bonds under the tax laws of any other state, locality or foreign jurisdiction. Prospective investors should consult their own tax advisors regarding such tax consequences.

NO RATING

No rating has been applied for with respect to the Bonds.

UNDERWRITING

The Bonds are being purchased from the Issuer by the Underwriter at a price equal of \$5,861,515, constituting the principal amount of the Bonds less both an original issue discount of \$77,285 and an underwriting discount of \$121,200. Pursuant to a Bond Purchase Agreement entered into by and between the Issuer and the Underwriter, the Underwriter agrees to accept delivery of and pay for all of the Bonds if any are delivered. The obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

In accordance with its responsibilities under the federal securities laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness.

CONTINUING DISCLOSURE

Pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, which prohibits underwriters from purchasing or selling certain municipal securities unless the issuers of those securities agree to provide continuing disclosure information for the benefit of the owners of those securities, the Issuer, the County and the Trustee will enter into a Continuing Disclosure Agreement in which the Issuer will agree to provide or cause to be provided annually to the MSRB through its EMMA system certain financial information and operating data concerning the Issuer, the Jail Addition, the Use Agreement and the County, as an “obligated person” with respect to the Bonds, and to provide contemporaneous notice of certain enumerated events, if determined to be material. See “APPENDIX G – FORM OF CONTINUING DISCLOSURE AGREEMENT” for a description of the annual information and the notices of material events to be provided and other terms of the Continuing Disclosure Agreement. See also See “APPENDIX B – SUMMARY OF ADDITIONAL PROVISIONS OF THE INDENTURE – Additional General Covenants” and “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENT – Other Covenants and Agreements – *Compliance with the Continuing Disclosure Agreement.*”

A default under the Continuing Disclosure Agreement will not be deemed to be an Indenture Default, a Use Agreement Default or an event of default under the Bonds, and the sole remedy in the event of any failure of the Issuer to comply with the Continuing Disclosure Agreement will be an action to compel specific performance.

MISCELLANEOUS

The appendices to this Official Statement are integral parts hereof and must be read together with all other parts of this Official Statement. The descriptions of the documents summarized in this Official Statement do not purport to be comprehensive or definitive. All references herein to these documents and any other documents, statutes, reports or other instruments described herein are qualified in the entirety by reference to each such document, statute, report or other instrument. During the offering period of the Bonds, copies of the foregoing may be obtained from the Issuer or the Underwriter.

So far as any statements made in this Official Statement involve matters of opinion, projections, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

THE MERCER COUNTY PUBLIC BUILDING COMMISSION

By: /s/ Douglas McCaw
Chairman, Board of Commissioners

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APPENDIX A

GLOSSARY OF TERMS

Set forth below are definitions of terms used in this Official Statement, the Indenture and the Use Agreement. Reference is hereby made to the Indenture and the Use Agreement for a complete recital of the terms defined therein.

“Additional Expenses” means the payment or cost of all:

(a) reasonable expenses and fees of the Issuer or the Trustee related to the performance of their respective responsibilities under the provisions of the Use Agreement and the Indenture, or otherwise incurred at the request of the County, including the reasonable fees and expenses of any person or firm employed by the Issuer and the Trustee to make rebate calculations under the provisions of the Indenture;

(b) taxes, insurance premiums, utility charges, maintenance, upkeep, repair and replacement with respect to the Jail Addition;

(c) Reserve Fund payments, deposits or reimbursements to the Issuer in respect of any draws therefrom; and

(d) all other charges and costs (together with all interest and penalties that may accrue thereon in the event that the County fails to pay the same, as specifically set forth in the Use Agreement) which the County agrees to assume or pay as Additional Expenses under the Use Agreement.

Additional Expenses do not include User Fees.

“Annual Appropriation” means the collective procedure by which the County specifically appropriates funds annually for the payment of User Fees or Additional Expenses coming due under the Use Agreement.

“Authorized Denominations” means the amount of \$5,000 or any integral multiple thereof.

“Assignment” means the Assignment from the Issuer to the Trustee of (a) the Use Agreement and (b) all User Fees, other Pledged Revenue and attendant rights and obligations derived under the Use Agreement (except the Reserved Rights).

“Assumption Agreement” means the Assumption Agreement by and between the Trustee and the Issuer pursuant to which the Trustee accepts all of the Issuer’s right, title and interest in (a) the Use Agreement and (b) all User Fees, other Pledged Revenue and attendant rights and obligations derived under the Use Agreement, and has assumed the obligation to perform and satisfy all the terms, covenants and conditions of the Use Agreement to be performed on the part of the Issuer.

“Authorized Officer” means:

(a) in the case of the Issuer, the Chairman, Secretary or Treasurer, and when used with reference to any act or document also means any other person authorized by resolution of the Issuer to perform such act or execute such documents;

(b) in the case of the County, the person or persons authorized by resolution or ordinance of the County to perform any act or execute any document; and

(c) in the case of the Trustee, any person authorized to perform any act or sign any document by or pursuant to the bylaws or any resolution of the governing body of the Trustee.

“Authorizing Resolution” means the resolution of the Issuer authorizing the issuance of the Bonds and the execution of the Indenture, certified by the Secretary of the Issuer to have been duly adopted by the Issuer Board and to be in full force and effect on the date of such certification, including any amendments or supplements made thereto.

“Beneficial Owner” means any Participant or any Person for which a Participant acquires an interest in the Bonds.

“Beneficial Ownership Interest” means any interest in the Bonds owned by a Beneficial Owner.

“Bond Payment Fund” means the Fund by that name established by the Indenture for the purpose of paying the Debt Service Requirements with respect to the Bonds, including therein the Interest Account and the Principal Account.

“Bond Purchase Agreement” means the Bond Purchase Agreement between the Issuer and the Underwriter concerning the purchase of the Bonds by the Underwriter.

“Bond Register” means books for the registration of the ownership, transfer or exchange of the Bonds required to be kept by the Trustee at its principal operations office pursuant to the Indenture.

“Bonds” means the Taxable Jail Addition Revenue Bonds, Series 2010, in the aggregate principal amount of \$6,060,000, dated the Closing Date, issued by the Issuer pursuant to the Public Building Commission Act, the Indenture and the Authorizing Resolution.

“Build America Bonds” means taxable obligations issued pursuant to Section 54AA of the Federal Tax Code.

“Business Day” means any day, other than a Saturday or Sunday or a day (a) on which banks located in the city in which the office of the Trustee is located is required or authorized by law or executive order to close or (b) on which the Federal Reserve System is closed.

“Certificate of Final Completion” means the Certificate of Final Completion provided for in the Indenture.

“Closing Date” means the date of issuance and delivery of the Bonds to the initial purchasers.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement to be entered into by and among the Issuer, the County and the Trustee on the Closing Date pursuant to Securities and Exchange Commission Rule 15c2-12.

“Counsel” means (a) for purposes of the Indenture, a person, or firm of which such a person is a member, authorized in any state of the United States to practice law, and (b) for purposes of the Use Agreement, an attorney at law or law firm (who may be counsel for the Issuer or for the County) who is satisfactory to the Trustee.

“County” means the County of Mercer, Illinois.

“*County Board*” means the Mercer County Board, being the governing body of the County.

“*County Jail*” means, collectively, the Site, the Original Jail and the Jail Addition and any portion thereof as described in the Use Agreement.

“*Debt Service Requirements*” means the principal of, premium, if any, and interest on the Bonds, including any accrued but unpaid amounts and interest due as a result of compounding, if any.

“*Depository*” means any securities depository that the Issuer may provide and appoint, in accordance with the guidelines of the SEC, to act as securities depository for the Bonds.

“*DTC*” means The Depository Trust Company, New York, New York, and its successors and assigns.

“*EMMA*” means the MSRB’s Electronic Municipal Market Access system.

“*Event of Nonappropriation*” means the termination of the Use Term by the County, determined by the County’s exercise of its right, for any reason, to not enact by the last day of each Fiscal Year an appropriation resolution for the ensuing Fiscal Year which includes (a) amounts authorized and directed to be used to pay all User Fees and (b) sufficient amounts to pay such Additional Expenses as are estimated to become due. The term also means a notice under the Use Agreement of the County’s intention to terminate the Use Term or an event described in the Use Agreement relating to the exercise by the County of its right to not appropriate amounts due as Additional Expenses in excess of the amounts appropriated.

“*Federal Securities*” means direct obligations of (including obligations issued or held in book entry form on the books of), or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

“*Federal Tax Code*” means the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Bonds.

“*Fiscal Year*” means the 12 months commencing December 1 of any year and ending on the following November 30.

“*Force Majeure*” means, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies or officials or any civil or military authority; insurrection; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accidents to machinery, transmission pipes or canals; or any other cause or event not within the control of the County, exclusive of the County’s exercise of its governmental police powers.

“*Hazardous Substance*” means and includes: (a) the terms “hazardous substance,” “release and removal” which have the same meaning and definition as set forth in paragraphs (14), (22) and (23), respectively, of Title 42 U.S.C. 9601 and in State law; provided, however, that the term “hazardous substance” also includes “hazardous waste” as defined in paragraph (5) of 42 U.S.C. 6903 and “petroleum” as defined in paragraph (8) of 42 U.S.C. 6991; and (b) the term “underground storage tank” has the same meaning and definition as set forth in paragraph (1) of 42 U.S.C. 6991.

“*ILCS*” means the Illinois Compiled Statutes.

“Indenture” means that certain Indenture of Trust, dated the Closing Date, by and between the Issuer and the Trustee with respect to the authorization and issuance of the Bonds as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions of the Indenture.

“Indenture Default” means any one or more of the events defined as Events of Default in the Indenture.

“Independent Accountant” means a firm of independent certified public accountants practicing under the laws of the State, independent in fact and not an officer or employee of the Issuer.

“Interest Account” means an account of the Bond Payment Fund established by the Indenture for the purpose of paying the interest on the Bonds.

“Interest Payment Date” means June 1 and December 1, commencing December 1, 2010.

“Issuer” means The Mercer County Public Building Commission, a municipal corporation organized and existing under the laws of the State, specifically the Public Building Commission Act.

“Issuer Board” means the Board of Commissioners of the Issuer.

“Issuer Representative” means the person or persons at the time designated to act on behalf of the Issuer by written certificate furnished to the Trustee containing the specimen signatures of such person or persons and signed on behalf of the Issuer by its Chairman and attested by its Secretary, and any alternate or alternates designated as such therein.

“Jail Addition” means a 72 bed inmate housing facility to be constructed adjacent and attached to the Original Jail Building, and associated equipment and other facilities. “Jail Addition” does not include the Original Jail Building, the Site thereof or any modifications or improvements made thereto as part of the Project.

“Majority Owner” means the Owner of more than 50% of the Bonds Outstanding at the time of such determination.

“Maximum Required Reserve” means the amount of \$440,000 to be deposited on the Closing Date into and maintained in the Reserve Fund.

“MSRB” means the Municipal Securities Rulemaking Board.

“Net Proceeds” means the proceeds of any performance or payment bond, or proceeds of insurance, including self-insurance, required by the Use Agreement or proceeds from any condemnation award, or any proceeds resulting from default or breaches of warranty under a Project Contract or any other contract relating to the Jail Addition, or proceeds derived from the exercise of any Use Agreement Remedy or otherwise following termination of the Use Term by reason of an Event of Nonappropriation or a Use Agreement Default, less (a) all expenses (including, without limitation, attorney’s fees and costs) incurred in the collection of such proceeds or award; and (b) all other fees, expenses and payments due to the County, the Issuer or the Trustee, as the Issuer’s assignee.

“Original Jail” means the existing Mercer County Jail located in the Original Jail Building.

“Original Jail Building” means the building housing the Original Jail, County Sheriff’s offices and emergency dispatch center located on the Site as described in the Use Agreement.

“Outstanding” or *“Outstanding Bonds”* means, as of any particular time, all Bonds that have been duly authenticated and delivered by the Trustee under the Indenture, except:

(a) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation as the result of payment at maturity or prior redemption;

(b) Bonds for the payment or redemption of which moneys or Federal Securities in an amount sufficient (as determined pursuant to the Indenture) have been theretofore deposited with the Trustee, or Bonds for the payment or redemption of which moneys or Federal Securities in an amount sufficient (as determined pursuant to the Indenture) have been placed in escrow and in trust; and

(c) Bonds in lieu of which other Bonds have been authenticated and delivered pursuant to the Indenture.

“Owner(s)” or *“Owner(s) of Bonds”* means the registered owner(s) of any Bonds as shown in the Bond Register.

“Participants” means any broker-dealer, bank or other financial institution from time to time for which DTC or another Depository holds the Bonds.

“Permitted Investments” means any investments or deposits that the Issuer is permitted to make under then applicable law.

“Person” means a corporation, firm, other body corporate (including, without limitation, the federal government, the State or any other public body other than the Issuer), partnership, limited liability company, association or individual, and also includes an executor, administrator, trustee, receiver or other representative appointed according to law, other than the Trustee.

“Pledged Revenue” means the User Fees, Subsidy Payments and any other amounts paid by the County to the Issuer or amounts otherwise received by the Issuer and pledged to the payment of debt service on the Bonds pursuant to the Use Agreement.

“Prepayment Option Date” means the date on which the County may exercise its option to prepay the User Fees as provided in the Use Agreement, which date is required to be a day on which the Bonds may be redeemed pursuant to the Indenture.

“Prepayment Option Price” means the amount payable by the County to exercise its option to prepay the User Fees as provided in the Use Agreement, which amount is to be equal to the redemption price of the Bonds to be redeemed on the related Prepayment Option Date.

“Principal Account” means an account of the Bond Payment Fund established by the Indenture for the purpose of paying the principal of and premium, if any, on the Bonds.

“Project” means the acquisition, construction, installation and equipping of the Jail Addition being added to the Original Jail Building, plus certain improvements to the Original Jail Building.

“Project Contracts” means any contract entered into by the Issuer or the County regarding the acquisition, construction and installation of the Project.

“Project Costs” means the Issuer’s costs properly attributable to the Project or any part thereof, including, without limitation:

- (a) the costs of labor and materials, of machinery, furnishings and equipment, and of the restoration of property damaged or destroyed in connection with construction work;
- (b) the costs of insurance premiums, indemnity and fidelity bonds, financing charges, bank fees, taxes or other municipal or governmental charges lawfully levied or assessed;
- (c) administrative and general overhead costs;
- (d) the costs of reimbursing funds advanced by the Issuer in anticipation of reimbursement from proceeds of the Bonds, including any intrafund or interfund loan, provided that such reimbursements are in compliance with reimbursement regulations promulgated by the Internal Revenue Service under the Federal Tax Code;
- (e) the costs of surveys, appraisals, plans, designs, specifications and estimates;
- (f) the costs, fees and expenses of printers, engineers, architects, financial consultants, legal advisors or other agents or employees;
- (g) the costs of publishing, reproducing, posting, mailing or recording documents;
- (h) the costs of contingencies or reserves;
- (i) the costs of issuing the Bonds;
- (j) the costs of paying permissible capitalized interest on the Bonds;
- (k) the costs of repaying any short-term financing, construction loans and other temporary loans, and of the incidental expenses incurred by the Issuer in connection with such loans;
- (l) the costs of acquiring any property, rights, easements, licenses, privileges, agreements and franchises;
- (m) the costs of demolition, removal and relocation; and
- (n) all other lawful costs as determined by the Issuer Board.

“Project Fund” means Bonds Project Fund established by the Indenture for the purpose of paying Project Costs.

“Public Building Commission Act” or *“Act”* means the Public Building Commission Act, Section 50, Subsection 20/1, *et seq.*, ILCS.

“Qualified Bonds” means Build America Bonds that constitute “qualified bonds” under Section 54AA of the Federal Tax Code.

“Qualified Bonds Credit Payments” means the amounts payable by the U.S. Treasury to the issuer of Qualified Bonds upon compliance by such issuer with certain procedural requirements provided in the Federal Tax Code and Treasury Regulations.

“Rebate Fund” means the Bonds Rebate Fund established by the Indenture for the purposes provided in “APPENDIX B – SUMMARY OF ADDITIONAL PROVISIONS OF THE INDENTURE – Tax Matters – *The Rebate Fund.*”

“*Recovery Act*” or “*ARRA*” means the American Recovery and Reinvestment Act of 2009.

“*Required Completion Date*” means three years from the Closing Date.

“*Reserved Rights*” means, collectively, any rights the Issuer may have (a) with respect to the representations, covenants and agreements of the County to the Issuer in the Use Agreement, (b) as an additional insured and/or the recipient of any notices or certificates provided for in the Use Agreement and (c) in the County’s covenant to defend provided in the Use Agreement.

“*Reserve Fund*” means the Fund by that name established by the Indenture for the purpose of paying ongoing operating costs and expenses of the Jail Addition, as directed by the Issuer or the Majority Owner, as the case may be, and, in certain circumstances, the Debt Service Requirements with respect to the Bonds.

“*Revenue Fund*” means the Fund by that name established by the Indenture for the purpose of receiving deposits of Pledged Revenue, which deposits are to be applied by the Trustee in the manner provided in the Indenture.

“*RZEDBs*” means Build America Bonds that constitute “Recovery Zone Economic Development Bonds” under Section 1400U-2 of the Federal Tax Code.

“*RZEDBs Credit Payments*” means the amounts payable by the U.S. Treasury to the issuer of RZEDBs upon compliance by the issuer with certain procedural requirements provided in the Federal Tax Code and Treasury Regulations.

“*Site*” means the real estate constituting the site upon which the Original Jail is located and the Jail Addition will be located.

“*State*” means the State of Illinois.

“*Subsidy Payments*” means Qualified Bonds Credit Payments and RZEDBs Credit Payments.

“*Tax Certificate*” means that Tax Compliance Certificate and Agreement to be executed and delivered by the Issuer and the County relating to the requirements of Sections 103 and 141-150 of the Federal Tax Code.

“*Trustee*” means U.S. Bank National Association, Chicago, Illinois, or any successor Trustee, appointed, qualified and acting as trustee, paying agent and registrar under the provisions of the Indenture.

“*Trust Estate*” means the moneys, securities, revenues, receipts and funds transferred, pledged and assigned to the Trustee pursuant to the Granting Clauses of the Indenture.

“*Underwriter*” means Municipal Capital Markets Group, Inc., Greenwood Village, Colorado, the initial purchaser of the Bonds pursuant to the Bond Purchase Agreement.

“*Use Agreement*” means that certain Use and Cooperation Agreement for the Mercer County Jail Addition, dated the Closing Date, by and among the Issuer, the County and the Trustee, pursuant to which the County will pay User Fees to the Issuer for the use and operation of the Jail Addition.

“*Use Agreement Default*” means any one or more of the events defined as Events of Default in the Use Agreement.

“Use Agreement Remedy(ies)” means any or all remedial steps provided in the Use Agreement whenever a Use Agreement Default or an Event of Nonappropriation has happened and is continuing, which may be exercised by the Trustee as provided in the Indenture.

“User Fees” means the user fees payable by the County pursuant to the Use Agreement, which constitute payments payable by the County for and in consideration of the right to use and operate the Jail Addition.

“User Fee Payment Due Dates” means the dates on which the User Fees are payable by the County as set forth in the Use Agreement.

“Use Term” means the period of time that the County has the right to occupy, use and operate the Jail Addition pursuant to the Use Agreement, being the period of time commencing on the Closing Date and ending November 30, 2030, subject to earlier termination under the circumstances provided in the Use Agreement.

* * *

APPENDIX B

ADDITIONAL PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture during such time as the Bonds are subject to the DTC book-entry system and is in addition and complementary to the summaries in “THE BONDS” and “SECURITY AND SOURCES OF PAYMENT.” Reference is hereby made to the Indenture in its entirety for the complete recital of its provisions, including provisions applicable upon discontinuance of participation in the DTC book-entry system. Copies of the Indenture are available from the Underwriter during the period of the initial offering of the Bonds.

Grant of the Trust Estate

In order to secure the payment of the principal of and interest on the Bonds and the performance and observance of all the covenants and conditions in the Bonds, the Authorizing Resolution and the Indenture, the Issuer grants to the Trustee the following, constituting the Trust Estate, for the equal and proportionate benefit, security and protection of all Owners of the Bonds: (1) the Pledged Revenue, the Project Fund, the Bond Payment Fund, the Reserve Fund, the Revenue Fund and all other moneys, securities, revenues, receipts and funds from time to time held by the Trustee under the terms of the Indenture, and a security interest therein; and (2) all right, title and interest of the Issuer to receive Pledged Revenue under the Use Agreement and to exercise remedies thereunder and all right, title and interest of the Issuer in any and all other property given, granted, assigned, pledged, conveyed, mortgaged or transferred by the Issuer, or by anyone on its or their behalf, as and for additional security under the Indenture; provided, however, that in the event such property is transferred to the Trustee by some person other than the Issuer, the Trustee must first be provided with an opinion of Counsel nationally recognized in bankruptcy matters and acceptable to the Trustee, substantially to the effect that the transfer of such property to the Trustee would not constitute a voidable preference under Section 547 of Title 11 of the United States Code.

Description of the Bonds

The provisions of the Bonds are generally described in “THE BONDS” and “SECURITY AND SOURCES OF PAYMENT.”

Funds and Accounts; Moneys to be Held in Trust

The Indenture establishes the Project Fund, the Revenue Fund, the Bond Payment Fund and the Reserve Fund as discussed in “APPLICATION OF BOND PROCEEDS; THE PROJECT” and “SECURITY AND SOURCES OF PAYMENT,” as well as the Bonds Rebate Fund discussed in “Tax Matters – *The Rebate Fund*” below.

All moneys deposited with or paid to the Trustee under any provision of the Indenture are to be held by the Trustee in trust for the purposes specified in the Indenture, and except for moneys paid to Trustee for its fees and expenses, will constitute part of the Trust Estate and be subject to the lien of the Indenture. Except to the extent otherwise provided in “Defaults and Remedies – *Other Provisions Applicable to Indenture Defaults and Remedies*” and “Discharge of the Lien of the Indenture” below, the Issuer will have no claim to or rights in any moneys deposited with or paid to the Trustee under the Indenture.

Investment of Funds and Accounts

All moneys held by the Trustee in any of the Funds or Accounts created by the Indenture are to be promptly invested or reinvested by the Trustee, at the written or oral request (followed by written instructions) and direction of the Issuer Representative, in Permitted Investments only. Such investments are to mature or be redeemable at the option of the owner thereof no later than the respective dates on which moneys held for the credit of such Fund or Account will be required for the purposes intended. The Issuer Representative may direct the Trustee to, or in the absence of direction the Trustee is directed to, invest and reinvest the moneys in any investment permitted by the Indenture so that the maturity date, interest payment date or date of redemption, at the option of the owner of such investment, coincides as nearly as practicable with the times at which money is needed to be so expended. Any and all such investments are subject to full and complete compliance at all times with the covenants and provisions discussed in "Tax Matters" below.

Except as otherwise provided for investments of the Reserve Fund as discussed herein, the interest income derived from the investment and reinvestment of any moneys in any Fund or Account held by the Trustee under the Indenture is to be credited to the Fund or Account from which the moneys invested were derived.

The Trustee will have no liability or responsibility for any loss or for failure to maximize earnings resulting from any investment made in accordance with the provisions of the Indenture, and will be entitled to assume, absent receipt by the Trustee of written notice to the contrary, that any investment which at the time of purchase is a Permitted Investment remains a Permitted Investment thereafter. The Trustee may make any and all investments permitted by the Indenture through its own investment department or that of its affiliates.

Additional General Covenants

In addition to the other covenants discussed in this Official Statement, the Issuer covenants in the Indenture that for so long as any Bond is outstanding:

- The proceeds derived from the sale of the Bonds will be used solely for the purposes specified in the Indenture.
- The Issuer will pay promptly the Debt Service Requirements with respect to the Bonds at the place, on the dates and in the manner specified in the Indenture and in the Bonds. In the event the Pledged Revenue is or is anticipated to be insufficient to pay the Debt Service Requirements with respect to the Bonds when due, and there are insufficient amounts in the funds and accounts established by the Indenture for such purpose, the Issuer will use its best efforts to refinance, refund or otherwise restructure the Bonds so as to avoid such an occurrence, including enforcing all of its rights pursuant to the Use Agreement.
- The Issuer and the County will continue to operate and maintain the Jail Addition in an efficient and economical manner in accordance with the Use Agreement and all applicable laws, rules, and regulations. If the County fails to occupy the Jail Addition as contemplated by the Use Agreement, the Issuer will use its best efforts to find a suitable replacement for the County to operate the Jail Addition such that User Fees or fees similar thereto continue to be pledged to the payment of the Bonds.
- Neither the Issuer nor the County will sell, further encumber or otherwise alienate any of the property constituting any part or all of the Jail Addition and to which the Issuer or the

County has legal title in any manner or to any extent, unless and until the Bonds are fully redeemed or defeased.

- At least once a year, the Issuer will cause an audit to be performed of the records relating to the revenues and expenditures relating to the operation of the Jail Addition. Such audit may be made part of and included within the general audit of the Issuer, and made at the same time as the general audit. In addition, at least once a year, the Issuer will cause a budget to be prepared and adopted. Copies of the budget and the audit will be filed and recorded in the offices of the Issuer. Within six months after the close of each Fiscal Year of the Issuer, copies of the annual audit will be furnished to the Trustee.
- The Issuer will carry fire and extended coverage, workmen's compensation, public liability and such other forms of insurance on insurable property of the Jail Addition as would ordinarily be carried by facilities having similar properties of equal value, such insurance being in such amounts as will protect the Jail Addition and its operation. In the event of any loss or damage to the Jail Addition, or in the event part or all of the Jail Addition is taken by the exercise of a power of eminent domain, the insurance proceeds or the condemnation award will be used for restoring, replacing or repairing the property lost, damaged or taken, and the remainder thereof, if any, will be considered Pledged Revenue; provided, however, that if the Issuer Board determines that the operation of the Jail Addition and the security for the Bonds will not be adversely affected thereby, the Issuer Board may determine not to restore, replace, or repair the property lost, damaged, or taken and all of the insurance proceeds or condemnation award will be considered to be and classified as Pledged Revenue.
- The Issuer will pay all taxes and assessments or other municipal or governmental charges, if any, lawfully levied, assessed upon, or in respect to the Jail Addition, or any part thereof, when the same become due, and will duly observe and comply with all valid requirements of any municipal or governmental authority relative to any part of the Jail Addition. The Issuer will not create or suffer to be created any lien or charge upon the Jail Addition or upon the Pledged Revenue except as permitted by the Indenture unless it has made adequate provisions to satisfy and discharge, within 60 days after the same accrues, all lawful claims and demands for labor, materials, supplies or other objects, that, if unpaid, might by law become a lien upon the Jail Addition or upon the Pledged Revenue; provided, however, that the Issuer is not required to pay, or to cause to be discharged, or to make provision for, any such tax, assessments, lien or charge before the time when payment thereof is due or so long as the validity thereof is being contested in good faith by appropriate legal proceedings or in continuing, good faith negotiations.
- The Pledged Revenue provided by the Use Agreement is specially pledged by the Indenture to the payment of Debt Service Requirements with respect to the Bonds to the extent provided in the Indenture, and such pledge will not be repealed, nor will the Use Agreement that generates the Pledged Revenue be postponed or diminished, except as authorized in the Indenture, until the Debt Service Requirements with respect to the Bonds have been paid or provided for in the manner and to the extent provided in the Indenture, unless otherwise required by law.
- The Issuer and the County will comply with the Continuing Disclosure Agreement at the times and in the manner specified therein; provided, however, that default under the Continuing Disclosure Agreement will not be deemed to be an Indenture Default or an event of default under the Bonds, and the sole remedy in the event of any failure of the

Issuer or the County to comply with the Continuing Disclosure Agreement will be an action to compel specific performance.

Tax Matters

Covenants. The Issuer covenants and agrees with every Owner of the Bonds that, notwithstanding any other provision of the Indenture or any other instrument, it will not make or cause to be made any investment or other use of the proceeds of the Bonds, and will not take or permit to be taken any other action or actions, which would cause the Bonds to be “arbitrage bonds” under Sections 103 and 148 of the Federal Tax Code or “federally guaranteed” within the meaning of Section 149(b) of the Federal Tax Code. The Issuer further covenants that it will comply with the requirements of such Sections and any applicable requirements promulgated from time to time thereunder throughout the term of the Bonds with respect to all funds and accounts created under the Indenture and all moneys on deposit to the credit of any such fund or account, and to any other amounts which are Bond proceeds for purposes of Sections 103 and 148 of the Federal Tax Code. Finally, with respect to the portion of the Bonds issued as Build America Bonds, the Issuer covenants and agrees that it will take all actions necessary to maintain the status of such Bonds as Build America Bonds and take all steps necessary to apply for and receive the Subsidy Payments in a timely manner and cause such Subsidy Payments to be remitted to the Trustee for deposit as Pledged Revenue under the Indenture.

In the event that at any time the Issuer is of the opinion that it is necessary in order to comply with the foregoing covenants to restrict or to limit the yield on the investment of any moneys held by the Trustee or held by the Issuer under the Indenture and the Authorizing Resolution, the Issuer will so restrict or limit the yield on such investment or will so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

If the Issuer provides to the Trustee an opinion of nationally recognized municipal bond counsel that any specified action required or is no longer required, or that some further or different action is required, in order to comply with the foregoing covenants, the Trustee and the Issuer may conclusively rely on such opinion in complying with the requirements of the previous paragraph, and the foregoing covenants in the Indenture will be deemed to be modified to that extent.

The Rebate Fund. The Indenture establishes the Bonds Rebate Fund, which is to be held and maintained by the Trustee in accordance with the provisions of the Indenture. The Trustee is to make deposits and disbursements from the Bonds Rebate Fund in accordance with the written instructions received from the Issuer, invest the amounts held in the Bonds Rebate Fund pursuant to written instructions from the Issuer and deposit income from such investments immediately upon receipt thereof in the Bonds Rebate Fund. The Trustee is to keep and maintain adequate records pertaining to investment of all proceeds of the Bonds sufficient to permit the Issuer to determine the amount of rebate, if any, required to be paid to the United States of America pursuant to Section 148 of the Federal Tax Code. The Issuer is to give written directions to the Trustee to pay to the United States at the times required by the Federal Tax Code, out of amounts deposited in the Bonds Rebate Fund, the amounts required to be paid to the United States as provided in the Tax Certificate (as defined in “APPENDIX A – GLOSSARY OF TERMS”). The Trustee will not be liable for any consequences resulting from its failure to act if no instructions from the Issuer are delivered to it.

Defaults and Remedies

Events of Default. The Indenture provides that the occurrence of any one or more of the following events or the existence of any one or more of the following conditions will constitute an Event of Default thereunder (referred to in this Official Statement as “Indenture Defaults”), whatever the reason for such event or condition and whether it is voluntary or involuntary or effected by operation of law or

pursuant to any judgment, decree, rule, regulation or order of any court or any administrative or governmental body:

- payment of any interest on or principal of any Bond is not made by the Issuer when due (a “Payment Default”);
- the Issuer fails to impose User Fees for the Jail Addition under the Use Agreement at levels sufficient to generate Pledged Revenue sufficient to pay Debt Service Requirements as they become due in accordance with the terms of the Authorizing Resolution, subject to the limitations contained in the Issuer’s covenants discussed in “SECURITY AND SOURCES OF PAYMENT – The Pledged Revenue and the Use Agreement”;
- the Issuer defaults in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer in the Indenture or the Authorizing Resolution, and fails to remedy the same after notice thereof (a “Covenant Default”); or
- the Issuer files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Bonds (an “Bankruptcy Default”).

Remedies. Upon the occurrence and continuance of an Indenture Default, the Trustee will have the following rights and remedies under the Indenture which may be pursued:

Receivership. Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners, the Trustee will be entitled as a matter of right to the appointment of a receiver or receivers of the Trust Estate, and of the revenues, income, product and profits thereof pending such proceedings; but notwithstanding the appointment of any receiver or other custodian, the Trustee will be entitled to the possession and control of any cash, securities or other instruments at the time held by, or payable or deliverable under the provisions of the Indenture to, the Trustee.

Suit for Judgment. The Trustee may proceed to protect and enforce its rights and the rights of the Owners under the Public Building Commission Act, the Bonds, the Authorizing Resolution, the Indenture and any provision of law by such suit, action or special proceedings as the Trustee, being advised by Counsel, shall deem appropriate.

Mandamus or Other Suit. The Trustee may proceed by mandamus or any other suit, action or proceeding at law or in equity to enforce all rights of the Owners.

Acceleration of the Bonds is not an available remedy for an Indenture Default.

Other Provisions Applicable to Indenture Defaults and Remedies. No recovery of any judgment by the Trustee will in any manner or to any extent affect the lien of the Indenture or any rights, powers or remedies of the Trustee thereunder, or any lien, rights, powers and remedies of the Owners of the Bonds. Rather, such lien, rights, powers and remedies of the Trustee and of the Owners will continue unimpaired as before.

Upon the occurrence and continuation of a Payment Default, and if requested by the Majority Owner, or otherwise by the Owners of 51% in aggregate principal amount of the Bonds then Outstanding, the Trustee will be obligated to exercise such one or more of the rights and powers conferred by the

Indenture as the Trustee, being advised by Counsel, deems most expedient in the interests of the Owners, provided that the Trustee at its option is entitled to be indemnified as provided in the Indenture.

The Majority Owner, or otherwise the Owners of a majority in aggregate principal amount of the Bonds then Outstanding will have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver, and any other proceedings under the Indenture; provided that such direction is in accordance with the provisions of the Indenture and, at the Trustee, at its option, is indemnified as provided in the Indenture.

No Owner will have the right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture, for the execution of any trust thereof or for the appointment of a receiver or any other remedy thereunder unless (i) a default has occurred of which the Trustee has been notified as provided in the Indenture, or of which the Trustee is deemed to have notice, (ii) such default has become an Indenture Default and the Majority Owner, or otherwise the Owners of not less than 51% in aggregate principal amount of Bonds then Outstanding have made written request to the Trustee and have offered reasonable opportunity either to proceed to exercise the powers granted under the Indenture or to institute such action, suit or proceedings in their own name, (iii) the Trustee is offered indemnity, and (iv) the Trustee thereafter fails or refuses to exercise the powers granted under the Indenture, or to institute such action, suit or proceeding in its own name. Such notification, request and offer of indemnity are, at the option of the Trustee, conditions precedent to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy thereunder. No Owner or Owners of Bonds have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture by his, her, its or their action, or to enforce any right thereunder except in the manner provided in the Indenture, and all proceedings at law or in equity are to be instituted, had and maintained in the manner provided in the Indenture for the equal benefit of the Owners of all Bonds then Outstanding.

All moneys received by the Trustee pursuant to any right given or action taken under the Indenture, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and the fees (including attorneys' fees and any other professionals hired by the Trustee under the Indenture), expenses, liabilities and advances incurred or made by the Trustee, are to be deposited in the appropriate accounts or accounts created under the Indenture, in the same manner as is provided for deposits of other revenue, and used for the purposes thereof, until the Debt Service Requirements with respect to all the Bonds have been paid in full.

Whenever all of the Bonds and interest thereon have been paid under the remedial provisions of the Indenture and all expenses and fees of the Trustee have been paid, any balance remaining in any of the funds held under the Indenture are to be paid to the Issuer.

All rights of action and claims under the Indenture or any of the Bonds Outstanding thereunder may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or proceedings relative thereto. Any suit or proceeding instituted by the Trustee is to be brought in its name as the Trustee without the necessity of joining as plaintiffs or defendants any Owners of the Bonds, and any recovery of judgment is to be for the ratable benefit of the Owners of the Bonds, subject to the provisions of the Indenture.

In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceedings affecting the Issuer, the Trustee, to the extent permitted by law, is to file such proofs of claims and other documents as may be necessary or advisable in order to have claims of the Trustee and of the Owners allowed in such proceedings, without prejudice, however, to the right of any Owner to file a claim in his own behalf.

No delay or omission of the Trustee or of any Owner to exercise any right or power accruing upon any default is to exhaust or impair any such right or power or be construed to be a waiver of any such default, or acquiescence therein. Every power and remedy given by the Indenture may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default under the Indenture, whether by the Trustee or the Owners, will extend to or affect any subsequent or any other then existing default or impair any rights or remedies consequent thereon. All rights and remedies of the Trustee and the Owners provided in the Indenture are cumulative, and the exercise of any such right or remedy will not affect or impair the exercise of any other right or remedy.

If the Trustee has proceeded to enforce any right under the Indenture and such proceedings are discontinued or abandoned for any reason, or are determined adversely to the Trustee, then and in every such case the Issuer and the Trustee are to be restored to their former positions and rights under the Indenture with respect to the Trust Estate, and all rights, remedies and powers of the Trustee are to continue as if no such proceedings had been taken.

