



Dave Yost • Auditor of State



**PREBLE COUNTY**  
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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Preble County  
100 East Main Street  
Eaton, Ohio 45320

To the County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and the remaining fund information of Preble County, Ohio (the County), as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's 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 and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

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 discretely presented component unit and the remaining fund information of Preble County, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Motor Vehicle and Gas Tax, Human Services, Community Mental Health, and Developmental Disabilities funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2012, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

As described in Note 27, during 2011 Preble County adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

September 5, 2012

**PREBLE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED**

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The discussion and analysis of Preble County's financial performance provides an overall review of the County's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding.

**FINANCIAL HIGHLIGHTS**

1. The County received a large one-time permissive sales tax receipt. A tax audit was performed and found that a taxpayer had not paid enough permissive sales tax in the amount of over \$540,000.
2. The County had rate and wage increases in many departments in 2011. Health insurance coverage premiums increased in 2011.
3. The County continued to have work performed on road and bridge projects in 2011.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis introduces you to Preble County's basic financial statements, which are made up of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Other supplementary information is also contained within this report, including the combining financial statements, individual fund schedules, and statistical information.

Government-wide Financial Statements

Preble County's government-wide financial statements include a Statement of Net Assets and a Statement of Activities, which report on the financial activities of the Preble County government as a whole, giving the reader a summary of County finances with a view of the bottom-line results of the County's operations.

Additionally, these statements are prepared using the economic resources measurement focus and the accrual basis of accounting, similar to financial statements prepared in the private sector. As a result, all assets and liabilities of the County are accrued, and revenues and expenses are reported in the current year regardless of when the resulting cash flows occur.

The County's financial activities are identified in the government-wide financial statements as governmental activities or business-type activities. Governmental activities constitute the majority of the County's operations and are financed primarily by operating grants, taxes, charges for services, capital grants, and other intergovernmental revenues. The County's governmental activities are accounted for in the governmental funds and are classified in the following major functions:

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*Legislative and Executive* – general government operations including the offices of the commissioners, auditor, treasurer, prosecutor, recorder, budget commission, the data processing department, the rural zoning department, the board of elections, the maintenance department, and the microfilm department.

*Judicial* – court related activities including the operations of the common pleas court, probate court, juvenile court, common pleas referee, municipal court, jury commission, adult probation department, court of appeals, law library, and clerk of courts.

*Public Safety* – activities associated with the protection of the public including the sheriff's operations, office of the coroner, building regulations, workhouse and disaster services.

*Public Works* – activities associated with maintaining County roads and bridges and sanitation and drainage systems.

*Health* – activities related to serving the public health, including activities provided by the dog warden, the Board of Developmental Disabilities, the Mental Health Board, and the Alcohol and Drug Addiction Services Board.

*Human Services* – activities related to the provisions of various forms of services and assistance to individuals, children and families, including services provided by the Veteran's Services Board, Children Services Board, Child Support Enforcement Agency, and the Department of Job and Family Services.

Business-type activities are those activities accounted for in enterprise funds, including the County's sewer and landfill. Business-type activities rely on user fees and other charges to wholly, or to a large extent, fund their operations.

The Statement of Net Assets reports all assets and liabilities of the County, with net assets being the difference between the two. This statement is useful when evaluating the financial condition of the County. Monitoring the changes to net assets over time is one indication of whether the County's financial condition is improving or deteriorating.

The Statement of Activities reports, for the current year, the changes to the County's net assets, which is the difference between revenues and expenses. However, the format of this statement departs from a more traditional "revenues less expenses equals change in net assets" format you may see in the private sector.

Generally, private sector goals are to generate income, or simply put, maximize revenues. As such, private sector operating statements present revenues first. Expenses, which reduce revenues, are presented next as a deduction against those revenues.



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Public sector goals are different in that servicing the needs of the citizens, or spending, is what drives the financial activities and dictates the level of resources that are required to be raised.

In the County's Statement of Activities, resources used to fund service activities are identified as either program revenues (resources obtained from outside the County, such as fees, charges for services, grants and restricted interest) or general revenues (all non-program revenues, including taxes). Preble County operations have also been classified into distinct governmental or business-type service activities. These activities are reported in a format that allows the reader to see the extent to which each activity is supported or self-financed by program revenues or draws on the general resources of the County. The Statement of Activities is therefore useful in assessing the level of self-sufficiency of the various governmental or business-type activities versus management established performance benchmarks.

The financial activities of L & M Products, Inc., a component unit of the County, are presented in a separate column on the Statement of Net Assets, and as a separately identified activity on the Statement of Activities. While the County provides a significant amount of services and resources to L & M Products, Inc., this discrete presentation is made in order to emphasize that it is a legally separate organization from Preble County. However, the focus of the government-wide financial statements remains clearly on Preble County as the primary government.

The government-wide financial statements begin on page 13 of this report.

#### Fund Financial Statements

A fund is an accounting term referring to a segregated group of accounts used to account for and to assist with the management of financial resources received. Various funds may be established to account for specific activities or objectives of the County, and to demonstrate compliance with finance related legal requirements associated with those resources.

Fund financial statements report additional and more detailed information about the County with an emphasis on major funds. Major funds are those governmental or enterprise funds that have been determined to be the most significant based on a defined set of financial criteria, as well as any other funds deemed to be particularly important to readers because of public interest or to ensure consistency between years. Information is presented separately in the fund financial statements for each of the major funds. Information for all nonmajor funds is aggregated and presented in a separate column of the fund financial statements. Detailed data for each of the nonmajor funds are provided in the combining statements and individual fund schedules that follow the basic financial statements.

All funds of Preble County are classified into one of three fund categories: governmental, proprietary, or fiduciary.

**PREBLE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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*Governmental Funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, but use a different measurement focus. Governmental fund financial statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting, a short-term view focusing on the flow of monies into and out of the funds and the year-end balances available for near-future spending. This is in contrast to the government-wide financial statements that incorporate a longer-term focus. A reconciliation included in the governmental fund financial statements compares the governmental funds' information with the governmental activities' information as reported in the government-wide financial statements.

Most of the County's services are reported in governmental funds, the following of which are considered major funds: General, Motor Vehicle and Gas Tax, Human Services, Community Mental Health, and Developmental Disabilities Levy. The basic governmental fund financial statements begin on page 20 of this report.

*Proprietary Funds.* The County uses proprietary funds. Since the proprietary fund financial statements are prepared using the same measurement focus and basis of accounting as the government-wide financial statements, they provide the same type of information, only in greater detail.

Enterprise funds are used to account for the County's sewer and landfill operations, which are the business-type activities as reported in the government-wide financial statements. The basic proprietary fund financial statement begin on page 28 of this report.

*Fiduciary Funds.* Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for outside parties and are accounted for in a manner similar to proprietary funds. Fiduciary funds are not presented in the government-wide financial statements as their resources are not available to support the County's governmental or business-type activities. The fiduciary fund financial statements begin on page 32 of this report.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the basic financial statements, providing additional important disclosures essential for a complete understanding of the financial data reported in the government-wide and fund financial statements. The notes to the financial statements begin on page 34 of this report.