The Trustee may in its discretion waive any Indenture Default and its consequences, and is to do so upon the written request of the Owners of two-thirds in aggregate principal amount of all the Bonds then Outstanding. However, no Payment Default or Bankruptcy Default may be waived without the consent of the Owners of all of the Bonds then Outstanding as to which such Indenture Default exists. In the event of any such waiver, or if any proceedings taken by the Trustee on account of any such default are discontinued or abandoned or determined adversely to the Trustee, then the Issuer, the Trustee and the Owners are to be restored to their former positions and rights under the Indenture, respectively. No such waiver or rescission will extend to any subsequent or other default, or impair any right consequent thereon.

The Trustee is to give notice to the Owners, by mail, of each default or Indenture Default known to the Trustee, within 90 days after the occurrence of such default or Indenture Default, unless such default or Indenture Default has been cured before the giving of such notice. The Trustee will be protected in withholding such notice if and so long as a committee of its trust department in good faith determines that the withholding of such notice is not detrimental to the interests of the Owners.

No Covenant Default will constitute an Indenture Default until (i) actual notice of such default by registered or certified mail has been given to the Issuer by the Trustee or by the Owners of not less than 51% in aggregate principal amount of all Bonds Outstanding, (ii) the Issuer has had 30 days after receipt of such notice to correct such Covenant Default or cause such Covenant Default to be corrected and (iii) the Issuer has neither corrected such Covenant Default or caused such Covenant Default to be corrected within the applicable period. However, if such Covenant Default is such that it cannot be corrected within the applicable period, it will not constitute an Indenture Default if corrective action is instituted within the applicable period and diligently pursued thereafter until the Covenant Default is corrected.

Amendments and Supplements to the Indenture

The Issuer and the Trustee, without the consent of or notice to the Owners, may enter into supplemental indentures for any one or more of the following purposes:

- To cure any ambiguity, to cure, correct or supplement any formal defect or omission or inconsistent provision contained in the Indenture, to make any provision necessary or desirable due to a change in law, to make any provisions with respect to matters arising under the Indenture or to make any provisions for any other purpose if such provisions

are necessary or desirable and do not materially adversely affect the interests of the Owners;

- To subject to the Indenture additional revenues, properties or collateral;
- To grant or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners or the Trustee; and
- To qualify the Indenture under the Trust Indenture Act of 1939.

Except as otherwise provided above, the Owners of not less than two-thirds in aggregate principal amount of the Bonds then Outstanding may consent to and approve the execution by the Issuer and the Trustee of such supplements to the Indenture as may be deemed necessary or desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that none of the following are permitted without the consent of the Owners of all the Outstanding Bonds affected thereby:

- A change in the terms of the maturity of any outstanding Bond, in the principal amount of any outstanding Bond, in the prior redemption provisions applicable thereto or the rate of interest thereon;
- Creation of an impairment of the right of the Owners to institute suit for the enforcement of any payment of the Debt Service Requirements with respect to the Bonds when due;
- Creation of a privilege or priority of any Bond or any interest payment over any other Bond or interest payment; or
- A reduction in the percentage in principal amount of the outstanding Bonds, the consent of whose Owners is required for any such supplemental indenture.

If the Issuer requests the Trustee to enter into a supplemental indenture for any of the purposes requiring consent, the Trustee, upon being satisfactorily indemnified with respect to fees and expenses, is required to give notice of the proposed supplemental indenture by certified or registered first class mail to each Owner at least 30 days prior to the proposed date of execution and delivery of any such supplemental indenture. The notice is to briefly set forth the nature of the proposed supplemental indenture and inform the Owner that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Owners. If, within 60 days or such longer period prescribed by the Issuer following the giving of such notice, the Consent Parties representing not less than the required percentage in aggregate principal amount of the Bonds then outstanding at the time of the execution of any such supplemental indenture have consented to and approved the execution thereof, no Owner may object to any of the terms and provisions contained therein, or to the operation thereof, or may in any manner question the propriety of the execution thereof or enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof.

The Trustee is authorized to join with the Issuer in the execution of a supplemental indenture and to make further agreements and stipulations which may be contained therein; provided, however, that prior to the execution of any such supplemental indenture, the Trustee and the Issuer are to receive and will be fully protected in relying upon the following: (a) an opinion of nationally recognized municipal bond counsel experienced in matters arising under Section 103 of the Federal Tax Code and acceptable to the Trustee and the Issuer, to the effect that: (i) the supplemental indenture will not adversely affect the exclusion from gross income for federal income tax purposes of the interest paid or to be paid on the

Bonds; (ii) the Issuer is permitted by the provisions hereof to enter into the supplemental indenture; and (iii) the supplemental indenture is a valid and binding obligation of the Issuer, enforceable in accordance with its terms, subject to the constitutional powers of the United States of America, the police and sovereign powers of the State, judicial discretion, bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights or governmental entities or similar matters; and (b) written confirmation from any nationally recognized rating agency that is then maintaining a rating on the Bonds that the supplemental indenture will not cause the current rating to be withdrawn or downgraded.

The Trustee

Acceptance of Trusts and Duties of Trustee. The Trustee accepts the trusts imposed upon it by the Indenture and agrees to perform such trusts, but only upon and subject to the following terms and conditions, and no implied covenants or obligations are to be read into the Indenture against the Trustee.

The Trustee, prior to the occurrence of an Indenture Default and after the curing or waiver of any Indenture Default that may have occurred, undertakes to perform such duties and only such duties are as specifically set forth in the Indenture. In case an Indenture Default has occurred that has not been cured or waived, the Trustee is to exercise such of the rights and powers vested in it by the Indenture and use the same degree of care and skill in their exercise as a reasonable and prudent person would exercise or use under the circumstances in the conduct of the affairs of another.

The Trustee may execute any of the trusts or powers under the Indenture and perform any of its duties by or through attorneys, agents, receivers or employees, but will be answerable for the conduct of the same in accordance with the standard specified above, and will be entitled to act upon an opinion of Counsel concerning all matters of trust of the Indenture and the duties thereunder, and may in all cases pay (and be reimbursed as provided below) such compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts of the Indenture. The Trustee will not be responsible for any loss or damage resulting from any action taken or omitted to be taken in good faith in reliance upon an opinion of Counsel chosen with due care.

The Trustee is not responsible for any recital in the Indenture or in the Bonds, or for the validity of the execution by the Issuer of the Indenture or of any supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds, and the Trustee is not bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Issuer, except as set forth in the Indenture; but the Trustee may require of the Issuer full information and advice as to the performance of the covenants, conditions and agreements in the Indenture. The Trustee is not responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with the Indenture.

The Trustee may become the Owner of Bonds with the same rights that it would have if not the Trustee.

The Trustee will be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed to be genuine and correct and to have been signed or sent by the proper person or persons.

As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceedings, the Trustee will be entitled to rely upon a certificate signed on behalf of the Issuer by the Issuer Representative, the President of the Issuer or such other person as may be designated for such purpose by a certified resolution of the Issuer, as sufficient evidence of the facts contained therein, and, prior to the occurrence of a default of which the Trustee has been notified as provided below or of which it is deemed to have notice, is also at liberty to accept a similar certificate to

the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but in no case is to be bound to secure the same.

The permissive right of the Trustee to do things enumerated in the Indenture is not to be construed as a duty, and the Trustee is not answerable for other than its gross negligence or willful default.

The Trustee is not required to take notice and will not be deemed to have notice of any default under the Indenture except for failure to make any of the payments to the Trustee that are required by the Indenture to be made, unless the Trustee is specifically notified in writing of such default by the Issuer or by the Owners of at least 51% in aggregate principal amount of Bonds then outstanding. All notices or other instruments required by the Indenture to be delivered to the Trustee must, in order to be effective, are to be delivered at the corporate trust department at the principal operations office of the Trustee for purposes of paying the principal of and interest on and effecting transfers and exchanges of the Bonds. In the absence of the delivery of such notice, the Trustee may conclusively assume there is no default except as otherwise specified above.

All moneys received by the Trustee, until used or applied or invested as provided in the Indenture, are to be held in trust in the manner and for the purposes for which they were received, but need not be segregated from other funds except to the extent required by the Indenture or by law. The Trustee is under no liability to invest any moneys received under the Indenture except as provided therein.

At any and all reasonable times the Trustee (or its duly authorized agents, attorneys, experts, engineers, accountants and representatives) has the right, but is not required, to inspect any and all books, papers and records of the Issuer pertaining to the Bonds and the Pledged Revenue.

The Trustee has the right, but is not required, to demand, in respect of the authentication of any Bonds, or any action whatsoever within the purview of the Indenture, any showings, certificates, opinions, appraisals or other information or corporate action or evidence thereof, in addition to that required by the terms of the Indenture, as a condition of such action by the Trustee, as may be deemed desirable for the purpose of establishing the right of the Issuer to the authentication of any Bonds, or the taking of any other action by the Trustee.

All records of the Trustee pertaining to the Bonds are to be open during reasonable times for inspection by the Issuer and the Owners.

The Trustee is to establish such accounting measures and keep all such records as are necessary to determine any Rebate Amount, as defined in the Tax Certificate, for a period of at least three years after the retirement of the Bonds. In the event the Bonds are refunded with the proceeds of a tax-exempt issue of refunding bonds, all material records relating to the original new money issue, the Bonds and the refunding issue are to be maintained until at least three years after the final redemption of all related bond issues.

Before taking any action under the Indenture (except for making all required payments to Owners when due), the Trustee may require that it be furnished with satisfactory indemnity, which is to include payment of its fees, extraordinary expenses and reasonable attorneys' fees, and reasonable protection against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct. The Trustee will have no obligation to institute any suit, take any proceeding under the Indenture, enter any appearance or in any way defend any suit in which it may be defendant or take any steps in the execution of the trusts created by the Indenture or in the enforcement of any rights and powers thereunder, or in the compliance with any covenant contained in the section of the Indenture discussed in

“Defaults and Remedies” above, until it is satisfied that payment of all fees and expenses, outlays and counsel fees and other reasonable disbursements in connection therewith, and satisfactory indemnity against all risk and liability, has been provided for. However, the Trustee may begin suit, or appear in and defend any suit, or intervene, or do anything else in its judgment proper to be done by it as such Trustee, without assurance of reimbursement or indemnity. In all such cases Trustee is to be reimbursed or indemnified for all fees and expenses, liabilities, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith, unless such liability or disbursement is adjudicated to have resulted from the negligence or willful default of the Trustee. If the Issuer or Owners fail to make such reimbursement or indemnification, the Trustee may reimburse itself from any moneys in its possession under, and subject only to the provisions of, the Indenture.

Before taking any action upon the occurrence of an Indenture Default, the Trustee may require that it be furnished with indemnity for the reimbursement of all expenses that it may incur, including attorney’s fees, and to protect it against all liability, except liability that may result from its negligence or willful default, by reason of any action so taken.

The Trustee will not be obligated to advance its own funds for any purpose under the Indenture without satisfactory evidence of the ability of the Issuer to repay such advance.

In any circumstances concerning the payment or registration of the Bonds not covered specifically by the Indenture, the Trustee is to act in accordance with federal and state banking laws and its normal procedures in such matters.

In the event the Issuer receives any notice or order which limits or prohibits dealing in the Bonds, it will immediately notify the Trustee of such notice or order and give a copy thereof to the Trustee.

The Trustee has no responsibility with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the Bonds.

The Trustee will not be liable for actions taken at the proper direction of the Owners.

Fees and Expenses. The Trustee will be entitled to payment and reimbursement of its fees and expenses for services rendered under the Indenture as and when the same become due.

Resignation or Removal. The Trustee may resign, subject to the appointment of a successor, by giving 30 days notice of such resignation to the Issuer and all Owners and specifying the date when such resignation is to take effect. Such resignation is to take effect on the date specified in such notice unless a successor has been previously appointed, in which event such resignation is to take effect immediately on the appointment of such successor. The Trustee may petition the courts to appoint a successor in the event that no such successor is appointed. The Trustee may be removed at any time by an instrument in writing, executed by a majority of the Owners in aggregate principal amount of the Bonds then outstanding or by an instrument in writing executed by the Issuer Representative upon direction by resolution of the Issuer Board. Any removal or resignation of the Trustee and appointment of a successor Trustee is to become effective only upon acceptance of appointment by the successor Trustee.

If the Trustee resigns, is removed or otherwise becomes incapable of acting, a successor may be appointed by the Issuer so long as it is not in default under the Indenture, or otherwise by the Owners of a majority in aggregate principal amount of the Bonds then outstanding by an instrument or concurrent instruments signed by such Owners, or their attorneys-in-fact; provided, however, that even if the Issuer is in default under the Indenture, it may appoint a successor until a new successor is appointed by the Issuer or the Owners as authorized by the Indenture. The Issuer, upon making such appointment, is to give

notice thereof by mail to DTC, the Underwriter and the Owners, which notice may be given concurrently with the notice of resignation given by any resigning Trustee.

Every successor Trustee is required to be a commercial bank or trust company in good standing, be qualified to act under the Indenture and have capital and surplus of not less than \$75 million.

Trustee Protected in Relying Upon certain Instruments. The resolutions, opinions, certificates and other instruments provided for in the Indenture may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein, and are to be full warrant, protection and authority to the Trustee for the release of property and the withdrawal of cash under the Indenture. Except as otherwise provided in the Indenture, the Trustee has no responsibility to seek the approval of any expert for any of the purposes expressed in the Indenture; provided, however, that this does not alter the Trustee's obligations or immunities provided by statutory, constitutional or common law with respect to the approval of independent experts who may furnish opinions, certificates or opinions of Counsel to the Trustee pursuant to any provisions of the Indenture.

Discharge of the Lien of the Indenture

The lien of the Indenture will be discharged at such time as (i) the Issuer pays or causes to be paid to the Trustee, for the Owners of the Bonds, the Debt Service Requirements to become due thereon, (ii) the Issuer keeps, performs and observes all covenants and promises in the Bonds and in the Indenture to be kept, performed and observed by it or on its part and (iii) all fees and expenses of the Trustee required by the Indenture to be paid have been paid.

Any Bond, prior to the maturity or prior redemption thereof, will be deemed to have been paid within the meaning and effect of the Indenture if, for the purpose of paying such Bond there is deposited to the appropriate account of the Bond Payment Fund or placed in escrow and in trust either moneys in an amount that is sufficient, or Federal Securities (being direct obligations of, including obligations issued or held in book entry form on the books of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America) that do not contain provisions permitting the redemption thereof at the option of the issuer, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys sufficient to pay when due the Debt Service Requirements with respect to such Bond as the same become due to final maturity of such Bond or upon a designated prior redemption date.

Neither the Federal Securities, moneys deposited with the Trustee or placed in escrow as provided above nor principal or interest payments on any such Federal Securities may be withdrawn or used for any purpose other than, and are to be held in trust for, the payment of the Debt Service Requirements with respect to the Bonds; provided, however, that any cash received from such principal or interest payments on such Federal Securities, if not then needed for such purpose and to the extent practicable, is to be reinvested subject to the covenants discussed in "Tax Matters" above in Federal Securities maturing at the times and in amounts sufficient to pay, when due, the Debt Service Requirements with respect to the Bonds.

Prior to the investment or reinvestment of such moneys or such Federal Securities, the Trustee is to receive and may rely upon: (i) the report of an Independent Accountant (as defined in "APPENDIX A – GLOSSARY OF TERMS"), satisfactory to the Trustee, that the moneys or Federal Securities will be sufficient to provide for the payment of the Debt Service Requirements with respect to the Bonds when due.

Notwithstanding the foregoing, any provisions of the Indenture that relate to the maturity of the Bonds, interest payments and dates thereof, prior redemption provisions, exchange, transfer and

registration of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, the holding of moneys in trust and arbitrage rebate, and the rights and duties of the Trustee in connection with all of the foregoing, will remain in effect and be binding upon the Trustee, the Owners and the Issuer notwithstanding the release and discharge of the Indenture.

Events Occurring on Non-Business Days

If the date for making any payment or the last day for the performance of any act or the exercise of any right, as provided in the Indenture, is a legal holiday or a day on which banking institutions in the city in which the principal office of the Trustee is located are authorized or required by law to remain closed, such payment may be made, act performed or right exercised on the next succeeding day that is not a legal holiday or a day on which such banking institutions are authorized or required by law to remain closed with the same force and effect as if done on the nominal date provided in the Indenture.

Exclusion of Bonds Held by or for the Issuer

In determining whether the Owners of the requisite principal amount of the Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds registered in the name of the Issuer are to be disregarded and deemed not to be Outstanding.

Governing Law

The Indenture will be governed and construed in accordance with the laws of the State.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENT

The following is a summary of certain provisions of the Use Agreement to be entered into on the Closing Date by and among the Issuer, the County and the Trustee, and is in addition and complementary to the description found in "SECURITY AND SOURCES OF PAYMENT." Reference is made to the actual provisions of the Use Agreement for a complete recital of the provisions thereof, copies of which are available from the Underwriter during the period of the initial offering of the Bonds.

Acquisition, Construction and Installation of the Project

General. The Issuer agrees to cause the Project to be acquired, constructed and installed with reasonable dispatch, but in any event not later than the Required Completion Date; to enter into the necessary Project Contracts and assign its interests in such Project Contracts directly to the Trustee, as the Issuer's assignee; and to make all other contracts, take all other actions and do all things reasonably necessary for the acquisition, construction and installation of the Project and, in connection therewith, to comply with all applicable provisions of State and local law. See "APPLICATION OF BOND PROCEEDS; THE PROJECT – The Project."

Disbursements from the Project Fund. The Project is to be constructed and installed in accordance with the Project Contracts, subject to reasonable change orders or any other reasonable changes approved by the Issuer. So long as no Event of Nonappropriation or Use Agreement Default has occurred and the Issuer's right to control the construction and installation of the Project has not otherwise been terminated pursuant to the Use Agreement, the Trustee is required under the Indenture, at the direction of the Issuer, to disburse moneys from the Project Fund in payment of the Project Costs. In the event of cost overruns, the Issuer is to either (a) make such modifications to the plans and specifications for the Project, or make such modifications to or deletions from the Project, as will permit the Project to be completed from the amounts available therefor in the Project Fund, or (b) to the extent permitted by law, deposit additional funds in the Project Fund sufficient to complete the Project. In the event that the Issuer authorizes and directs any change to the Project, the Issuer is to deposit the following amounts with the Trustee prior to the time that such change order is to be implemented: (1) the cost, if any, of such change order as agreed to by the parties, to the Project Fund and (2) \$1,376 times the number of days, if any, of change order delay, as agreed to by the parties to the Revenue Fund as additional construction period interest.

Completion of the Project. Upon completion of the Project and the acceptance thereof by the County, the Issuer is to deliver to the Trustee a Certificate of Final Completion stating that, to the best of its knowledge, the Project has been delivered to and accepted by the County and all Project Costs have been paid, except for any amounts estimated by an Authorized Officer of the Issuer to be necessary for payment of any Project Costs not then due and payable. The Certificate of Final Completion will not prejudice any rights against third parties which exist at the date of such certificate or which may subsequently come into being.

In the event the Trustee does not receive the Certificate of Final Completion by the Required Completion Date, and unless the Issuer is proceeding with due diligence to complete the acquisition, construction, installation and equipping of the Project and submits to the Trustee a reasonable schedule of completion, the Trustee, upon 30 days written notice to the County, is authorized under the Indenture, but not required, to construct and install the Project from any moneys remaining in the Project Fund.

In the event that after the delivery of the Certificate of Final Completion there remains any unreserved balance in the Project Fund, such balance is to be used by the Trustee, as directed in writing

by the Issuer, to add to, modify or alter the Project or add new components thereto as discussed in “Maintenance, Taxes, Insurance and Other Charges – *Modification of the Jail Addition; Installation of Furnishings and Machinery of the County*” below and/or transferred to the Revenue Fund for a credit against the User Fees.

If an Event of Nonappropriation or a Use Agreement Default occurs prior to the Required Completion Date, the Trustee, on behalf of the Issuer as owner of the Jail Addition, may utilize moneys in the Project Fund and the Reserve Fund to complete the Project.

Project Contracts. All Project Contracts are to provide that, upon the occurrence of an Event of Nonappropriation or a Use Agreement Default or upon the Trustee’s assuming control over completion of the Project, and upon written notice by the Trustee to the party or parties to the Project Contract that any of such events has occurred: (a) such contracts are to be fully and freely assigned to the Trustee without the consent of any other person, and the Trustee may choose to assume or not assume such Project Contract; and (b) if the Trustee assumes such Project Contract, the other party or parties thereto will perform the agreements contained therein for the Trustee. All Project Contracts are also to provide that, upon an Event of Nonappropriation or a Use Agreement Default and upon written notice from the Trustee, the Trustee may terminate such Project Contract; and the other party or parties thereto will then be entitled to payment only from amounts available therefor in the Project Fund and only for work done prior to such termination.

Defaults Under Project Contracts. In the event of any material default by any party to any of the Project Contracts, or in the event of a material breach of warranty with respect to any materials, workmanship, or performance, the Issuer is to promptly proceed, either separately or in conjunction with others, to pursue diligently remedies against such party and/or against each surety of any bond securing the performance of such Project Contract. The Net Proceeds of any amounts recovered by way of damages, refunds, adjustments, or otherwise in connection with the foregoing, remaining after deduction of expenses incurred in such recovery (including, without limitation, attorneys’ fees and costs), and after reimbursement to the Issuer of any amounts theretofore paid by the Issuer and not previously reimbursed to the Issuer for correcting or remedying the default or breach of warranty which gave rise to the proceedings against the contractor or surety, are to be paid into the Project Fund if received before the Completion Date, or if received thereafter are to be deposited in the Revenue Fund.

Contractor’s Performance and Payment Bonds. The Issuer’s Project Contracts are to require the contractor to furnish a performance bond and a separate labor and material payment bond on forms acceptable to the Issuer. Such bonds are to be made payable to the Issuer and the Trustee as their interests may appear, are to be executed by a corporate surety licensed to transact business in the State and acceptable to the Trustee and the Issuer and are to be in an amount at least equal to the contract sum. If, at any time during the performance of a Project Contract, the surety on such bond becomes disqualified from or ceases doing business within the State, an alternate surety acceptable to the Trustee and the Issuer is to be selected. In the event of any change order resulting in the performance of additional work in connection with a Project Contract, the amount of such bond is to be increased by an amount at least equal to the cost of such additional work or materials or fixtures to be incorporated in the County Jail.

Contractor’s Commercial General Liability and Commercial Auto Liability Insurance. The Issuer’s Project Contracts are to require that the respective contractors procure and maintain standard form commercial general liability and commercial auto liability insurance, at their own cost and expense, during the duration of the Project, in an amount acceptable to the Issuer and the Trustee. Such policies are to name the Issuer, as owner, and the Trustee, as Trustee and/or loss payees and/or additional insureds, as their respective interests may appear, and include a provision to the effect that the insurance company will not cancel the policy or modify it materially or adversely to the interests of the Issuer and the Trustee without 30 days’ prior notice by certified mail to the Issuer and the Trustee. Such insurance is

to provide protection from all claims for bodily injury, including death, property damage and contractual liability.

Contractor's Builder's Risk Completed Value Insurance. Pursuant to the terms of the Project Contract(s), the contractors or the Issuer are to provide a standard all risk of loss builder's risk completed value insurance policy for the Project. Such policy is to contain a waiver of subrogation by the issuer of such policy with respect to the Issuer and the Trustee, and their officers, agents and employees while acting within the scope of their employment. The policy may have a deductible clause in an amount not to exceed \$25,000. Such insurance coverage is to be in an amount at least equal to the contract sum, including the work of all subcontractors. In the event of any change order resulting in the performance of additional work, the amount of such insurance is to be increased to include the cost of such additional work, as well as related materials and fixtures. Such builder's risk completed value insurance policy is to name the Trustee and the Issuer, as Trustee and/or loss payees and/or additional insureds, as their respective interests may appear. No agent or employee of the County or the Issuer may adjust or settle any loss with respect to the Jail Addition without the prior written consent of the Trustee; except that losses not exceeding \$25,000 may be adjusted or settled by the Issuer without the Trustee's consent. The consent of the County will not be required for any such adjustment or settlement, regardless of the amount of the loss.

Contractor's Worker's Compensation Insurance. Each party entering into a Project Contract relating to the Project is required to procure and maintain, at its own cost and expense, worker's compensation insurance during the term of its Project Contract, covering its employees and any subcontractor's employees working thereunder. Such insurance, if issued by a private carrier, is to contain a provision that such coverage will not be canceled without ten days' prior written notice to the Issuer and the Trustee. A certificate issued by the Illinois Department of Insurance or a private carrier evidencing such coverage is to be provided by the Issuer and the Trustee with respect to such contractor. Each Project Contract is also required to provide that each subcontractor of any contractor who is a party to such Project Contract will be required to furnish similar worker's compensation insurance.

Proceeds of Certain Insurance Policies, Performance Bonds and Liquidated Damages Clause. The Net Proceeds of any performance or payment bond or insurance policy required by the Use Agreement, and any Net Proceeds received as a consequence of default under a Project Contract are to be paid into the Project Fund if received before the Completion Date, or, if received thereafter, deposited in the Revenue Fund. Liquidated damages, if any, received under the any Project Contract are to be deposited by the Trustee to the Revenue Fund.

Use of the Jail Addition

The County is authorized to use, operate and manage the Jail Addition in furtherance of the governmental purposes of the Issuer and the County, in accordance with the provisions of the Use Agreement, for the Use Term. The County understands that if it has terminated the Use Term, the Issuer has covenanted in the Indenture to use its best efforts to obtain a user and operator of the Jail Addition in replacement of or substitution for the County.

The Issuer covenants with the County that, so long as a Use Agreement Default does not occur, it will not interfere with the quiet use and enjoyment of the Jail Addition by the County during the Use Term. At the request and at the cost of the County, the Issuer agrees to join and cooperate fully in any legal action in which the County asserts its right to such possession and enjoyment, or which involves the imposition of any taxes or other governmental charges on or in connection with the Jail Addition. The County also may, at its expense, join in any legal action affecting its possession and enjoyment of the Jail Addition and is to be joined in any action affecting its liabilities under the Use Agreement.

The County has determined that it has a current need for the Jail Addition, and it is the present intention and expectation of the County that the appropriations contemplated under the Use Agreement will be made annually. However, such declaration of intent may not be construed as contractually obligating or otherwise binding the County to do so.

Tax Covenants

The County certifies and covenants that it will not knowingly direct, acknowledge or otherwise cause the investment or use of any moneys related to the Use Agreement in a manner which will cause the Use Agreement and, in turn, any bonds executed and delivered with respect to the Use Agreement, to be classified as “arbitrage bonds” within the meaning of the Federal Tax Code.

The County acknowledges that certain of the Bonds qualify as “Build America Bonds” and constitute “Qualified Bonds” under Section 54AA of the Federal Tax Code, and that other Bonds qualify as “Recovery Zone Economic Development Bonds” under Section 1400U-2 the Federal Tax Code, and that failure to comply with certain requirements of the Federal Tax Code may adversely affect that status. The County covenants that it will perform all acts within its power which are or may be necessary to insure that the Bonds maintain their respective status for federal income tax purposes under the laws and regulations of the United States of America as presently enacted and construed or as subsequently amended. The County has the right to enter into tax permitted use arrangements for the County Jail and janitorial and other services contracts for services for the maintenance, operation and management of the Jail Addition; provided, however, that any such contracts are required to be in compliance with the Federal Tax Code (to maintain the respective status of the Bonds for federal income tax purposes) and be subject to termination by the Trustee if an Event of Nonappropriation or a Use Agreement Default occurs and is not cured.

Use Term

The Use Term will commence as of the date of the Use Agreement and extend through November 30, 2030, unless sooner terminated pursuant to the provisions of the Use Agreement.

Not later than November 15 of each Fiscal Year, the County is to give written notice to the Issuer and the Trustee, as the Issuer’s assignee, that either: (a) the County has adopted or intends to adopt on a timely basis an appropriation resolution for the ensuing Fiscal Year which includes (i) sufficient amounts authorized and directed to be used to pay all the User Fees and (ii) sufficient amounts to pay such Additional Expenses as are estimated to become due; or (b) the County has determined, for any reason, not to appropriate such amounts described above and to terminate this Use Agreement effective at the end of the current Fiscal Year. Failure to give such notice will not constitute a Use Agreement Default, nor prevent the County from electing not to exercise its right to not appropriate under the Use Agreement, nor result in any liability on the part of the County.

The exercise of the County’s option to appropriate or not appropriate for amounts due under the Use Agreement will be conclusively determined by whether or not the County Board has, on or before November 30 of each Fiscal Year, duly adopted the aforementioned appropriation resolution. The officer of the County charged with the responsibility of formulating budget proposals is directed to include in the annual budget proposals submitted to the County Board, in any year in which the Use Agreement is in effect, items for all payments required for the ensuing Fiscal Year of the County under the Use Agreement until such time as the County may determine to terminate the Use Term, it being the intention of the County that any decision to appropriate for the User Fees and Additional Expenses is to be made solely by the County Board and not by any other official of the County.

The Use Term will terminate upon the earliest to occur of the following events:

- (a) the expiration of the Fiscal Year of the County during which an Event of Nonappropriation occurs, unless the Event of Nonappropriation is cured as provided in the Use Agreement;
- (b) the payment of the Prepayment Option Price or all User Fees and Additional Expenses as discussed in “Prepayment Option” below; or
- (c) an uncured Use Agreement Default and termination of the Use Term by the Trustee as discussed in “Defaults and Remedies” below.

Termination of the Use Term will terminate all unaccrued obligations of the County under the Use Agreement, and terminate the County’s rights of possession and use under the Use Agreement (except to the extent of the holdover provisions of the Use Agreement); but all other provisions of the Use Agreement, including all obligations of the County accrued prior to such termination, will continue until the Issuer or the Trustee, as the Issuer’s assignee, agrees that such accrued obligations have been satisfied.

If the County fails to vacate the Jail Addition after termination of the Use Term, with the written permission of the Trustee, as the Issuer’s assignee, the County will be deemed to be a holdover operator on a month-to-month basis, and will be bound by all of the other terms, covenants and agreements of the Use Agreement. Any holding over by the County without the written permission of the Trustee will be at sufferance. The User Fees to be paid during any period that the County is deemed to be a holdover operator will be equal to (a) 1/6 of the interest coming due on the Bonds on the next Interest Payment Date plus 1/12 of the principal of the Bonds coming due on the next applicable Interest Payment Date, with appropriate adjustments to ensure the full payment of such amounts on the due dates thereof in the event termination occurs during a Fiscal Year plus (b) Additional Expenses as the same become due.

Payments by the County

User Fees. The County agrees to pay User Fees which have been specifically appropriated by the County, or are otherwise available, for such purpose, during the Use Term directly to the Trustee, as the Issuer’s assignee, on the 25th day of each month, commencing in July of 2010, and continuing through the end of the Use Term, in the amounts set forth in the Use Agreement and in “USER FEES AND OTHER PLEDGED REVENUE.” The County is entitled to a credit against its obligation to pay User Fees to the extent that moneys are on deposit in the Revenue Fund and available as a credit against the payment of User Fees.

Prepayment. The County may prepay the User Fees, in whole or in part, as discussed in “Prepayment Option” below.

Additional Expenses. The County also is obligated to pay Additional Expenses during the Use Term, which are to be paid by the County on a timely basis directly to the person or entity to which such Additional Expenses are owed. Additional Expenses include the payment or cost of all:

- (a) reasonable expenses and fees of the Issuer or the Trustee, as the Issuer’s assignee, related to the maintenance of the Issuer’s existence and good standing under the laws of the State or performance of their respective responsibilities under the Use Agreement or the Indenture, or otherwise incurred at the request of the County, including the reasonable fees and expenses of any person or firm employed by the Issuer or the Trustee to make rebate calculations under the provisions of the Indenture;

(b) taxes, insurance premiums, utility charges, maintenance, upkeep, repair and replacement with respect to the Jail Addition;

(c) Reserve Fund payments, deposits or reimbursements to the Issuer in respect of any draws therefrom; and

(d) all other charges and costs (together with all interest and penalties that may accrue thereon in the event that the County fails to pay the same, as specifically set forth in the Use Agreement) which the County agrees to assume or pay as Additional Expenses under the Use Agreement.

Additional Expenses do not include User Fees.

The County agrees that, to the extent that moneys from the Reserve Fund are applied to the payment of the User Fees when due or for the repair or modification of the Jail Addition, the County will pay to the Trustee, as the Issuer's assignee, as Additional Expenses, for deposit into the Reserve Fund such amounts as are required to restore the amount on deposit in the Reserve Fund to the Maximum Required Reserve by depositing at least 1/12 of the amount of the deficiency to the Reserve Fund on the last day of each month commencing not later than 90 days after the money in the Reserve Fund has been so applied, unless the Use Agreement has been terminated by the County prior to the withdrawal of funds from the Reserve Fund.

If the amount in the Reserve Fund is determined to be less than the Maximum Required Reserve on any valuation date pursuant to the Indenture, the County will be obligated to restore the Reserve Fund to the Maximum Required Reserve by paying to the Trustee Additional Expenses for deposit therein in amounts equal to at least ¼ of the deficiency on the first day of each month occurring after such valuation date until the deficiency has been fully replenished.

Manner of Payment. The obligation of the County to pay the User Fees and Additional Expenses under the Use Agreement in any Fiscal Year for which funds are appropriated for the payment thereof is absolute and unconditional, subject to the provisions thereof. Payment of the User Fees and Additional Expenses in such Fiscal Years may not be abated through accident or unforeseen circumstances, or any default by the Issuer under the Use Agreement, or under any other agreement between the County and the Issuer, or for any other reason, including, without limitation, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the County Jail, including the Jail Addition, commercial frustration of purpose or failure of the Issuer to perform and observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or connected with the Use Agreement, it being the intention of the parties that the payments required by the Use Agreement will be paid in full when due without any delay or diminution whatsoever, subject only to the annual appropriation nature of the County's obligation to make payments under the Use Agreement, and further subject to the County's rights under "Taxes, Other Governmental Charges and Utility Charges" below. Notwithstanding any dispute between or among the County, the Issuer and the Trustee, the County is required to make all payments of User Fees and Additional Expenses during the Use Term, and may not withhold any User Fees or Additional Expenses which have been specifically appropriated by the County for such purpose pending final resolution of such dispute (except to the extent permitted in "No Encumbrance, Mortgage or Pledge of the Jail Addition" and "Taxes, Other Governmental Charges and Utility Charges" below with respect to certain Additional Expenses), nor is the County permitted to assert any right of set-off or counterclaim against its obligation to make such payments required under the Use Agreement. No action or inaction on the part of the Issuer or the Trustee will affect the County's obligation to pay all User Fees and Additional Expenses, from moneys which have been specifically appropriated by the County, or are otherwise available, for such purpose, in such Fiscal Years (except to the extent provided in "No Encumbrance, Mortgage or Pledge of the Jail Addition" and "Taxes, Other

Governmental Charges and Utility Charges” below with respect to certain Additional Expenses) during the Use Term.

Payments to Constitute Currently Budgeted Expenditures of the County. User Fees, Additional Expenses and any other obligations under the Use Agreement will constitute currently budgeted expenditures of the County, if moneys have been specifically appropriated by the County, or are otherwise available, for such purpose. The County’s obligations to pay User Fees, Additional Expenses and any other obligations under the Use Agreement will be from year to year only, will extend only to moneys specifically appropriated or otherwise available for purposes of the Use Agreement by the County Board, and will not constitute a mandatory charge, requirement or liability of the County in any ensuing Fiscal Year beyond the then current Fiscal Year. The Use Agreement will not directly or indirectly obligate the County to make any payments beyond those appropriated for the County’s then current Fiscal Year. No provision of the Use Agreement may be construed to pledge or to create a lien on any class or source of County moneys, nor may any provision of the Use Agreement restrict the future issuance of any County bonds or obligations payable from any class or source of County moneys.

The Issuer acknowledges that the act of appropriating funds is a legislative act and, as such, is solely within the discretion of the County Board.

Nonappropriation. In the event that the County Board does not approve the budget and appropriate, by November 30th of each Fiscal Year (i) moneys to pay all User Fees and the reasonably estimated Additional Expenses coming due for the next Fiscal Year, an Event of Nonappropriation will be deemed to have occurred; subject, however, to each of the following:

(a) The Trustee, as the assignee of the Issuer, is to declare an Event of Nonappropriation on any earlier date on which the Trustee receives official, specific written notice from the County that an Annual Appropriation will not be made.