**PREBLE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Summary

To summarize, the government-wide financial statements report the County's activities as a whole, using a longer-term, economic resources measurement focus while the fund financial statements report financial activities in more detail, with a shorter-term focus and emphasis on major funds. More simply, the primary focus of government-wide financial statements is demonstrating *operational accountability*, while the primary focus of fund financial statements is *fiscal accountability*. Preble County management believes these basic financial statements provide the reader with the best information yet available to assess the level of the County's fiscal and operational accountability, both near-term and long-term.

**THE COUNTY AS A WHOLE**

As stated previously, the Statement of Net Assets looks at the County as a whole. Table 1 provides a summary of the County's net assets for 2011 compared to 2010.

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
<b>Assets</b>						
Current and Other						
Assets	\$21,902,877	\$21,047,475	\$3,191,086	\$3,811,917	\$25,093,963	\$24,859,392
Capital Assets	28,260,770	26,734,396	2,766,698	2,863,832	31,027,468	29,598,228
<b>Total Assets</b>	<b>50,163,647</b>	<b>47,781,871</b>	<b>5,957,784</b>	<b>6,675,749</b>	<b>56,121,431</b>	<b>54,457,620</b>
<b>Liabilities</b>						
Long-Term Liabilities	1,673,664	1,880,610	7,094,764	7,249,122	8,768,428	9,129,732
Other Liabilities	4,935,422	5,042,356	313,759	561,026	5,249,181	5,603,382
<b>Total Liabilities</b>	<b>6,609,086</b>	<b>6,922,966</b>	<b>7,408,523</b>	<b>7,810,148</b>	<b>14,017,609</b>	<b>14,733,114</b>
<b>Net Assets</b>						
Invested in Capital						
Assets, Net of						
Related Debt	27,157,545	25,687,842	1,961,897	1,934,567	29,119,442	27,622,409
Restricted						
Other Purposes	10,943,572	10,905,498	0	0	10,943,572	10,905,498
Debt Service	75,964	216,759	0	0	75,964	216,759
Capital Projects	370,796	0	0	0	370,796	0
Unrestricted (Deficit)	5,006,684	4,048,806	(3,412,636)	(3,068,966)	1,594,048	979,840
<b>Total Net Assets</b>	<b>\$43,554,561</b>	<b>\$40,858,905</b>	<b>(\$1,450,739)</b>	<b>(\$1,134,399)</b>	<b>\$42,103,822</b>	<b>\$39,724,506</b>

**PREBLE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Government-wide Financial Analysis

Total governmental activities net assets increased \$2,695,656. The biggest increase was in Invested in Capital Assets, net of Related Debt increased \$1,469,703 due to additions of assets, especially construction in progress, increasing total capital assets while debt payments decreased long-term liabilities related to capital assets. Unrestricted increased by \$957,878 mainly due to increase in permissive sales tax revenue due to one-time permissive sales tax receipt of over \$540,000 received in late 2011.

Total governmental activities liabilities decreased \$313,880. The debt payments by the County during 2011 were the main cause of the liabilities decreasing. Total governmental assets increased overall by \$2,381,776 mostly from capital assets. Infrastructure increased largely due to bridge and road projects during 2011.

The net assets of the County's business-type activities decreased by \$316,340.

Table 2 normally shows the changes in net assets for the years ended December 31, 2011 and 2010.

Table 2  
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$4,020,895	\$3,773,616	\$2,810,394	\$2,948,033	\$6,831,289	\$6,721,649
Operating Grants, Contributions, and Interest	12,786,643	13,488,366	8,072	0	12,794,715	13,488,366
Capital Grants, Contributions, and Interest	1,478,362	583,668	0	0	1,478,362	583,668
<b>Total Program Revenues</b>	<b>\$18,285,900</b>	<b>\$17,845,650</b>	<b>\$2,818,466</b>	<b>\$2,948,033</b>	<b>\$21,104,366</b>	<b>20,793,683</b>

**PREBLE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Table 2  
Changes in Net Assets  
(Continued)

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
General Revenues:						
Property Taxes	\$4,179,527	\$4,323,031	\$0	\$0	\$4,179,527	4,323,031
Permissive Sales Tax	5,027,910	4,444,871	0	0	5,027,910	4,444,871
Grants and Entitlements	1,064,961	1,296,621	0	0	1,064,961	1,296,621
Gifts and Donations	0	21,000	0	0	0	21,000
Unrestricted Investment Earnings	177,468	166,335	371	1,724	177,839	168,059
Gain on Sale of Capital Assets	0	14,625	0	0	0	14,625
Other	266,841	401,905	100	865	266,941	402,770
<b>Total General Revenues</b>	<b>10,716,707</b>	<b>10,668,388</b>	<b>471</b>	<b>2,589</b>	<b>10,717,178</b>	<b>10,670,977</b>
<b>Total Revenues</b>	<b>\$29,002,607</b>	<b>\$28,514,038</b>	<b>\$2,818,940</b>	<b>\$2,950,622</b>	<b>\$31,821,547</b>	<b>31,464,660</b>
<b>Program Expenses</b>						
General Government						
Legislative and Executive	3,522,409	3,761,183	0	0	3,522,409	3,761,183
Judicial	1,918,401	1,835,724	0	0	1,918,401	1,835,724
Public Safety	4,382,435	4,157,417	0	0	4,382,435	4,157,417
Public Works	4,307,804	4,598,860	0	0	4,307,804	4,598,860
Health	2,486,788	2,388,293	0	0	2,486,788	2,388,293
Human Services	9,167,399	8,299,024	0	\$0	9,167,399	\$8,299,024
Community and Economic Development	451,790	866,964	0	0	451,790	866,964
Intergovernmental	37,265	48,141	0	0	37,265	48,141
Interest and Fiscal Charges	32,660	83,366	0	0	32,660	83,366
Sewer	0	0	95,883	69,824	95,883	69,824
Landfill	0	0	3,039,397	2,813,465	3,039,397	2,813,465
<b>Total Expenses</b>	<b>26,306,951</b>	<b>26,038,972</b>	<b>3,135,280</b>	<b>2,883,289</b>	<b>29,442,231</b>	<b>28,922,261</b>
<b>Change in Net Assets</b>	<b>2,695,656</b>	<b>2,475,066</b>	<b>(316,340)</b>	<b>67,333</b>	<b>2,379,316</b>	<b>2,542,399</b>
<b>Net Assets Beginning of Year (Restated)</b>	<b>40,858,905</b>	<b>38,383,839</b>	<b>(1,134,399)</b>	<b>(1,201,732)</b>	<b>39,724,506</b>	<b>37,182,107</b>
<b>Net Assets End of Year</b>	<b>\$43,554,561</b>	<b>\$40,858,905</b>	<b>(\$1,450,739)</b>	<b>(\$1,134,399)</b>	<b>\$42,103,822</b>	<b>\$39,724,506</b>

**PREBLE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Governmental Activities

The County's largest revenue source is operating grants, contributions, and interest. These monies are mostly from state and federal governments as well as state aid (i.e. motor vehicle and gas tax monies). Both property tax and sales tax revenues together are the second largest revenue stream of the County.