(b) The Trustee is required to waive an Event of Nonappropriation that is cured by the County, within 21 days of the receipt of notice by the Trustee as provided in (a) above, by inclusion in a duly enacted appropriation resolution by specific line item reference (i) amounts authorized and directed to be used to pay all User Fees and (ii) sufficient amounts to pay reasonably estimated Additional Expenses coming due for such Fiscal Year.

(c) Pursuant to the terms of the Indenture, the Trustee may waive any Event of Nonappropriation that is cured by the County within a reasonable time with the procedure described in (b) above

In the event that during the Use Term any Additional Expenses become due which were not included in a duly adopted appropriation resolution, and if there are moneys are not specifically budgeted and appropriated or otherwise available to pay such Additional Expenses within 60 days subsequent to the date upon which such Additional Expenses are due, an Event of Nonappropriation will be deemed to have occurred, upon notice by the Trustee to the County to such effect (subject to waiver by the Trustee as provided above).

If an Event of Nonappropriation occurs, the County will not be obligated to make payment of the User Fees or Additional Expenses or any other payments provided for in the Use Agreement which accrue after the last day of the Fiscal Year during which such Event of Nonappropriation occurs; provided, however, that, subject to the limitations provided in “Payments by the County – *Payments to Constitute Currently Budgeted Expenditures of the County*” and “Events of Default and Remedies – *Limitations on Remedies*” below, the County will continue to be liable for User Fees and Additional Expenses allocable to any period during which the County continues to use or retain possession of the Jail Addition.

Subject to the holdover provisions discussed in “Use Term” above, the County is required to vacate and surrender the Jail Addition by December 1 of the Fiscal Year in respect of which an Event of Nonappropriation has occurred. After December 1 of the Fiscal Year in respect of which an Event of Nonappropriation has occurred (or earlier upon an earlier surrender of possession of the Jail Addition by the County), the Trustee, as the Issuer’s assignee, may proceed to exercise all or any Use Agreement Remedies.

Upon the occurrence of an Event of Nonappropriation, the Trustee will be entitled to all moneys then on hand and being held in all funds created under the Indenture, and all property, funds and rights acquired by the Trustee upon the termination of the Use Term by reason of an Event of Nonappropriation, are to be held by the Trustee as provided in the Indenture.

Title to the Jail Addition

Except for personal property purchased by the County at its own expense, title to the Jail Addition and any and all additions and modifications thereto and replacements thereof is to be held in the name of the Issuer. The County will have no right, title or interest in the Jail Addition or any additions and modifications thereto or replacements thereof except as expressly set forth in the Use Agreement.

No Encumbrance, Mortgage or Pledge of the Jail Addition

Except as may be permitted by the Use Agreement, the County is prohibited from permitting any mechanic’s or other lien to be established or remain against the Jail Addition; provided, however, that if the County first notifies the Trustee, as the assignee of the Trustee, of the intention of the County to do so, the County may in good faith contest any mechanic’s or other lien filed or established against the Jail Addition, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Issuer or the Trustee notifies the County that, in the opinion of Counsel, by nonpayment of any such items, the Issuer’s title to the Jail Addition or the lien on the Jail Addition pursuant to the Indenture will be materially endangered, or the Jail Addition or any part thereof will be subject to loss or forfeiture, in which event the County is to promptly pay and cause to be satisfied and discharged all such unpaid items or post a bond to release the lien from the Jail Addition. The Issuer and the Trustee agree to cooperate fully with the County in any such contest or bonding procedure upon the request and at the expense of the County. Except as may be permitted by the Use Agreement, neither the County nor the Issuer may not directly or indirectly create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Jail Addition. The County or the Issuer, as the case may be, at its own expense, is to promptly take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim not excepted above which it has created, incurred or suffered to exist.

Maintenance, Taxes, Insurance and Other Charges

Maintenance of the Jail Addition by the County. During the Use Term, the Issuer, at the sole cost and expense of the County, is to maintain, preserve and keep the Jail Addition or cause the Jail Addition to be maintained, preserved and kept in good repair, working order and condition, and make or cause to be made all necessary and proper repairs, including replacements, if necessary. Neither the Issuer nor the Trustee has any responsibility in any of these matters or for the making of any additions, modifications or replacements to the Jail Addition. Such operating and maintenance costs will constitute Additional Expenses payable by the County.

Modification of the Jail Addition; Installation of Furnishings and Machinery of the County. The County may make substitutions, additions, modifications and improvements to the Site or the Jail Addition, at its own cost and expense, as appropriate, which will be the property of the Issuer, subject to

the Use Agreement and the Indenture, and be included under the terms of the Use Agreement and the Indenture; provided, however, that such substitutions, additions, modifications and improvements may not in any way damage the Jail Addition or cause the Jail Addition to be used for purposes other than lawful governmental or proprietary functions of the County; and provided that the Jail Addition, as improved or altered, upon completion of such substitutions, additions, modifications and improvements, will have a value not less than the value of the Jail immediately prior to such making of substitutions, additions, modifications and improvements.

The County may also, from time to time in its sole discretion and at its own expense, install machinery, equipment and other tangible property in or on the Jail Addition. All such machinery, equipment and other tangible property will remain the sole property of the County in which neither the Issuer nor the Trustee will have any interests; provided, however, that title to any such machinery, equipment and other tangible property which becomes permanently affixed to the Jail Addition is to be in the Issuer, subject to the Indenture, and will be included under the terms of the Use Agreement and the Indenture, in the event the Trustee reasonably determines that the Jail Addition would be damaged or impaired by the removal of such machinery, equipment or other tangible property.

To the extent there are funds remaining in the Project Fund after completion of the Project and prior to the Required Completion Date, the County may request the Issuer to make additions to the Project, including the Jail Addition. Any such addition is required to have a useful life at least equal to the average useful life of the Jail Addition and be the property of the Issuer; provided, however, that such additions may not be used, or cause the Project to be used, for purposes other than lawful governmental or proprietary functions of the County or in a manner that would adversely affect the federal income tax status of the interest on the Bonds.

Taxes, Other Governmental Charges and Utility Charges. In the event that the Jail Addition or any portion thereof, for any reason, is deemed to be subject to taxation, assessments or charges lawfully made by any governmental body, the County is required to pay the amount of all such taxes, assessments and governmental charges then due as Additional Expenses. With respect to special assessments or other governmental charges which may be lawfully paid in installments over a period of years, the County will be obligated to provide for Additional Expenses only for such installments as are required to be paid during the Use Term. The County may not allow any liens for taxes, assessments or governmental charges to exist with respect to the Jail Addition (including, without limitation, any taxes levied upon the Jail Addition which, if not paid, will become a charge on the Additional Expenses and receipts from the Jail Addition, or any interest therein, including the interest of the Issuer, the Trustee or the Owners), or the Additional Expenses and revenues derived therefrom or under the Use Agreement. The County is to also pay as Additional Expenses, as the same respectively become due, all utility and other charges incurred in the maintenance and upkeep of the Jail Addition.

The County may, at its expense, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, permit the same so contested to remain unpaid during the period of such contest and any appeal therefrom, unless the Trustee notifies the County that, in the opinion of Counsel, by nonpayment of any such items the value of the Jail Addition will be materially endangered or the Jail Addition will be subject to loss or forfeiture, or the Issuer or the Trustee will be subject to liability, in which event such taxes, assessments, utility or other charges are to be paid without delay (provided, however, that such payment will not constitute a waiver of the right to continue to contest such taxes, assessments, utility or other charges).

Insurance. The County is required, at its own expense, to carry and maintain the following insurance:

- Casualty and/or property insurance with respect to the Jail Addition in an amount equal to the maximum insurable value of the Jail Addition and covering such risks as are customarily insured against for facilities similar to the Jail Addition, including, without limitation, fire, theft, wind, vandalism, malicious mischief and riots and other acts of prisoners or resulting therefrom and other risks normally covered by extended coverage insurance. Such insurance policy may have a deductible clause in an amount not to exceed \$25,000. The County may, in its discretion, insure the Jail Addition under blanket insurance policies which insure not only the Jail Addition but other property as well, as long as such blanket insurance policies comply with the requirements of the Use Agreement. Any property damage insurance policy required by the Use Agreement is to be written or endorsed as to show the Issuer and the Trustee as Trustee and/or loss payee and/or additional insureds.
- Commercial general liability insurance and public liability insurance, including blanket contractual liability or specific contractual liability insurance for the Use Agreement, with respect to the activities to be undertaken by the County and its officers, officials, agents and employees in connection with the use and possession of the Jail Addition. This coverage may be limited by endorsement to the Jail Addition. Any property, public and general liability policies are required to insure the Issuer and the Trustee as their respective interests appear.
- Worker's compensation insurance covering the County's employees working in or on the County Jail. Such insurance, if issued by a private carrier, is to contain a provision that such coverage will not be canceled without at least 30 days' (ten days for nonpayment of premiums) prior written notice to the County, the Issuer and the Trustee. In the event the County receives such notice of cancellation, it is to immediately notify the Issuer and the Trustee thereof. A certificate issued by the Illinois Department of Insurance or a private carrier evidencing such coverage is to be provided by the County to the Trustee. The required worker's compensation insurance may be provided by blanket insurance policy or policies.
- Use and occupancy (or business interruption) insurance with respect to the Jail Addition covering the total or partial suspension of, or interruption in, the operation of the Jail Addition caused by damage to or destruction of any part of the Jail Addition, with such exceptions as are customarily imposed by insurers, in an amount which is not less than the aggregate User Fees due under the Use Agreement during the then current Fiscal Year and the next succeeding Fiscal Year. All policies evidencing such business interruption insurance are required to name the County as the insured and the Trustee as loss payee and show the Issuer and the Trustee as additional insureds, as their respective interests may appear.

Each property, liability and business interruption insurance policy, other than worker's compensation, provided for above is to be provided by a commercial insurer rated "A" by A.M. & Best Company or rated in the two highest rating categories of Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc., and Moody's Investors Service, Inc., and contain a provision to the effect that the insurance company will not cancel the policy without at least 30 days (ten days for nonpayment of premiums) prior notice to the County, the Issuer and the Trustee. In the event that the County has received such notice of cancellation it shall immediately notify the Issuer and the Trustee.

Advances. If the County fails to pay any Additional Expenses during the Use Term as they become due, the Trustee, as the assignee of the Issuer, may (but is not obligated to) pay such Additional

Expenses, and the County agrees to reimburse the Trustee to the extent permitted by law and subject to appropriation as provided in the Use Agreement.

Granting of Easements. As long as no Event of Nonappropriation or Use Agreement Default has occurred and is continuing, the Issuer and the Trustee, as the Issuer's assignee, are required, at the County's sole expense, (a) upon the request of the County, to grant easements, licenses, rights-of-way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to any property or rights included in the Use Agreement and the Indenture, free from the Use Agreement and the Indenture and any security interest or other encumbrance created thereunder; (b) to release existing easements, licenses, rights-of-way, and other rights and privileges with respect to such property or rights, with or without consideration; and (c) to execute and deliver any instrument necessary or appropriate to grant or release any such easement, license, right-of-way or other grant or privilege upon receipt of: (i) a copy of the instrument of grant or release, (ii) a written application signed by an Authorized Officer of the County requesting such grant or release and stating that such grant or release will not impair the effective use or interfere with the operation of the Jail Addition, (iii) a revised land survey of the Jail Addition and (iv) the payment of all expenses incurred in connection therewith.

Damage, Destruction and Condemnation

General. If, during the Use Term: (a) the Jail Addition or any portion thereof is destroyed (in whole or in part), or damaged by fire or other casualty; (b) title to, or the temporary or permanent use of, the Jail Addition or the estate of the County, the Issuer or the Trustee in the Jail Addition is taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or entity acting under governmental authority; (c) a breach of warranty or a material defect in the construction, manufacture or design of the Jail Addition becomes apparent; or (d) title to or the use of the Jail Addition is lost by reason of a defect in title thereto, then the County will be obligated to continue to pay User Fees and Additional Expenses (subject to the limitations discussed in "Payments by the County" above).

Any rights to the use of the Jail Addition by the County are to be pursuant to and in accordance with the Use Agreement, including payment of User Fees, Additional Expenses and the applicable Prepayment Option Price. If the County determines not to continue the Use Agreement, that action will be deemed to constitute an irrevocable determination by the County that the Jail Addition is not required by it for any public purpose for the maximum Use Term.

The County has determined and agrees in the Use Agreement that the condemnation value of the Jail Addition in respect of a County condemnation will not be less than the principal of the Bonds then outstanding.

Obligation to Repair and Replace the Jail Addition. The County, the Issuer and the Trustee are to cause Net Proceeds within their respective control to be deposited in a separate trust fund and applied to the prompt repair, restoration, modification, improvement or replacement of the Jail Addition by the Issuer upon receipt of requisitions acceptable to the Trustee signed by an Authorized Officer of the Issuer and containing the information required by the Use Agreement. The County, the Issuer and the Trustee agree to cooperate and use their best reasonable efforts, from Net Proceeds or at the sole expense of the County, to enforce claims which may arise in connection with material defects in the construction, manufacture or design of the Jail Addition or otherwise. If there is a balance of any Net Proceeds remaining after such repair, restoration, modification, improvement or replacement has been completed, it is to be used by the Issuer to add to, modify or alter the Jail or add new components thereto and/or prepay the User Fees.

Any repair, restoration, modification, improvement or replacement paid for in whole or in part out of Net Proceeds will be the property of the Issuer, subject to the Use Agreement and the Indenture, and included as part of the Jail Addition under the Use Agreement and the Indenture.

Insufficiency of Net Proceeds. If the Net Proceeds (plus any amounts withheld from such Net Proceeds by reason of any deductible clause) are insufficient to pay in full the cost of any repair, restoration, modification, improvement or replacement of the Jail Addition as discussed in “*Obligation to Repair and Replace the Jail Addition*” above, the County may elect from the following options, which election is to be made by the County within 90 days of the occurrence of the event giving rise to such election:

(a) The County may complete the work or replace the Jail Addition (or portion thereof) with similar property of a value equal to or in excess of such portion of the Jail Addition and pay as Additional Expenses, to the extent amounts for Additional Expenses which have been specifically appropriated by the County, or other moneys, are available for payment of such cost, any cost in excess of the amount of the Net Proceeds. If by reason of any such insufficiency of Net Proceeds the County makes any payments pursuant to the provisions of this paragraph, the County will not be entitled to any reimbursement therefor from the Issuer or the Trustee, nor will the County be entitled to any diminution of the User Fees and Additional Expenses payable under the Use Agreement.

(b) The County may apply the Net Proceeds to the payment of the Prepayment Option Price, or an appropriate portion thereof, as discussed in “Prepayment Option” below. In the event of an insufficiency of the Net Proceeds for such purpose, and subject to the limitations discussed in “Payments by the County” above, the County is to pay such amounts as may be necessary to equal that portion of the Prepayment Option Price which is attributable to the Jail Addition for which Net Proceeds have been received (as certified to the Trustee by the County). In the event the Net Proceeds exceed such portion of the Prepayment Option Price, such excess is to be used as directed by the County in the same manner as discussed in “*Obligation to Repair and Replace the Jail Addition*” above.

(c) If the County does not timely budget and appropriate sufficient funds to proceed under either paragraph (a) or (b) above, an Event of Nonappropriation will be deemed to have occurred. In such event, and subject to the County’s right to cure, the Trustee may pursue remedies available to it following an Event of Nonappropriation.

Cooperation of the Issuer. The Issuer, at the sole expense of the County, agrees to cooperate fully with the County and the Trustee in filing any proof of loss with respect to any insurance policy or performance bond covering the events described in “*General*” above, in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Jail Addition or any portion thereof and the enforcement of all warranties relating to the Jail Addition, and absolutely assigns to the Trustee its interests in all such policies, bonds and actions for such purposes. In no event may the Issuer voluntarily settle or consent to the settlement of any proceeding arising out of any insurance claim, performance or payment bond claim, prospective or pending condemnation proceeding with respect to the Jail Addition without the written consent of the Trustee.

Disclaimer of Warranties

Neither the Issuer nor the Trustee makes any warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for a particular purpose or fitness for use of the Jail Addition or any other representation or warranty with respect to the Jail Addition. The

County acknowledges and declares that the County is solely responsible for the maintenance and operation of the Jail Addition, and that neither the Issuer nor the Trustee has any responsibility therefor.

Other Covenants and Agreements

Compliance with Requirements. During the Use Term, the County, the Issuer and the Trustee (in the case of the Issuer or the Trustee at the sole expense of the County) covenant to observe and comply promptly to the extent possible with all current and future orders of all courts having jurisdiction over the Jail Addition, provided that the County, the Issuer or the Trustee may contest or appeal such orders so long as they are in compliance with such orders during the contest or appeal period, and all current and future requirements of all insurance companies writing policies covering the Jail Addition.

Covenant to Defend. The County agrees to defend the Issuer and the Trustee against all claims by or on behalf of any person, firm, corporation or other legal entity arising from the conduct or management of the Jail Addition during the Use Term, from any work or thing done on the Jail Addition during the Use Term requested by the County or from any condition of the Jail Addition caused by the County. This duty to defend is not an indemnification and it is expressly understood that the County is not indemnifying the Issuer or the Trustee and is limited to moneys that have been specifically appropriated or are otherwise available during the Use Term for such purpose. These provisions will survive the termination of the Use Term, provided that after the termination of the Use Term, the duty to defend is limited to (i) moneys that have been specifically appropriated or are otherwise available during the Use Term for such purpose, and (ii) Net Proceeds.

Access to the Jail Addition; Rights to Inspect Books. The Trustee, as the Issuer's assignee, has the right at all reasonable times to examine and inspect the Jail Addition and all of County's books and records with respect thereto. The Trustee also has such rights of access to the Jail as may be reasonably necessary to cause the proper maintenance of the Jail in the event of failure by the County to perform its obligations under the Use Agreement. The County is to have the right under the Indenture at all reasonable times to examine and inspect all of the Trustee's and the Issuer's books and records with respect to the Jail Addition and all funds and accounts held under the Indenture.

Compliance with the Continuing Disclosure Agreement. The Issuer, the County and the Trustee covenant and agree to comply with the Continuing Disclosure Agreement at the times and in the manner specified therein; provided, however, that failure of any party to comply with the Continuing Disclosure Agreement will not constitute a User Agreement Default, and the sole remedy to enforce this covenant will be an action to compel specific performance.

Agreement to Cooperate Upon the Occurrence of a Use Agreement Default or Event of Nonappropriation. The Issuer and County acknowledge that there are certain elements necessary to operating a facility as a jail or detention facility consisting of systems, services and utilities, including, but not limited to, security systems, perimeter controls and areas, sally ports, parking, laundry, kitchen, dining and visitation facilities and recreation areas. Therefore, if a Use Agreement Default or an Event of Nonappropriation occurs and continues beyond any applicable cure period, and the Use Term is consequently terminated, it is anticipated that the Issuer will continue to own both the Original Jail and the Jail Addition (although it is possible the Issuer, with the written consent of the Trustee, and within any limitations as may be set forth in the Indenture, may sell or otherwise convey the Jail Addition in such event) and it will be necessary for the Issuer, the County and the Trustee to agree on the use of common elements or on ways in which the elements necessary to operate the Original Jail and the Jail Addition independently will continue to be used or redesigned to allow such independent operations. If the Use Term is terminated, the County, the Issuer and the Trustee agree to cooperate with each other to the best of their respective abilities and resources in the independent operations of the Original Jail and the Jail Addition, and with respect to the Trustee and the Issuer, within the provisions and limitations set forth in

the Indenture. The County's obligation to cooperate as discussed above will survive the termination of the Use Term, and the County's agreement to cooperate with the Issuer and the Trustee will include cooperation with any other user and operator of the Jail Addition obtained by the Issuer and the Trustee to use and operate the Jail Addition in replacement of or substitution for the County.

Operation, Management and Financial Records. The County will operate and manage the County Jail in an efficient and economical manner in accordance with all applicable laws, rules, and regulations, and will keep and maintain separate accounts of the receipts and expenses of the County Jail and include a statement of such receipts and expenses in the annual financial statements of the County.

Prepayment Option

If the County is not then in default under the Use Agreement, it has the option to prepay the User Fees, in whole (and thereby terminate the Use Agreement) or in part, on any Prepayment Option Date by paying the applicable Prepayment Option Price. The County is required to give the Issuer and the Trustee notice of its intention to exercise its prepayment option not less than 35 days in advance of the Prepayment Option Date and to deposit the applicable Prepayment Option Price with the Trustee on the date which is not less than 15 days prior to the Prepayment Option Date.

If the County gives notice to the Trustee of its intention to exercise its prepayment option but fails to deposit the Prepayment Option Price with the Trustee on the date specified in such notice, the County is to continue to pay User Fees as if no such notice had been given.

Assignment

Assignment by the Issuer. The Use Agreement and the Issuer's rights thereunder, including rights to receive and enforce payments under the Use Agreement (except for certain rights reserved by the Issuer under the Use Agreement), are absolutely assigned to the Trustee pursuant to the Indenture and the Assignment and assumed by the Trustee pursuant to the Assumption Agreement.

In the event of any bankruptcy, insolvency or other similar proceeding as to the Issuer, or in any other event which in the judgment of the Trustee materially impairs the ability of the Issuer to serve as lessor under the Use Agreement or as creator of the trust under the Indenture, the Trustee may replace the Issuer with such other entity as it deems appropriate. In any such event the Issuer agrees to cooperate with the Trustee in conveying title to the Jail and any and all other right, title and interest of the Issuer in, to and under the Use Agreement and the Indenture to such successor entity as the Trustee may designate.

Assignment by the County. The Use Agreement may not be assigned by the County for any reason other than to a successor by operation of law.

Defaults and Remedies

Events of Default. Any one of the following constitutes an Event of Default under the Use Agreement (referred to in this Official Statement as "Use Agreement Defaults"):

- (a) failure by the County to pay any User Fees or Additional Expenses that have been specifically appropriated by the County for such purpose during the Use Term within three Business Days after the Trustee has notified the County that such payment is due;
- (b) subject to the holdover provisions discussed in "Use Term" above, failure by the County to vacate and surrender possession of the Jail Addition by December 1 of any Fiscal Year in respect of which an Event of Nonappropriation has occurred; or

(c) failure by the County to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Use Agreement, other than as referred to in (a) or (b), for a period of 45 days after written notice, specifying such failure and requesting that it be remedied, is received by the County from the Trustee, as the Issuer's assignee, unless the Trustee agrees in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Trustee is not to withhold its consent to an extension of such time if, in the Trustee's reasonable judgment, corrective action can be instituted by the County within the applicable period and diligently pursued until the default is corrected.

The foregoing provisions are subject to the following limitations: (i) the County will be obligated to pay the User Fees and Additional Expenses only during the Use Term, except as otherwise expressly provided in the Use Agreement; and (ii) if, by reason of *Force Majeure* (as defined in "APPENDIX A – GLOSSARY OF TERMS"), the County is unable in whole or in part to carry out any agreement on its part provided in the Use Agreement, other than its obligation to pay User Fees, the County will not be deemed in default during the continuance of such inability. The County agrees, however, to remedy, as promptly as legally and reasonably possible, the cause or causes preventing the County from carrying out its agreement; provided that the settlement of strikes, lockouts and other industrial disturbances will be entirely within the discretion of the County.

Remedies. Whenever any Use Agreement Default occurs and continues beyond any applicable cure period, the Trustee, as the assignee of the Issuer, may, without any further demand or notice, take one or any combination of the following remedial steps:

(a) The Trustee may terminate the Use Term and give notice to the County to vacate and surrender possession of the Jail Addition within 30 days from the date of such notice. In the event the County has not vacated and surrendered possession, the holdover provisions discussed in "Use Term" above may apply, at the sole discretion of the Trustee.

(b) The Trustee may possess, use, operate and occupy the Jail Addition in replacement of and in substitution for the County as user and operator of the Jail Addition and may hire or contract with any other person or entity to use and operate the Jail Addition as the Trustee's agent, employee, tenant or contracting party, all on behalf of and for the benefit of the Owners.

(c) The Trustee may recover from the County:

(i) the portion of User Fees and Additional Expenses, from amounts that have been specifically appropriated by the County, or are otherwise available, for such purpose, which would otherwise have been payable under the Use Agreement, during any period in which the County continues to occupy, use or possess the Jail Addition; and

(ii) User Fees and Additional Expenses, from amounts that have been specifically appropriated by the County, or are otherwise available, for such purpose, which would otherwise have been payable by the County under the Use Agreement during the remainder, after the County vacates and surrenders possession of the Jail Addition, of the Fiscal Year in which such Use Agreement Default occurs.

(d) The Trustee may take whatever other action at law or in equity may appear necessary or desirable, including mandamus, to enforce its rights in and to the Jail Addition under the Use Agreement and the Indenture.

In addition, the Issuer may take whatever action at law or in equity may appear necessary or desirable to enforce its Reserved Rights.

Limitations on Remedies. A judgment requiring a payment of money may be entered against the County by reason of a Use Agreement Default only as to the County's liabilities described in paragraph (c) under "*Remedies*" above. A judgment requiring a payment of money may be entered against the County by reason of an Event of Nonappropriation only to the extent that the County fails to vacate and surrender possession of the Jail Addition as required by the Use Agreement, and only as to the liabilities described in paragraph (c)(i) under "*Remedies*" above. The remedy described in paragraph (c)(ii) under "*Remedies*" above is not available for a Use Agreement Default consisting of failure by the County to vacate and surrender possession of the Jail Addition by December 1 following an Event of Nonappropriation.

No Remedy Exclusive. Subject to "*Limitations on Remedies*" above, no remedy conferred upon or reserved in the Use Agreement to the Trustee, as the assignee of the Issuer, is intended to be exclusive, and every such remedy will be cumulative and in addition to every other remedy given under the Use Agreement or existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power or be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved in the Use Agreement, it is not necessary to give any notice other than as may be required in this section.

Waivers. The Trustee, as the assignee of the Issuer, may waive any Use Agreement Default and its consequences. In the event that any agreement contained in the Use Agreement is breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and not deemed to be a waiver of any other breach under the Use Agreement.

In view of the assignment of the Use Agreement, the Issuer's rights under the Use Agreement to the Trustee pursuant to the Indenture and the assumption thereof by the Trustee, under the Assumption Agreement and the Indenture the Issuer will have no right to waive any Use Agreement Default except with respect to any Reserved Rights.

Waiver of Appraisalment, Valuation, Stay, Extension and Redemption Laws. To the extent permitted by law, in the case of an Event of Nonappropriation or a Use Agreement Default, none of the Issuer, the County or any one claiming through or under either of them is authorized to set up, claim or seek to take advantage of any appraisalment, valuation, stay, extension or redemption laws in order to prevent or hinder the enforcement of the Indenture; and the Issuer and the County, for themselves and all who may at any time claim through or under either of them, waive, to the full extent that they may lawfully do so, the benefit of all such laws.

Miscellaneous

Relationship of the County, the Issuer and the Trustee. The relationship of the County, the Issuer and the Trustee under the Use Agreement is, and is at all times to remain, solely that of operator, owner and assignee of the owner, respectively. The County neither undertakes nor assumes any responsibility or duty to the Issuer or the Trustee or to any third party with respect to the obligations of the Issuer or the Trustee relating to the Jail Addition; and neither the Issuer nor the Trustee undertakes or assumes any responsibility or duty to the County or to any third party with respect to the obligations of the County relating to the Jail Addition. The County, the Issuer and the Trustee are not, and do not intend to be construed to be, partners, joint venturers, members, alter egos, managers, controlling persons or other business associates or participants of any kind of any of the other parties, and the County, the Issuer and the Trustee do not intend to ever assume such status. The County, the Issuer and the Trustee are not

to be deemed responsible for or a participant in any acts, omissions or decisions of any of the other such parties.

Sovereign Powers of County. Nothing in the Use Agreement is to be construed as diminishing, delegating or otherwise restricting any of the sovereign powers or immunities of the County, or construed to require the County to occupy and operate the Jail Addition other than as operator.

No Third Party Beneficiaries. It is expressly understood and agreed that enforcement of the terms and conditions of the Use Agreement, and all rights of action relating to such enforcement, are to be strictly reserved to the County, as lessee, to the Issuer, as lessor, to the Trustee, as Issuer's assignee, and to their respective successors and assigns, including any Owners of the Bonds, and nothing contained in the Use Agreement gives or allows any such claim or right of action by any other or third person on the Use Agreement. It is the express intention of the County and the Issuer that any person other than the County, the Issuer or the Trustee receiving services or benefits under the Use Agreement is to be deemed to be an incidental beneficiary only.

Amendments. The Issuer, the Trustee and the County have the right to amend the Use Agreement, without consent of the Owners, for one or more of the following purposes:

- (1) to add covenants of the Issuer or the County or to grant additional powers or rights to the Trustee;
- (2) to make any amendments necessary or desirable to obtain or maintain a rating of the Bonds from any Rating Agency;
- (3) in order to more precisely identify the Jail Addition (including the Site), including any substitutions, additions or modifications to the Jail as may be authorized under the Indenture or the Use Agreement; or
- (4) in order to preserve or protect the federal income tax status of the interest on the Bonds, for any purpose not inconsistent with the terms of the Indenture or to cure any ambiguity or to correct or supplement any provision contained therein or in any amendment thereto which may be defective or inconsistent with any other provision contained therein or herein or in any amendment thereto or to make such other provisions in regard to matters or questions arising under the Use Agreement which is not inconsistent with the existing provisions of the Use Agreement and which does not adversely affect the interests of the Owners of the Bonds.

If the Issuer or the County proposes to amend the Use Agreement in such a way as would adversely affect the interests of the Owners of the Bonds, the Trustee is to notify the Owners of the Bonds of the proposed amendment and may consent thereto with the consent of the Owners of a majority in aggregate principal amount of the Outstanding Bonds. However, the Trustee may not, without the unanimous consent of the Owners of all Bonds, consent to any amendment that would decrease the amounts payable in respect of the Use Agreement, change the User Fee Payment Dates or change any of the prepayment provisions of the Use Agreement.

Actions to be Taken on Non-Business Days. If the date for making any payment or the last day for performance of any act or the exercising of any right, as provided in the Use Agreement, is a day other than a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in the Use Agreement.

Limits on Liability of the Issuer and the County. The Issuer's obligations under the Use Agreement are limited to performance at the sole expense of the Project Fund, the Net Proceeds or the County, and the Issuer will not be obligated to expend any other funds in connection with the Use Agreement.

The County's obligations under the Use Agreement are limited to performance at the sole expense of (i) the Project Fund, (ii) Net Proceeds and (iii) the amounts that have been specifically appropriated or are otherwise available during the Use Term for such purpose.

Term of the Use Agreement. The Use Agreement will take effect on the date of execution thereof and continue until the earlier of (i) November 30, 2030, (ii) payment by the County of the Prepayment Option Price or (iii) the Bonds are paid in full or otherwise defeased and discharged. Termination of the Use Term for any reason other than payment by the County of the Prepayment Option Price or payment or defeasance of the Bonds will not result in termination of the Use Agreement.

Applicable Law. The Use Agreement is to be governed by and construed in accordance with the laws of the State

* * *

APPENDIX D

THE COUNTY

General

Mercer County is a political subdivision of the State chartered in 1835 under the constitution and statutes of the State. The Township form of government was adopted by the County's voters in 1882.

The County is one of 102 counties in the State, encompassing approximately 561 square miles of primarily agricultural property located in the west central portion of the State bordering the Mississippi River. The estimated population of the County as of July 1, 2009, was 16,276 residents. The principal municipalities in the County are the City of Aledo, which is the County Seat and the location of the County Jail, and the Village of Viola. See the "VICINITY MAP" in the forepart of this Official Statement. The economy of the County is based predominantly on agriculture and retail.

County Powers and Functions

The County is a body corporate and politic and a political subdivision of the State with general governmental purposes. The rights, powers, privileges, authority, functions, and duties of the County are established by the constitution and laws of the State, particularly the Counties Code (50 ILCS 5/), which provides that the County has various powers, including, but not limited to, the power: to make all contracts and do all other acts in relation to the property and concerns of the County necessary to the exercise of its corporate powers; to erect or otherwise provide and keep in repair a suitable court house, jail and other necessary County buildings, and to provide proper offices for the accommodation of the County Board, the State Attorney, County Clerk and Recorder, County Treasurer and County Sheriff; to acquire, under lease or otherwise, any real or personal property for County purposes; to lease from any Public Building Commission created pursuant to the provisions of the Public Building Commission Act any real or personal property for any of its County purposes, for any period of time not exceeding 30 years; to pay for the use of the leased property in accordance with the terms of the lease and with the provisions of the Public Building Commission Act; to undertake, either in the lease or by separate agreement or contract with a Public Building Commission, to pay all or any part of the costs of maintaining and operating the property of a Public Building Commission for any period of time not exceeding 20 years, provided that if the County Board undertakes to pay all or any part of the costs of operating and maintaining the property of a Public Building Commission, such expenses of operation and maintenance are to be included in the annual appropriation ordinance or annual budget, as the case may be, of the County annually during the term of such undertaking.

The County provides a broad range of services to citizens, including general government, public safety, corrections, judiciary, road and bridge, health and public welfare and social services. The County also collects and distributes property taxes for the various taxing authorities within the County.

Governing Body

The powers of the County are exercised by a ten member Board of Commissioners. The County is divided into five districts of relatively equal population as required by statute, which districts are reapportioned every ten years following the decennial census. Two members of the County Board are elected by the voters of each district to staggered four year terms at biennial general elections. County Board members are required by State law to be legal voters and residents of the County for at least one year prior to being elected.

The County Board is presided over by the Chairperson, who is elected by the County Board from among its members to serve a two year term. A Vice Chairperson is also selected by the County Board from among its members for a two year term to serve in the place of the Chairperson at any meeting of the County Board in which the Chairperson is not present.

Regular meetings of the County Board are required by statute to be held in June and September and at such other times as may be determined by the County Board. Special meetings may also be called as needed. The County Board currently holds regular meetings on the first Tuesday of each month. A majority of the members of the County Board constitutes a quorum for the transaction of business at a meeting of the County Board; and, with certain exceptions, all questions arising at meetings are determined by the votes of the majority of the members present.

The present members of the County Board, their principal occupations and terms of office are as follows:

<u>County Board Member</u>	<u>District</u>	<u>Current Occupation</u>	<u>Years on the County Board</u>	<u>Current Term Expires (November 30)</u>
Maxine Henry, Chairperson	1	Member of the County Board	10	2012
Floyd Utz, Vice Chairperson	2	Seeding equipment assembler; member of the Issuer Board	3	2012
Bill Thorpe	2	Retired	12	2010
Bob Vickrey	1	Insurance agent	12	2010
Dave Maynard	3	Representative of a pump company	1	2010
Charles Box	3	Retired	14	2012
Dan Schroeder	4	Systems controller	4	2010
Terry Elliott	4	Farmer	10	2012
Bill Olson	5	Union representative	4	2010
Tom Haines	5	Teacher	4	2012

Administration, Management and Employees

While the County Board exercises the legislative power of the County, other County officials oversee the daily operations of the County. The County Clerk and Recorder, the County Treasurer, the State's Attorney and the County Sheriff are separately elected by the voters of the County for four year terms. Other County officials are appointed by and serve at the pleasure of the County Board.

The County currently employs approximately 81 full time employees and approximately 45 part time or seasonal employees. The County has developed a comprehensive compensation package for its employees, and considers its employee relations to be excellent. The courthouse, highway department and sheriff's office employees are represented by the Midwest Operating Engineers Local 150. The County does not recognize or collectively bargain with any other employee unions or associations.

Risk Management

The County is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omission; employee injuries and illnesses, natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of three preceding years. Coverage is also provided by the Illinois Counties Risk Management Trust. See Note 1N to the County's financial statements appended to this Official Statement

County Financial Information

Prospective investors are cautioned that the Bonds are payable solely from the Pledged Revenue and other available funds comprising the Trust Estate. The Pledged Revenue is expected to consist primarily of the User Fees payable by the County pursuant to the Use Agreement. However, the payment of such User Fees will constitute currently budgeted expenditures subject to annual appropriation by the County and will be payable from the general resources of the County. Such obligation does not constitute a general obligation of the County and is not secured by the County's taxing power or any pledge of or lien on any County revenues. See "SECURITY AND SOURCES OF PAYMENT."

Accounting Policies. The accounting policies of the County conform to accounting principles generally acceptable in the United States of America applicable to state and local governments ("GAAP"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental and financial reporting principles.