The largest increase to revenues was from permissive sales tax. The County saw a one-time permissive sales tax receipt of over \$540,000 received in late 2011.

Expenses saw an increase of \$267,979. The County had increase in rates and wages in many County departments in 2011. Also, health insurance premiums increased in 2011.

Business-type Activities

The County's sewer and landfill system operations constitute the only business-type activities.

**FUND ANALYSIS**

As mentioned above, various funds have been established to account for specific County activities or objectives. A summary of the most significant fiscal activity in the County's funds follows.

*Governmental funds:* The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the year. At the end of 2011, the County's governmental funds reported combined ending fund balances of \$14,654,384. Approximately 67.3 percent of this total amount constitutes restricted fund balance.

The General Fund is the chief operating fund of the County. At the end of the current year, fund balance of the General Fund was \$4,827,226, an increase of \$891,059. The increase was mostly due to an increase in permissive sales tax revenues. The County received a one-time permissive sales tax payment late in 2011 due to the County from a tax audit of payees.

The Motor Vehicle and Gas Tax Fund decreased by \$397,787, leaving a balance of \$1,284,378. The County had increase in materials and supplies expenses.

The Human Services Fund decreased by \$84,245. Transfers in from the General Fund supplemented existing revenues. The transfers increased the fund balance due to a decrease in expenditures for the year from reductions in drug and alcohol treatment services compared to prior year expenditures.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The Community Mental Health Fund revenues exceeded expenditures, increasing the year-end fund balance by \$35,052. Due to budget concerns, the County worked in 2011 to reduce expenditures to be more in line with the revenue stream.

The Developmental Disabilities Fund revenues exceeded expenditures increasing the year-end fund balance by \$480,791. The County was able to increase additional waivers for Medicaid pick-up for services in 2010. In 2011, the County spent down a portion of the carry over excess on fund balance from 2010 increased revenue source.

*Proprietary Funds:* The proprietary funds' financial statements provide the same information as seen in the government-wide financial statements only in more detail. A summary of financial activity occurring in the Landfill and Sewer Enterprise Funds follows.

The sewer operations within the County are small, taking in only \$136,345 in user charges during 2011. Net assets did increase by \$40,562 during 2011, leading to a stable fund balance of \$890,950.

Net assets for the County-owned landfill had a slight decrease of \$60,104 in 2011. Each year the County reviews budgets to determine the charge to users in order to maintain positive net assets.

### **GENERAL FUND BUDGET ANALYSIS**

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of receipts, disbursements and encumbrances. The County's budget is adopted at the object level (personal services, materials and supplies, contractual services, capital purchases, and other). Before the budget is adopted the County Commissioners review detailed budget worksheets of each function within the General Fund and then adopt the budget on an object level basis.

During the year, the General Fund's budgeted revenues increased one percent. Actual receipts were slightly higher than final budgeted revenues. The County experienced a larger than expected revenue in permissive sales due to a one-time permissive sales tax payment received in late 2011.

During 2011, there were numerous revisions to the General Fund's budgeted expenditures. The net effect of the revisions was a decrease in budgeted disbursements of six percent. The County has worked to reduce expenditures with speculation on reductions of State aid.

**PREBLE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets

Preble County's total investment in capital assets for governmental and business-type activities (net of accumulated depreciation) amounts to \$28,260,770 and \$2,766,698, an increase of \$1,526,374 in governmental and a decrease of \$97,134 in business type from 2010.

Table 3  
Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$2,252,014	\$2,252,014	\$452,313	\$452,313	\$2,704,327	\$2,704,327
Construction in Progress	447,665	333,667	0	0	447,665	333,667
Buildings, Structures, and Improvements	7,258,342	7,333,464	742,250	751,086	8,000,592	8,084,550
Furniture, Fixtures, and Equipment	2,988,081	2,729,247	1,032,606	1,115,103	4,020,687	3,844,350
Infrastructure	15,314,668	14,086,004	539,529	545,330	15,854,197	14,631,334
Totals	<u>\$28,260,770</u>	<u>\$26,734,396</u>	<u>\$2,766,698</u>	<u>\$2,863,832</u>	<u>\$31,027,468</u>	<u>\$29,598,228</u>

See Note 9 of the notes to the basic financial statements for more detailed information.

Debt

At December 31, 2011, Preble County had \$1,104,516 and \$2,541,432 in governmental activities and business-type activities, respectively debt outstanding.

Table 4  
Outstanding Debt at Year-end

	Governmental Activities		Business-Type Activities	
	2011	2010	2011	2010
Long-Term Notes	\$100,097	\$170,147	\$54,000	\$108,000
Loans Payable	344,381	0	750,801	767,265
General Obligation Bonds	561,298	936,556	1,682,631	1,985,155
Short-Term Notes	98,740	114,978	54,000	54,000
Totals	<u>\$1,104,516</u>	<u>\$1,221,681</u>	<u>\$2,541,432</u>	<u>\$2,914,420</u>

See Notes 15 and 16 of the notes to the basic financial statements for more detailed information.



**PREBLE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED**

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**CONTACTING THE COUNTY AUDITOR'S OFFICE**

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Preble County Auditor, 100 East Main Street, Eaton, Ohio 45320.

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PREBLE COUNTY, OHIO  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2011