The County maintains a variety of funds to account for its activities, including governmental funds, special revenue funds, proprietary funds, fiduciary funds, agency funds and investment funds, all of which are described in Note 1B to the County's financial statements appended to this Official Statement. The primary operating fund of the County is the General Fund, which is used to account for all activities except those legally or administratively required to be accounted for in other funds.

The County operates on a Fiscal Year commencing on December 1 and ending on November 30 of the following year. See generally Note 1 to the County's financial statements appended to this Official Statement for a discussion of significant accounting policies of the County.

Annual Financial Statements. State law requires that an annual audit be made of the County's funds and accounts by an accountant or accountants chosen by the County Board or by an accountant or accountants retained by the State Comptroller. The audit is to be completed within six months after the close of the Fiscal Year, unless an extension of time is granted by the State Comptroller, and is to be filed with the State Comptroller within 60 days of receipt of an audit report. The audit report is required to contain statements that are in conformity with generally accepted public accounting principles and set forth, insofar as possible, the financial position and the results of financial operations for each fund, account and office of County government.

The County's annual financial report for the Fiscal Year ended November 30, 2008, as audited by Blucker, Kneer & Assoc., Ltd., Certified Public Accountants, Galesburg, Illinois, is included in this Official Statement as "APPENDIX E – COUNTY FISCAL YEAR 2008 ANNUAL FINANCIAL REPORT." See the Independent Auditors' Report on such financial statements for a description of certain departures therein from GAAP.

Sources of Revenue. County revenues are substantially generated as a result of taxes assessed and allocated to the County, such as property taxes, sales taxes, income taxes and motor fuel taxes, and charges for services performed for constituents of the County. County revenues are primarily dependent upon the economy within its boundaries, consisting is primarily agriculture and retail.

Five Year Operating History of the County's Governmental Funds. The following table presents a five year comparative operating history of the County's General Fund and of all the County's governmental funds for Fiscal Years ended November 30, 2004 through 2008 presented in conformance with GAAP. The governmental funds include the General Fund, the County Highway Fund, the Health Department Fund, the IMRF Service Fund (employee retirement), the Liability Insurance Fund, the Social Security Fund and several miscellaneous funds. The information in the table should be read together with the financial statements of the County included herein as "APPENDIX E – COUNTY FISCAL YEAR

2008 ANNUAL FINANCIAL REPORT.” Preceding years’ annual financial statements may be obtained from the County upon request.

Mercer County, Illinois
Comparative Statement of Revenues, Expenses and Changes in Fund Balance
General Fund
(GAAP Basis)

	Fiscal Years Ended November 30					
	2004	2005	2006	2007	2008	2009
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Preliminary)
Revenues:						
Property tax	\$ 398,734	\$ 491,044	\$ 485,901	\$ 507,283	\$ 536,133	\$ 650,019
State of Illinois:						
Sales and local use tax	387,119	412,365	437,465	464,046	412,175	433,834
Income tax	487,881	570,910	625,391	601,194	730,540	623,907
Personal property replacement tax	145,952	208,682	225,978	270,130	265,463	225,920
State grants and expenditure reimbursements	201,587	590,827	214,445	248,363	220,747	181,200
Federal revenue	6,287	6,409	176,935	66,013	36,016	181
Fees for service and materials	939,885	1,063,072	1,033,124	1,301,172	1,230,498	1,304,777
Interest	32,864	44,428	79,631	80,722	61,600	43,953
Other	99,158	108,734	76,931	52,083	56,050	17,500
Total revenues	2,699,467	3,496,471	3,355,801	3,591,006	3,549,222	3,481,291
Expenditures:						
Current:						
General government	722,072	647,254	788,812	784,716	844,165	752,622
County development	61,497	61,938	59,543	78,443	69,986	70,255
Employee benefits	412,820	369,029	445,469	477,213	525,325	545,695
Public safety	873,428	991,420	924,024	1,083,068	1,135,374	1,082,058
Corrections	483,570	527,175	571,581	636,812	688,669	643,185
Judiciary and court related	491,314	482,188	539,208	519,485	587,390	576,751
Other	99,881	72,478	89,486	73,850	45,560	63,145
Capital outlay	--	324,810	23,294	75,956	(2,201)	--
Debt service	--	27,707	--	1,445	4,350	--
Total expenditures	3,144,582	3,503,999	3,441,417	3,730,988	3,898,618	3,733,711
Revenues over (under) expenditures	(445,115)	(7,528)	(85,616)	(139,982)	(349,396)	(252,420)
Other financing sources (uses):						
Net transfers in (out)	257,041	258,236	220,226	83,471	140,054	219,862
Net change in fund balance	(188,074)	250,708	134,610	(56,511)	(209,342)	(32,558)
Fund balance, beginning	536,084	348,010	598,718	733,328	676,817	467,475
Fund balance, ending	\$ 348,010	\$ 598,718	\$ 733,328	\$ 676,817	\$ 467,475	\$ 434,917

Sources: County annual financial reports for Fiscal Years 2004-2008; and County financial records

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Mercer County, Illinois
Comparative Statement of Revenues, Expenses and Changes in Fund Balance
All Governmental Funds
(GAAP Basis)

	Fiscal Years Ended November 30					
	2004	2005	2006	2007	2008	2009
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Preliminary)
Revenues:						
Property tax	\$2,241,646	\$2,835,888	\$2,939,186	\$3,094,326	\$ 3,359,754	\$ 3,323,846
State of Illinois:						
Sales and local use tax	387,119	412,365	437,465	464,046	412,175	433,834
Income tax	487,881	570,910	625,391	601,194	730,540	623,907
Motor fuel tax	438,829	451,871	458,930	465,843	420,156	415,542
Personal property replacement tax	189,831	260,943	258,214	309,375	304,437	275,285
State grants and expenditure reimbursements	958,195	2,101,520	1,544,532	1,902,083	1,566,366	1,389,563
Federal revenue	430,233	323,701	575,117	389,018	494,968	1,332,383
Fees for service and materials	2,390,532	1,423,528	1,427,599	1,757,403	1,660,277	1,708,227
Interest	92,278	118,882	176,577	213,910	176,250	98,774
Other	656,998	644,921	520,682	587,836	615,843	561,342
Total revenues	8,273,542	9,144,529	8,963,692	9,1785,034	9,740,766	10,162,593
Expenditures:						
Current:						
General government	1,445,109	1,341,684	1,514,557	1,446,690	1,474,907	1,563,272
County development	110,566	99,916	97,054	126,241	130,965	117,523
Employee benefits	1,386,444	1,608,235	1,816,946	2,092,329	2,194,389	2,236,687
Public safety	942,722	1,064,472	1,060,575	1,235,784	1,268,785	1,229,796
Corrections	547,765	711,542	794,458	856,750	900,743	806,037
Judiciary and court related	664,776	724,060	650,172	570,007	664,379	647,591
Public health	776,881	790,690	913,791	882,733	935,475	1,350,946
Public welfare	32,506	38,283	38,227	38,530	36,679	32,209
Transportation	2,663,461	1,944,924	1,970,865	2,100,493	2,123,963	2,225,016
Other	99,881	72,478	89,486	73,850	45,560	63,145
Capital outlay	75,942	365,738	129,252	167,096	288,607	668,551
Debt service	94,946	255,938	85,451	36,695	39,161	44,013
Total expenditures	8,840,999	9,017,960	9,160,834	9,627,198	10,103,613	10,984,786
Revenues over (under) expenditures	(567,457)	126,569	(197,142)	157,836	(362,847)	(822,193)
Other financing sources (Uses):						
Line of credit	--	--	83,000	13,000	--	--
Loan proceeds	--	--	--	--	--	494,148
Unrealized gain/loss on investments	--	--	(213)	350	82	--
Net transfers in (out)	110,604	129,383	164,222	(54,428)	77,943	72,960
Total other financing sources (uses)	110,604	129,383	247,009	(41,078)	78,025	567,108
Net change in fund balance	(466,853)	255,952	49,867	116,758	(284,822)	(255,085)
Prior period adjustment	--	--	--	9,138	--	--
Fund balance, beginning	4,631,031	4,165,042	4,420,994	4,470,861	4,596,757	4,311,935
Fund balance, ending	\$4,164,178	\$4,420,994	\$4,470,861	\$4,596,757	\$ 4,311,935	\$ 4,056,850

Sources: County annual financial reports for Fiscal Years 2004-2008; and County financial records

Budgets and Appropriations. The County Board is required to annually adopt a budget for the succeeding Fiscal Year, which is to contain: (a) a statement of the receipts and payments and a statement of the revenues and expenditures of the Fiscal Year last ended; (b) a statement of all moneys in the County treasury or in any funds thereof, unexpended at the termination of the Fiscal Year last ended, of all amounts due or accruing to the County and of all outstanding obligations or liabilities of the County incurred in any preceding Fiscal Year; (c) estimates of all probable income for the current Fiscal Year and for the ensuing Fiscal Year, specifying separately for each of such years the estimated income from taxes, fees and all other sources; (d) a detailed statement showing estimates of expenditures for the current Fiscal Year, revised to the date of such estimate, as well as the proposed expenditures for the ensuing Fiscal Year, showing the amounts for current expenses and capital outlay, specifying the several objects and purposes of each item of current expenses and including for each of such years all floating indebtedness as of the beginning of the year, the amount of funded debt maturing during the year, the

interest accruing on both floating and funded debt and all charges fixed or imposed upon counties by law; and (e) a schedule of proposed appropriations itemized as provided for proposed expenditures included in the schedule prepared in accordance with clause (d) (as approved by the County Board, the “annual appropriation ordinance.”) An amount not exceeding 5% of the total may be appropriated for contingent, incidental, miscellaneous or general County purposes, but no part of the amounts so appropriated may be used for purposes for which other appropriations are made in such budget unless an authorized transfer of funds is made. The budget is required to classify all estimated receipts and proposed expenditures, and all amounts in the treasury of the County, under the several County funds provided by law.

If, following the adoption of the annual budget for a Fiscal Year, the County Board determines by a two-thirds vote of all sitting members that revenue received or to be received by the County during such Fiscal Year is or will be substantially less than that projected at the time of adoption of the budget, the County Board, by like vote, may adopt an amended budget for the remainder of the Fiscal Year.

Expenditure budget transfers within any Fund must be approved by the County Board. Appropriations lapse at the end of the Fiscal Year.

Set forth below is a comparison of the County’s budgets for the General Fund for the Fiscal Years ended November 30, 2009 and 2010, and preliminary unaudited results of operations for the General Fund for the Fiscal Year ended November 30, 2009. The County’s budgets are presented on the cash basis, which is not in conformity with GAAP, and are not comparable to the table presented in “*Five Year Operating History of the County’s Governmental Funds*” above.

See also Notes 1D and 12 to the financial statements of the County included herein as “APPENDIX E – COUNTY FISCAL YEAR 2008 ANNUAL FINANCIAL REPORT,” as well as the Required Supplemental Information in such financial statements.

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Mercer County, Illinois
Comparison of Budgets for Fiscal Years Ended November 30, 2009 and 2010
and Actual Results of Operations For the Fiscal Year Ended November 30, 2009
General Fund
(Unaudited, Cash Basis)¹

	Fiscal Year Ended November 30,			2010 Adopted Budget
	2009 Amended Budget	Actual (Preliminary)	Favorable (Unfavorable)	
Estimated receipts:				
General property taxes	\$ 542,425	\$ 650,019	\$ 107,594	\$ 615,000
Interest on investments	40,000	42,620	2,620	42,500
State of Illinois:				
Sales tax	440,000	333,262	(106,738)	451,000
Income tax	773,000	605,217	(167,783)	685,000
State grants and expenditure reimbursements	248,000	258,265	10,265	260,000
Personal property replacement tax	260,000	227,889	(32,111)	260,000
Local use tax	--	111,774	111,774	--
Fees for services and materials	1,416,100	1,001,303	(414,797)	1,319,675
Fines	--	282,030	282,030	--
Federal revenue	6,500	10,596	4,096	10,600
Other	64,690	17,454	(47,236)	53,190
Total receipts	3,790,715	3,540,429	(250,286)	3,696,965
Transfers in	255,000	242,406	(12,594)	235,700
Total receipts and transfers in	4,045,715	3,389,031	(55,734)	3,932,665
Appropriations and disbursements:				
General government	793,758	761,892	31,866	813,286
County development	80,154	66,030	14,124	66,274
Public safety	1,077,264	1,089,146	(11,177)	1,173,414
Corrections	664,626	693,749	(29,123)	742,892
Judiciary and court related	534,345	536,615	(2,270)	551,446
Other	752,878	492,339	260,539	693,385
Capital outlay	19,900	0	19,900	20,895
Total disbursements	3,923,630	3,639,771	283,859	
Transfers out	47,790	96,722	(48,932)	113,000
Total disbursements and transfers out	3,971,420	3,736,493	234,927	4,174,592
Net change in fund balance	\$ 74,295	\$ 46,342	\$ (27,953)	\$ (241,927)

¹ The 2010 Budget as adopted did not contemplate or reflect the cancellation of the Original Jail Lease or the execution and delivery of the Use Agreement. The revenues and appropriations/disbursements for the lease of the Original Jail are accounted for in the Public Building Lease Fund.

Sources: County Fiscal Year 2008-09 and 2009-10 Budgets and County financial records

Deposit and Investment of County Funds. State statutes set forth requirements for the deposit of County funds in eligible depositories and for the collateralization of such deposited funds. The County also may invest available funds in accordance with applicable State statutes. The investment of the proceeds of the Bonds also is subject to the provisions of the Federal Tax Code and the Indenture. See Notes 1E and 4 to the County's financial statements appended to this Official Statement, as well as APPENDIX B – ADDITIONAL PROVISIONS OF THE INDENTURE – Tax Matters.”

Pension Obligations. See Note 11 to the County's financial statements appended to this Official Statement

Debt and Other Financial Obligations. See Notes 13 through 20 to the County's financial statements appended to this Official Statement.

Selected Economic and Demographic Information

The following is general information concerning the economic and demographic conditions in the vicinity of the County. The statistics presented below have been obtained from the sources indicated and represent the most current information available from such sources. However, certain of the information is released only after a significant period of time has passed since the most recent date of the reported data and therefore such information may not be indicative of economic and demographic conditions as they currently exist or conditions which may be experienced in the near future. Further, the reported data has not been adjusted to reflect economic trends, notably inflation. Other economic and demographic information not presented herein may be available concerning the area in which the County is located and prospective investors may want to review such information prior to making their investment decision. *The following information is not to be relied upon as a representation or guarantee of the County or its officers, employees or advisors.*

The County is one of 102 counties in the State, encompassing approximately 561 square miles of primarily agricultural property located in the west central portion of the State bordering the Mississippi River. The principal municipalities in the County are the City of Aledo, which is the County Seat and the location of the County Jail, and the Village of Viola. See the "VICINITY MAP" in the forepart of this Official Statement. The economy of the County is based predominantly on agriculture and retail.

The County is within the Davenport-Moline-Rock Island IA-IL Metropolitan Statistical Area (the "Davenport-Moline-Rock Island MSA") as defined by the federal Office of Management and Budget ("OMB"). The general concept of a metropolitan statistical area is that of a core area containing a substantial population nucleus, together with adjacent communities having a high degree of social and economic integration with that core. Metropolitan statistical areas comprise one or more entire counties. The Davenport-Moline-Rock Island MSA includes the counties of Henry, Mercer and Rock Island, Illinois, and the county of Scott, Iowa.

Population. The following table sets forth recent population statistics for Mercer County, the Davenport-Moline-Rock Island MSA and the State of Illinois.

Population Estimates ¹			
<u>Year</u>	<u>Mercer County</u>	<u>Davenport- Moline-Rock Island MSA</u>	<u>State of Illinois</u>
2000	16,957	376,019	12,419,293
2001	16,898	374,642	12,507,833
2002	16,872	373,855	12,558,229
2003	16,751	372,866	12,597,981
2004	16,689	372,754	12,645,295
2005	16,554	372,916	12,674,452
2006	16,478	373,818	12,718,011
2007	16,429	375,360	12,779,417
2008	16,465	376,980	12,842,954
2009	16,276	379,066	12,910,409
% Change Over Period	(4.0)%	0.8%	4.0%

¹ Population figures for 2000 are as of April, and population figures for 2001-2009 are as of July.

Source: U.S. Census Bureau, Population Division

Age Distribution. The following table sets forth a comparative age distribution profile for Mercer County, the Davenport-Moline-Rock Island MSA, the State of Illinois and the United States as of January 1, 2009.

Age Distribution as of January 1, 2009

(Columns may not add to 100% due to rounding)

<u>Age Groups</u>	<u>Percent of Population</u>			
	<u>Mercer County</u>	<u>Davenport-Moline-Rock Island MSA</u>	<u>State of Illinois</u>	<u>United States</u>
0-17	21.1%	23.8%	24.8%	24.3%
18-24	8.6	9.5	9.9	9.8
25-34	12.4	12.5	13.6	13.3
35-49	19.2	19.7	21.4	21.3
50+	38.8	34.5	30.1	31.2

Source: Sales and Marketing Management Magazine, 2009 Survey of Buying Power and Media Markets

Households. Sales and Marketing Management Magazine, 2009 Survey of Buying Power and Media Markets, estimates that there were 6,496 households in Mercer County and 152,152 households in the Davenport-Moline-Rock Island MSA as of January 1, 2009. A household consists of all the people occupying a single housing unit under the 2000 Census rules. A housing unit is defined as a house, an apartment, a mobile home, a group of rooms or a single room. The members of a household need not be related, and a single person living alone in a housing unit is also considered to be a household. Persons who are not counted as members of households comprise those living in group quarters such as college dormitories, military barracks, rooming houses, long term care hospitals, nursing homes and prisons.

Housing Units. Set forth in the following table are annual estimates of housing units for Mercer County, the Davenport-Moline-Rock Island MSA and the State of Illinois from 2004 through 2008. A housing unit is a house, apartment, mobile home or trailer, a group of rooms or single room that is occupied, or, if vacant, is intended for occupancy as separate living quarters. Separate living quarters are those in which the occupants live separately from any other persons in the building and which have direct access from the outside of the building or through a common hall.

Annual Estimates of Housing Units as of July 1

<u>Year</u>	<u>Mercer County</u>		<u>Davenport-Moline-Rock Island MSA</u>		<u>State of Illinois</u>	
	<u>Housing Units</u>	<u>% Change</u>	<u>Housing Units</u>	<u>% Change</u>	<u>Housing Units</u>	<u>% Change</u>
2004	7,214	--	161,948	--	5,094,120	--
2005	7,238	0.3%	162,733	0.5%	5,144,477	1.0%
2006	7,314	1.0	163,770	0.6	5,199,442	1.1
2007	7,318	0.1	164,503	0.4	5,245,993	0.9
2008	7,314	(0.1)	165,631	0.7	5,276,979	0.6

Source: U.S. Census Bureau, August 2009

Employment. The following table sets forth recent total labor force, employment and unemployment statistics for Mercer County, the Davenport-Moline-Rock Island MSA and the State of Illinois. The national unemployment rate is estimated to be approximately 9.9% as of April 2010.

Local Area Employment Statistics
(Not seasonally adjusted)

Mercer County

<u>Year</u> ¹	<u>Labor Force</u>	<u>% Change</u>	<u>Employment</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2005	8,892	--	8,385	507	15.7%
2006	8,978	1.0%	8,470	508	5.7
2007	8,950	(0.3)	8,439	511	5.7
2008	8,959	0.1	8,340	619	6.9
2009	8,774	(2.1)	7,875	899	10.2
2010 ²	9,137	4.1	7,734	1,403	15.4

Davenport-Moline-Rock Island MSA

2005	201,853	--	192,430	9,423	4.7
2006	203,971	1.0%	195,249	8,722	4.3
2007	205,461	0.7	196,372	9,089	4.4
2008	206,614	0.6	195,772	10,842	5.2
2009	202,901	(1.8)	186,493	16,408	8.1
2010 ²	203,334	0.2	182,587	20,747	11.7

State of Illinois

2005	6,404,298	--	6,033,421	370,877	5.8
2006	6,524,092	1.9%	6,222,152	301,940	4.6
2007	6,659,196	2.1	6,319,170	340,026	5.1
2008	6,675,800	0.2	6,247,515	428,285	6.4
2009	6,606,103	(1.0)	5,941,157	664,946	10.1
2010 ²	6,653,121	0.7	5,875,353	777,768	11.7

¹ Figures for 2005-2009 are annual averages.

² As of March 2010 (preliminary).

Source: U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics

Income. The following table sets forth median household effective buying income (“EBI”) and the percentage of households by EBI groups for Mercer County, the Davenport-Moline-Rock Island MSA, the State of Illinois and the United States as of January 1, 2009. EBI is defined as money income, less personal tax and non-tax payments, often referred to as “disposable” or “after-tax” income. EBI is computed as a derivative of household income, with the correspondence between before-tax and after-tax income based on a three-year combination of Current Population Survey data.

Effective Buying Income as of January 1, 2009

	<u>Median Household EBI</u>	<u>Percent of EBI by Income Group</u>			
		<u>Less Than \$20,000</u>	<u>\$20,000-\$34,999</u>	<u>\$35,000-\$49,999</u>	<u>\$50,000 or More</u>
Mercer County	\$39,700	15.2%	28.5%	21.4%	34.9%
Davenport-Moline-Rock Island MSA	38,405	20.6	24.9	19.4	35.1
State of Illinois	43,756	8.0	21.3	18.5	42.2
United States	42,303	19.3	20.0	18.1	42.6

Source: Sales and Marketing Management Magazine, 2009 Survey of Buying Power and Media Markets

The following table sets forth recent annual personal income levels of Mercer County, the Davenport-Moline-Rock Island MSA, the State of Illinois and the United States.

Personal Income in Current Dollars¹

(Thousands)

<u>Year</u>	<u>Mercer County</u>	<u>Davenport-Moline- Rock Island MSA</u>	<u>State of Illinois</u>	<u>United States</u>
2004	\$493,908	\$12,028,529	\$455,415,566	\$ 9,928,790,000
2005	493,156	12,306,892	472,185,017	10,476,669,000
2006	514,567	13,098,375	504,627,857	11,256,516,000
2007	555,243	13,942,718	533,161,706	11,879,836,000
2008	605,207	14,540,389	546,344,259	12,225,589,000

¹ Figures for Mercer County and the Davenport-Moline-Rock Island MSA are as of April 2009, and figures for Colorado and the United States are as of March 2010.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

The following table sets forth recent annual per capita personal income levels for Mercer County, the Davenport-Moline-Rock Island MSA, the State of Illinois and the United States.

Per Capita Personal Income in Current Dollars¹

<u>Year</u>	<u>Mercer County</u>	<u>Davenport- Moline-Rock Island MSA</u>	<u>State of Illinois</u>	<u>United States</u>
2004	\$29,595	\$32,269	\$36,015	\$33,881
2005	29,791	33,002	37,255	35,424
2006	31,228	35,039	39,678	37,698
2007	33,797	37,145	41,720	39,392
2008	36,757	38,571	42,540	40,166

¹ Figures for Mercer County and the Davenport-Moline-Rock Island MSA are as of April 2009, and figures for Illinois and the United States are as of March 2010.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

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APPENDIX E

COUNTY FISCAL YEAR 2008 ANNUAL FINANCIAL REPORT

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MERCER COUNTY, ILLINOIS
ANNUAL FINANCIAL REPORT
YEAR ENDED NOVEMBER 30, 2008

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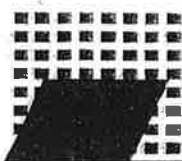
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Blucker, Kneer & Assoc., Ltd.
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Independent Auditors' Report

Members of the Mercer County Board
Aledo, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mercer County, Illinois, as of and for the year ended November 30, 2008, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents. These financial statements are the responsibility of the Mercer County, Illinois' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above do not include the Mercer County Nursing Home, Mercer County Hospital, and Mercer County Public Building Commission, which should be included in order to conform with accounting principles generally accepted in the United States of America.

The financial statements do not include financial data for the county's legally separate component units as listed in the above paragraph. Accounting principles generally accepted in the United State of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units would have been reported as \$13,237,068, \$6,557,064, \$6,680,003, \$17,768,663 and \$16,748,034 respectively as stated in Note 23.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Mercer County, Illinois, as of November 30, 2008, or the changes in financial position thereof for the year then ended.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of Mercer County, Illinois, as of November 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on pages 35 through 46 and 68 through 77 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The county has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United State has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mercer County, Illinois' primary government's financial statements. The combining and individual nonmajor fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Bluch, Kneer & Assoc., P.C.

Certified Public Accountants

Galesburg, Illinois
July 30, 2009

MERCER COUNTY, ILLINOIS
STATEMENT OF NET ASSETS
November 30, 2008

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,398,247
Investments	3,990,348
Accounts and grants receivable	750,785
Property tax receivable	607,140
Prepaid costs	39,070
Revenue stamp inventory	21,971
Capital Assets	
Capital assets (net of depreciation)	<u>1,319,752</u>
Total Assets	<u>\$ 8,127,313</u>
 LIABILITIES	
Current Liabilities	
Accounts payable	\$ 287,196
Accrued wages	75,804
Medical and prescription claims payable	59,906
Compensated absences	181,897
Due to other funds	82,353
Trust funds due others	154,185
Deferred revenue	720,197
Loan payable due within one year	<u>96,000</u>
Total Liabilities	<u>\$ 1,657,538</u>
 NET ASSETS	
Invested in capital assets, net of related debt	\$ 1,319,752
Restricted	21,971
Unrestricted	<u>5,128,052</u>
Total Net Assets	<u>\$ 6,469,775</u>

The accompanying notes are part of the financial statements.

MERCER COUNTY, ILLINOIS
STATEMENT OF ACTIVITIES
Year ended November 30, 2008

FUNCTIONS/PROGRAMS	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Fees for Services and Materials	Operating Grants and Contributions	Total Governmental Activities
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	\$ 1,503,234	\$ 1,308,725	\$ 279,992	\$ 85,483
Employee benefits	2,194,389	-	-	(2,194,389)
Public safety	1,361,549	94,154	1,565	(1,265,830)
Corrections	903,783	-	-	(903,783)
Judiciary and court related	666,545	82,743	7,737	(576,065)
Transportation	2,154,475	9,575	1,133,573	(1,011,327)
Public health	946,172	165,080	638,467	(142,625)
Public welfare	36,679	-	-	(36,679)
Other	45,560	-	-	(45,560)
Total Governmental Activities	\$ 9,812,386	\$ 1,660,277	\$ 2,061,334	\$ (6,090,775)

General Revenue:

Taxes:

Property tax	\$ 3,359,754
Sales tax and local use	412,175
Income tax	730,540
Motor fuel tax	420,156
Replacement	304,437
Interest income	211,948
Other	615,843
Transfers - internal activities	77,943
Unrealized gain (loss) on investments	82

Total general revenue \$ 6,132,878

Change in net assets \$ 42,103

Net assets, beginning 6,427,672

Net assets, ending \$ 6,469,775

The accompanying notes are part of the financial statements.

MERCER COUNTY, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
November 30, 2008

ASSETS	<u>General</u>	<u>County Highway</u>	<u>Health Department</u>	<u>IMRF Fund</u>
Cash and cash equivalents	\$ 309,745	\$ 23,809	\$ 27,423	\$ 96,299
Investments	20,000	-	581,517	200,000
Accounts and grants receivable	352,449	45,934	196,591	28,042
Property taxes receivable	127,885	44,117	22,630	41,886
Prepaid expenses	39,070	-	-	-
Revenue stamp inventory	21,971	-	-	-
Due from other funds	217,809	698	-	171
TOTAL ASSETS	<u><u>\$ 1,088,929</u></u>	<u><u>\$ 114,558</u></u>	<u><u>\$ 828,161</u></u>	<u><u>\$ 366,398</u></u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 50,536	\$ 58,139	\$ 40,394	\$ 109,779
Accrued wages	51,137	9,212	12,469	-
Deferred revenue	128,829	44,117	41,638	41,886
Trust funds due others	154,185	-	-	-
Due to other funds	236,767	250,000	8,672	140
Total liabilities	<u><u>\$ 621,454</u></u>	<u><u>\$ 361,468</u></u>	<u><u>\$ 103,173</u></u>	<u><u>\$ 151,805</u></u>
Fund balance:				
Reserved	\$ 21,971	\$ -	\$ -	\$ -
Unreserved	445,504	(246,910)	724,988	214,593
Total fund balance	<u><u>\$ 467,475</u></u>	<u><u>\$ (246,910)</u></u>	<u><u>\$ 724,988</u></u>	<u><u>\$ 214,593</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,088,929</u></u>	<u><u>\$ 114,558</u></u>	<u><u>\$ 828,161</u></u>	<u><u>\$ 366,398</u></u>

The accompanying notes are part of the financial statements.

Liability Insurance	Social Security Fund	Other Governmental Funds	Total Governmental Funds
\$ 213,640	\$ 124,031	\$ 473,878	\$ 1,268,825
1,086,000	285,613	832,140	3,005,270
-	-	76,714	699,730
212,150	100,178	58,294	607,140
-	-	-	39,070
-	-	-	21,971
100,000	140	184,875	503,693
<u>\$ 1,611,790</u>	<u>\$ 509,962</u>	<u>\$ 1,625,901</u>	<u>\$ 6,145,699</u>
\$ 8,124	\$ -	\$ 20,224	\$ 287,196
-	-	2,986	75,804
212,150	100,178	151,399	720,197
-	-	-	154,185
-	-	100,803	596,382
<u>\$ 220,274</u>	<u>\$ 100,178</u>	<u>\$ 275,412</u>	<u>\$ 1,833,764</u>
\$ -	\$ -	\$ -	\$ 21,971
1,391,516	409,784	1,350,489	4,289,964
<u>\$ 1,391,516</u>	<u>\$ 409,784</u>	<u>\$ 1,350,489</u>	<u>\$ 4,311,935</u>
<u>\$ 1,611,790</u>	<u>\$ 509,962</u>	<u>\$ 1,625,901</u>	<u>\$ 6,145,699</u>

The accompanying notes are part of the financial statements.

MERCER COUNTY, ILLINOIS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
November 30, 2008

**Amounts reported for governmental activities in the
statement of net assets are different because:**

Fund Balance of Governmental Funds	\$ 4,311,935
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	1,319,752
Other liabilities shown in governmental activities are not financial resources and therefore are not reported in the governmental funds:	
Compensated absences	(181,897)
Line of credit	(96,000)
Internal Service Funds are used by the county to charge the costs to individual funds. The assets and liabilities are included in governmental activities in the Statement of Net Assets. Internal service funds net assets are:	
Self-insured health fund-reserved	<u>1,115,985</u>
Net Assets of Governmental Activities	<u><u>\$ 6,469,775</u></u>

The accompanying notes are part of the financial statements.

MERCER COUNTY, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year ended November 30, 2008

	<u>General</u>	<u>County Highway</u>	<u>Health Dept</u>	<u>IMRF Service</u>
Revenues:				
Property tax	\$ 536,133	\$ 187,293	\$ 96,118	\$ 702,272
State of Illinois:				
Sales and local use tax	412,175	-	-	-
Income tax	730,540	-	-	-
Motor fuel tax	-	-	-	-
Personal property replacement tax	265,463	19,502	-	-
State grants and expenditure reimbursements	220,747	886,047	227,596	-
Federal revenue	36,016	-	410,871	-
Fees for service and materials	1,230,498	-	165,080	-
Interest	61,600	1,238	24,435	6,482
Other	56,050	-	134,399	385,993
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	\$ 3,549,222	\$ 1,094,080	\$ 1,058,499	\$ 1,094,747
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Expenditures:				
Current:				
General government	\$ 844,165	\$ -	\$ -	\$ -
County development	69,986	-	-	-
Employee benefits	525,325	-	-	1,237,826
Public safety	1,135,374	-	-	-
Corrections	688,669	-	-	-
Judiciary and court related	587,390	-	-	-
Public health	-	-	884,478	-
Public welfare	-	-	-	-
Transportation	-	1,241,112	-	-
Other	45,560	-	-	-
Capital outlay	(2,201)	-	200,000	-
Debt service	4,350	7,571	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	\$ 3,898,618	\$ 1,248,683	\$ 1,084,478	\$ 1,237,826
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues over (under) expenditures	\$ (349,396)	\$ (154,603)	\$ (25,979)	\$ (143,079)
Other financing sources (uses):				
Unrealized gain/loss on investments	\$ -	\$ -	\$ -	\$ -
Transfers in (out)	140,054	-	(23,912)	399,852
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net change in fund balance	\$ (209,342)	\$ (154,603)	\$ (49,891)	\$ 256,773
Fund balances, beginning	676,817	(92,307)	774,879	(42,180)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balances, ending	\$ 467,475	\$ (246,910)	\$ 724,988	\$ 214,593
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The accompanying notes are part of the financial statements.

<u>Liability Insurance</u>	<u>Social Security Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 878,014	\$ 419,102	\$ 540,822	\$ 3,359,754
-	-	-	412,175
-	-	-	730,540
-	-	420,156	420,156
-	-	19,472	304,437
-	2,716	229,260	1,566,366
-	-	48,081	494,968
-	-	264,699	1,660,277
43,033	12,978	26,484	176,250
7,465	-	31,936	615,843
<u>\$ 928,512</u>	<u>\$ 434,796</u>	<u>\$ 1,580,910</u>	<u>\$ 9,740,766</u>
\$ 540,108	\$ -	\$ 90,634	\$ 1,474,907
-	-	60,979	130,965
-	431,238	-	2,194,389
-	-	133,411	1,268,785
-	-	212,074	900,743
-	-	76,989	664,379
-	-	50,997	935,475
-	-	36,679	36,679
-	-	882,851	2,123,963
-	-	-	45,560
-	-	90,808	288,607
-	-	27,240	39,161
<u>\$ 540,108</u>	<u>\$ 431,238</u>	<u>\$ 1,662,662</u>	<u>\$ 10,103,613</u>
\$ 388,404	\$ 3,558	\$ (81,752)	\$ (362,847)
\$ -	\$ -	\$ 82	\$ 82
(598,102)	(6,348)	166,399	77,943
\$ (209,698)	\$ (2,790)	\$ 84,729	\$ (284,822)
<u>1,601,214</u>	<u>412,574</u>	<u>1,265,760</u>	<u>4,596,757</u>
<u>\$ 1,391,516</u>	<u>\$ 409,784</u>	<u>\$ 1,350,489</u>	<u>\$ 4,311,935</u>

The accompanying notes are part of the financial statements.

MERCER COUNTY, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
Year ended November 30, 2008

Amounts reported for governmental activities in the statement
of activities are different because:

Net change in fund balances - total governmental funds	\$ (284,822)
Depreciation expense is recorded on the Statement of Activity and not on the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds	(203,350)
Governmental funds report depreciable equipment as a capital outlay expense on the Statement of Revenues, Expenditures and Changes in Fund Balances while on the Statement of Activity it is not reported as an expense	288,607
Internal service fund net revenues are reported on Statement of Activity as an adjustment to expenses for general, transportation and public health funds and not on the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds	226,439
Governmental funds report debt payments as debt service expense on the Statement of Revenues, Expenditures and Changes in Fund Balance while on the Statement of Activity principal payments are not reported as an expense	30,000
Governmental funds do not report increase in accrual of compensated absences on the Statement of Revenues, Expenditures and Changes in Fund Balance while on the Statement of Activity the differences are reported as expenses	(14,771)
Change in Net Assets of Governmental Activities	<u><u>\$ 42,103</u></u>

The accompanying notes are part of the financial statements.

MERCER COUNTY, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
November 30, 2008

	<u>Internal Service Fund</u>
	<u>Self-Insurance</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 129,421
Investments	985,078
Accounts and grants receivable	51,055
Due from other funds	<u>10,336</u>
Total assets	<u>\$ 1,175,890</u>
LIABILITIES	
Current Liabilities	
Medical and prescription claims payable	<u>\$ 59,905</u>
Total liabilities	<u>\$ 59,905</u>
NET ASSETS	
Unrestricted	<u>\$ 1,115,985</u>
Total net assets	<u><u>\$ 1,115,985</u></u>

The accompanying notes are part of the financial statements.

MERCER COUNTY, ILLINOIS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year ended November 30, 2008

	<u>Internal Service Fund</u>
	<u>Self-Insurance</u>
Operating Revenues:	
Charges for services	\$ 850,661
Other reimbursements and refunds	<u>327,714</u>
Total operating revenues	<u>\$ 1,178,375</u>
Operating Expenses:	
Medical and prescription claims	<u>\$ 987,634</u>
Operating income (loss)	\$ 190,741
Nonoperating Revenues (Expenses):	
Interest income	<u>35,698</u>
Change in Net Assets	\$ 226,439
Net Assets, beginning	<u>889,546</u>
Net Assets, ending	<u><u>\$ 1,115,985</u></u>

The accompanying notes are part of the financial statements.

MERCER COUNTY, ILLINOIS
STATEMENT OF CASH FLOWS
PROPREITARY FUND
Year ended November 30, 2008

	<u>Internal Service Fund</u>
	<u>Self-Insurance</u>
Cash Flows from Operating Activities:	
Cash received from other funds for services	\$ 303,572
Cash received for premiums	847,592
Cash payments for claims	(1,002,043)
Other operating cash payments	(15,146)
Net cash provided (used) by operating activities	<u>\$ 133,975</u>
Cash Flows from Investing Activities:	
Increase in investments	\$ (205,043)
Interest on cash and cash equivalents	38,702
Net cash provided (used) by investing activities	<u>(166,341)</u>
Net increase (decrease) in cash and cash equivalents	\$ (32,366)
Cash and cash equivalents, beginning	<u>161,787</u>
Cash and cash equivalents, ending	<u><u>\$ 129,421</u></u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Uses) by Operating Activities:	
Income (loss) from operations	\$ 190,741
Adjustments to reconcile net income (loss) from operations to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Decrease (increase) in receivables	(26,949)
Decrease (increase) in due from other funds	(261)
Increase (decrease) in claims payable	(29,556)
Net cash provided (used) by operating activities	<u><u>\$ 133,975</u></u>

The accompanying notes are part of the financial statements.

MERCER COUNTY, ILLINOIS
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
November 30, 2008

	Agency Funds	Investment Funds	Total
ASSETS			
Cash	\$ 3,929,027	\$ 35,513	\$ 3,964,540
Investments	3,148	805,907	809,055
Accounts and grants receivable	-	103,278	103,278
Due from other funds	12,316	89,990	102,306
	<u>3,944,491</u>	<u>1,034,688</u>	<u>4,979,179</u>
Total assets	<u>\$ 3,944,491</u>	<u>\$ 1,034,688</u>	<u>\$ 4,979,179</u>
LIABILITIES			
Accounts payable	\$ 578	\$ 87,061	\$ 87,639
Due to other funds	9,643	19,000	28,643
Trust funds due others	6,080	-	6,080
Taxes and interest to be distributed	3,928,190	-	3,928,190
	<u>3,944,491</u>	<u>106,061</u>	<u>4,050,552</u>
Total liabilities	<u>\$ 3,944,491</u>	<u>\$ 106,061</u>	<u>\$ 4,050,552</u>
NET ASSETS			
Held in trust for:			
9-1-1 fund	\$ -	\$ 864,679	\$ 864,679
Township bridge fund	-	76,990	76,990
Township Motor fuel tax fund	-	(13,042)	(13,042)
	<u>-</u>	<u>(13,042)</u>	<u>(13,042)</u>
Total net assets	<u>\$ -</u>	<u>\$ 928,627</u>	<u>\$ 928,627</u>

The accompanying notes are part of the financial statements.

MERCER COUNTY, ILLINOIS
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
Year ended November 30, 2008

	<u>Investment Funds</u>
Additions:	
State of Illinois:	
Motor fuel tax allotments	\$ 1,102,746
State grants and reimbursements	212,552
Fees for service and materials	145,953
Interest income	41,749
Other	<u>6,748</u>
Total additions	<u>\$ 1,509,748</u>
Deductions:	
Transportation	\$ 1,383,645
Other	<u>154,358</u>
Total deductions	<u>\$ 1,538,003</u>
Excess of revenue over (under) expenditures	\$ (28,255)
Other financing sources (uses):	
Operating transfers in (out)	<u>\$ (72,960)</u>
Change in net assets	\$ (101,215)
Net assets, beginning	<u>1,029,842</u>
Net assets, ending	<u><u>\$ 928,627</u></u>

The accompanying notes are part of the financial statements.

MERCER COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
November 30, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting and reporting policies of Mercer County reflected in the accompanying financial statements conform to accounting principles generally acceptable in the United States of America applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental and financial reporting principles.

In the government-wide financial statements and the fund statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The following is a summary of the County's more significant accounting policies.

A. Reporting Entity

Mercer County is a legal subdivision of the State of Illinois charged with governmental power. The County's powers are exercised through a board of supervisors, which is the governing body of the County. Mercer County provides a broad range of services to citizens, including general government (e.g. tax collection), public safety (sheriff, jail, etc.), corrections, judiciary (courts, juries, district attorney, etc.), road and bridge, health and public welfare (e.g. juvenile services and assistance to indigents) and social services. It also collects and distributes property taxes for the various taxing authorities within the County.

In determining the reporting entity, the criteria provided in Governmental Accounting Standards Board Statement No. 14 have been considered and there are no agencies or entities which should be presented with the County.

B. Basis of Presentation

The County's basic financial statements consist of government-wide financial statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements: The Statement of Net Assets and Statement of Activities display information about the primary government (the County) as a whole. These statements include the financial activities of the overall government, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between governmental and business type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business type activities are financed in whole or in part by fees charged to external parties.

The Statement of Net Assets presents the financial condition of the governmental activities of the County at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and reimbursements that are restricted to meeting the operation

MERCER COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)
November 30, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenue.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds and proprietary funds. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented.

The focus of governmental 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. Proprietary and fiduciary funds are reported by type.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as transfers and investment earnings, result from non-exchange transactions or ancillary activities.

A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

The funds of the County are described below.

Governmental Funds:

General Fund – The General Fund is the primary operating fund of the County and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. All the County's special revenue funds are reported as nonmajor funds except for the following listed as major governmental funds.

Along with the General fund, the County reports the following special revenue funds as *major governmental* funds:

The *County Highway Fund* accounts for property taxes and other revenues to be used for county highway maintenance.

MERCER COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)
November 30, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The *Health Department* accounts for property taxes and other revenues to be used for public health purposes.

The *IMRF Fund* accounts for property taxes and other revenues to be used for employee retirement purposes.

The *Liability Insurance Fund* accounts for property taxes and other revenues to be used for liability insurance purposes for the county.

The *Social Security Fund* accounts for property taxes and other revenues to be used for paying the social security and Medicare taxes of the county.

Proprietary Fund:

Internal Service Fund – The Internal Service Fund is used to account for the financing of service provided to the County on a cost reimbursement basis regarding employee's health insurance.

Fiduciary Funds:

Agency Funds – The Agency Funds are used to account for the assets held by the County as an agent for various local governments.

Investment Funds – The Investments Funds account for the assets of legally separate entities that deposit cash with the County. These funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand.

C. Measurement Focus and Basis of Accounting

Measurement Focus

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applies.

On the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are reported using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. Operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

MERCER COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)
November 30, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Measurement Focus (Continued)

- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), and financial position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

The government-wide, proprietary, and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available”. Taxpayer-assessed income, gross receipts, and sales taxes are considered measurable when in the hands of intermediary collectors and recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain. Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred.

When expenditures are incurred for purposes for which both restricted and unrestricted resources are available, it is the county's policy to apply restricted resources first, then unrestricted resources as needed.

D. Budget and Appropriations

The County develops budgetary information for revenue and expenditures. Budgetary information is adopted in the “Annual Appropriation Ordinance” for expenditures. The appropriation ordinance is adopted annually and is applicable to the twelve-month period ending on November 30. Appropriations lapse at year end. Expenditure budget transfers within any fund must be approved by the County Board. The level of legal control is the individual fund budget in total. Supplemental appropriations are required to amend the budget once it has been approved. Budget amounts are as originally adopted, with the exception of Board approved transfers which were not material in relation to the budget taken as a whole.

MERCER COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)
November 30, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents

The County has adopted a policy defining "cash equivalents" for purposes of the Statement of Cash Flows. In accordance with this policy, cash equivalents include savings accounts, demand deposit accounts, and certificates of deposit with an original maturity of three months or less when purchased.

The County maintains pooled cash and investment accounts. These pooled deposits are invested in cash accounts, certificates of deposits, money market, and U.S. Treasury Government Debt. Interest earned on pooled accounts is allocated to the participating funds based on a pro rata share basis.

Statutes limit the County as to where they can deposit their investments and cash. Mercer County has deposits in insured commercial banks, money market mutual funds and obligations of the U.S. Treasury. Mercer County has not formally adopted deposit and investment policies that limit their deposits or investments and the risks the County is exposed to.

F. Investments

Investments are stated at cost, which approximates market.

G. Receivables

Receivables in the governmental, fiduciary, and the proprietary funds are reported at gross and, if appropriate, was reduced by the estimated amount that is expected to be uncollectable. As of November 30, 2008, the county had allowances for uncollectible accounts of \$1,622.

H. Inventory

Inventory is valued at cost using the "first in, first out" (FIFO) method.

I. Compensated Absences

The County provides vacation and sick leave benefits for its employees. Employees accumulate vacation leave based on the number of years of service. Vacation leave vests with the anniversary date of employment but cannot be carried over to any succeeding year. Sick leave is accumulated at the rate of 1 day per month and employees may not accumulate more than 120 sick days. Sick leave accumulations do not vest.

J. Capital Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements. In the government-wide financial statements, fixed assets are accounted for as capital assets.

Fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to November 30, 2008.

MERCER COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)
November 30, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Capital Assets (Continued)

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Infrastructure	40-50 years
Buildings	50 years
Building improvements	20 years
Maintenance equipment	10 years
Software	5 years
Vehicles	4 -15 years
Office equipment	15 years
Computer equipment	5 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

K. Equity Classification

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets -- all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved further split between designated and undesignated.

L. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Interfund activity, if any, within and among the governmental fund category is reported as follows:

- a. Interfund reimbursements - repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.

MERCER COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)
November 30, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

L. Internal and Interfund Balances and Activities (continued)

- b. Interfund transfers – flow of assets from one fund to another where repayment is not expected are reported as transfer in and out.

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- a. Internal balances – amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental activities column of Statements of Net Assets.
- b. Internal activities – amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and fiduciary-type activities, which are reported as Transfers – Internal Activities.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

N. Risk Management

The County is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omission; employee injuries and illnesses, natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of three preceding years. Coverage provided by the Illinois Counties Risk Management Trust is as follows:

General Liability (Per occurrence)	\$ 1,000,000
Law Enforcement (Per occurrence)	1,000,000
Automobile Liability (Combined single limit)	1,000,000
Worker's Compensation	2,500,000
Public Officials (Per occurrence)	1,000,000
Building and Business Personal Property	18,036,250
Business Income	1,000,000

Note 2 – Property Taxes

The property taxes representing the 2007 tax levy amounts have been collected and distributed as of February 23, 2009. Distributions of the 2007 levy to the County funds and other taxing bodies were made on August 19, 2008 and October 17, 2008, with the final distribution made on February 23, 2009.

MERCER COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)
November 30, 2008

Note 2 – Property Taxes (continued)

Property taxes are due and collectible in June and September of the fiscal year following the December 31 tax levy. Property taxes for the 2007 tax levy attach as an enforceable lien on January 1, 2008, on property values assessed as of the same date. Delinquent property taxes are recognized as revenue only as they are collected.

Note 3 – Custodial Credit Risk Related to Cash and Investments

Custodial credit risk is the risk that in the event of bank failure the County's deposits may not be recovered. The County does not have a policy for custodial credit risk.

As of November 30, 2008, none of the County's demand deposits bank balances of \$1,462,957 was exposed to custodial credit risk. The County's time deposits consist of certificates of deposit and savings accounts. As of November 30, 2008, none of the County's carrying amount of time deposits of \$8,749,663 was exposed to custodial credit risk.

Note 4 – Investments

Investments as of November 30, 2008 held at Sterne Agree & Leach, Inc. is as follows:

	<u>Market Value</u> <u>11/30/07</u>	<u>Market Value</u> <u>11/30/08</u>	<u>Fiscal Year</u> <u>Earnings</u>
Government Cash			
Trust Money Market	<u>\$ 189,249</u>	<u>\$ 193,123</u>	<u>\$ 3,874</u>

Note 5 – Capital Assets

Detailed records of the County's general fixed assets have not been maintained. The County Engineer provided a listing of equipment, vehicles, and buildings at historical costs.

Following is a listing of the capital assets reported in the Governmental Funds:

	<u>Historical Cost</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Vehicles	\$ 813,197	\$ 84,058	\$ 22,010	\$ 875,245
Computer Equip & Software	148,179	-	-	148,179
Maintenance Equipment	1,717,145	7,750	10,000	1,714,895
Buildings	606,745	200,000	-	806,745
Office Equipment	123,532	-	-	123,532
Total	<u>\$ 3,408,798</u>	<u>\$ 291,808</u>	<u>\$ 32,010</u>	\$ 3,668,596
Less accumulated depreciation				<u>(2,348,844)</u>
Total Capital Assets (Net of Depreciation)				<u>\$ 1,319,752</u>

MERCER COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)
November 30, 2008

Note 5 – Capital Assets (continued)

Depreciation expense for 2008 was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 39,310
Public Safety	92,764
Corrections	3,040
Judiciary and court related	2,166
Public health	27,135
Transportation	<u>38,935</u>
Total current depreciation expense	<u>\$ 203,350</u>

Note 6 – Explanation of Certain Differences between the Governmental Fund Balance Sheets and the Statement of Net Assets.

Capital assets used in governmental activities are not financial resources and are expenses when paid. Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Internal Service Funds are used by the county to charge the costs to individual funds. The assets and liabilities are included in the Governmental activities in the Statement of Net Assets.

Following is a list of the differences:

Capital Assets	\$ 1,319,752
Long-term liabilities:	
Compensated absences	(181,897)
Line of Credit	(96,000)
Internal Service Fund assets and liabilities	<u>1,115,985</u>
Total	<u>\$ 2,157,840</u>

Note 7 – Explanation of Certain Differences between the Government Fund Statement of Revenue, Expenditures, and Changes in Fund Balances and the Statement of Activities

Depreciation expense is recorded on the Statement of Activity but not on the Statement of Revenue, Expenditures, and Changes in Fund Balance. Depreciable equipment is an expense on the Statement of Revenue, Expenditures, and Changes in Fund Balance but is not an expense on the Statement of Activity. Internal Service Fund net revenues are reported on the Statement of Activity but not on the Statement of Revenue, Expenditures, and Changes in Fund Balance. Debt service payments are an expense on the Statement of Revenue, Expenditures, and Changes in Fund Balance but not on the Statement of Activity. Loan proceeds are other income on the Statement of Revenue, Expenditures, and Changes in Fund Balance and are not on the Statement of Activity.

MERCER COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)
November 30, 2008

Note 7 – Explanation of Certain Differences between the Government Fund Statement of Revenue, Expenditures, and Changes in Fund Balances and the Statement of Activities (continued)

Following is a list of the differences:

Depreciation Expense	\$ (203,350)
Depreciable Equipment	288,607
Internal Service Fund Net Revenue	226,439
Debt Payments	30,000
Change in compensated absences	<u>(14,771)</u>
Total	<u><u>\$ 326,925</u></u>

Note 8 – Restricted Net Assets

The following funds have reserved or restricted net assets:

General Fund	
Reserve for revenue stamp inventory	<u><u>\$ 21,971</u></u>
Fiduciary Funds	
Held in trust for township motor fuel tax fund	\$ (13,042)
Held in trust for township bridge fund	76,990
Held in trust for 9-1-1 fund	<u>864,679</u>
Total fiduciary funds	<u><u>\$ 928,627</u></u>

Note 9--Interfund Receivables and Payables

Interfund receivable and payable balances at November 30, 2008, were as follows:

	Due To		Due From					
	General Fund	Elected Officials	Highway Fund	Health Dept.	IMRF Fund	Nonmajor Govt. Funds	Fiduciary Funds	Totals
General Fund	\$ -	\$ 216,862	\$ -	\$ -	\$ -	\$ 796	\$ 151	\$ 217,809
Highway Fund	-	-	-	-	-	600	98	698
IMRF Fund	-	-	-	-	-	171	-	171
Liability Insurance	-	-	39,000	-	-	42,000	19,000	100,000
Social Security Fund	-	-	-	-	140	-	-	140
Nonmajor Govt. Funds	15,295	-	171,000	-	-	5,357	648	192,300
Internal Service Fund	1,664	-	-	8,672	-	-	-	10,336
Fiduciary Funds	<u>2,946</u>	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>51,879</u>	<u>-</u>	<u>94,825</u>
	<u><u>\$ 19,905</u></u>	<u><u>\$ 216,862</u></u>	<u><u>\$ 250,000</u></u>	<u><u>\$ 8,672</u></u>	<u><u>\$ 140</u></u>	<u><u>\$ 100,803</u></u>	<u><u>\$ 19,897</u></u>	<u><u>\$ 616,279</u></u>

The General Fund has amounts due from the fee offices of \$216,862. Nonmajor funds have an amount due from the Highway Fund of \$171,000 which is not expected to be repaid in the subsequent year. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

MERCER COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)
November 30, 2008

Note 10 – Transfers Between Funds

A schedule of transfers between funds made during the year ended November 30, 2008 follows:

Transfers To	Transfers From							
	General	Health	IMRF	Liab Insurance	Social Security	Nonmajor Govt.	Fee Offices	Fiduciary
General Fund	\$ -	\$ 23,912	\$ 147,248	\$ 198,102	\$ 10,804	\$ 7,615	\$ 5,283	\$ 5,829
IMRF	142,425	-	-	400,000	-	-	-	4,675
Social Security	-	-	-	-	-	-	-	4,456
Nonmajor Govt.	116,014	-	-	-	-	2	-	58,000
Total Funds	\$ 258,439	\$ 23,912	\$ 147,248	\$ 598,102	\$ 10,804	\$ 7,617	\$ 5,283	\$ 72,960

The County's routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the General Fund to other funds based on the budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

During the year, the General Fund transferred in \$85,602 from other accounts that earned interest income. Budgetary requirements outlined a transfer from the General Fund to the Capital Improvement fund of \$106,613 and from the Liability Insurance Fund to the General fund of \$160,000. The Fiduciary Fund, 911 Surcharge, transferred to corresponding accounts payroll expenses and payroll taxes totaling \$72,960.

Note 11 – Pension and Retirement Plan Commitments

Plan Description. Mercer County's defined benefit pension plan for regular employees, elected county official employees and sheriff's law enforcement personnel employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. Mercer County's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Regular Employees (Reg)

Funding Policy. As set by statute, Mercer County's regular plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require the county to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2008 was 6.70 percent of annual covered payroll. The county also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. For 2008, the county's annual pension cost of \$687,445 for the Regular plan was equal to the required and actual contributions.

MERCER COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)
November 30, 2008

Note 11– Pension and Retirement Plan Commitments (Continued)

Regular Employees (Reg) (continued)

The required contribution for 2008 was determined as part of the December 31, 2006, actual valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2006, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of the county's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investment over a five year period with a 20% corridor between the actuarial and market value of assets. The county's Regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2006, was 24 years.

Funded Status and Funding Progress. As of December 31, 2008, the most recent actuarial valuation date, the Regular plan was 85.84 percent funded. The actuarial accrued liability for benefits was \$21,473,782 and the actual value of assets was \$18,433,255, resulting in an underfunded actuarial accrued liability (UAAL) of \$3,040,527. The covered payroll (annual payroll of active employees covered by the plan) was \$10,260,379 and the ratio of the UAAL to the covered payroll was 30 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Sheriff's Law Enforcement Personnel (SLEP)

Funding Policy. As set by statute, Mercer County's Sheriff's Law Enforcement Personnel plan members are required to contribute 7.50 percent of their annual covered salary. The statutes require the county to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2008 was 16.99 percent of annual covered payroll. The county also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. For 2008, the county's annual pension cost of \$99,785 for the Sheriff's Law Enforcement Personnel plan was equal to the required and actual contributions.

The required contribution for 2008 was determined as part of the December 31, 2006, actual valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2006, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of the county's Sheriff's Law Enforcement Personnel plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investment over a five year period with a 20% corridor between the actuarial and market value of assets. The county's Sheriff's Law Enforcement Personnel plan's unfunded actuarial accrued liability is being

MERCER COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)
November 30, 2008

amortized as

Note 11– Pension and Retirement Plan Commitments (Continued)

Sheriff's Law Enforcement Personnel (SLEP) (continued)

a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2006, was 24 years.

Funded Status and Funding Progress. As of December 31, 2008, the most recent actuarial valuation date, the Sheriff's Law Enforcement Personnel plan was 70.43 percent funded. The actuarial accrued liability for benefits was \$2,720,004 and the actual value of assets was \$1,915,612, resulting in an underfunded actuarial accrued liability (UAAL) of \$804,392. The covered payroll (annual payroll of active employees covered by the plan) was \$587,317 and the ratio of the UAAL to the covered payroll was 137 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Elected County Officials (ECO)

Funding Policy. As set by statute, Mercer County's Elected County Official plan members are required to contribute 7.50 percent of their annual covered salary. The statutes require the county to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2008 was 31.41 percent of annual covered payroll. The county also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. For 2008, the county's annual pension cost of \$89,722 for the Elected County Official plan was equal to the required and actual contributions.

The required contribution for 2008 was determined as part of the December 31, 2006, actual valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2006, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of the county's Elected County Official plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investment over a five year period with a 20% corridor between the actuarial and market value of assets. The county's Elected County Official plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2006, was 24 years.

Funded Status and Funding Progress. As of December 31, 2008, the most recent actuarial valuation date, the Elected County Official plan was 48.67 percent funded. The actuarial accrued liability for benefits was \$1,810,465 and the actual value of assets was \$881,067 resulting in an underfunded actuarial accrued liability (UAAL) of \$929,398. The covered payroll (annual payroll of active employees covered by the plan) was \$285,648 and the ratio of the UAAL to the covered payroll was

MERCER COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)
November 30, 2008

325 percent.

Note 11– Pension and Retirement Plan Commitments (Continued)

Elected County Officials (ECO) (continued)

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 12 – Budgets, Over-expenditures, and Deficits

The County develops budgetary information for revenue and expenditures. Budgetary information is adopted in the "Annual Appropriation Ordinance" for expenditures. The appropriation ordinance is adopted annually and is applicable to the twelve-month period ending on November 30. Appropriations lapse at year end. Expenditure budget transfers within any fund must be approved by the County Board. The level of legal control is the individual fund budget in total. Supplemental appropriations are required to amend the budget once it has been approved. Budget amounts are as originally adopted, with the exception of Board approved transfers which were not material in relation to the budget taken as a whole. The County's budget is presented on the cash basis which is not in conformity with accounting principles general accepted in the United States of America.

Certain funds of the County had expenditures for the year ended November 30, 2008, which were in excess of the appropriations. These funds and the amount of the over-expenditures are as follows:

<u>Fund</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Over-expenditure Amount</u>
General Fund	\$ 3,680,145	\$ 3,811,204	\$ 131,059
Highway Fund	1,117,000	1,252,767	135,767
Social Security Fund	433,000	442,042	9,042
IL Municipal Retirement Fund	1,261,000	1,277,961	16,961
Airport Fund	13,100	14,856	1,756
Capital Improvement Fund	106,613	111,887	5,274
County Aid to Bridge Fund	184,000	248,198	64,198
County Clerk GIS Fund	4,600	9,781	5,181
Hospital Maintenance Fund	5,000	6,397	1,397
Law Library Fund	14,801	15,089	288
Public Building Lease Fund	205,600	206,405	805
Sheriff's DUI Equipment Fund	13,500	13,954	454
Sheriff's SVD Find Fund	10,000	14,137	4,137
Total	<u>\$ 7,048,359</u>	<u>\$ 7,424,678</u>	<u>\$ 376,319</u>

Note 13 – Compensated Absences

The County has the following policies concerning compensated absences for all full-time employees.

Employees accrue one day sick leave per month with a maximum of 120 days total cumulative. There is no provision for payment upon termination.

MERCER COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)
November 30, 2008

Note 13 – Compensated Absences (continued)

Employees, excluding Health Department employees, receive vacation benefits according to the following schedule:

<u>Years of Service</u>	<u>Working Days Per Year</u>
1-9	10
10-20	15
21 and over	20

Full-time Health Department employees receive vacation benefits according to the following schedule:

<u>Years of Service</u>	<u>Working Days Per Year</u>
1	5
2-9	10
10-14	15
15 and over	20

Part-time Health Department employees who work half-time or greater receive vacation benefits of half of the above amount.

All employees can accumulate up to one year of vacation benefits.

A provision of \$181,897 has been made on the Statement of Net Assets to accrue for accumulated unpaid vacation benefits of the governmental funds.

Note 14 – Operating Leases

As of November 30, 2008, the County has various operating leases for office equipment as follows:

<u>Lessor</u>	<u>Description</u>	<u>Lease Term</u>	<u>Monthly Rental Payment</u>	<u>Annual Rental Obligation</u>
Mercer Foundation for Health	Health Department Facility	09/01/97 - 11/01/09	\$ 1,500	\$ 18,000
Canon	Copier	02/18/05 - 01/18/08	220	2,640
Canon	Copier	04/06/06 - 04/05/11	270	2,430
Canon	Copier	01/18/08 - 01/18/11	260	3,120

MERCER COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)
November 30, 2008

Note 14 – Operating Leases (continued)

The following is a schedule by year of minimum future rentals:

Year Ending November 30,	<u>Annual Rental Due</u>
2009	22,860
2010	6,360
2011	<u>1,870</u>
Total	<u>\$ 31,090</u>

Note 15 – Notes Payable

In July, 2007, the Highway Department obtained an additional line of credit of \$13,000.00 from the Country Bank for a total of \$96,000. No payments had been made as of November 30, 2008.

Note 16 – General Obligation Debt

On April 1, 2001, Mercer County issued debt certificates in the amount of \$160,000 for the repair of the roof of the County Courthouse building. The final payment was paid in November, 2008.

Note 17 – Changes in General Long-Term Debt and Compensated Absences Payable

The following is a schedule of changes:

	Balance November 30, 2007	Additions	Deletions	Balance November 30, 2008
Short-term note payable	\$ 96,000	\$ -	\$ -	\$ 96,000
General obligation debt certificates	30,000	-	30,000	-
Compensated absences payable	<u>167,126</u>	<u>14,771</u>	<u>-</u>	<u>181,897</u>
Total	<u>293,126</u>	<u>14,771</u>	<u>30,000</u>	<u>277,897</u>

Note 18 – Interest Expense

The County's total interest expense for the year ended November 30, 2008, was \$9,161.

MERCER COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)
November 30, 2008

Note 19 – Statutory Debt Margin

A schedule indicating the statutory debt margin computation is as follows:

2007 assessed valuation	<u>\$ 198,958,818</u>
Statutory debt limitation - 2.875 % of assessed valuation	\$ 5,720,066
General Obligation Debt outstanding at November 30, 2008	<u>-</u>
Statutory debt margin, November 30, 2008	<u>\$ 5,720,066</u>

Note 20 – Jail Lease

On October 1, 1987, Mercer County entered into a noncancelable lease agreement with the Mercer County Public Building Commission to lease the Mercer County Jail located on Southwest Tenth Avenue in Aledo, Illinois.

The County originally held fee simple title to the real estate referred to above and then conveyed the title by warranty deed to the commission with a provision for reverter. This lease expired December 31, 1997. On April 6, 1999, the County and Commission entered into an agreement for Extension and Modification of Lease Agreement, whereby the original lease expiration date was extended through December 1, 2007. A second extension was signed April 28, 2008 to extend the expiration date to December 1, 2011.

The County provides for the levy and collection of a direct annual tax sufficient to pay the annual lease payments. Rental payments specified in the extended lease agreement are \$205,000 annually with the amount for each succeeding fiscal year to be equal to the amount collected from the public building lease tax levy set by the County. The lease rental payments are shown as expense in the Public Building Lease Fund. After the original lease agreement, as extended and modified, has been fulfilled, the Building Commission agrees to transfer by warranty deed the fee simple title of the jail building to the County.

Note 21 – Related Organizations

Mercer County's officials are responsible for appointing members of the boards of other organizations, but the County's accountability for these organizations do not extend beyond making the appointments. The other organizations include various Cemetery Associations and Boards of Trustees of Fire Protection Districts in the County, and the Mercer County Housing Authority.

The County's officials also appoint the members of the Mercer County Emergency Telephone System Board (ETSB). The County is responsible for maintaining financial accounting records and for reporting the financial transactions of the ETSB. Accordingly, the activities of the ETSB are reported in the County's financial statements in the 911 Fund, which is an Expendable Trust Fund.

MERCER COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)
November 30, 2008

Note 22 – Other Disclosures

Generally accepted accounting principles require disclosure of certain information concerning individual funds (which are presented only in combination on the financial statements). Funds having deficit fund balances and funds which over-expended appropriations during the fiscal year are required to be disclosed.

The following funds had deficit fund balances as of November 30, 2008:

<u>Fund</u>	<u>Fund Balance</u>
County Highway Fund	\$ (246,910)
Federal Aid Matching Fund	(32,845)
Law Library Fund	(1,043)
Matherville Downtown Project Fund	(1,435)
Total	<u>\$ (282,233)</u>

Note 23 – Discretely Presented Component Units, Condensed Financial Information

Condensed Statement of Net Assets

	Mercer County Nursing Home 02/29/08	Mercer County Hospital 06/30/08	Mercer County Public Building Commission 11/30/07	Totals
Fiscal year ends				
Assets				
Capital assets	\$ 1,302,954	\$ 3,603,698	\$ 591,108	\$ 5,497,760
Other assets	2,031,576	4,474,143	1,233,589	7,739,308
Total assets	<u>\$ 3,334,530</u>	<u>\$ 8,077,841</u>	<u>\$ 1,824,697</u>	<u>\$ 13,237,068</u>
Liabilities				
Long-term debt	\$ -	\$ 2,439,577	\$ 1,249,046	\$ 3,688,623
Other liabilities	333,605	2,534,836	-	2,868,441
Total liabilities	<u>\$ 333,605</u>	<u>\$ 4,974,413</u>	<u>\$ 1,249,046</u>	<u>\$ 6,557,064</u>
Net assets				
Invested in capital assets, net of related debt	\$ 1,302,954	\$ 503,187	\$ 591,108	\$ 2,397,249
Restricted	17,675	467,838	-	485,513
Unrestricted	1,680,295	2,132,403	(15,457)	3,797,241
Total net assets	<u>\$ 3,000,924</u>	<u>\$ 3,103,428</u>	<u>\$ 575,651</u>	<u>\$ 6,680,003</u>

MERCER COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)
November 30, 2008

Note 23 – Discretely Presented Component Units, Condensed Financial Information (continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	Mercer County Nursing Home	Mercer County Hospital	Mercer County Public Building Commission	Totals
Operating Revenues				
Net service revenue	\$ 3,699,579	\$ 11,659,367	\$ -	\$ 15,358,946
Other revenue	58,376	480,756	205,909	745,041
Total operating revenues	\$ 3,757,955	\$ 12,140,123	\$ 205,909	\$ 16,103,987
Operating expenses				
Depreciation expense	\$ 95,435	\$ 568,212	\$ 15,157	\$ 678,804
Other expenses	3,684,150	12,329,228	55,852	16,069,230
Total operating expenses	\$ 3,779,585	\$ 12,897,440	\$ 71,009	\$ 16,748,034
Operating income	\$ (21,630)	\$ (757,317)	\$ 134,900	\$ (644,047)
Nonoperating revenue (expense)				
Tax revenue	\$ -	\$ 378,071	\$ -	\$ 378,071
Other nontax revenue/expense	548,857	426,606	(17,869)	957,594
Transfer from county funds	329,011	-	-	329,011
Total nonoperating revenue	\$ 877,868	\$ 804,677	\$ (17,869)	\$ 1,664,676
Change in net assets	856,238	47,360	117,031	1,020,629
Net assets, beginning of year	2,144,686	3,056,068	458,620	5,659,374
Net assets, end of year	\$ 3,000,924	\$ 3,103,428	\$ 575,651	\$ 6,680,003

REQUIRED SUPPLEMENTAL INFORMATION

MERCER COUNTY, ILLINOIS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - CASH BASIS
GENERAL FUND
Year ended November 30, 2008

Page 1 of 7

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Property tax	\$ 542,425	\$ 542,425	\$ 536,133	\$ (6,292)
Income tax	736,300	736,300	727,816	(8,484)
Sales tax	450,000	450,000	326,171	(123,829)
Replacement tax	250,000	250,000	271,559	21,559
Local use tax	-	-	100,717	100,717
State grants and reimbursements	258,600	258,600	208,119	(50,481)
Federal revenue	6,514	6,514	18,447	11,933
Fees for services and materials	1,449,285	1,449,285	992,570	(456,715)
Fines	-	-	234,249	234,249
Interest income	49,500	49,500	37,713	(11,787)
Other	35,960	35,960	55,751	19,791
Total revenues	\$ 3,778,584	\$ 3,778,584	\$ 3,509,245	\$ (269,339)

The notes to the financial statements are an integral part of this statement.

MERCER COUNTY, ILLINOIS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - CASH BASIS
GENERAL FUND (CONTINUED)
Year ended November 30, 2008

				Page 2 of 7
				Variance with Final Budget Positive (Negative)
Expenditures:	Budgeted Amounts		Actual	
	Original	Final	Amounts	
<u>General Government:</u>				
County Treasurer:				
County Treasurer salary	\$ 43,730	\$ 43,730	\$ 43,730	\$ -
Deputy or clerk hire	27,295	27,295	28,610	(1,315)
Part-time clerk	5,000	5,000	8,008	(3,008)
Office supplies	4,900	4,900	4,720	180
Advertising	1,800	1,800	721	1,079
Telephone	1,400	1,400	1,204	196
Mileage and Educ.	2,000	2,000	2,237	(237)
Total county treasurer	<u>\$ 86,125</u>	<u>\$ 86,125</u>	<u>\$ 89,230</u>	<u>\$ (3,105)</u>
County Clerk:				
County Clerk salary	\$ 43,730	\$ 43,730	\$ 43,730	\$ -
Deputy or clerk hire	109,740	109,740	111,546	(1,806)
IMRF agent	800	800	800	-
Office supplies	4,738	4,738	7,504	(2,766)
Telephone	6,000	6,000	5,878	122
Mileage and Educ.	4,486	4,486	1,972	2,514
Total county clerk	<u>\$ 169,494</u>	<u>\$ 169,494</u>	<u>\$ 171,430</u>	<u>\$ (1,936)</u>
Supervisor of Assessments:				
Supervisor salary	\$ 43,730	\$ 43,730	\$ 44,191	\$ (461)
Clerk hire	57,286	57,286	57,729	(443)
Office supplies	1,442	1,442	1,281	161
Publication, postage, books	9,785	9,785	7,606	2,179
Telephone	2,266	2,266	2,668	(402)
Education	1,500	1,500	2,606	(1,106)
Total supervisor of assessments	<u>\$ 116,009</u>	<u>\$ 116,009</u>	<u>\$ 116,081</u>	<u>\$ (72)</u>
County Board Members:				
Per diem	\$ 42,000	\$ 42,000	\$ 38,804	\$ 3,196
Secretary salary	2,413	2,413	7,126	(4,713)
Telephone	1,200	1,200	1,269	(69)
Mileage	17,000	17,000	12,275	4,725
Supplies/postage	1,400	1,400	1,243	157
Publications	100	100	168	(68)
Total board members	<u>\$ 64,113</u>	<u>\$ 64,113</u>	<u>\$ 60,885</u>	<u>\$ 3,228</u>
Elections:				
Judges	\$ 20,000	\$ 20,000	\$ 28,348	\$ (8,348)
Supplies	30,000	30,000	65,782	(35,782)
Permanent registration	1,400	1,400	-	1,400
Polling place rent	2,000	2,000	1,380	620
Consolidation of elections	600	600	849	(249)
Publication of ballots	14,000	14,000	9,750	4,250
Support/Maintenance	7,105	7,105	-	7,105
Total elections	<u>\$ 75,105</u>	<u>\$ 75,105</u>	<u>\$ 106,109</u>	<u>\$ (31,004)</u>

The notes to the financial statements are an integral part of this statement.