	Primary Government		Component Unit	
	Governmental Activities	Business-Type Activities	Total	L & M Products
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$11,998,897	\$1,404,245	\$13,403,142	\$311,316
Cash and Cash Equivalents in Segregated Accounts	162,092	0	162,092	0
Cash and Cash Equivalents with Fiscal Agents	1,178,453	0	1,178,453	0
Cash and Cash Equivalents with Trustee	0	1,709,542	1,709,542	0
Accrued Interest Receivable	12,661	0	12,661	0
Accounts Receivable	216,807	666,198	883,005	57,892
Permissive Sales Tax Receivable	745,875	0	745,875	0
Due from Other Governments	3,117,549	8,072	3,125,621	0
Internal Balances	631,468	(631,468)	0	0
Prepaid Items	79,496	0	79,496	1,302
Materials and Supplies Inventory	147,400	1,455	148,855	0
Property Taxes Receivable	3,442,595	0	3,442,595	0
Special Assessments Receivable	168,293	0	168,293	0
Restricted Cash - Custodial Funds	0	0	0	1,209
Restricted Cash - Consumer Funds	0	0	0	889
Advance Deposits	0	0	0	186
Deferred Charges	1,291	33,042	34,333	0
Nondepreciable Capital Assets	2,699,679	452,313	3,151,992	0
Depreciable Capital Assets, Net	25,561,091	2,314,385	27,875,476	64,576
<b>Total Assets</b>	<b>50,163,647</b>	<b>5,957,784</b>	<b>56,121,431</b>	<b>437,370</b>
<b>Liabilities:</b>				
Accounts Payable	436,265	189,258	625,523	8,510
Accrued Salaries Payable	536,528	23,812	560,340	5,186
Payroll Taxes and Withholdings	0	0	0	1,101
Contracts Payable	270,165	19,766	289,931	0
Retainage Payable	0	0	0	0
Due to Other Governments	510,449	13,295	523,744	0
Accrued Interest Payable	9,948	13,628	23,576	0
Custodial Funds	0	0	0	1,209
Consumer Funds	0	0	0	889
Deferred Revenue	3,073,327	0	3,073,327	3,660
Claims Payable	0	0	0	0
Notes Payable	98,740	54,000	152,740	0
Long-Term Liabilities:				
Due Within One Year	543,437	412,814	956,251	0
Due in More Than One Year	1,130,227	6,681,950	7,812,177	0
<b>Total Liabilities</b>	<b>6,609,086</b>	<b>7,408,523</b>	<b>14,017,609</b>	<b>20,555</b>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	27,157,545	1,961,897	29,119,442	0
Restricted for:				
Public Safety	931,723	0	931,723	0
Public Works	2,537,993	0	2,537,993	0
Health	1,391,830	0	1,391,830	0
Human Services	5,324,923	0	5,324,923	0
General Government	757,103	0	757,103	0
Debt Service	75,964	0	75,964	0
Capital Projects	370,796	0	370,796	0
Unrestricted (Deficit)	5,006,684	(3,412,636)	1,594,048	416,815
<b>Total Net Assets (Deficit)</b>	<b>\$43,554,561</b>	<b>(\$1,450,739)</b>	<b>\$42,103,822</b>	<b>\$416,815</b>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
<b>Governmental Activities:</b>				
General Government:				
Legislative and Executive	\$3,522,409	\$2,245,394	\$0	\$0
Judicial	1,918,401	436,800	65,695	0
Public Safety	4,382,435	272,799	535,918	0
Public Works	4,307,804	411,420	3,750,622	1,478,362
Health	2,486,788	150,105	2,043,376	0
Human Services	9,167,399	504,377	6,391,032	0
Community and Economic Development	451,790	0	0	0
Intergovernmental	37,265	0	0	0
Interest and Fiscal Charges	32,660	0	0	0
<b>Total Governmental Activities</b>	<b>26,306,951</b>	<b>4,020,895</b>	<b>12,786,643</b>	<b>1,478,362</b>
<b>Business-Type Activities:</b>				
Sewer	95,883	136,345	0	0
Landfill	3,039,397	2,674,052	8,072	0
<b>Total Business-Type Activities</b>	<b>3,135,280</b>	<b>2,810,397</b>	<b>8,072</b>	<b>0</b>
<b>Total Primary Government</b>	<b>\$29,442,231</b>	<b>\$6,831,292</b>	<b>\$12,794,715</b>	<b>\$1,478,362</b>
<b>Component Unit:</b>				
L & M Products	\$1,666,241	\$368,607	\$1,344,297	\$0

**General Revenues:**

Property Taxes Levied for:  
 General Purposes  
 Community Mental Health  
 Developmental Disabilities  
 Other Legislative and Executive  
 Children Services  
 Retirement of Debt  
 Permissive Sales Tax Levied for General Purposes  
 Grants and Entitlements not Restricted to Specific Programs  
 Interest  
 Other

Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year - Restated (See Note 27)

Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expenses) Revenues and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	L & M Products
(\$1,277,015)	\$0	(\$1,277,015)	\$0
(1,415,906)	0	(1,415,906)	0
(3,573,718)	0	(3,573,718)	0
1,332,600	0	1,332,600	0
(293,307)	0	(293,307)	0
(2,271,990)	0	(2,271,990)	0
(451,790)	0	(451,790)	0
(37,265)	0	(37,265)	0
(32,660)	0	(32,660)	0
(8,021,051)	0	(8,021,051)	0
0	40,462	40,462	0
0	(357,273)	(357,273)	0
0	(316,811)	(316,811)	0
(8,021,051)	(316,811)	(8,337,862)	0
0	0	0	46,663
1,863,429	0	1,863,429	0
220,093	0	220,093	0
1,567,213	0	1,567,213	0
74,622	0	74,622	0
295,664	0	295,664	0
158,506	0	158,506	0
5,027,910	0	5,027,910	0
1,064,961	0	1,064,961	0
177,468	371	177,839	0
266,841	100	266,941	0
10,716,707	471	10,717,178	0
2,695,656	(316,340)	2,379,316	46,663
40,858,905	(1,134,399)	39,724,506	370,152
<u>\$43,554,561</u>	<u>(\$1,450,739)</u>	<u>\$42,103,822</u>	<u>\$416,815</u>

PREBLE COUNTY, OHIO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

	General	Motor Vehicle and Gas Tax	Human Services
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,796,163	\$829,484	\$317,634
Cash and Cash Equivalents in Segregated Accounts	2	0	0
Cash and Cash Equivalents with Fiscal Agents	0	0	0
Receivables:			
Permissive Sales Tax	745,875	0	0
Property Taxes	1,632,717	0	0
Accounts	28,623	4,007	2,578
Special Assessments	0	0	0
Accrued Interest	12,661	0	0
Interfund	702,863	0	0
Due From Other Governments	500,779	1,708,704	49,473
Materials and Supplies Inventory	0	136,469	7,431
Prepaid Items	15,639	2,153	61,704
Total Assets	<u>\$7,435,322</u>	<u>\$2,680,817</u>	<u>\$438,820</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts Payable	\$144,028	\$28,754	\$42,690
Contracts Payable	12,139	75,355	0
Accrued Salaries Payable	225,257	69,403	77,535
Due to Other Governments	181,470	42,473	45,875
Interfund Payable	0	526	0
Deferred Revenue	2,021,392	1,179,928	0
Notes Payable	23,200	0	0
Accrued Interest Payable	610	0	0
Total Liabilities	<u>2,608,096</u>	<u>1,396,439</u>	<u>166,100</u>
<b>Fund Balances:</b>			
Nonspendable	224,229	0	0
Restricted	0	1,284,378	272,720
Committed	0	0	0
Assigned	122,149	0	0
Unassigned	4,480,848	0	0
Total Fund Balances	<u>4,827,226</u>	<u>1,284,378</u>	<u>272,720</u>
Total Liabilities and Fund Balances	<u>\$7,435,322</u>	<u>\$2,680,817</u>	<u>\$438,820</u>

See Accompanying Notes to the Basic Financial Statements

Community Mental Health	Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
\$1,388,358	\$3,256,060	\$2,411,198	\$11,998,897
0	0	162,090	162,092
0	1,178,453	0	1,178,453
0	0	0	745,875
33,412	1,452,177	324,289	3,442,595
34,397	27,980	119,222	216,807
0	0	168,293	168,293
0	0	0	12,661
0	0	526	703,389
45,285	176,615	636,693	3,117,549
0	0	3,500	147,400
0	0	0	79,496
<u>\$1,501,452</u>	<u>\$6,091,285</u>	<u>\$3,825,811</u>	<u>\$21,973,507</u>
\$0	\$45,895	\$174,898	\$436,265
0	0	182,671	270,165
17,073	92,608	54,652	536,528
117,736	52,679	70,216	510,449
0	0	71,395	71,921
49,914	1,577,047	564,946	5,393,227
0	0	75,540	98,740
0	0	1,218	1,828
<u>184,723</u>	<u>1,768,229</u>	<u>1,195,536</u>	<u>7,319,123</u>
0	0	0	224,229
1,316,729	4,323,056	2,663,564	9,860,447
0	0	20,517	20,517
0	0	12,122	134,271
0	0	(65,928)	4,414,920
<u>1,316,729</u>	<u>4,323,056</u>	<u>2,630,275</u>	<u>14,654,384</u>
<u>\$1,501,452</u>	<u>\$6,091,285</u>	<u>\$3,825,811</u>	<u>\$21,973,507</u>

PREBLE COUNTY, OHIO  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2011

**Total Governmental Fund Balance** \$14,654,384

*Amounts reported for governmental activities in the  
Statement of Net Assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	2,252,014	
Construction in Progress	447,665	
Buildings, Structures, and Improvements	11,681,083	
Furniture, Fixtures, and Equipment	9,430,390	
Infrastructure	22,686,114	
Accumulated Depreciation	<u>(18,236,496)</u>	
 Total Capital Assets		 28,260,770

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property and Other Taxes	381,929	
Intergovernmental	1,769,678	
Special Assessments	<u>168,293</u>	
		2,319,900

Deferred charges reported in governmental activities are expensed in the funds in the year incurred and therefore are not reported as an asset in the funds. 1,291

Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued Interest on Bonds	(8,120)	
Unamortized Loss	(1,162)	
Premium on Debt Issued	(136)	
Notes Payable	(100,097)	
General Obligation Bonds	(560,000)	
Loans Payable	(344,381)	
Compensated Absences	<u>(667,888)</u>	
		<u>(1,681,784)</u>

*Net assets of Governmental Activities* \$43,554,561

See Accompanying Notes to the Basic Financial Statements



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PREBLE COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	General	Motor Vehicle and Gas Tax	Human Services
<b>Revenues:</b>			
Property Taxes	\$1,888,540	\$0	\$0
Permissive Sales Tax	5,027,910	0	0
Charges for Services	1,839,736	197,397	208,016
Licenses and Permits	2,321	0	0
Fines and Forfeitures	27,223	20,797	0
Intergovernmental	1,110,631	3,736,544	1,815,261
Special Assessments	0	0	0
Interest	194,613	669	0
Other	227,027	75	2,046
Total Receipts	<u>10,318,001</u>	<u>3,955,482</u>	<u>2,025,323</u>
<b>Expenditures:</b>			
Current:			
General Government:			
Legislative and Executive	2,976,672	0	0
Judicial	1,704,984	0	0
Public Safety	3,687,069	0	0
Public Works	0	4,398,969	0
Health	81,423	0	0
Human Services	311,746	0	2,737,508
Community and Economic Development	78,824	0	0
Capital Outlay	0	0	0
Intergovernmental	37,265	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	2,723	0	176
Current Refunding	23,200	0	0
Total Disbursements	<u>8,903,906</u>	<u>4,398,969</u>	<u>2,737,684</u>
Excess of Revenues Over (Under) Expenditures	<u>1,414,095</u>	<u>(443,487)</u>	<u>(712,361)</u>
<b>Other Financing Sources (Uses):</b>			
Current Refunding	(46,400)	0	0
Proceeds from Sale of Capital Assets	3,540	0	0
Notes Issued	46,400	0	0
OWDA Loan Proceeds	0	0	0
Transfers - In	0	45,700	690,679
Transfers - Out	(526,576)	0	(62,563)
Total Other Financing Sources (Uses)	<u>(523,036)</u>	<u>45,700</u>	<u>628,116</u>
Net Change in Fund Balances	891,059	(397,787)	(84,245)
Fund Balances at Beginning of Year - Restated (See Note 27)	<u>3,936,167</u>	<u>1,682,165</u>	<u>356,965</u>
Fund Balances at End of Year	<u>\$4,827,226</u>	<u>\$1,284,378</u>	<u>\$272,720</u>

See Accompanying Notes to the Basic Financial Statements

Community Mental Health	Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
\$225,923	\$1,591,696	\$546,043	\$4,252,202
0	0	0	5,027,910
78,790	12,255	1,319,029	3,655,223
0	0	91,946	94,267
0	0	78,107	126,127
2,259,188	2,861,229	3,944,459	15,727,312
0	0	172,155	172,155
0	0	15	195,297
13,991	5,389	18,313	266,841
<u>2,577,892</u>	<u>4,470,569</u>	<u>6,170,067</u>	<u>29,517,334</u>
0	0	484,991	3,461,663
0	0	209,586	1,914,570
0	0	557,475	4,244,544
0	0	219,124	4,618,093
2,319,267	0	69,564	2,470,254
225,050	3,951,624	1,902,200	9,128,128
0	0	372,966	451,790
0	0	1,547,493	1,547,493
0	0	0	37,265
0	36,424	189,219	225,643
0	1,730	241,253	245,882
0	0	46,850	70,050
<u>2,544,317</u>	<u>3,989,778</u>	<u>5,840,721</u>	<u>28,415,375</u>
<u>33,575</u>	<u>480,791</u>	<u>329,346</u>	<u>1,101,959</u>
0	0	(53,697)	(100,097)
0	0	0	3,540
0	0	53,697	100,097
0	0	368,600	368,600
1,477	0	441,489	1,179,345
0	0	(590,206)	(1,179,345)
<u>1,477</u>	<u>0</u>	<u>219,883</u>	<u>372,140</u>
35,052	480,791	549,229	1,474,099
<u>1,281,677</u>	<u>3,842,265</u>	<u>2,081,046</u>	<u>13,180,285</u>
<u>\$1,316,729</u>	<u>\$4,323,056</u>	<u>\$2,630,275</u>	<u>\$14,654,384</u>

PREBLE COUNTY, OHIO  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT  
OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

**Net Change in Fund Balances - Total Governmental Funds** \$1,474,099

*Amounts reported for governmental activities in the  
Statement of Activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	2,892,829	
Depreciation	<u>(1,326,740)</u>	
Excess of Capital Outlay over Depreciation Expense		1,566,089

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal.

Proceeds from Sale of Capital Assets	(3,540)	
Loss on Disposal of Capital Assets	<u>(36,175)</u>	
		(39,715)

Repayment of long-term obligations is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these consist of:

Notes Payable	170,147	
General Obligation Bonds	165,000	
Loans Payable	24,219	
Capital Lease Payable	<u>36,424</u>	
		395,790

In the Statement of Activities, interest accrued on outstanding bonds and issuance costs are recognized as an expenditure in the funds when it is due and bond premiums are amortized over the terms of the bonds, whereas in the governmental funds the revenue/expenditure is reported when the bonds are issued. Interest expense is recognized as the interest accrues, regardless of when it is due.