MERCER COUNTY, ILLINOIS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - CASH BASIS
GENERAL FUND (CONTINUED)
Year ended November 30, 2008

Page 3 of 7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
Expenditures (continued):				
<u>General Government: (Continued)</u>				
Courthouse:				
Janitor salary	\$ 84,991	\$ 84,991	\$ 93,099	\$ (8,108)
Uniforms	1,400	1,400	1,396	4
Heat	22,000	22,000	16,782	5,218
Supplies	10,000	10,000	7,921	2,079
Electricity	12,000	12,000	14,574	(2,574)
Water and garbage	1,100	1,100	952	148
Repairs to courthouse	-	-	19,722	(19,722)
Total courthouse	\$ 131,491	\$ 131,491	\$ 154,446	\$ (22,955)
Board of Review:				
Salary	\$ 3,600	\$ 3,600	\$ 3,600	\$ -
Mileage, education	250	250	181	69
Supplies	150	150	197	(47)
Publications, postage	750	750	758	(8)
Total board of review	\$ 4,750	\$ 4,750	\$ 4,736	\$ 14
Other:				
Fees of registrars	\$ 250	\$ 250	\$ 116	\$ 134
Budget preparation	5,665	5,665	15,314	(9,649)
Copy machine supplies	3,200	3,200	2,909	291
Maintenance of equipment	10,300	10,300	11,010	(710)
Postage	22,660	22,660	26,045	(3,385)
Revenue stamps	46,350	46,350	55,000	(8,650)
Tax processing/tax bills	1,000	1,000	613	387
Audit services	28,930	28,930	22,500	6,430
Total other	\$ 118,355	\$ 118,355	\$ 133,507	\$ (15,152)
Total General Government	\$ 765,442	\$ 765,442	\$ 836,424	\$ (70,982)
<u>County Development</u>				
Zoning:				
Salary	\$ 12,000	\$ 12,000	\$ 11,538	\$ 462
Supplies	300	300	292	8
Mileage and miscellaneous	3,000	3,000	1,964	1,036
Total zoning	\$ 15,300	\$ 15,300	\$ 13,794	\$ 1,506
Other:				
Solid Waste Salary	\$ 38,110	\$ 38,110	\$ 46,908	\$ (8,798)
Platting officer salary	662	662	662	-
Care of county cemetery	680	680	750	(70)
Economic development	14,000	14,000	14,000	-
Project NOW	2,500	2,500	-	2,500

The notes to the financial statements are an integral part of this statement.

MERCER COUNTY, ILLINOIS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - CASH BASIS
GENERAL FUND (CONTINUED)
Year ended November 30, 2008

				Page 4 of 7
				Variance with Final Budget Positive (Negative)
		Budgeted Amounts	Actual Amounts	
		Original	Final	
Expenditures (continued):				
County Development (Continued):				
Other (Continued):				
Soil and Water Conservation	2,850	2,850	2,850	-
Total other	\$ 58,802	\$ 58,802	\$ 65,170	\$ (6,368)
Total County Development	\$ 74,102	\$ 74,102	\$ 78,964	\$ (4,862)
Public Safety:				
Sheriff:				
Sheriff salary	\$ 47,275	\$ 47,275	\$ 47,275	\$ -
Chief deputy salary	44,244	44,244	54,877	(10,633)
Deputy hire	326,885	326,885	407,070	(80,185)
Deputy overtime	80,730	80,730	50,757	29,973
Deputy holiday pay	5,000	5,000	36,827	(31,827)
Investigators	72,682	72,682	85,882	(13,200)
Administrative assistant	31,180	31,180	23,476	7,704
Telecommunicators	122,803	122,803	118,987	3,816
Telecommunicator part-time	9,620	9,620	6,179	3,441
Telecommunicator overtime	18,500	18,500	14,067	4,433
Telecommunicator holiday	8,880	8,880	11,707	(2,827)
Court security deputy	24,960	24,960	-	24,960
Office supplies	13,000	13,000	15,031	(2,031)
Vehicle maintenance	25,000	25,000	24,875	125
Vehicle gas and oil	50,000	50,000	73,665	(23,665)
Uniforms	4,075	4,075	7,101	(3,026)
Telephone	15,000	15,000	11,705	3,295
Certification training	11,000	11,000	11,002	(2)
Security equipment	9,000	9,000	7,878	1,122
Deputy physicals and canine	1,000	1,000	716	284
Communications	15,400	15,400	14,393	1,007
Prisoner transportation	28,000	28,000	31,928	(3,928)
Seaton/Matherville policing	7,150	7,150	4,608	2,542
Total sheriff	\$ 971,384	\$ 971,384	\$ 1,060,006	\$ (88,622)
Coroner:				
Coroner salary	\$ 14,591	\$ 14,591	\$ 14,591	\$ -
Deputy hire	2,000	2,000	1,350	650
Jury fees	300	300	-	300
Autopsy and examinations	9,000	9,000	5,282	3,718
Office supplies	1,500	1,500	175	1,325
Mileage and training	2,200	2,200	1,925	275
Maintenance and miscellaneous	600	600	482	118
Total coroner	\$ 30,191	\$ 30,191	\$ 23,805	\$ 6,386
Emergency Services and Disaster:				
Director salary	\$ 12,353	\$ 12,353	\$ 12,353	\$ -
Supplies	475	475	475	-
Telephone	520	520	795	(275)

The notes to the financial statements are an integral part of this statement.

MERCER COUNTY, ILLINOIS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - CASH BASIS
GENERAL FUND (CONTINUED)
Year ended November 30, 2008

Page 5 of 7

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures (continued):				Positive
Public Safety (Continued):				(Negative)
Emergency Services and Disaster (Continued):				
Vehicle maintenance	832	832	832	-
Administrative assistant	3,747	3,747	3,747	-
DTN radar	450	450	468	(18)
Training/conferences	260	260	260	-
Total emergency services	\$ 18,637	\$ 18,637	\$ 18,930	\$ (293)
Local Emergency Planning Commission:				
Supplies	\$ 100	\$ 100	\$ -	\$ 100
Animal Control:				
County veterinarian	\$ 2,400	\$ 2,400	\$ 2,400	\$ -
Warden salary	21,456	21,456	22,281	(825)
Total animal control	\$ 23,856	\$ 23,856	\$ 24,681	\$ (825)
Merit Commission:				
Per diem an expense	\$ 2,000	\$ 2,000	\$ 3,013	\$ (1,013)
Total Public Safety	\$ 1,046,168	\$ 1,046,168	\$ 1,130,435	\$ (84,267)
Corrections:				
Jail:				
Heat	\$ 25,000	\$ 25,000	\$ 17,001	\$ 7,999
Supplies	10,000	10,000	10,794	(794)
Electricity	19,000	19,000	29,059	(10,059)
Water	3,600	3,600	3,146	454
Total jail	\$ 57,600	\$ 57,600	\$ 60,000	\$ (2,400)
Care of Prisoners:				
Jailers	\$ 259,574	\$ 259,574	\$ 311,750	\$ (52,176)
Board of prisoners	125,000	125,000	143,876	(18,876)
Jailer's uniforms	2,975	2,975	7,262	(4,287)
Mandatory training	2,550	2,550	2,763	(213)
Total care of prisoners	\$ 390,099	\$ 390,099	\$ 465,651	\$ (75,552)
Dependent Children:				
Provide for care of children	\$ 50,000	\$ 50,000	\$ 72,664	\$ (22,664)
Probation Office:				
Director	\$ 45,533	\$ 45,533	\$ 44,573	\$ 960
Probation officer	61,866	61,866	61,460	406
Administrative assistant	22,856	22,856	23,548	(692)
Director's assistant	22,812	22,812	22,868	(56)
Overtime	100	100	100	-
Office expense	1,200	1,200	1,194	6

The notes to the financial statements are an integral part of this statement.

MERCER COUNTY, ILLINOIS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - CASH BASIS
GENERAL FUND (CONTINUED)
Year ended November 30, 2008

Page 6 of 7

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Expenditures (continued):				
<u>Corrections (Continued):</u>				
Probation Office (Continued):				
Vehicle gas/maintenance	1,250	1,250	1,305	(55)
Computer maintenance/supplies	100	100	100	-
Telephone	2,000	2,000	2,170	(170)
Total probation office	<u>\$ 157,717</u>	<u>\$ 157,717</u>	<u>\$ 157,318</u>	<u>\$ 399</u>
Total Corrections	<u>\$ 655,416</u>	<u>\$ 655,416</u>	<u>\$ 755,633</u>	<u>\$ (100,217)</u>
<u>Judiciary and Court Related:</u>				
Office Administrative Judge:				
County share of Judges' salary	\$ 750	\$ 750	\$ 665	\$ 85
Court reporter supplies	250	250	-	250
Bailiff services	6,300	6,300	6,479	(179)
Court ordered payments	2,000	2,000	4,160	(2,160)
Interpreter fees	400	400	158	242
Court-appointed attorney fees	15,000	15,000	17,627	(2,627)
Total office administrative judge	<u>\$ 24,700</u>	<u>\$ 24,700</u>	<u>\$ 29,089</u>	<u>\$ (4,389)</u>
Jurors and Witnesses:				
Jury certificates	\$ 4,750	\$ 4,750	\$ 1,704	\$ 3,046
Jury meals and lodging	250	250	-	250
Total jurors and witnesses	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 1,704</u>	<u>\$ 3,296</u>
Public Defender:				
Public defender services	\$ 44,347	\$ 44,347	\$ 44,347	\$ -
Office expense	15,525	15,525	15,525	-
Total public defender	<u>\$ 59,872</u>	<u>\$ 59,872</u>	<u>\$ 59,872</u>	<u>\$ -</u>
State's Attorney:				
State's Attorney salary	\$ 114,500	\$ 114,500	\$ 128,013	\$ (13,513)
Assistant state's attorney salary	43,500	43,500	45,476	(1,976)
Paralegal advocate salary	26,500	26,500	26,308	192
Clerical salary	46,368	46,368	47,514	(1,146)
Victim/witness services	23,287	23,287	23,287	-
Office supplies	7,000	7,000	5,594	1,406
Telephone	3,500	3,500	3,450	50
Court reporter transcript fees	200	200	15	185
Training/research	1,500	1,500	1,854	(354)
Computer purchase	2,000	2,000	2,332	(332)
Copier maintenance agreement	750	750	750	-
Appellate Appeals Costs	7,000	7,000	7,000	-
Total state's attorney	<u>\$ 276,105</u>	<u>\$ 276,105</u>	<u>\$ 291,593</u>	<u>\$ (15,488)</u>
Circuit Clerk:				
Circuit Clerk salary	\$ 43,730	\$ 43,730	\$ 43,730	\$ -
Deputy or clerk hire	72,116	72,116	72,778	(662)

The notes to the financial statements are an integral part of this statement.

MERCER COUNTY, ILLINOIS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - CASH BASIS
GENERAL FUND (CONTINUED)
Year ended November 30, 2008

Page 7 of 7

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures (continued):				Positive
Judiciary and Court Related (Continued):				(Negative)
Circuit Clerk (Continued):				
Audit services	5,400	5,400	3,000	2,400
Court security line	-	-	2,710	(2,710)
Office supplies	6,000	6,000	3,693	2,307
Telephone	2,100	2,100	1,044	1,056
Workshop and schooling	500	500	477	23
Mileage	400	400	-	400
Total circuit clerk	\$ 130,246	\$ 130,246	\$ 127,432	\$ 2,814
Total Judiciary and Court Related	\$ 495,923	\$ 495,923	\$ 509,690	\$ (13,767)
Capital Outlay				
Other capital outlay	\$ -	\$ -	\$ -	\$ -
Tax system computer	19,900	19,900	20,065	(165)
Total capital outlay	\$ 19,900	\$ 19,900	\$ 20,065	\$ (165)
Other Expenditures:				
County share of Regional				
Superintendent	\$ 36,810	\$ 36,810	\$ 36,234	\$ 576
Employee Health Insurance	436,000	436,000	405,815	30,185
Employee Insurance reimbursement	4,800	4,800	5,631	(831)
Interstate RC&D	-	-	250	(250)
Interest expense	-	-	1,590	(1,590)
Contingencies	145,584	145,584	30,473	115,111
Total Other Expenditures	\$ 623,194	\$ 623,194	\$ 479,993	\$ 143,201
Total Expenditures	\$ 3,680,145	\$ 3,680,145	\$ 3,811,204	\$ (131,059)
Excess of revenue over (under) expenditures	\$ 98,439	\$ 98,439	\$ (301,959)	\$ (400,398)
Other Financing Sources:				
Transfers from other funds	\$ 160,000	\$ 347,425	\$ 393,595	\$ 46,170
Transfers to other funds	(258,439)	(400,864)	(372,517)	28,347
Total Other Financing Sources	\$ (98,439)	\$ (53,439)	\$ 21,078	\$ 74,517
Net change in fund balance	\$ -	\$ 45,000	\$ (280,881)	\$ (325,881)
Net change resulting from conversion to accrual basis			59,339	
Fund balances-December 1, 2007			673,923	
Fund balances-November 30, 2008			\$ 452,381	

The notes to the financial statements are an integral part of this statement.

MERCER COUNTY, ILLINOIS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - CASH BASIS
COUNTY HIGHWAY FUND
Year ended November 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Property taxes	\$ 187,000	\$ 187,000	\$ 187,293	\$ 293
Personal property replacement tax	-	-	19,937	19,937
Fees for service and materials	629,000	629,000	770,559	141,559
Interest income	1,000	1,000	1,238	238
Other	300,000	300,000	70,487	(229,513)
Total Revenue	<u>\$ 1,117,000</u>	<u>\$ 1,117,000</u>	<u>\$ 1,049,514</u>	<u>\$ (67,486)</u>
Expenditures:				
Maintenance payroll	\$ 205,000	\$ 205,000	\$ 215,341	\$ (10,341)
Snow and ice removal payroll	37,000	37,000	57,566	(20,566)
Clerical payroll	165,000	165,000	206,673	(41,673)
Snow and ice control materials	30,000	30,000	52,664	(22,664)
Road maintenance and repair material	220,000	220,000	279,259	(59,259)
Repair of drainage structure	15,000	15,000	4,735	10,265
Building repair and maintenance	4,000	4,000	1,909	2,091
Maintenance-machinery & equipment	90,000	90,000	163,142	(73,142)
Fuel	90,000	90,000	147,126	(57,126)
Office supplies/operations	28,000	28,000	24,813	3,187
Utilities	10,000	10,000	11,206	(1,206)
Shop supplies	4,000	4,000	-	4,000
Survey supplies	1,000	1,000	-	1,000
Postage	1,000	1,000	706	294
Equipment rental	5,000	5,000	-	5,000
Engineering	2,000	2,000	-	2,000
Miscellaneous	20,000	20,000	4,733	15,267
Equipment loan payments	50,000	50,000	-	50,000
Interest expense	-	-	7,571	(7,571)
Other:				
Reimburse for employee benefits	90,000	90,000	75,323	14,677
Capital Outlay:				
Vehicle	-	-	-	-
Equipment	50,000	50,000	-	50,000
Total Expenditures	<u>\$ 1,117,000</u>	<u>\$ 1,117,000</u>	<u>\$ 1,252,767</u>	<u>\$ (135,767)</u>
Excess of revenue over (under) expenditures	\$ -	\$ -	\$ (203,253)	\$ (203,253)
Other Financing Sources:				
Transfers from other funds	\$ -	\$ -	\$ 184,912	\$ (184,912)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (18,341)</u>	<u>\$ (388,165)</u>
Net change resulting from conversion to accrual basis			(136,262)	
Fund balances-December 1, 2007			(92,307)	
Fund balances-November 30, 2008			<u>\$ (246,910)</u>	

The notes to the financial statements are an integral part of this statement.

MERCER COUNTY, ILLINOIS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - CASH BASIS
PUBLIC HEALTH FUND
Year ended November 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Property taxes	\$ 96,000	\$ 96,000	\$ 96,118	\$ 118
Health Dept Fees	149,500	149,500	312,112	162,612
Interest income	-	-	24,435	24,435
St of IL Grant Income & Reimb	673,346	673,346	522,914	(150,432)
	<u>673,346</u>	<u>673,346</u>	<u>522,914</u>	<u>(150,432)</u>
Total Revenue	<u>\$ 918,846</u>	<u>\$ 918,846</u>	<u>\$ 955,579</u>	<u>\$ 36,733</u>
Expenditures:				
Personnel	\$ 657,846	\$ 657,846	\$ 543,561	\$ 114,285
Supplies and expense	80,000	80,000	114,343	(34,343)
Purchased service	132,000	132,000	205,593	(73,593)
Administration fee	9,000	9,000	120	8,880
Travel and education	19,000	19,000	11,902	7,098
Capital Outlay:				
Capital Outlay	-	176,000	200,000	(24,000)
Equipment	30,000	30,000	2,775	27,225
	<u>30,000</u>	<u>30,000</u>	<u>2,775</u>	<u>27,225</u>
Total Expenditures	<u>\$ 927,846</u>	<u>\$ 1,103,846</u>	<u>\$ 1,078,294</u>	<u>\$ 25,552</u>
Excess of revenue over (under) expenditures	<u>\$ (9,000)</u>	<u>\$ (185,000)</u>	<u>\$ (122,715)</u>	<u>\$ 62,285</u>
Other Financing Sources:				
Transfers from other funds	\$ -	\$ -	\$ -	\$ -
Transfers to other funds	-	-	(23,912)	(23,912)
	<u>-</u>	<u>-</u>	<u>(23,912)</u>	<u>(23,912)</u>
Total Other Financing Sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23,912)</u>	<u>\$ (23,912)</u>
Net change in fund balance	<u>\$ (9,000)</u>	<u>\$ (185,000)</u>	<u>\$ (146,627)</u>	<u>\$ 38,373</u>
Net change resulting from conversion to accrual basis			96,736	
Fund balance, December 1, 2007			<u>774,879</u>	
Fund balance, November 30, 2008			<u>\$ 724,988</u>	

The notes to the financial statements are an integral part of this statement.

MERCER COUNTY, ILLINOIS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - CASH BASIS
ILLINOIS MUNICIPAL RETIREMENT FUND
Year ended November 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Property taxes	\$ 600,000	\$ 1,001,836	\$ 702,272	\$ (299,564)
Personal property replacement tax	-	-	21,872	21,872
Contributions from employees	611,000	611,000	371,413	(239,587)
Interest income	12,000	12,000	6,482	(5,518)
Transfer from other funds	48,700	236,125	-	(236,125)
Other	1,300	1,300	2,345	1,045
Total Revenue	<u>\$ 1,273,000</u>	<u>\$ 1,862,261</u>	<u>\$ 1,104,384</u>	<u>\$ (757,877)</u>
Expenditures:				
County share-all employees	\$ 940,000	\$ 940,000	\$ 897,098	\$ 42,902
Employees share-NH & Hosp	321,000	321,000	380,863	(59,863)
Total Expenditures	<u>\$ 1,261,000</u>	<u>\$ 1,261,000</u>	<u>\$ 1,277,961</u>	<u>\$ (16,961)</u>
Excess of revenue over (under) expenditures	<u>\$ 12,000</u>	<u>\$ 601,261</u>	<u>\$ (173,577)</u>	<u>\$ (774,838)</u>
Other Financing Sources:				
Transfers from other funds	\$ -	\$ 400,000	\$ 404,675	\$ 4,675
Transfers to other funds	(12,000)	(154,425)	(4,823)	149,602
Total Other Financing Sources	<u>\$ (12,000)</u>	<u>\$ 245,575</u>	<u>\$ 399,852</u>	<u>\$ 154,277</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 846,836</u>	<u>\$ 226,275</u>	<u>\$ (620,561)</u>
Net change resulting from conversion to accrual basis			30,498	
Fund balance, December 1, 2007			<u>(42,180)</u>	
Fund balance, November 30, 2008			<u>\$ 214,593</u>	

The notes to the financial statements are an integral part of this statement.

MERCER COUNTY, ILLINOIS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - CASH BASIS
LIABILITY INSURANCE FUND
Year ended November 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Property taxes	\$ 900,000	\$ 500,000	\$ 878,014	\$ 378,014
Interest income	20,000	20,000	43,033	23,033
Reimbursements and refunds	10,000	10,000	7,465	(2,535)
Total Revenue	<u>\$ 930,000</u>	<u>\$ 530,000</u>	<u>\$ 928,512</u>	<u>\$ 398,512</u>
Expenditures:				
Risk manager	\$ 3,600	\$ 3,600	\$ 3,600	\$ -
Insurance and workers compensation	482,000	482,000	13,388	468,612
Health reinsurance	300,000	300,000	268,727	31,273
Prisoner medical liability	50,000	50,000	58,495	(8,495)
Legal services expense	30,000	30,000	25,243	4,757
Transfer to others funds	20,000	510,000	538,102	(28,102)
Transfer for legal services expense	115,000	115,000	160,000	(45,000)
Total Charges to Appropriations	<u>\$ 1,000,600</u>	<u>\$ 1,490,600</u>	<u>\$ 1,067,555</u>	<u>\$ 423,045</u>
Net change in fund balance	<u>\$ (70,600)</u>	<u>\$ (960,600)</u>	<u>\$ (139,043)</u>	<u>\$ 821,557</u>
Net change resulting from conversion to accrual basis			(70,655)	
Fund balance, December 1, 2007			<u>1,601,214</u>	
Fund balance, November 30, 2008			<u>\$ 1,391,516</u>	

The notes to the financial statements are an integral part of this statement.

MERCER COUNTY, ILLINOIS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - CASH BASIS
SOCIAL SECURITY FUND
Year ended November 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Property taxes	\$ 425,000	\$ 425,000	\$ 419,102	\$ (5,898)
Interest	8,000	8,000	12,978	4,978
Other	2,800	2,800	2,716	(84)
Transfer from other funds	<u>2,800</u>	<u>2,800</u>	<u>7,704</u>	<u>4,904</u>
Total Revenue	<u>\$ 438,600</u>	<u>\$ 438,600</u>	<u>\$ 442,500</u>	<u>\$ 3,900</u>
Expenditures:				
County share of social security	\$ 425,000	\$ 425,000	\$ 431,238	\$ (6,238)
Transfer to other funds	<u>8,000</u>	<u>8,000</u>	<u>10,804</u>	<u>(2,804)</u>
Total Charges to Appropriations	<u>\$ 433,000</u>	<u>\$ 433,000</u>	<u>\$ 442,042</u>	<u>\$ (9,042)</u>
Net change in fund balance	<u>\$ 5,600</u>	<u>\$ 5,600</u>	\$ 458	<u>\$ (5,142)</u>
Net change resulting from conversion to accrual basis			(3,248)	
Fund balance, December 1, 2007			<u>412,574</u>	
Fund balance, November 30, 2008			<u>\$ 409,784</u>	

The notes to the financial statements are an integral part of this statement.

MERCER COUNTY, ILLINOIS
REQUIRED SUPPLEMENTAL INFORMATION
ILLINOIS MUNICIPAL RETIREMENT FUND (IMRF)
REGULAR EMPLOYEES - EMPLOYER NUMBER: 03043
SCHEDULE OF FUNDING PROGRESS
November 30, 2008

Trend Information

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2008	\$ 687,445	100%	\$ -
12/31/2007	644,596	100%	-
12/31/2006	654,315	100%	-
12/31/2005	517,406	100%	-
12/31/2004	234,304	100%	-
12/31/2003	97,788	100%	-
12/31/2002	138,435	100%	-
12/31/2001	171,650	100%	-
12/31/2000	331,839	100%	-
12/31/1999	536,473	100%	-

Schedule of Funding in Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Less Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/2008	\$18,433,255	\$ 21,473,782	\$ 3,040,527	85.84%	\$ 10,260,379	29.63%
12/31/2007	22,522,585	20,353,099	(2,169,486)	110.66%	9,341,969	0.00%
12/31/2006	21,394,638	18,963,777	(2,430,861)	112.82%	8,486,574	0.00%
12/31/2005	19,523,180	17,403,092	(2,120,088)	112.18%	7,887,284	0.00%
12/31/2004	18,629,983	17,257,575	(1,372,408)	107.95%	7,836,240	0.00%
12/31/2003	18,026,132	15,225,543	(2,800,589)	118.39%	6,984,883	0.00%
12/31/2002	17,732,380	14,171,419	(3,560,961)	125.13%	6,853,197	0.00%
12/31/2001	18,530,605	14,123,979	(4,406,626)	131.20%	6,921,385	0.00%
12/31/2000	17,097,258	13,045,085	(4,052,173)	131.06%	6,597,188	0.00%
12/31/1999	14,915,000	11,559,130	(3,355,870)	129.03%	6,463,538	0.00%

On a market value basis, the actuarial value of assets as of December 31, 2008 is \$12,775,047.
On a market basis, the funded ratio would be 59.49%.

*Digest of Changes

The actuarial assumptions used to determine the actuarial accrued liability for 2008 are based on the 2005-2007 Experience Study.

MERCER COUNTY, ILLINOIS
REQUIRED SUPPLEMENTAL INFORMATION
ILLINOIS MUNICIPAL RETIREMENT FUND
SHERIFF'S LAW ENFORCEMENT PERSONNEL (SLEP) - EMPLOYER: 03043S
SCHEDULE OF FUNDING PROGRESS
November 30, 2008

Trend Information

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2008	\$ 99,785	100%	\$ -
12/31/2007	72,378	100%	-
12/31/2006	67,421	100%	-
12/31/2005	55,619	100%	-
12/31/2004	46,271	100%	-
12/31/2003	38,452	100%	-
12/31/2002	36,327	100%	-
12/31/2001	48,833	100%	-
12/31/2000	45,023	100%	-
12/31/1999	30,325	100%	-

Schedule of Funding in Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Less Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/2008	\$1,915,612	\$ 2,720,004	\$ 804,392	70.43%	\$ 587,317	136.96%
12/31/2007	1,993,119	2,333,797	340,678	85.40%	522,582	65.19%
12/31/2006	1,724,236	2,061,550	337,314	83.64%	468,851	71.94%
12/31/2005	1,772,544	1,870,582	98,038	94.76%	430,485	22.77%
12/31/2004	1,581,118	1,636,209	55,091	96.63%	428,034	12.87%
12/31/2003	1,460,662	1,410,329	(50,333)	103.57%	398,466	0.00%
12/31/2002	1,439,427	1,350,061	(89,366)	106.62%	378,805	0.00%
12/31/2001	1,567,811	1,448,212	(119,599)	108.26%	361,993	0.00%
12/31/2000	1,364,886	1,266,816	(98,070)	107.74%	364,857	0.00%
12/31/1999	1,156,370	1,193,054	36,684	96.93%	353,439	10.38%

On a market value basis, the actuarial value of assets as of December 31, 2008 is \$1,539,054.
On a market basis, the funded ratio would be 56.58%.

*Digest of Changes

The actuarial assumptions used to determine the actuarial accrued liability for 2008 are based on the 2005-2007 Experience Study.

MERCER COUNTY, ILLINOIS
REQUIRED SUPPLEMENTAL INFORMATION
ILLINOIS MUNICIPAL RETIREMENT FUND
ELECTED OFFICIALS (ECO) - EMPLOYER NUMBER: 03043E
SCHEDULE OF FUNDING PROGRESS
November 30, 2008

<u>Trend Information</u>			
<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2008	\$ 89,722	100%	\$ -
12/31/2007	71,761	100%	-
12/31/2006	92,735	100%	-
12/31/2005	94,206	100%	-
12/31/2004	108,149	100%	-
12/31/2003	50,778	100%	-
12/31/2002	65,429	100%	-
12/31/2001	43,518	100%	-
12/31/2000	77,936	100%	-
12/31/1999	75,522	100%	-

<u>Schedule of Funding in Progress</u>						
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Less Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/2008	\$ 881,067	\$ 1,810,465	\$ 929,398	48.67%	\$ 285,648	325.36%
12/31/2007	851,920	1,445,015	593,095	58.96%	271,205	218.69%
12/31/2006	700,510	1,294,342	593,832	54.12%	264,128	224.83%
12/31/2005	511,795	876,947	365,152	58.36%	252,023	144.89%
12/31/2004	360,774	784,591	423,817	45.98%	191,442	221.38%
12/31/2003	221,644	715,758	494,114	30.97%	139,270	354.79%
12/31/2002	73,836	602,752	528,916	12.25%	132,716	398.53%
12/31/2001	349,883	813,259	463,376	43.02%	118,936	389.60%
12/31/2000	333,365	826,126	492,761	40.35%	173,616	283.82%
12/31/1999	302,718	722,555	419,837	41.90%	169,943	247.05%
12/31/1998	136,681	617,261	480,580	22.14%	78,974	608.53%
12/31/1997	(320,538)	239,108	559,646	0.00%	98,010	571.01%
12/31/1996	-	-	-	0.00%	-	N/A

On a market value basis, the actuarial value of assets as of December 31, 2008 is \$654,888.
On a market basis, the funded ratio would be 36.17%.

*Digest of Changes

The actuarial assumptions used to determine the actuarial accrued liability for 2008 are based on the 2005-2007 Experience Study.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

MERCER COUNTY, ILLINOIS
COMBINING BALANCE SHEET, by subfund
GENERAL FUND
November 30, 2008

	General Corporate	County Clerk	Circuit Clerk	Sheriff	Total General Fund
ASSETS					
Cash and cash equivalents	\$ 21,086	\$ 52,565	\$ 152,493	\$ 83,601	\$ 309,745
Investments	-	-	20,000	-	20,000
Accounts and grants receivable	259,672	-	-	92,777	352,449
Property taxes receivable	127,885	-	-	-	127,885
Prepaid expenses	39,070	-	-	-	39,070
Revenue stamp inventory	21,971	-	-	-	21,971
Due from other funds	217,809	-	-	-	217,809
TOTAL ASSETS	\$ 687,493	\$ 52,565	\$ 172,493	\$ 176,378	\$ 1,088,929
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 50,536	\$ -	\$ -	\$ -	\$ 50,536
Accrued wages	51,137	-	-	-	51,137
Deferred revenue	128,829	-	-	-	128,829
Trust funds due others	-	27,266	126,919	-	154,185
Due to other funds	4,610	17,424	47,756	166,977	236,767
Total liabilities	\$ 235,112	\$ 44,690	\$ 174,675	\$ 166,977	\$ 621,454
Fund balance:					
Reserved	\$ 21,971	\$ -	\$ -	\$ -	\$ 21,971
Unreserved	430,410	7,875	(2,182)	9,401	445,504
Total fund balance	\$ 452,381	\$ 7,875	\$ (2,182)	\$ 9,401	\$ 467,475
TOTAL LIABILITIES AND FUND BALANCE	\$ 687,493	\$ 52,565	\$ 172,493	\$ 176,378	\$ 1,088,929

MERCER COUNTY, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES, by subfund
GENERAL FUND
Year ended November 30, 2008

	General Corporate	County Clerk	Circuit Clerk	Sheriff	Total General Fund
Revenues:					
Property tax	\$ 536,133	\$ -	\$ -	\$ -	\$ 536,133
State of Illinois:					
Sales and local use tax	412,175	-	-	-	412,175
Income tax	730,540	-	-	-	730,540
Personal property replacement tax	265,463	-	-	-	265,463
State grants and expenditure reimbursements	220,747	-	-	-	220,747
Federal revenue	36,016	-	-	-	36,016
Fees for service and materials	77,618	113,439	444,788	594,653	1,230,498
Interest	37,713	21,115	2,647	125	61,600
Other	56,050	-	-	-	56,050
Total revenues	\$ 2,372,455	\$ 134,554	\$ 447,435	\$ 594,778	\$ 3,549,222
Expenditures:					
General governmental	\$ 836,933	\$ 211	\$ 7,021	\$ -	\$ 844,165
County development	69,986	-	-	-	69,986
Employee benefits	525,325	-	-	-	525,325
Public safety	1,135,374	-	-	-	1,135,374
Corrections	688,669	-	-	-	688,669
Judiciary and court related	587,390	-	-	-	587,390
Other	45,560	-	-	-	45,560
Capital outlay	(2,201)	-	-	-	(2,201)
Debt service	4,350	-	-	-	4,350
Total expenditures	\$ 3,891,386	\$ 211	\$ 7,021	\$ -	\$ 3,898,618
Excess (deficiency) of revenue over expenditures	\$ (1,518,931)	\$ 134,343	\$ 440,414	\$ 594,778	\$ (349,396)
Other financing sources (uses):					
Net transfers between funds	1,297,389	(134,386)	(444,664)	(578,285)	140,054
Revenues and other financing sources over (under) expenditures	\$ (221,542)	\$ (43)	\$ (4,250)	\$ 16,493	\$ (209,342)
Fund balances, beginning	673,923	7,918	2,068	(7,092)	676,817
Fund balances, ending	\$ 452,381	\$ 7,875	\$ (2,182)	\$ 9,401	\$ 467,475

MERCER COUNTY, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
November 30, 2008

	Airport Fund	Animal Control Fund	Animal Control Building Fund	Arrestees' Medical Costs Fund
ASSETS				
Cash and cash equivalents	\$ 532	\$ 14,969	\$ 4,084	\$ 122
Investments	5,100	50,000	-	28,189
Accounts and grants receivable	-	1,659	-	-
Property taxes receivable	-	-	-	-
Due from other funds	-	648	-	159
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 5,632</u>	<u>\$ 67,276</u>	<u>\$ 4,084</u>	<u>\$ 28,470</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 693	\$ 2,931	\$ -	\$ -
Accrued wages	-	718	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 693</u>	<u>\$ 3,649</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:				
Unreserved	<u>\$ 4,939</u>	<u>\$ 63,627</u>	<u>\$ 4,084</u>	<u>\$ 28,470</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,632</u>	<u>\$ 67,276</u>	<u>\$ 4,084</u>	<u>\$ 28,470</u>

<u>Bogardus Fund</u>	<u>Capital Improvement & Equipment Fund</u>	<u>Circuit Clerk Automation Fund</u>	<u>Circuit Clerk Child Support Maintenance Fee Fund</u>	<u>Circuit Clerk Document Storage Fund</u>	<u>Community Mental Health Fund</u>	<u>Cooperative Extension Fund</u>
\$ 2,814	\$ 154	\$ 853	\$ 54,443	\$ 63,323	\$ 11,654	\$ -
32,643	21,760	54,660	-	11,689	22,037	15,127
5,222	-	-	-	-	-	-
-	-	-	-	-	10,645	-
-	-	130	-	1,136	-	-
<u>\$ 40,679</u>	<u>\$ 21,914</u>	<u>\$ 55,643</u>	<u>\$ 54,443</u>	<u>\$ 76,148</u>	<u>\$ 44,336</u>	<u>\$ 15,127</u>
\$ 1,652	\$ 2,062	\$ 290	\$ -	\$ 661	\$ -	\$ -
360	-	-	-	-	-	-
5,222	-	-	-	-	10,645	15,127
-	171	-	-	-	-	-
<u>\$ 7,234</u>	<u>\$ 2,233</u>	<u>\$ 290</u>	<u>\$ -</u>	<u>\$ 661</u>	<u>\$ 10,645</u>	<u>\$ 15,127</u>
<u>\$ 33,445</u>	<u>\$ 19,681</u>	<u>\$ 55,353</u>	<u>\$ 54,443</u>	<u>\$ 75,487</u>	<u>\$ 33,691</u>	<u>\$ -</u>
<u>\$ 40,679</u>	<u>\$ 21,914</u>	<u>\$ 55,643</u>	<u>\$ 54,443</u>	<u>\$ 76,148</u>	<u>\$ 44,336</u>	<u>\$ 15,127</u>

County Motor Fuel Tax Fund	County Safety Fund	Crimestoppers Fund	Dispatcher 911 Fund	Drug Forfeiture Fund	Federal Aid Matching Fund
\$ 28,699	\$ 53	\$ 568	\$ 30,151	\$ 12,461	\$ 671
90,000	5,397	-	-	-	58,350
18,975	-	-	-	-	437
-	-	-	-	-	21,934
-	-	-	-	-	5,400
<u>\$ 137,674</u>	<u>\$ 5,450</u>	<u>\$ 568</u>	<u>\$ 30,151</u>	<u>\$ 12,461</u>	<u>\$ 86,792</u>
\$ 3,600	\$ -	\$ -	\$ -	\$ -	\$ 5,703
-	-	-	1,440	-	-
-	-	-	-	-	21,934
-	-	-	-	-	92,000
<u>\$ 3,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,440</u>	<u>\$ -</u>	<u>\$ 119,637</u>
\$ 134,074	\$ 5,450	\$ 568	\$ 28,711	\$ 12,461	\$ (32,845)
<u>\$ 137,674</u>	<u>\$ 5,450</u>	<u>\$ 568</u>	<u>\$ 30,151</u>	<u>\$ 12,461</u>	<u>\$ 86,792</u>

MERCER COUNTY, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
November 30, 2008