Decrease in Accrued Interest	3,223	
Amortization of Loss	232	
Amortization of Premium on Debt	26	
Payment of Accretion on Capital Appreciation Bonds	210,000	
Amortization of Issuance Costs	<u>(259)</u>	
		213,222

Some revenues that will not be collected for several months after the County's fiscal year ends are not considered "available" revenues and are deferred in the governmental funds. Deferred revenue changed by these amounts this year:

Property Taxes	(72,675)	
Charges for Services	(23,246)	
Intergovernmental	(398,030)	
Special Assessments	(3,631)	
Interest	<u>(17,145)</u>	
		(514,727)

The issuance of long-term debt provides current financial resources to governmental funds, but in the Statement of Net Assets, the debt is reported as a liability.

Notes Payable	(100,097)	
Loans Payable	<u>(368,600)</u>	
		(468,697)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:

Decrease in Compensated Absences		<u>69,595</u>
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*Change in Net Assets of Governmental Activities* \$2,695,656

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$1,685,775	\$1,891,391	\$1,891,391	\$0
Permissive Sales Tax	4,416,645	4,955,347	4,955,347	0
Charges for Services	1,399,532	1,520,868	1,570,234	49,366
Licenses and Permits	2,069	2,286	2,321	35
Fines and Forfeitures	34,192	38,362	38,362	0
Intergovernmental	1,025,317	1,141,933	1,150,376	8,443
Interest	135,474	144,123	151,998	7,875
Other	158,509	200,092	200,211	119
<b>Total Revenues</b>	<b>8,857,513</b>	<b>9,894,402</b>	<b>9,960,240</b>	<b>65,838</b>
<b>Expenditures:</b>				
Current:				
General Government:				
Legislative and Executive	3,336,777	3,186,527	3,015,143	171,384
Judicial	1,860,812	1,716,269	1,517,076	199,193
Public Safety	4,242,079	3,912,566	3,832,588	79,978
Health	89,499	82,547	81,423	1,124
Human Services	353,742	326,264	314,484	11,780
Community and Economic Development	86,856	80,109	78,847	1,262
Intergovernmental	62,049	57,229	48,414	8,815
Debt Service:				
Principal Retirement	0	92,800	92,800	0
Interest and Fiscal Charges	0	2,682	2,682	0
<b>Total Expenditures</b>	<b>10,031,814</b>	<b>9,456,993</b>	<b>8,983,457</b>	<b>473,536</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,174,301)</b>	<b>437,409</b>	<b>976,783</b>	<b>539,374</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	5,721	6,419	6,419	0
Notes Issued	62,034	69,600	69,600	0
Advances - In	27,951	8,991	8,991	0
Advances - Out	0	(33,211)	(33,211)	0
Transfers - In	1,526	0	0	0
Transfers - Out	0	(578,078)	(526,576)	51,502
<b>Total Other Financing Sources (Uses)</b>	<b>97,232</b>	<b>(526,279)</b>	<b>(474,777)</b>	<b>51,502</b>
<b>Net Change in Fund Balance</b>	<b>(1,077,069)</b>	<b>(88,870)</b>	<b>502,006</b>	<b>590,876</b>
Fund Balance at Beginning of Year	2,412,536	2,412,536	2,412,536	0
Prior Year Encumbrances Appropriated	341,651	341,651	341,651	0
<b>Fund Balance at End of Year</b>	<b>\$1,677,118</b>	<b>\$2,665,317</b>	<b>\$3,256,193</b>	<b>\$590,876</b>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
MOTOR VEHICLE AND GAS TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for Services	\$203,353	\$204,137	\$205,424	\$1,287
Fines and Forfeitures	20,587	20,797	20,797	0
Intergovernmental	3,802,753	3,714,579	3,841,479	126,900
Interest	733	740	740	0
Other	74	75	75	0
Total Revenues	<u>4,027,500</u>	<u>3,940,328</u>	<u>4,068,515</u>	<u>128,187</u>
<b>Expenditures:</b>				
Current:				
Public Works	<u>4,651,099</u>	<u>4,768,905</u>	<u>4,557,757</u>	<u>211,148</u>
Total Expenditures	<u>4,651,099</u>	<u>4,768,905</u>	<u>4,557,757</u>	<u>211,148</u>
Excess of Receipts Over (Under) Disbursements	<u>(623,599)</u>	<u>(828,577)</u>	<u>(489,242)</u>	<u>339,335</u>
<b>Other Financing Sources:</b>				
Transfers - In	<u>0</u>	<u>43,500</u>	<u>45,700</u>	<u>2,200</u>
Total Other Financing Sources				
Net Change in Fund Balance	(623,599)	(785,077)	(443,542)	341,535
Fund Balance at Beginning of Year	875,847	875,847	875,847	0
Prior Year Encumbrances Appropriated	<u>162,239</u>	<u>162,239</u>	<u>162,239</u>	<u>0</u>
Fund Balance at End of Year	<u>\$414,487</u>	<u>\$253,009</u>	<u>\$594,544</u>	<u>\$341,535</u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
HUMAN SERVICES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for Services	\$242,570	\$208,672	\$209,831	\$1,159
Intergovernmental	2,391,164	1,896,634	2,068,431	171,797
Total Revenues	<u>2,633,734</u>	<u>2,105,306</u>	<u>2,278,262</u>	<u>172,956</u>
<b>Expenditures:</b>				
Current:				
Human Services	3,279,753	2,926,482	2,842,062	84,420
Debt Service:				
Principal Retirement	0	40,545	40,500	45
Interest and Fiscal Charges	0	1,170	1,170	0
Total Expenditures	<u>3,279,753</u>	<u>2,968,197</u>	<u>2,883,732</u>	<u>84,465</u>
Excess of Revenues Under Expenditures	<u>(646,019)</u>	<u>(862,891)</u>	<u>(605,470)</u>	<u>257,421</u>
<b>Other Financing Sources (Uses):</b>				
Transfers - In	638,751	690,679	690,679	0
Transfers - Out	0	(62,563)	(62,563)	0
Total Other Financing Sources (Uses)	<u>638,751</u>	<u>628,116</u>	<u>628,116</u>	<u>0</u>
Net Change in Fund Balance	(7,268)	(234,775)	22,646	257,421
Fund Balance at Beginning of Year	159,435	159,435	159,435	0
Prior Year Encumbrances Appropriated	75,789	75,789	75,789	0
Fund Balance at End of Year	<u>\$227,956</u>	<u>\$449</u>	<u>\$257,870</u>	<u>\$257,421</u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
COMMUNITY MENTAL HEALTH FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$235,378	\$226,585	\$226,585	\$0
Charges for Services	73,664	70,718	70,912	194
Intergovernmental	2,465,401	2,370,502	2,373,298	2,796
Other	628	605	605	0
Total Revenues	<u>2,775,071</u>	<u>2,668,410</u>	<u>2,671,400</u>	<u>2,990</u>
<b>Expenditures:</b>				
Current:				
Health	624,664	2,687,463	2,437,348	250,115
Human Services	0	231,273	224,731	6,542
Total Expenditures	<u>624,664</u>	<u>2,918,736</u>	<u>2,662,079</u>	<u>256,657</u>
Excess of Revenues Over (Under) Expenditures	2,150,407	(250,326)	9,321	259,647
<b>Other Financing Sources:</b>				
Transfers - In	1,534	1,477	1,477	0
Net Change in Fund Balance	2,151,941	(248,849)	10,798	259,647
Fund Balance at Beginning of Year	1,109,585	1,109,585	1,109,585	0
Prior Year Encumbrances Appropriated	126,531	126,531	126,531	0
Fund Balance at End of Year	<u><u>\$3,388,057</u></u>	<u><u>\$987,267</u></u>	<u><u>\$1,246,914</u></u>	<u><u>\$259,647</u></u>