	Forclosure Fund	GIS Fee Fund	Highway Tiller Project Fund	Hospital Maintenance Fund
ASSETS				
Cash and cash equivalents	\$ 62	\$ 2,616	\$ 865	\$ -
Investments	-	-	50,054	-
Accounts and grants receivable	-	-	-	1,191
Property taxes receivable	-	-	-	-
Due from other funds	-	3,716	-	-
	<u>-</u>	<u>3,716</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 62</u></u>	<u><u>\$ 6,332</u></u>	<u><u>\$ 50,919</u></u>	<u><u>\$ 1,191</u></u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued wages	-	468	-	-
Deferred revenue	-	-	-	1,191
Due to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u><u>\$ -</u></u>	<u><u>\$ 468</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,191</u></u>
Fund Balance:				
Unreserved	\$ 62	\$ 5,864	\$ 50,919	\$ -
	<u>62</u>	<u>5,864</u>	<u>50,919</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 62</u></u>	<u><u>\$ 6,332</u></u>	<u><u>\$ 50,919</u></u>	<u><u>\$ 1,191</u></u>

<u>Illinois Election Grant Phase II</u>	<u>Law Library Fund</u>	<u>Matherville Downtown Project Fund</u>	<u>New Boston Blacktop Local Share Fund</u>	<u>New Boston Keating Bridge Fund</u>	<u>Pet Population Control Fund</u>	<u>Probation Fee Fund</u>
\$ 23,222	\$ 854	\$ -	\$ 172	\$ 79	\$ 1,695	\$ 80,707
-	-	-	-	-	-	118,466
-	-	-	-	-	-	-
-	200	-	-	1,435	-	3,056
<u>\$ 23,222</u>	<u>\$ 1,054</u>	<u>\$ -</u>	<u>\$ 172</u>	<u>\$ 1,514</u>	<u>\$ 1,695</u>	<u>\$ 202,229</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,322
-	-	-	-	-	-	-
23,222	-	-	-	-	-	-
-	2,097	1,435	-	-	-	-
<u>\$ 23,222</u>	<u>\$ 2,097</u>	<u>\$ 1,435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,322</u>
\$ -	\$ (1,043)	\$ (1,435)	\$ 172	\$ 1,514	\$ 1,695	\$ 199,907
<u>\$ 23,222</u>	<u>\$ 1,054</u>	<u>\$ -</u>	<u>\$ 172</u>	<u>\$ 1,514</u>	<u>\$ 1,695</u>	<u>\$ 202,229</u>

MERCER COUNTY, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
November 30, 2008

	Public Building Lease Fund	Recorder Automation Fund	Rental Housing/ Clerk's	Road & Highway Transceiver Project Fund	Sheriff's DUI Equipment Fund
ASSETS					
Cash and cash equivalents	\$ -	\$ 17,894	\$ 12,859	\$ 626	\$ 650
Investments	-	52,400	-	2,586	-
Accounts and grants receivable	48,343	-	-	420	-
Property taxes receivable	-	-	-	-	-
Due from other funds	-	819	245	-	1,531
	<u>-</u>	<u>819</u>	<u>245</u>	<u>-</u>	<u>1,531</u>
TOTAL ASSETS	<u>\$ 48,343</u>	<u>\$ 71,113</u>	<u>\$ 13,104</u>	<u>\$ 3,632</u>	<u>\$ 2,181</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued wages	-	-	-	-	-
Deferred revenue	48,343	-	-	-	-
Due to other funds	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 48,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:					
Unreserved (deficit)	\$ -	\$ 71,113	\$ 13,104	\$ 3,632	\$ 2,181
	<u>-</u>	<u>71,113</u>	<u>13,104</u>	<u>3,632</u>	<u>2,181</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 48,343</u>	<u>\$ 71,113</u>	<u>\$ 13,104</u>	<u>\$ 3,632</u>	<u>\$ 2,181</u>

<u>Sheriff's K-9 Fund</u>	<u>Sheriff's Police Vehicle Fund</u>	<u>Sheriff's Telephone Commission Fund</u>	<u>Sheriff's SVD Fine Fund</u>	<u>Street Value Drug Fine Fund</u>	<u>Unemployment Insurance Fund</u>	<u>Total</u>
\$ 21	\$ 8,171	\$ 21,898	\$ 44,316	\$ 9,857	\$ 16,851	\$ 473,878
-	-	-	-	-	23,200	832,140
-	-	-	-	-	-	76,714
-	-	-	-	-	3,781	58,294
-	1,002	-	-	-	-	184,875
<u>\$ 21</u>	<u>\$ 9,173</u>	<u>\$ 21,898</u>	<u>\$ 44,316</u>	<u>\$ 9,857</u>	<u>\$ 43,832</u>	<u>\$ 1,625,901</u>
\$ -	\$ -	\$ 310	\$ -	\$ -	\$ -	\$ 20,224
-	-	-	-	-	-	2,986
-	-	-	-	-	3,781	151,399
-	-	-	-	-	578	100,803
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,359</u>	<u>\$ 275,412</u>
<u>\$ 21</u>	<u>\$ 9,173</u>	<u>\$ 21,588</u>	<u>\$ 44,316</u>	<u>\$ 9,857</u>	<u>\$ 39,473</u>	<u>1,350,489</u>
<u>\$ 21</u>	<u>\$ 9,173</u>	<u>\$ 21,898</u>	<u>\$ 44,316</u>	<u>\$ 9,857</u>	<u>\$ 43,832</u>	<u>\$ 1,625,901</u>

MERCER COUNTY, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year ended November 30, 2008

	Airport Fund	Animal Control Fund	Animal Control Building Fund	Arrestees' Medical Costs Fund
Revenues:				
Property tax	\$ -	\$ -	\$ -	\$ -
State of Illinois:				
Motor fuel tax	-	-	-	-
Personal property replacement tax	-	-	-	-
State grants and expenditure reimbursement	-	-	-	-
Fees for service and materials	7,765	60,253	-	3,014
Interest and dividends	224	1,489	21	759
Other	-	3,537	750	-
Total revenues	<u>\$ 7,989</u>	<u>\$ 65,279</u>	<u>\$ 771</u>	<u>\$ 3,773</u>
Expenditures:				
Current:				
General government	\$ -	\$ -	\$ -	\$ -
County development	-	-	-	-
Public safety	-	54,360	-	-
Corrections	-	-	-	-
Judiciary and court related	-	-	-	-
Public health	-	-	-	-
Public welfare	-	-	-	-
Transportation	12,803	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>\$ 12,803</u>	<u>\$ 54,360</u>	<u>\$ -</u>	<u>\$ -</u>
Revenues over (under) expenditures	\$ (4,814)	\$ 10,919	\$ 771	\$ 3,773
Other financing sources (uses):				
Unrealized gain/loss on investments	\$ -	\$ -	\$ -	\$ -
Net transfers between funds	<u>(224)</u>	<u>(1,475)</u>	<u>-</u>	<u>(759)</u>
Revenues and other financing sources over (under) expenditures	\$ (5,038)	\$ 9,444	\$ 771	\$ 3,014
Fund balances, beginning	<u>9,977</u>	<u>54,183</u>	<u>3,313</u>	<u>25,456</u>
Fund balances, ending	<u><u>\$ 4,939</u></u>	<u><u>\$ 63,627</u></u>	<u><u>\$ 4,084</u></u>	<u><u>\$ 28,470</u></u>

Bogardus Fund	Capital Improvement & Equipment Fund	Circuit Clerk Automation Fund	Circuit Clerk Child Support Maintenance Fee Fund	Circuit Clerk Document Storage Fund	Community Mental Health Fund	Cooperative Extension Fund
\$ 22,157	\$ -	\$ -	\$ -	\$ -	\$ 43,947	\$ 60,706
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	7,737	-	-	-	-
-	-	11,702	6,513	12,575	-	-
1,105	412	1,337	780	1,724	965	273
1,900	8,375	-	-	-	-	-
<u>\$ 25,162</u>	<u>\$ 8,787</u>	<u>\$ 20,776</u>	<u>\$ 7,293</u>	<u>\$ 14,299</u>	<u>\$ 44,912</u>	<u>\$ 60,979</u>
\$ -	\$ 15,928	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	60,979
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	14,692	5,993	6,664	-	-
-	-	-	-	-	44,600	-
26,816	-	-	-	-	-	-
-	-	-	-	-	-	-
-	70,295	-	-	-	-	-
-	27,240	-	-	-	-	-
<u>\$ 26,816</u>	<u>\$ 113,463</u>	<u>\$ 14,692</u>	<u>\$ 5,993</u>	<u>\$ 6,664</u>	<u>\$ 44,600</u>	<u>\$ 60,979</u>
\$ (1,654)	\$ (104,676)	\$ 6,084	\$ 1,300	\$ 7,635	\$ 312	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	106,201	-	-	-	-	-
\$ (1,654)	\$ 1,525	\$ 6,084	\$ 1,300	\$ 7,635	\$ 312	\$ -
35,099	18,156	49,269	53,143	67,852	33,379	-
<u>\$ 33,445</u>	<u>\$ 19,681</u>	<u>\$ 55,353</u>	<u>\$ 54,443</u>	<u>\$ 75,487</u>	<u>\$ 33,691</u>	<u>\$ -</u>

MERCER COUNTY, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
Year ended November 30, 2008

	Coroner's Death Certificate Surcharge Fund	County Aid to Bridges Fund	County Clerk Automation Fund	County Clerk GIS Fee Fund	County Collector Automation Fund
Revenues:					
Property tax	\$ -	\$ 93,150	\$ -	\$ -	\$ -
State of Illinois:					
Motor fuel tax	-	-	-	-	-
Personal property replacement tax	-	9,751	-	-	-
State grants and expenditure reimbursement	1,565	164,797	-	-	-
Fees for service and materials	-	-	1,336	3,930	2,030
Interest and dividends	-	3,191	993	942	192
Other	-	-	-	-	2,454
Total revenues	<u>\$ 1,565</u>	<u>\$ 270,889</u>	<u>\$ 2,329</u>	<u>\$ 4,872</u>	<u>\$ 4,676</u>
Expenditures:					
Current:					
General government	\$ -	\$ -	\$ -	\$ 8,839	\$ 238
County development	-	-	-	-	-
Public safety	438	-	-	-	-
Corrections	-	-	-	-	-
Judiciary and court related	-	-	-	-	-
Public health	-	-	-	-	-
Public welfare	-	-	-	-	-
Transportation	-	148,198	-	-	-
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	<u>\$ 438</u>	<u>\$ 148,198</u>	<u>\$ -</u>	<u>\$ 8,839</u>	<u>\$ 238</u>
Revenues over (under) expenditures	\$ 1,127	\$ 122,691	\$ 2,329	\$ (3,967)	\$ 4,438
Other financing sources (uses):					
Unrealized gain/loss on investments	\$ -	\$ -	\$ -	\$ -	\$ -
Net transfers between funds	-	-	-	(942)	(192)
Revenues and other financing sources over (under) expenditures	\$ 1,127	\$ 122,691	\$ 2,329	\$ (4,909)	\$ 4,246
Fund balances, beginning	<u>1,362</u>	<u>156,276</u>	<u>33,323</u>	<u>\$ 34,848</u>	<u>5,444</u>
Fund balances, ending	<u>\$ 2,489</u>	<u>\$ 278,967</u>	<u>\$ 35,652</u>	<u>\$ 29,939</u>	<u>\$ 9,690</u>

County Motor Fuel Tax Fund	County Safety Fund	Crimestoppers Fund	Dispatcher 911 Fund	Drug Forfeiture Fund	Federal Aid Matching Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,150
420,156	-	-	-	-	-
-	-	-	-	-	9,721
3,990	-	-	-	-	78,739
-	-	-	-	-	-
1,047	189	-	-	-	960
-	-	-	-	-	-
<u>\$ 425,193</u>	<u>\$ 189</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 182,570</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	479	-	49,947	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
483,345	-	-	-	-	237,244
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 483,345</u>	<u>\$ 479</u>	<u>\$ -</u>	<u>\$ 49,947</u>	<u>\$ -</u>	<u>\$ 237,244</u>
\$ (58,152)	\$ (290)	\$ -	\$ (49,947)	\$ -	\$ (54,674)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	(189)	-	58,000	-	-
\$ (58,152)	\$ (479)	\$ -	\$ 8,053	\$ -	\$ (54,674)
192,226	5,929	568	20,658	12,461	21,829
<u>\$ 134,074</u>	<u>\$ 5,450</u>	<u>\$ 568</u>	<u>\$ 28,711</u>	<u>\$ 12,461</u>	<u>\$ (32,845)</u>

MERCER COUNTY, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
Year ended November 30, 2008

	Forclosure Fund	GIS Fee Fund	Highway Tiller Project Fund	Hospital Maintenance Fund
Revenues:				
Property tax	\$ -	\$ -	\$ -	\$ 6,342
State of Illinois:				
Motor fuel tax	-	-	-	-
Personal property replacement tax	-	-	-	-
State grants and expenditure reimbursement	-	-	-	-
Fees for service and materials	-	54,888	1,355	-
Interest and dividends	-	114	1,313	55
Other	-	400	-	-
Total revenues	<u>\$ -</u>	<u>\$ 55,402</u>	<u>\$ 2,668</u>	<u>\$ 6,397</u>
Expenditures:				
Current:				
General government	\$ -	\$ 59,739	\$ -	\$ -
County development	-	-	-	-
Public safety	-	-	-	-
Corrections	-	-	-	-
Judiciary and court related	-	-	-	-
Public health	-	-	-	6,397
Public welfare	-	-	-	-
Transportation	-	-	1,261	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ 59,739</u>	<u>\$ 1,261</u>	<u>\$ 6,397</u>
Revenues over (under) expenditures	\$ -	\$ (4,337)	\$ 1,407	\$ -
Other financing sources (uses):				
Unrealized gain/loss on investments	\$ -	\$ -	\$ -	\$ -
Net transfers between funds	-	(114)	-	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ (4,451)	\$ 1,407	\$ -
Fund balances, beginning	<u>62</u>	<u>10,315</u>	<u>49,512</u>	<u>\$ -</u>
Fund balances, ending	<u>\$ 62</u>	<u>\$ 5,864</u>	<u>\$ 50,919</u>	<u>\$ -</u>

Illinois Election Grant Phase II	Law Library Fund	Matherville Downtown Project Fund	New Boston Blacktop Local Share Fund	New Boston Keating Bridge Fund	Pet Population Control Fund	Probation Fee Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
20,513	-	-	-	-	-	-
-	4,554	-	-	-	20	47,399
-	76	-	-	-	-	4,362
-	-	-	-	-	-	538
<u>\$ 20,513</u>	<u>\$ 4,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ 52,299</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	12,611	-	-	-	-	37,029
-	-	-	-	-	-	-
-	-	-	-	-	-	-
20,513	-	-	-	-	-	-
<u>\$ 20,513</u>	<u>\$ 12,611</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,029</u>
\$ -	\$ (7,981)	\$ -	\$ -	\$ -	\$ 20	\$ 15,270
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82
-	9,401	-	-	-	-	(3,047)
\$ -	\$ 1,420	\$ -	\$ -	\$ -	\$ 20	\$ 12,305
<u>\$ -</u>	<u>\$ (2,463)</u>	<u>\$ (1,435)</u>	<u>\$ 172</u>	<u>\$ 1,514</u>	<u>\$ 1,675</u>	<u>\$ 187,602</u>
<u>\$ -</u>	<u>\$ (1,043)</u>	<u>\$ (1,435)</u>	<u>\$ 172</u>	<u>\$ 1,514</u>	<u>\$ 1,695</u>	<u>\$ 199,907</u>

MERCER COUNTY, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
Year ended November 30, 2008

	Public Building Lease Fund	Recorder Automation Fund	Rental Housing/ Clerk's	Road & Highway Transceiver Project Fund	Sheriff's DUI Equipment Fund
Revenues:					
Property tax	\$ 205,290	\$ -	\$ -	\$ -	\$ -
State of Illinois:					
Motor fuel tax	-	-	-	-	-
Personal property replacement tax	-	-	-	-	-
State grants/expenditure reimbursement	-	-	-	-	-
Fees for service and materials	-	12,306	3,737	455	2,698
Interest and dividends	1,115	1,741	-	70	17
Other	-	-	-	-	3,205
Total revenues	<u>\$ 206,405</u>	<u>\$ 14,047</u>	<u>\$ 3,737</u>	<u>\$ 525</u>	<u>\$ 5,920</u>
Expenditures:					
Current:					
General government	\$ -	\$ 5,890	\$ -	\$ -	\$ -
County development	-	-	-	-	-
Public safety	-	-	-	-	13,953
Corrections	206,405	-	-	-	-
Judiciary and court related	-	-	-	-	-
Public health	-	-	-	-	-
Public welfare	-	-	-	-	-
Transportation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	<u>\$ 206,405</u>	<u>\$ 5,890</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,953</u>
Revenues over (under) expenditures	\$ -	\$ 8,157	\$ 3,737	\$ 525	\$ (8,033)
Other financing sources (uses):					
Unrealized gain/loss on investments	\$ -	\$ -	\$ -	\$ -	\$ -
Net transfers between funds	-	-	-	-	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 8,157	\$ 3,737	\$ 525	\$ (8,033)
Fund balances, beginning	-	62,956	9,367	3,107	10,214
Fund balances, ending	<u>\$ -</u>	<u>\$ 71,113</u>	<u>\$ 13,104</u>	<u>\$ 3,632</u>	<u>\$ 2,181</u>

Sheriff's K-9 Fund	Sheriff's Police Vehicle Fund	Sheriff's Telephone Commission Fund	Sheriff's SVD Fine Fund	Street Value Drug Fine Fund	Unemployment Insurance Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,080	\$ 540,822
-	-	-	-	-	-	420,156
-	-	-	-	-	-	19,472
-	-	-	-	-	-	277,341
-	6,066	17,605	4,118	380	-	264,699
-	24	42	108	-	844	26,484
108	-	-	10,669	-	-	31,936
<u>\$ 108</u>	<u>\$ 6,090</u>	<u>\$ 17,647</u>	<u>\$ 14,895</u>	<u>\$ 380</u>	<u>\$ 16,924</u>	<u>\$ 1,580,910</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,634
-	-	-	-	-	-	60,979
99	-	-	14,135	-	-	133,411
-	-	5,669	-	-	-	212,074
-	-	-	-	-	-	76,989
-	-	-	-	-	-	50,997
-	-	-	-	-	9,863	36,679
-	-	-	-	-	-	882,851
-	-	-	-	-	-	90,808
-	-	-	-	-	-	27,240
<u>\$ 99</u>	<u>\$ -</u>	<u>\$ 5,669</u>	<u>\$ 14,135</u>	<u>\$ -</u>	<u>\$ 9,863</u>	<u>\$ 1,662,662</u>
\$ 9	\$ 6,090	\$ 11,978	\$ 760	\$ 380	\$ 7,061	\$ (81,752)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	82
<u>2</u>	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>(261)</u>	<u>166,399</u>
\$ 11	\$ 6,090	\$ 11,978	\$ 758	\$ 380	\$ 6,800	\$ 84,729
10	3,083	9,610	43,558	9,477	32,673	1,265,760
<u>\$ 21</u>	<u>\$ 9,173</u>	<u>\$ 21,588</u>	<u>\$ 44,316</u>	<u>\$ 9,857</u>	<u>\$ 39,473</u>	<u>\$ 1,350,489</u>

MERCER COUNTY, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
Year ended November 30, 2008

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	SPECIAL REVENUE FUNDS			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Airport Fund				
Revenues:				
Building and ground leases	\$ 1,000	\$ 1,000	\$ 1,250	\$ 250
State reimbursement	2,000	2,000	-	(2,000)
Rentals	3,000	3,000	3,375	375
Interest income	500	500	224	(276)
Other	-	-	3,140	3,140
Total revenues	<u>\$ 6,500</u>	<u>\$ 6,500</u>	<u>\$ 7,989</u>	<u>\$ 1,489</u>
Expenditures:				
Airport operations	\$ 5,600	\$ 5,600	\$ 4,578	\$ 1,022
Airport Improvements	7,000	7,000	10,054	(3,054)
Transfer to other funds	500	500	224	276
Total expenditures	<u>\$ 13,100</u>	<u>\$ 13,100</u>	<u>\$ 14,856</u>	<u>\$ (1,756)</u>
Net change in fund balance	<u>\$ (6,600)</u>	<u>\$ (6,600)</u>	<u>\$ (6,867)</u>	<u>\$ (267)</u>
 Animal Control Fund				
Revenues:				
Fees for services	\$ 46,000	\$ 46,000	\$ 37,606	\$ (8,394)
Contracts	22,647	22,647	22,606	(41)
Other	1,700	1,700	5,026	3,326
Total revenues	<u>\$ 70,347</u>	<u>\$ 70,347</u>	<u>\$ 65,238</u>	<u>\$ (5,109)</u>
Expenditures:				
Salaries	\$ 33,448	\$ 33,448	\$ 29,264	\$ 4,184
Equipment	2,500	2,500	570	1,930
Remodeling/Technology	2,000	2,000	640	1,360
Operation supplies, utilities	30,020	30,020	24,568	5,452
Transfer to other funds	1,000	1,000	1,475	(475)
Total expenditures	<u>\$ 68,968</u>	<u>\$ 68,968</u>	<u>\$ 56,517</u>	<u>\$ 12,451</u>
Net change in fund balance	<u>\$ 1,379</u>	<u>\$ 1,379</u>	<u>\$ 8,721</u>	<u>\$ 7,342</u>
 Arrestee's Medical Costs Fund				
Revenues:				
Fees for services	\$ 4,000	\$ 4,000	\$ 3,091	\$ (909)
Interest	400	400	759	359
Total revenue	<u>\$ 4,400</u>	<u>\$ 4,400</u>	<u>\$ 3,850</u>	<u>\$ (550)</u>
Expenditures:				
Inmates medical expenses	\$ 6,000	\$ 6,000	\$ -	\$ 6,000
Transfer to other funds	400	400	759	(359)
Total expenditures	<u>\$ 6,400</u>	<u>\$ 6,400</u>	<u>\$ 759</u>	<u>\$ 5,641</u>
Net change in fund balance	<u>\$ (2,000)</u>	<u>\$ (2,000)</u>	<u>\$ 3,091</u>	<u>\$ 5,091</u>

MERCER COUNTY, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
Year ended November 30, 2008

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	SPECIAL REVENUE FUNDS			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Bogardus Fund				
Revenues:				
Property tax	\$ 22,000	\$ 22,000	\$ 22,157	\$ 157
Miscellaneous	-	-	1,900	1,900
Interest	-	-	1,105	1,105
Total revenue	<u>\$ 22,000</u>	<u>\$ 22,000</u>	<u>\$ 25,162</u>	<u>\$ 3,162</u>
Expenditures:				
Veterans' welfare	<u>\$ 32,835</u>	<u>\$ 32,835</u>	<u>\$ 26,438</u>	<u>\$ 6,397</u>
Net change in fund balance	<u>\$ (10,835)</u>	<u>\$ (10,835)</u>	<u>\$ (1,276)</u>	<u>\$ 9,559</u>
 Capital Improvement and Equipment Fund				
Revenues:				
Transfer from other funds	\$ 106,613	\$ 106,613	\$ 106,613	\$ -
Miscellaneous	-	-	7,875	7,875
Interest	500	500	412	(88)
Total revenue	<u>\$ 107,113</u>	<u>\$ 107,113</u>	<u>\$ 114,900</u>	<u>\$ 7,787</u>
Expenditures:				
Copy machine payments	\$ 3,240	\$ 3,240	\$ 4,508	\$ (1,268)
Safety expenses-x-ray	4,000	4,000	-	4,000
Internet service	8,500	8,500	9,932	(1,432)
Equipment purchases	63,133	63,133	69,795	(6,662)
Debt service	27,240	27,240	27,240	-
Transfer to other funds	500	500	412	88
Total expenditures	<u>\$ 106,613</u>	<u>\$ 106,613</u>	<u>\$ 111,887</u>	<u>\$ (5,274)</u>
Net change in fund balance	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 3,013</u>	<u>\$ 2,513</u>
 Circuit Clerk's Automation Fund				
Revenues:				
Fees for services	\$ 11,000	\$ 11,000	\$ 12,536	\$ 1,536
Interest income	600	600	1,337	737
Other	6,000	6,000	7,737	1,737
Total revenues	<u>\$ 17,600</u>	<u>\$ 17,600</u>	<u>\$ 21,610</u>	<u>\$ 4,010</u>
Expenditures:				
Automation of records	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 15,179</u>	<u>\$ 4,821</u>
Net change in fund balance	<u>\$ (2,400)</u>	<u>\$ (2,400)</u>	<u>\$ 6,431</u>	<u>\$ 8,831</u>

MERCER COUNTY, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
Year ended November 30, 2008

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	SPECIAL REVENUE FUNDS			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Circuit Clerk's Child Support Maintenance Fee Fund				
Revenues:				
Fees for services	\$ 7,000	\$ 7,000	\$ 6,513	\$ (487)
Interest income	500	500	780	280
Total revenues	<u>\$ 7,500</u>	<u>\$ 7,500</u>	<u>\$ 7,293</u>	<u>\$ (207)</u>
Expenditures:				
Support maintenance expenses	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 5,992</u>	<u>\$ 1,008</u>
Net change in fund balance	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 1,301</u>	<u>\$ 801</u>
 Circuit Clerk Document Storage Fund				
Revenues:				
Fees for services	\$ 10,000	\$ 10,000	\$ 12,368	\$ 2,368
Interest income	1,000	1,000	1,724	724
Total revenues	<u>\$ 11,000</u>	<u>\$ 11,000</u>	<u>\$ 14,092</u>	<u>\$ 3,092</u>
Expenditures:				
Automation of records and storage of documents	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 6,003</u>	<u>\$ 23,997</u>
Net change in fund balance	<u>\$ (19,000)</u>	<u>\$ (19,000)</u>	<u>\$ 8,089</u>	<u>\$ 27,089</u>
 Community Mental Health Fund				
Revenues:				
Property taxes	\$ 45,000	\$ 45,000	\$ 43,947	\$ (1,053)
Interest	-	-	965	965
Total revenue	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ 44,912</u>	<u>\$ (88)</u>
Expenditures:				
Mental health services	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ 44,600</u>	<u>\$ 400</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 312</u>	<u>\$ 312</u>
 Cooperative Extension Fund				
Revenues:				
Property tax	\$ 64,000	\$ 64,000	\$ 60,706	\$ (3,294)
Interest	250	250	273	23
Total revenues	<u>\$ 64,250</u>	<u>\$ 64,250</u>	<u>\$ 60,979</u>	<u>\$ (3,271)</u>
Expenditures:				
Provide for Extension Service	<u>\$ 64,000</u>	<u>\$ 64,000</u>	<u>\$ 60,979</u>	<u>3,021</u>
Net change in fund balance	<u>\$ 250</u>	<u>\$ 250</u>	<u>\$ -</u>	<u>\$ (250)</u>

MERCER COUNTY, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
Year ended November 30, 2008

Page 4 of 10

	SPECIAL REVENUE FUNDS			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
County Aid to Bridge Fund				
Revenues:				
Property taxes	\$ 93,000	\$ 93,000	\$ 93,150	\$ 150
Personal property replacement tax	-	-	9,968	9,968
Fees for service and materials	90,000	90,000	164,797	74,797
Interest income	1,000	1,000	3,191	2,191
Total revenues	<u>\$ 184,000</u>	<u>\$ 184,000</u>	<u>\$ 271,106</u>	<u>\$ 87,106</u>
Expenditures:				
Construction and repairs of bridges	\$ 184,000	\$ 184,000	\$ 148,198	\$ 35,802
Transfers to other funds	-	-	100,000	(100,000)
Total expenditures	<u>\$ 184,000</u>	<u>\$ 184,000</u>	<u>\$ 248,198</u>	<u>\$ (64,198)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,908</u>	<u>\$ 22,908</u>
County Clerk's Automation Fund				
Revenues:				
Fees for services	\$ 1,400	\$ 1,400	\$ 1,326	\$ (74)
Interest income	400	400	992	592
Other	-	-	-	-
Total revenues	<u>\$ 1,800</u>	<u>\$ 1,800</u>	<u>\$ 2,318</u>	<u>\$ 518</u>
Expenditures:				
Automation of records	\$ 15,000	\$ 15,000	\$ -	\$ 15,000
Net change in fund balance	<u>\$ (13,200)</u>	<u>\$ (13,200)</u>	<u>\$ 2,318</u>	<u>\$ 15,518</u>
County Clerk's GIS Fund				
Revenues:				
Fees for services	\$ 4,250	\$ 4,250	\$ 3,979	\$ (271)
Interest income	600	600	942	342
Total revenues	<u>\$ 4,850</u>	<u>\$ 4,850</u>	<u>\$ 4,921</u>	<u>\$ 71</u>
Expenditures:				
County Clerk special GIS maintenance	\$ 3,000	\$ 3,000	\$ 3,314	\$ (314)
Transfers to other funds	600	600	942	(342)
Miscellaneous	1,000	1,000	5,525	(4,525)
Total expenditures	<u>\$ 4,600</u>	<u>\$ 4,600</u>	<u>\$ 9,781</u>	<u>\$ (5,181)</u>
Net change in fund balance	<u>\$ 250</u>	<u>\$ 250</u>	<u>\$ (4,860)</u>	<u>\$ (5,110)</u>

MERCER COUNTY, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
Year ended November 30, 2008

Page 5 of 10

	SPECIAL REVENUE FUNDS			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
County Collector's Automation Fund				
Revenues:				
Fees for services	\$ 2,500	\$ 2,500	\$ 2,030	\$ (470)
Interest	225	225	192	(33)
Miscellaneous	-	-	2,455	2,455
Total revenue	<u>\$ 2,725</u>	<u>\$ 2,725</u>	<u>\$ 4,677</u>	<u>\$ 1,952</u>
Expenditures:				
Record automation	\$ 500	\$ 500	\$ -	\$ 500
Salaries	1,725	1,725	238	1,487
Transfer to other funds	-	-	192	(192)
Total expenditures	<u>\$ 2,225</u>	<u>\$ 2,225</u>	<u>\$ 430</u>	<u>\$ 1,795</u>
Net change in fund balance	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 4,247</u>	<u>\$ 3,747</u>
 Dispatcher 911 Fund				
Revenues:				
Transfer from 911 ETS Board Fund	<u>\$ 57,550</u>	<u>\$ 57,550</u>	<u>\$ 58,000</u>	<u>\$ 450</u>
Expenditures:				
Dispatcher salary	\$ 54,000	\$ 54,000	\$ 48,330	\$ 5,670
Dispatcher uniform	550	550	510	40
Dispatcher expenses	3,000	3,000	173	2,827
Total expenditures	<u>\$ 57,550</u>	<u>\$ 57,550</u>	<u>\$ 49,013</u>	<u>\$ 8,537</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,987</u>	<u>\$ 8,987</u>
 Federal Aid Matching Fund				
Revenues:				
Property tax	\$ 93,000	\$ 93,000	\$ 93,150	\$ 150
Personal property replacement tax	-	-	9,968	9,968
Fees for service and materials	450,000	450,000	78,739	(371,261)
Transfer from other funds	-	-	86,000	86,000
Interest income	1,000	1,000	960	(40)
Total revenues	<u>\$ 544,000</u>	<u>\$ 544,000</u>	<u>\$ 268,817</u>	<u>\$ (275,183)</u>
Expenditures:				
Construction of roads	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ 231,542</u>	<u>\$ 168,458</u>
Net change in fund balance	<u>\$ 144,000</u>	<u>\$ 144,000</u>	<u>\$ 37,275</u>	<u>\$ (106,725)</u>

MERCER COUNTY, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
Year ended November 30, 2008

Page 6 of 10

	SPECIAL REVENUE FUNDS			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GIS Fee Fund				
Revenues:				
Fees for services	\$ 71,000	\$ 71,000	\$ 55,598	\$ (15,402)
Reimbursements	-	-	400	400
Interest income	-	-	114	114
Total revenues	<u>\$ 71,000</u>	<u>\$ 71,000</u>	<u>\$ 56,112</u>	<u>\$ (14,888)</u>
Expenditures:				
GIS maintenance	\$ 79,901	\$ 79,901	\$ 60,129	\$ 19,772
Transfer to other funds	300	300	114	186
	<u>\$ 80,201</u>	<u>\$ 80,201</u>	<u>\$ 60,243</u>	<u>\$ 19,958</u>
Net change in fund balance	<u>\$ (9,201)</u>	<u>\$ (9,201)</u>	<u>\$ (4,131)</u>	<u>\$ 5,070</u>
 Highway Tiller Project Fund				
Revenues:				
Equipment rental fees	\$ 5,000	\$ 5,000	\$ 1,355	\$ (3,645)
Interest	1,000	1,000	1,313	313
Total revenue	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 2,668</u>	<u>\$ (3,332)</u>
Expenditures:				
Repairs and maintenance of equipment	\$ 25,000	\$ 25,000	\$ 1,261	\$ 23,739
Net change in fund balance	<u>\$ (19,000)</u>	<u>\$ (19,000)</u>	<u>\$ 1,407</u>	<u>\$ 20,407</u>
 Hospital Maintenance Fund				
Revenues:				
Property tax	\$ 5,000	\$ 5,000	\$ 6,342	\$ 1,342
Interest	-	-	55	55
	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 6,397</u>	<u>\$ 1,397</u>
Expenditures:				
Payment to County Hospital	\$ 5,000	\$ 5,000	\$ 6,397	\$ (1,397)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MERCER COUNTY, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
Year ended November 30, 2008

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	SPECIAL REVENUE FUNDS			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Law Library Fund				
Revenues:				
Fees collected	\$ 5,400	\$ 5,400	\$ 4,894	\$ (506)
Interest	-	-	76	76
Miscellaneous	-	-	1,301	1,301
Transfer from other funds	9,401	9,401	9,401	-
Total revenues	<u>\$ 14,801</u>	<u>\$ 14,801</u>	<u>\$ 15,672</u>	<u>\$ 871</u>
Expenditures:				
Publications/subscriptions	\$ 14,801	\$ 14,801	\$ 15,089	\$ (288)
Librarian salary	-	-	-	-
Total expenditures	<u>\$ 14,801</u>	<u>\$ 14,801</u>	<u>\$ 15,089</u>	<u>\$ (288)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 583</u>	<u>\$ 583</u>
 New Boston Keating Bridge Fund				
Revenues:				
Miscellaneous	\$ 15,000	\$ 15,000	\$ -	\$ (15,000)
Interest	-	-	-	-
Total revenue	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ (15,000)</u>
Expenditures:				
Road construction	\$ 15,000	\$ 15,000	\$ -	\$ 15,000
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Probation Fee Fund				
Revenues:				
Probation fees collected	\$ 30,000	\$ 30,000	\$ 50,259	\$ 20,259
Unrealized gain/loss on bond	-	-	82	82
Miscellaneous	-	-	538	538
Interest income	3,250	3,250	4,362	1,112
Total revenues	<u>\$ 33,250</u>	<u>\$ 33,250</u>	<u>\$ 55,241</u>	<u>\$ 21,991</u>
Expenditures:				
Probation services	\$ 42,200	\$ 42,200	\$ 37,602	\$ 4,598
Transfers to other funds	-	-	3,047	(3,047)
Total expenditures	<u>\$ 42,200</u>	<u>\$ 42,200</u>	<u>\$ 40,649</u>	<u>\$ 1,551</u>
Net change in fund balance	<u>\$ (8,950)</u>	<u>\$ (8,950)</u>	<u>\$ 14,592</u>	<u>\$ 23,542</u>

MERCER COUNTY, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
Year ended November 30, 2008

Page 8 of 10

	SPECIAL REVENUE FUNDS			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Public Building Lease Fund				
Revenues:				
Property tax	\$ 205,000	\$ 205,000	\$ 205,290	\$ 290
Interest	600	600	1,115	515
Total revenue	<u>\$ 205,600</u>	<u>\$ 205,600</u>	<u>\$ 206,405</u>	<u>\$ 805</u>
Expenditures:				
Lease payments on jail	\$ 205,000	\$ 205,000	\$ 206,405	\$ (1,405)
Transfer to other funds	600	600	-	600
Total expenditures	<u>\$ 205,600</u>	<u>\$ 205,600</u>	<u>\$ 206,405</u>	<u>\$ (805)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Recorder Automation Fund				
Revenues:				
Fees for services	\$ 15,000	\$ 15,000	\$ 12,447	\$ (2,553)
Interest	50	50	1,741	1,691
Total revenue	<u>\$ 15,050</u>	<u>\$ 15,050</u>	<u>\$ 14,188</u>	<u>\$ (862)</u>
Expenditures:				
Record automation	\$ 30,000	\$ 30,000	\$ -	\$ 30,000
Payments on computer system	15,000	15,000	5,890	9,110
Total expenditures	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ 5,890</u>	<u>\$ 39,110</u>
Net change in fund balance	<u>\$ (29,950)</u>	<u>\$ (29,950)</u>	<u>\$ 8,298</u>	<u>\$ 38,248</u>
Road & Highway Transceiver Project Fund				
Revenues:				
Fees from townships	\$ -	\$ -	\$ 455	\$ 455
Interest	50	50	71	21
Total revenue	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 526</u>	<u>\$ 476</u>
Expenditures:				
Maintenance and repairs	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
Net change in fund balance	<u>\$ (950)</u>	<u>\$ (950)</u>	<u>\$ 526</u>	<u>\$ 1,476</u>