See Accompanying Notes to the Basic Financial Statements



PREBLE COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
DEVELOPMENTAL DISABILITIES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property Taxes	\$1,209,404	\$1,593,457	\$1,593,457	\$0
Charges for Services	677	732	892	160
Intergovernmental	1,573,542	2,073,230	2,073,230	0
Other	4,090	5,239	5,389	150
	<u>2,787,713</u>	<u>3,672,658</u>	<u>3,672,968</u>	<u>310</u>
Total Revenues				
<b>Expenditures:</b>				
Current:				
Human Services	3,050,010	3,431,359	3,081,709	349,650
Net Change in Fund Balance	(262,297)	241,299	591,259	349,960
Fund Balance at Beginning of Year	2,635,990	2,635,990	2,635,990	0
Prior Year Encumbrances Appropriated	212	212	212	0
Fund Balance at End of Year	<u>\$2,373,905</u>	<u>\$2,877,501</u>	<u>\$3,227,461</u>	<u>\$349,960</u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO  
STATEMENT OF FUND NET ASSETS  
ENTERPRISE FUNDS  
DECEMBER 31, 2011

	Sewer	Landfill	Total
<b>Assets:</b>			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$195,575	\$1,208,670	\$1,404,245
Accounts Receivable	97,363	568,835	666,198
Due from Other Governments	0	8,072	8,072
Materials and Supplies Inventory	0	1,455	1,455
Total Current Assets	<u>292,938</u>	<u>1,787,032</u>	<u>2,079,970</u>
Non-current Assets:			
Restricted Assets:			
Cash and Cash Equivalents with Trustee	0	1,709,542	1,709,542
Deferred Charges	0	33,042	33,042
Nondepreciable Capital Assets	0	452,313	452,313
Depreciable Capital Assets, Net	1,299,003	1,015,382	2,314,385
Total Non-current Assets	<u>1,299,003</u>	<u>3,210,279</u>	<u>4,509,282</u>
Total Assets	<u>1,591,941</u>	<u>4,997,311</u>	<u>6,589,252</u>
<b>Liabilities:</b>			
Current Liabilities:			
Accounts Payable	3,155	186,103	189,258
Contracts Payable	0	19,766	19,766
Accrued Salaries Payable	88	23,724	23,812
Due to Other Governments	59	13,236	13,295
Interfund Payable	0	631,468	631,468
Accrued Interest Payable	0	13,628	13,628
Notes Payable	0	54,000	54,000
OPWC Loans Payable	11,358	0	11,358
OWDA Loans Payable	40,498	0	40,498
General Obligation Bonds Payable	0	330,000	330,000
Compensated Absences Payable	0	29,058	29,058
Total Current Liabilities	<u>55,158</u>	<u>1,300,983</u>	<u>1,356,141</u>
Long-Term Liabilities:			
Notes Payable	0	54,000	54,000
OPWC Loans Payable	119,364	53,112	172,476
OWDA Loans Payable	526,469	0	526,469
General Obligation Bonds Payable	0	1,352,631	1,352,631
Compensated Absences Payable	0	3,970	3,970
Landfill Closure and Postclosure Costs	0	4,574,304	4,574,304
Total Long-Term Liabilities	<u>645,833</u>	<u>6,038,017</u>	<u>6,683,850</u>
Total Liabilities	<u>700,991</u>	<u>7,339,000</u>	<u>8,039,991</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	601,314	1,360,583	1,961,897
Unrestricted	289,636	(3,702,272)	(3,412,636)
Total Net Assets	<u>\$890,950</u>	<u>(\$2,341,689)</u>	<u>(\$1,450,739)</u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Sewer</u>	<u>Landfill</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Charges for Services	\$136,345	\$2,674,052	\$2,810,397
Other	<u>100</u>	<u>0</u>	<u>100</u>
Total Operating Revenues	<u>136,445</u>	<u>2,674,052</u>	<u>2,810,497</u>
<b>Operating Expenses:</b>			
Personal Services	5,082	576,117	581,199
Materials and Supplies	6,633	159,806	166,439
Charges and Services	58,848	1,845,400	1,904,248
Depreciation	15,964	81,170	97,134
Closure and Postclosure Costs	0	214,195	214,195
Miscellaneous	<u>9,356</u>	<u>55,521</u>	<u>64,877</u>
Total Operating Expenses	<u>95,883</u>	<u>2,932,209</u>	<u>3,028,092</u>
Operating Income	<u>40,562</u>	<u>(258,157)</u>	<u>(217,595)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Grants	0	8,072	8,072
Interest	0	371	371
Interest and Fiscal Charges	<u>0</u>	<u>(107,188)</u>	<u>(107,188)</u>
Total Non-Operating Revenues (Expenses)	<u>0</u>	<u>(98,745)</u>	<u>(98,745)</u>
Change in Net Assets	40,562	(356,902)	(316,340)
Net Assets at Beginning of Year	<u>850,388</u>	<u>(1,984,787)</u>	<u>(1,134,399)</u>
Net Assets at End of Year	<u><u>\$890,950</u></u>	<u><u>(\$2,341,689)</u></u>	<u><u>(\$1,450,739)</u></u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Sewer</u>	<u>Landfill</u>	<u>Total</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash Received From Customers	\$116,999	\$2,661,274	\$2,778,273
Cash Received From Other Operating Revenues	100	0	100
Cash Payments for Employee Services and Benefits	(5,253)	(535,281)	(540,534)
Cash Payments to Suppliers	(65,195)	(2,271,784)	(2,336,979)
Cash Payments for Other Operating Expenses	(9,356)	(55,521)	(64,877)
Net Cash Provided by (Used In) Operating Activities	<u>37,295</u>	<u>(201,312)</u>	<u>(164,017)</u>
<b>Cash Flows Used for Capital and Related Financing Activities:</b>			
Loan Proceeds	0	37,292	37,292
Note Proceeds	0	108,000	108,000
Loan Principal Payments	(53,756)	0	(53,756)
General Obligation Bond Principal Payments	0	(320,000)	(320,000)
General Obligation Bond Interest Payments	0	(74,305)	(74,305)
Notes Payable Principal Payments	0	(162,000)	(162,000)
Notes Payable Interest Payments	0	(4,898)	(4,898)
Net Cash Used for Capital and Related Financing Activities	<u>(53,756)</u>	<u>(415,911)</u>	<u>(469,667)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest	<u>0</u>	<u>371</u>	<u>371</u>
Net Decrease in Cash and Cash Equivalents	(16,461)	(616,852)	(633,313)
Cash and Cash Equivalents at Beginning of Year	<u>212,036</u>	<u>3,535,064</u>	<u>3,747,100</u>
Cash and Cash Equivalents at End of Year	<u><u>\$195,575</u></u>	<u><u>\$2,918,212</u></u>	<u><u>\$3,113,787</u></u>