MERCER COUNTY, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
Year ended November 30, 2008

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	SPECIAL REVENUE FUNDS			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Sheriff's DUI Equipment Fund				
Revenues:				
Fees for services	\$ 13,500	\$ 13,500	\$ 3,704	\$ (9,796)
Miscellaneous	-	-	3,205	3,205
Interest	-	-	17	17
Total Revenue	<u>\$ 13,500</u>	<u>\$ 13,500</u>	<u>\$ 6,926</u>	<u>\$ (6,574)</u>
Expenditures:				
DUI equipment	\$ 7,000	\$ 7,000	\$ 9,502	\$ (2,502)
Miscellaneous	6,500	6,500	4,452	2,048
Transfer to other funds	-	-	-	-
Total expenditures	<u>\$ 13,500</u>	<u>\$ 13,500</u>	<u>\$ 13,954</u>	<u>\$ (454)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,028)</u>	<u>\$ (7,028)</u>
 Sheriff's Telephone Commission Fund				
Revenues:				
Fees for services	\$ 10,500	\$ 10,500	\$ 17,605	\$ 7,105
Interest	120	120	42	(78)
Total revenue	<u>\$ 10,620</u>	<u>\$ 10,620</u>	<u>\$ 17,647</u>	<u>\$ 7,027</u>
Expenditures:				
Commission expense	\$ 23,000	\$ 23,000	\$ 6,629	\$ 16,371
Net change in fund balance	<u>\$ (12,380)</u>	<u>\$ (12,380)</u>	<u>\$ 11,018</u>	<u>\$ 23,398</u>
 Sheriff's SVD Fine Fund				
Revenues:				
Fees collected	\$ -	\$ -	\$ 4,118	\$ 4,118
Interest	-	-	108	108
Miscellaneous	-	-	-	-
Transfer from other funds	-	-	10,669	10,669
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,895</u>	<u>\$ 14,895</u>
Expenditures:				
Law enforcement expenses	\$ 10,000	\$ 10,000	\$ 14,135	\$ (4,135)
Capital outlay	-	-	-	-
Transfers to other funds	-	-	2	(2)
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>14,137</u>	<u>(4,137)</u>
Net change in fund balance	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	<u>\$ 758</u>	<u>\$ 10,758</u>

MERCER COUNTY, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
Year ended November 30, 2008

Page 10 of 10

	SPECIAL REVENUE FUNDS			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Unemployment Insurance Fund				
Revenues:				
Property taxes	\$ 16,000	\$ 16,000	\$ 16,080	\$ 80
Interest	100	100	843	743
Transfers from other funds	150	150	261	111
Total revenues	<u>\$ 16,250</u>	<u>\$ 16,250</u>	<u>\$ 17,184</u>	<u>\$ 934</u>
Expenditures:				
Unemployment insurance	\$ 16,000	\$ 16,000	\$ 10,716	\$ 5,284
Transfer to other funds	100	100	522	(422)
Total expenditures	<u>\$ 16,100</u>	<u>\$ 16,100</u>	<u>\$ 11,238</u>	<u>\$ 4,862</u>
Net change in fund balance	<u>\$ 150</u>	<u>\$ 150</u>	<u>\$ 5,946</u>	<u>\$ 5,796</u>

MERCER COUNTY, ILLINOIS
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
November 30, 2008

	Investments Trust Funds			County
	911 Fund	Township Bridge Fund	Township Motor Fuel Tax Fund	Current Tax Collection Account
ASSETS				
Cash and cash equivalents	\$ 33,721	\$ 1,000	\$ 792	\$ 3,924,563
Investments	796,907	5,000	4,000	-
Accounts and grants receivable	40,032	-	63,246	-
Due from other funds	-	89,990	-	-
TOTAL ASSETS	\$ 870,660	\$ 95,990	\$ 68,038	\$ 3,924,563
LIABILITIES				
Accounts payable	\$ 5,981	\$ -	\$ 81,080	\$ -
Taxes and interest to be distributed	-	-	-	3,924,563
Trust funds due other	-	-	-	-
Due to other funds	-	19,000	-	-
Total liabilities	\$ 5,981	\$ 19,000	\$ 81,080	\$ 3,924,563
NET ASSETS				
Held in trust for:				
9-1-1 fund	\$ 864,679	\$ -	\$ -	\$ -
Township bridge fund	-	76,990	-	-
Township motor fuel tax fund	-	-	(13,042)	-
Total net assets (deficit)	\$ 864,679	\$ 76,990	\$ (13,042)	\$ -

Agency Funds							
Collectors Mobile Home Privilege Tax Account	Claims and Payroll Clearing Fund	Inheritance Tax Fund	Inmate Welfare Fund	Probation Officer Fund	Rental Housing/ Recorder Fund	Unclaimed Estates Fund	Total
\$ 1,422	\$ -	\$ 10	\$ 874	\$ 438	\$ -	\$ 1,720	\$ 3,964,540
-	-	-	-	-	-	3,148	809,055
-	-	-	-	-	-	-	103,278
-	10,111	-	-	-	2,205	-	102,306
<u>\$ 1,422</u>	<u>\$ 10,111</u>	<u>\$ 10</u>	<u>\$ 874</u>	<u>\$ 438</u>	<u>\$ 2,205</u>	<u>\$ 4,868</u>	<u>\$ 4,979,179</u>
\$ -	\$ 578	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 87,639
1,422	-	-	-	-	2,205	-	3,928,190
-	-	-	874	338	-	4,868	6,080
-	9,533	10	-	100	-	-	28,643
<u>\$ 1,422</u>	<u>\$ 10,111</u>	<u>\$ 10</u>	<u>\$ 874</u>	<u>\$ 438</u>	<u>\$ 2,205</u>	<u>\$ 4,868</u>	<u>\$ 4,050,552</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 864,679
-	-	-	-	-	-	-	76,990
-	-	-	-	-	-	-	(13,042)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 928,627</u>

MERCER COUNTY, ILLINOIS
COMBINING STATEMENT OF
CHANGES IN NET ASSETS
FIDUCIARY FUNDS
Year ended November 30, 2008

	Investment Trust Funds			
	911 Fund	Township Bridge Fund	Township Motor Fuel Tax Fund	Total
Additions:				
State of Illinois:				
Motor fuel tax allotments	\$ -	\$ -	\$ 1,102,746	\$ 1,102,746
State grants and expenditure reimbursements	97,356	115,196	-	212,552
Fees for services and materials	145,953	-	-	145,953
Interest	34,336	279	7,134	41,749
Other	123	4,644	1,981	6,748
Total additions	<u>\$ 277,768</u>	<u>\$ 120,119</u>	<u>\$ 1,111,861</u>	<u>\$ 1,509,748</u>
Deductions:				
Transporation	\$ -	\$ 60,018	\$ 1,323,627	\$ 1,383,645
Other	154,358	-	-	154,358
Total deductions	<u>\$ 154,358</u>	<u>\$ 60,018</u>	<u>\$ 1,323,627</u>	<u>\$ 1,538,003</u>
Change in net assets before other financing sources	\$ 123,410	\$ 60,101	\$ (211,766)	\$ (28,255)
Other financing sources (uses):				
Net transfers between funds	(72,960)	-	-	(72,960)
Change in net assets	\$ 50,450	\$ 60,101	\$ (211,766)	\$ (101,215)
Net assets, beginning	<u>814,229</u>	<u>16,889</u>	<u>198,724</u>	<u>1,029,842</u>
Net assets, ending	<u>\$ 864,679</u>	<u>\$ 76,990</u>	<u>\$ (13,042)</u>	<u>\$ 928,627</u>

MERCER COUNTY, ILLINOIS
SCHEDULE OF CHANGES IN FUND ASSETS
FIDUCIARY FUNDS
Year ended November 30, 2008

Fund	Fund Assets November 30, 2007	Net Increase (Decrease)	Fund Assets November 30, 2008
Claims and Payroll Clearing Fund	9,278	833	10,111
County Collector's Fund:			
Current Tax Collection Account	\$ 4,084,956	\$ (160,393)	\$ 3,924,563
Mobile Home Privilege Tax Account	8,847	(7,425)	1,422
Inheritance Tax Fund	10	-	10
Inmate Welfare Fund	1,351	(477)	874
Probation Officer Fund	597	(159)	438
Rental Housing/Recorder Fund	2,574	(369)	2,205
Unclaimed Estates Fund	4,868	-	4,868
Total Changes in Fund Assets	<u>\$ 4,112,481</u>	<u>\$ (167,990)</u>	<u>\$ 3,944,491</u>

MERCER COUNTY, ILLINOIS
SCHEDULE OF EXPENDITURES - CASH BASIS
FIDUCIARY FUNDS
Year ended November 30, 2008

911 Fund

Public Safety:	
Board mileage	\$ 456
Office supplies, equipment, and leases	130,631
Salaries	17,290
Other:	
Transfer to other funds	<u>72,960</u>
Total 911 Fund	<u>\$ 221,337</u>

Township Bridge Fund

Transportation:	
Construction of bridges	\$ 61,163
Other:	
Transfer to other funds	<u>71,000</u>
Total Township Bridge Fund	<u>\$ 132,163</u>

Township Motor Fuel Tax Fund

Transportation:	
Maintenance and construction of roads	<u>\$ 1,324,466</u>
Total Expendable Trust Funds	<u><u>\$ 1,677,966</u></u>

STATISTICAL SECTION (UNAUDITED)

Supplemental Information

MERCER COUNTY, ILLINOIS
COUNTY COLLECTOR
SUMMARY STATEMENT OF 2007 TAX SETTLEMENTS MADE IN 2008
Year ended November 30, 2008

2007 Tax certified to County Collector for collection	\$ 17,948,808
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Additions:

County Trustee Redemptions	\$ 1,764	
County Trustee Property Sale	211	
Forfeited Tax Collected	16,531	
Housing	10,473	
Added Tax	56,721	\$ 85,700

Deductions:

Co. Trustee 2005	\$ 1,466				
Co. Trustee 2006	4,382				
Co. Trustee 2007	22,737	\$ 28,585			
3		109,771			
Abated Tax		373			
Sale in Error		16,532			
Forfeited Tax		10,473			
PTAB Refund		190			
Heritage Woods Abatement		125,678		\$ 291,602	

Total taxes, interest, and costs included in settlement	\$ 17,742,906
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Above total distributed or payable as follows:

Penalties		\$ 37,819
Publication Costs		2,500
Indemnity		400
County Collector Automation		670
Sale in Error Fees		4,020
County Clerk Automation		240
Taxing units:		
County Funds	\$ 3,249,675	
Townships	1,601,643	
TIF District	746,334	
Cities and Villages	574,379	
City Share Road & Bridge	111,901	
School districts	8,815,136	
Junior college district	1,068,494	
Libraries	328,712	
Multi-Township Assessing District	50,372	
Fire district	627,580	
Ambulance	426,712	
Park	74,771	
Cemetery	21,548	\$ 17,697,257

Total taxes, interest, and cost distributed	\$ 17,742,906
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MERCER COUNTY, ILLINOIS
SCHEDULE OF ASSESSED VALUATIONS, RATES,
EXTENSIONS, AND COLLECTIONS OF TAXES
Year ended November 30, 2008

Fund	Year Ended November 30, 2008		
	Levy	Rate	Collection
General Corporate	\$ 542,425	0.2571	\$ 542,619
County Highway	187,000	0.0887	187,205
County Aid to Bridges	93,000	0.0441	93,075
Federal Aid Matching Fund	93,000	0.0441	93,075
Public Health	96,000	0.0455	96,029
Bogardus	22,000	0.0105	22,161
Hospital Maintenance	5,000	0.0024	5,065
Municipal Retirement	601,836	0.2852	601,925
Social Security	425,000	0.2014	425,062
Community Mental Health	45,000	0.0214	45,165
Liability Insurance	900,000	0.4265	900,144
Public Building Commission	205,000	0.0972	205,144
Unemployment Insurance	16,000	0.0076	16,040
Cooperative Extension Service	64,000	0.0304	64,160
Total	<u>\$ 3,295,261</u>	<u>1.5621</u>	<u>\$ 3,296,869</u>
Assessed Valuation		<u>\$ 211,053,685</u>	

Note: The amounts reported as collections reflect only the distribution from the current year's tax settlement.

Year Ended November 30, 2007			Year Ended November 30, 2006		
Levy	Rate	Collection	Levy	Rate	Collection
\$ 515,000	0.2589	\$ 515,104	\$ 488,000	0.2700	\$ 486,677
187,000	0.0940	187,021	187,000	0.1000	186,181
93,000	0.0468	93,113	93,000	0.0500	92,904
93,000	0.0468	93,113	93,000	0.0500	92,904
96,000	0.0483	96,097	93,000	0.0500	92,903
22,000	0.0111	22,084	22,000	0.0122	21,969
10,000	0.0051	10,147	10,000	0.0056	10,057
600,000	0.3016	600,060	400,000	0.2210	398,988
400,000	0.2011	400,106	400,000	0.2210	398,982
40,000	0.0202	40,190	50,000	0.0277	49,900
810,000	0.4072	810,160	890,000	0.4916	887,687
205,182	0.1031	205,126	205,000	0.1133	204,586
16,000	0.0081	16,116	16,000	0.0084	16,010
50,000	0.0252	50,138	40,000	0.0221	40,034
<u>\$ 3,137,182</u>	<u>1.5775</u>	<u>\$ 3,138,575</u>	<u>\$ 2,987,000</u>	<u>1.6429</u>	<u>\$ 2,979,782</u>
	<u>\$ 198,958,818</u>			<u>\$ 186,698,558</u>	

APPENDIX F

DTC BOOK-ENTRY SYSTEM

The information in this appendix concerning The Depository Trust Company and its book-entry system has been obtained from DTC and contains statements that are believed to describe accurately DTC, the method of effecting book-entry transfers of securities distributed through DTC and certain related matters, but the Issuer takes no responsibility for the accuracy or completeness of such statements. Beneficial Owners should confirm the following information with DTC or the DTC Participants.

None of the Issuer, the Trustee or the Underwriter has any responsibility or obligation to any Beneficial Owner with respect to (1) the accuracy of any records maintained by DTC or any DTC Participant, (2) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the Owners of the Bonds under the Indenture, (3) the payment by DTC or any DTC Participant of any amount received under the Indenture with respect to the Bonds, (4) any consent given or other action taken by DTC or its nominee as the Owner of the Bonds or (5) any other related matter.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. The Bonds may in the future be registered in such other name as may be requested by an authorized representative of DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Moody's highest rating: "AAA." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at <http://www.dtcc.com> and <http://www.dtc.org>. The Issuer undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on such websites as described in the preceding sentence, including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each Beneficial Owner is in turn recorded on the records of Direct and Indirect Participants. Beneficial Owners will not

receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Indenture. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of the notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within a maturity of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments with respect to the Bonds to Cede & Co., or to such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificates representing the Bonds are required to be printed and delivered as provided in the Indenture.

The Issuer may at any time decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository) with respect to the Bonds. In that event, certificates representing the Bonds will be printed and delivered to DTC.

* * *

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APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this “Agreement”) is entered into as of June 29, 2010, by and among The Mercer County Public Building Commission, a municipal corporation of the State of Illinois (the “Issuer”), the County of Mercer, Illinois (the “County”), and U.S. Bank National Association, Chicago, Illinois (the “Trustee”), in connection with the issuance by the Issuer of \$6,060,000 in aggregate principal amount of Taxable Jail Addition Revenue Bonds, Series 2010 (the “Bonds”), pursuant to the Indenture of Trust dated the date hereof (the “Indenture”), between the Issuer and the Trustee, as trustee thereunder.

In consideration of the purchase of the Bonds by the Participating Underwriter (defined below), and in order to allow the Participating Underwriter to comply with Securities and Exchange Commission Rule 15c2-12, as amended from time to time (the “Rule”), the Rule, the parties hereto covenant, agree and undertake as follows:

Section 1. Definitions. The definitions set forth in the Indenture shall apply to any capitalized term used in this Agreement unless otherwise defined herein. In addition to such terms and the terms defined above, as used in this Agreement, the following capitalized terms shall have the following meanings:

“*Annual Financial Statements*” means the annual audited financial information prepared for the Issuer, County and any other Obligated Person, which shall include, if prepared, a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flow. All such financial information shall be prepared using generally accepted accounting principles; provided, however, that the accounting principles used for preparation of such financial information may be changed so long as the Issuer includes as information provided to the public a statement to the effect that different accounting principles are being used, stating the reason for such change and how to compare the financial information provided by the differing financial accounting principles.

“*Annual Information*” means the financial information or operating data with respect to the Issuer, the Jail Addition, the Use Agreement, the County and any other Obligated Person, delivered at least annually pursuant to Section 2 hereof, substantially similar to the type set forth in the Official Statement as described in Exhibit A hereto. Annual Information may, but is not required to, include Audited Financial Statements and may be provided in any format deemed convenient by the Issuer.

“*Dissemination Agent*” means the dissemination agent or any successor dissemination agent that has been designated in writing by the Issuer.

“*Event*” means any of the events listed in Section 3(a) of this Agreement.

“*Fiscal Year*” means the fiscal year of the Issuer, being the period commencing on December 1 and ending on the following November 30.

“*Issuer Representative*” means the Chairman of the Board of Commissioners of the Issuer, or his or her designee, and successors in functions, if any.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Obligated Person*” means the County and each other entity using the Jail Addition under a lease, sublease, use or other agreement with the Issuer or the Trustee.

“*Owner(s)*” means the registered owner(s) of the Bonds, and so long as the Bonds are subject to the book-entry system, any person who, through any contract, arrangement or otherwise, has or shares investment power with respect to the Bonds, which includes the power to dispose or direct the disposition of the Bonds.

“*Participating Underwriter*” means Municipal Capital Markets, Inc., Greenwood Village, Colorado, and any other participating underwriter within the meaning of the Rule that is required to comply with the Rule in connection with the offering of the Bonds.

“*Official Statement*” means the final Official Statement with respect to the Bonds dated June 21, 2010, together with any supplements thereto prior to the date on which the Bonds are initially issued.

“*SEC*” means the U.S. Securities and Exchange Commission.

Section 2. Provision of Annual Information.

(a) Commencing with the Issuer’s Fiscal Year ended November 30, 2009, and annually thereafter while the Bonds remain outstanding, the Issuer shall submit or cause to be submitted to the MSRB the Annual Information. Submission of the Annual Information shall include the written representation of the Issuer Representative that it is the Annual Information required under this Agreement.

(b) The Annual Information shall be submitted to the MSRB not later than 210 days after the end of each Fiscal Year; provided, however, that if the Annual Financial Statements are not available within the time specified, unaudited financial statements shall be provided and the Annual Financial Statements shall be submitted as soon as they are available, but in no event later than 240 days after the end of each Fiscal Year.

(c) The Annual Information may be provided in one document or a set of documents submitted to the MSRB, or may be included by specific reference to documents available to the public on the MSRB’s Internet website or filed with the SEC. The Issuer Representative shall clearly identify each such other document provided by cross reference.

(d) The County agrees that, so long as it is an Obligated Person, it will provide to the Issuer the Annual Information contemplated by this Agreement within the time periods specified in paragraph (b) of this Section 2.

(e) The Issuer acknowledges that the County is the only Obligated Person at present. Unless no longer required by the Rule to do so, the Issuer agrees to use its reasonable best efforts to cause any future Obligated Persons to make Annual Information available as contemplated by this Section 2. Any change in Obligated Persons shall be reported by the Issuer in connection with the Annual Information.

(f) The Issuer shall provide or cause to be provided, in a timely manner, to the MSRB notice of any failure of the Issuer or an Obligated Person to timely provide the Annual Information.

Section 3. Reporting of Events.

(a) This Section 3 shall govern the giving of notice of the occurrence of any of the following Events with respect to the Bonds, if determined to be material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;

- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax status of the Bonds;
- (vii) modifications to rights of the Owners;
- (viii) optional or unscheduled redemptions of any Bonds;
- (ix) defeasance of the Bonds or any portion thereof;
- (x) release, substitution or sale of property securing repayment of the Bonds;
- (xi) rating changes; and
- (xii) the cure of any event of default under the Use Agreement or the Indenture.

The SEC requires the listing of clauses (i) through (xi) above, although some of such events may not be applicable to the Bonds.

(b) Whenever the Trustee obtains actual knowledge of the occurrence of an Event, the Trustee shall contact the Issuer Representative as soon as possible to request that the Issuer Representative determine if such Event would constitute material information for Owners. For the purpose of this Agreement, “actual knowledge” by the Trustee of the occurrence of such Events shall mean actual knowledge by the officer at the office of the Trustee with regular responsibility for the administration of matters related to the Indenture. The Trustee shall have no other obligation under this Agreement.

(c) Whenever the Issuer Representative obtains knowledge of the occurrence of an Event, including notice from the Trustee pursuant paragraph (b) of this Section, the Issuer Representative shall as soon as possible determine if such Event would constitute material information for Owners; provided, however, that any Event under clauses (i), (viii), (ix) and (xi) of paragraph (a) above shall always be deemed to be material.

(d) If the Issuer Representative determines that knowledge of the occurrence of an Event would be material, the Issuer Representative shall file, in a timely manner, a notice of such occurrence with the MSRB; provided, however, that notice of Events described in clauses (viii) and (ix) of paragraph (a) above need not be given under this paragraph any earlier than the notice (if any) of the underlying event is given to the affected Owners pursuant to the Indenture.

Section 4. Manner of Submission. The Annual Information and notices required to be submitted to the MSRB pursuant to this Agreement shall be submitted in an electronic format, and shall be accompanied by identifying information, in the manner prescribed by the MSRB. A description of such format and information as presently prescribed by the MSRB is included in Exhibit B hereto. Nothing in this Agreement shall be construed to relieve the Trustee of its obligation to provide notices to the Owners as required by the Indenture.

Section 5. Additional Information. Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Agreement;

provided, however, that the Issuer shall not be required to do so. If the Issuer chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future annual filing or notice of occurrence of an Event.

Section 6. Term. This Agreement shall be in effect from and after the initial execution and delivery of the Bonds and shall extend to the earlier of (a) the date all principal and interest on the Bonds shall have been deemed paid pursuant to the terms of the Indenture; and (b) the date on which those portions of the Rule that require this Agreement are determined to be invalid by a court of competent jurisdiction in a non-appealable action have been repealed retroactively or otherwise do not apply to the Bonds, which determination shall be evidenced by an opinion of nationally recognized municipal bond counsel selected by the Issuer Representative. The Issuer shall file a notice of any termination of this Agreement with the MSRB.

Section 7. Use of a Dissemination Agent. The Issuer may, from time to time, appoint or engage a dissemination agent to assist the Issuer in carrying out its obligations under Sections 2, 3 and 4 hereof, and may discharge such dissemination agent with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the parties hereto may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is otherwise consistent with the Rule. Written notice of any such amendment or waiver shall be provided by the Issuer to the MSRB, and the Annual Information shall explain the reasons for the amendment and the impact of any change in the type of information being provided. If any amendment changes the accounting principles to be followed in preparing financing statements, the Annual Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The Issuer shall provide notice of any such amendment or waiver to the MSRB.

Section 9. Default and Enforcement. If any party to this Agreement fails to comply with any provision of this Agreement, any Owner may take action to seek specific performance by court order to compel such party to comply with its obligations under this Agreement; provided, however, that any Owner seeking to require compliance with this Agreement shall first provide to the applicable party at least 30 days' prior written notice of the alleged non-compliance, giving reasonable details of such non-compliance, after which such party shall have 30 days to comply; and, provided further, that only the Owners of not less than a majority in aggregate principal amount of the outstanding Bonds may take action to seek specific performance in connection with a challenge to the adequacy of the information provided in accordance with this Agreement, after notice and opportunity to comply as provided herein, and such action shall be taken only in a court of jurisdiction in the County. A DEFAULT UNDER THIS AGREEMENT SHALL NOT BE DEEMED TO BE AN EVENT OF DEFAULT UNDER THE USE AGREEMENT, THE INDENTURE OR THE BONDS, AND THE SOLE REMEDY UNDER THIS AGREEMENT IN THE EVENT OF ANY FAILURE OF ANY PARTY TO COMPLY WITH THIS AGREEMENT SHALL BE AN ACTION TO COMPEL PERFORMANCE.

Section 10. Representations. Each of the parties hereto represents and warrants to each other party that it has (i) duly authorized the execution and delivery of this Agreement by the officer of such party whose signature appears on the execution pages hereto, (ii) that it has all requisite power and authority to execute, deliver and perform this Agreement under its organizational documents and any corporate resolutions now in effect, (iii) that the execution and delivery of this Agreement, and performance of the terms hereof, does not and will not violate any law, regulation, ruling, decision, order, indenture, decree, agreement or instrument by which such party is bound, and (iv) such party is not aware of any litigation or proceeding pending, or, to the best of such party's knowledge, threatened, contesting

or questioning its existence, or its power and authority to enter into this Agreement, or its due authorization, execution and delivery of this Agreement, or otherwise contesting or questioning the execution and delivery of the Bonds.

Section 11. Notices. Any notices or communications to or among any of the parties to this Agreement may be given as follows:

If to the Issuer: The Mercer County Public Building Commission
 c/o Califf & Harper, P.C.
 506 15th Street, Suite 600
 Moline, Illinois 61265
 Attention: Karla C. Steele, Esq.
 Telephone: (309) 764-8300
 Fax: (309) 764-8394

If to the County: The County of Mercer, Illinois
 100 SE 3rd Street
 Aledo, Illinois 61231
 Attention: Chairperson of the County Board
 Telephone: (309) 582-2138
 Fax: (309) 582-7022

If to the Trustee: U.S. Bank National Association
 209 S. LaSalle Street, Suite 300
 Chicago, Illinois 60604
 Attention: Corporate Trust Services
 Telephone: (312) 325-8773
 Fax: (312) 325-8973

Any party may, by written notice to the other party, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 12. Miscellaneous.

(a) The parties hereto acknowledge and understand that other federal and state laws, including, but not limited to, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder, may apply to such parties, and that under some circumstances compliance with this Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the parties under such laws.

(b) This Agreement is made for the benefit of the Owners and in order to allow the Participating Underwriter to comply with the Rule, shall inure solely to the benefit of the Participating Underwriter and Owners from time to time of the Bonds and shall create no rights in any other person or entity.

(c) If any provision hereof shall be held invalid or unenforceable by a court of competent jurisdiction, the remaining provisions hereof shall survive and continue in full force and effect.

(d) This Agreement shall be governed by and interpreted in accordance with the laws of the State of Illinois; provided that, to the extent that the SEC, the MSRB or any other federal or state agency or regulatory body with jurisdiction over the Bonds shall have promulgated any rule or regulation governing the subject matter hereof, this Agreement shall be interpreted and construed in a manner consistent therewith.

(e) This Agreement may be executed in one or more counterparts, each and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Issuer, the County and the Trustee have caused this Agreement to be executed by its duly authorized officers as of the day and year first above written.

THE MERCER COUNTY PUBLIC BUILDING COMMISSION

By: _____
Douglas McCaw, Chairman of the Board of
Commissioners

THE COUNTY OF MERCER, ILLINOIS

By: _____
Maxine Henry, Chairperson of the Board of
Commissioners

U.S. BANK NATIONAL ASSOCIATION

By: _____
Trustee Representative

EXHIBIT A

“*Annual Information*” means the financial information and operating data with respect to the Issuer, the Jail Addition, the Use Agreement, the County and any other Obligated Person substantially similar to the type set forth in the Official Statement under the heading “THE MERCER COUNTY JAIL.”

* * *

EXHIBIT B

MSRB PROCEDURES FOR SUBMISSION OF CONTINUING DISCLOSURE DOCUMENTS AND RELATED INFORMATION

Securities and Exchange Commission Release No. 34-59061 (the “Release”) approves an MSRB rule change establishing a continuing disclosure service of the MSRB’s Electronic Municipal Market Access system (“EMMA”). The rule change establishes, as a component of EMMA, the continuing disclosure service for the receipt of, and for making available to the public, continuing disclosure documents and related information to be submitted by issuers, obligated persons and their agents pursuant to continuing disclosure undertakings entered into consistent with Rule 15c2-12 (“Rule 15c2-12”) under the Securities Exchange Act of 1934. The following discussion summarizes procedures for filing continuing disclosure documents and related information with the MSRB as described in the Release.

All continuing disclosure documents and related information is to be submitted to the MSRB, free of charge, through an Internet-based electronic submitter interface or electronic computer-to-computer data connection, at the election of the submitter. The submitter is to provide, at the time of submission, information necessary to accurately identify: (i) the category of information being provided; (ii) the period covered by any annual financial information, financial statements or other financial information or operating data; (iii) the issues or specific securities to which such document is related or otherwise material (including CUSIP number, issuer name, state, issue description/securities name, dated date, maturity date and/or coupon rate); (iv) the name of any obligated person other than the issuer; (v) the name and date of the document; and (vi) contact information for the submitter.

Submissions to the MSRB are to be made as portable document format (PDF) files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. If the submitted file is a reproduction of the original document, the submitted file must maintain the graphical and textual integrity of the original document. In addition, as of January 1, 2010, such PDF files must be word-searchable (that is, allowing the user to search for specific terms used within the document through a search or find function), provided that diagrams, images and other non-textual elements will not be required to be word-searchable.

All submissions to the MSRB’s continuing disclosure service are to be made through password protected accounts on EMMA by: (i) issuers, which may submit any documents with respect to their municipal securities; (ii) obligated persons, which may submit any documents with respect to any municipal securities for which they are obligated; and (iii) agents, designated by issuers and obligated persons to submit documents and information on their behalf. Such designated agents are required to register to obtain password-protected accounts on EMMA in order to make submissions on behalf of the designating issuers or obligating persons. Any party identified in a continuing disclosure undertaking as a dissemination agent or other party responsible for disseminating continuing disclosure documents on behalf of an issuer or obligated person will be permitted to act as a designated agent for such issuer or obligated person, without a designation being made by the issuer or obligated person as described above, if such party certifies through the EMMA on-line account management utility that it is authorized to disseminate continuing disclosure documents on behalf of the issuer or obligated person under the continuing disclosure undertaking. The issuer or obligated person, through the EMMA on-line account management utility, is able to revoke the authority of such party to act as a designated agent.

The MSRB’s Internet-based electronic submitter interface (EMMA Dataport) is at <http://www.emma.msrb.org>.

APPENDIX H

FORM OF OPINION OF BOND COUNSEL

Peck, Shaffer & Williams LLP
Chicago, Illinois

[Closing Date]

The Mercer County Public Building Commission
Aledo, Illinois

Municipal Capital Markets Group, Inc.
Greenwood Village, Colorado

Re: \$6,060,000 - The Mercer County Public Building Commission, Mercer County,
Illinois, Taxable Jail Addition Revenue Bonds, Series 2010

Ladies and Gentlemen:

We have acted as bond counsel to The Mercer County Public Building Commission (the “Issuer”) in connection with the issuance by the Issuer of the captioned bonds (the “Bonds”) dated their date of issuance and delivery (the “Issue Date”).

The Bonds mature, are subject to redemption, bear interest, are secured, are transferable and are payable in the manner and subject to the conditions and limitations provided in the amended and restated resolution adopted on June 23, 2010, by the Board of Commissioners of the Issuer authorizing the issuance of the Bonds (the “Bond Resolution”), and the Indenture of Trust dated the Issue Date (the “Indenture”), entered into by and between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”). The Bonds are issued pursuant to the Bond Resolution and the Indenture (collectively, the “Authorizing Documents”), and, except as otherwise expressly defined herein, capitalized terms used herein have the meanings ascribed to such terms in the Authorizing Documents.

In the Bond Resolution, the Issuer has elected to treat a portion of the Bonds as “Build America Bonds” pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (the “Code”), and further has designated a portion of such Build America Bonds as “qualified bonds” under Section 54AA(g) of the Code (the “Qualified Bonds”), and a portion of such Build America Bonds as “recovery zone economic development bonds” under Section 1400U-2 of the Code (the “RZEDBs”). The Issuer and Mercer County, Illinois (the “County”) have also executed and delivered a Tax Compliance Certificate and Agreement dated the Issue Date (the “Tax Certificate”) stating the reasonable expectations of the Issuer and the County as of the Issue Date as to future events that are material for purposes of Section 54AA, Section 1400U-2 and applicable provisions of Sections 103 and 148 of the Code. In the Authorizing Documents and the Tax Certificate, the Issuer, the County and the Trustee make certain covenants to comply with the requirements of the Code that must be satisfied subsequent to the issuance of the Bonds for the Qualified Bonds to continue to constitute “qualified bonds” under Section 54AA of the Code and for the RZEDBs to continue to constitute “recovery zone economic development bonds” under Section 1400U-2 of the Code.

We have examined the Constitution and laws of the State of Illinois, including particularly the Public Building Commission Act (50 ILCS20/1 et seq.), the Code and relevant regulations, rulings and judicial decisions, the Tax Certificate and such certified proceedings, certificates, documents, opinions and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the representations of the Issuer contained in the Authorizing Documents,

the Tax Certificate and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon, subject to and limited by the foregoing, we are of the opinion, under existing law and as of the date hereof, that:

1. The Bonds in the aggregate principal amount stated above constitute valid and binding special, limited obligations of the Issuer payable solely from and to the extent of the Pledged Revenue, and are legally enforceable in accordance with their terms, subject to the provisions, conditions and limitations contained in the Authorizing Documents.

2. The Authorizing Documents create a valid lien on the revenues and funds pledged therein for the security of the Bonds, subject to the provisions, conditions and limitations contained therein. We express no opinion regarding the priority of the lien on such revenues or funds.

3. Under the laws and regulations of the United States of America as presently enacted and construed, the Qualified Bonds constitute “qualified bonds” under Section 54AA(g) of the Code. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the delivery of the Bonds in order that the Qualified Bonds are, or continue to be, “qualified bonds” under Section 54AA(g) of the Code and eligible for the credit payable to the Issuer as set forth in Section 6431 of the Code.

4. Under the laws and regulations of the United States of America as presently enacted and construed, the RZEDBs constitute “recovery zone economic development bonds” under Section 1400U-2 of the Code. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the delivery of the Bonds in order that the RZEDBs are, or continue to be, “recovery zone economic development bonds” under Section 1400U-2 of the Code and eligible for the credit payable to the Issuer as set forth in Section 6431 of the Code.

5. Interest on the Bonds is not excludible from gross income for federal income tax purposes. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Purchasers of the Bonds are advised to consult their own tax advisors as to such consequences.

6. The interest on the Bonds is not exempt from income taxation in the State of Illinois. We express no opinion regarding other tax consequences arising with respect to the Bonds under the laws of the State of Illinois or any other state or jurisdiction.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Bond Resolution and the Indenture may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted, and may also be subject to and limited by the exercise of judicial discretion, procedural and other defenses based on particular factual circumstances and equitable principles in appropriate cases, to the reasonable exercise by the State of Illinois and its governmental bodies of the police power inherent in the sovereignty of the State of Illinois and to the exercise by the United States of America of powers delegated to it by the United States Constitution.

As bond counsel, we are passing only upon those matters set forth in this opinion. We express no opinion herein with respect to the creditworthiness or condition, financial or otherwise, of the Issuer, or with respect to the accuracy or completeness of any documents prepared or used or statements made in connection with the offering of the Bonds, or with respect to any federal or Illinois tax consequences

arising from the receipt or accrual of interest on or the ownership of the Bonds, except those specifically addressed herein.

This opinion is rendered as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

As provided in Circular 230 promulgated by the U.S. Treasury, owners of the Bonds should be aware that: (a) the discussion in this opinion with respect to federal income tax consequences of purchasing, owning or disposing of the Bonds is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer; (b) such discussion was written in connection with the promotion or marketing (within the meaning of Treasury Circular 230) of the transactions or matters addressed by such discussion; and (c) each taxpayer should seek advice based on its particular circumstances from an independent tax advisor. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service with respect to any of the federal income tax consequences discussed herein, and no assurance can be given that the Internal Revenue Service will not take contrary positions.

In performing our services as bond counsel, the Issuer is our sole client in this transaction and as bond counsel we have not been engaged by, nor have we undertaken to advise, any other party or to opine as to matters not specifically covered herein. The inclusion of an addressee of this opinion letter other than the Issuer does not create or imply an attorney-client relationship between Peck, Shaffer & Williams LLP, as bond counsel, and such other addressee.

Respectfully submitted,

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