(continued)

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

	Enterprise Funds		
	Sewer	Landfill	Total
<b>Reconciliation of Operating Income to Net Cash Provided by (Used In) Operating Activities:</b>			
Operating Income	\$40,562	(\$258,157)	(\$217,595)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by (Used In) Operating Activities:</b>			
Depreciation	15,964	81,170	97,134
Landfill Closure and Postclosure Costs	0	214,195	214,195
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(19,346)	14,583	(4,763)
Increase in Materials and Supplies Inventory	0	(1,455)	(1,455)
Decrease in Interfund Receivable	0	1,232	1,232
Increase in Accounts Payable	1,518	97,530	99,048
Decrease in Contracts Payable	0	(299,216)	(299,216)
Decrease in Retainage Payable	0	(24,014)	(24,014)
Increase in Accrued Salaries Payable	88	6,403	6,491
Decrease in Due to Other Governments	(259)	(33,218)	(33,477)
Decrease in Interfund Payable	(1,232)	(4,800)	(6,032)
Increase in Compensated Absences Payable	0	4,435	4,435
Net Cash Provided by (Used In) Operating Activities	<u>\$37,295</u>	<u>(\$201,312)</u>	<u>(\$164,017)</u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2011

	Private Purpose Trust	
	Scholarship and Trust	Agency
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$38,848	\$2,114,172
Cash and Cash Equivalents in Segregated Accounts	0	679,059
Receivables:		
Property Taxes	0	30,565,164
Accounts	0	46,097
Special Assessments	0	522,867
Due from Other Governments	0	2,289,276
 Total Assets	 38,848	 \$36,216,635
<b>Liabilities:</b>		
Accounts Payable	0	\$24,064
Contracts Payable	0	0
Accrued Salaries Payable	0	58,226
Due to Other Governments	0	33,045,539
Undistributed Monies	0	1,774,916
Deposits Held and Due to Others	0	1,313,890
 Total Liabilities	 0	 \$36,216,635
<b>Net Assets:</b>		
Held in Trust for Scholarships	\$38,848	

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 PRIVATE PURPOSE TRUST FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Scholarship and Trust
<b>Additions:</b>	
Interest	\$42
<b>Deductions:</b>	
	0
Change in Net Assets	42
Net Assets at Beginning of Year	38,806
Net Assets at End of Year	\$38,848

See Accompanying Notes to the Basic Financial Statements

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PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 1 – DESCRIPTION OF THE COUNTY AND REPORTING ENTITY**

Preble County, Ohio (the “County”), was formed by an Act of the Ohio General Assembly in 1808. The County is governed by a board of three Commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Recorder, Sheriff, a Common Pleas Court-Domestic Relations Court Judge and a Juvenile Court-Probate Court Judge. Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budgeting and taxing authority, contracting body and the chief administrators of public services for the County, including each of these departments.

**Reporting Entity**

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards and agencies that are not legally separate from the County. For the County, this includes the Preble County Board of Developmental Disabilities, the Preble County Community Development, the Children Services Board, and the departments and activities that are directly operated by the elected County officials. The County also operates and maintains a wastewater treatment system and landfill.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves their budget, the issuance of their debt or the levying of their taxes. The County has one component unit included in its reporting entity.

**Discretely Presented Component Unit**

The component unit column in the entity-wide financial statements identifies the financial data of the County's discretely presented component unit, L & M Products. It is reported separately to emphasize that it is legally separate from the County.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 1 - DESCRIPTION OF THE COUNTY AND REPORTING ENTITY (Continued)**

L & M Products - L & M Products (the "Company") is a legally separate, nongovernmental, not-for-profit corporation, served by a board whose members are elected at large from nominations submitted by a nominating committee appointed by the President. The Company, under contractual agreement with the Preble County Board of Developmental Disabilities (PCBDD), provides sheltered employment for mentally disabled or handicapped individuals in the County. The PCBDD provides the Company with personnel necessary for the operation of the habilitation services provided to the clients, land and buildings for the operation of the center, maintenance and repair of the buildings and professional staff to supervise and train clients of the Company. Based on the significant services and resources provided by the County to the Company and the Company's sole purpose of providing assistance to the mentally disabled and handicapped adults of the County, the Company is reflected as a component unit of the County. This is because the nature and significance of the relationship is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Company operates on a fiscal year ending December 31. Separately issued financial statements can be obtained from L & M Products at 201 East Lexington Road, Eaton, Ohio 45320 (See Note 30).

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate agencies, boards and commissions listed below, the County serves as fiscal agent but is not financially accountable for the activity. Accordingly, the following districts and agencies are presented as agency funds within the County's financial statements:

- Preble County General Health District
- Preble County Soil and Water Conservation District
- Preble County Disaster Services
- Preble County Emergency Planning Committee - Right to Know
- Preble County Council on Aging

The County participates in six organizations, two of which are defined as related organizations, one is a joint venture, one is a jointly governed organization, one is a risk sharing pool, and one is a group purchasing pool. These organizations are presented in Notes 18, 19, 20, 21 and 22 of the basic financial statements. These organizations are:

Related Organizations:

- Preble County Library Board
- Preble Metropolitan Housing Authority

Joint Venture:

- Preble County Emergency Management Agency

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 1 - DESCRIPTION OF THE COUNTY AND REPORTING ENTITY (Continued)**

Jointly Governed Organization:  
West Central Ohio Network

Risk Sharing Pool:  
County Risk Sharing Authority, Inc.

Group Purchasing Pool:  
County Commissioners' Association of Ohio Service Corporation

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Preble County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund provided they do not conflict with or contradict GASB pronouncements. The County does not apply FASB Pronouncements and Interpretations issued after November 30, 1989, to its business-type activities or enterprise fund. The more significant of the County's accounting policies are described below. Information regarding L & M Products is presented in Note 30.

**Basis of Presentation**

The County's basic financial statements consist of government-wide 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 the Statement of Activities display information about the County as a whole. These statements include the financial activities of the primary government, except for the County's fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Statement of Net Assets presents the financial condition of the governmental and business-type activities of the County at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and for the business-type activities of the County. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business segment is self-financing or draws from the general revenues of the County.

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

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

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Motor Vehicle and Gas Tax Fund - This fund is used to account for and report restricted revenues derived from motor vehicle licenses, gasoline taxes and interest. Expenditures in this fund are restricted by State law to County road and bridge repairs and improvement programs.

Human Services Fund - This fund is used to account for and report various restricted federal and State grants as well as mandated transfers from the General Fund used to provide public assistance to general relief recipients and to pay providers of medical assistance and certain public social services.

Community Mental Health Fund - This fund is used to account for and report restricted money received from a County-wide property tax levy and federal and State grants that are expended primarily to pay the cost of contracts with local mental health agencies that provide services to the public.

Developmental Disabilities Fund - This fund is used to account for and report restricted money received from a County-wide property tax levy and State grants and reimbursements used to provide services and care for citizens with developmental disabilities.

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

**Proprietary Funds**

Proprietary funds focus on the determination of operating income, changes in net assets, financial position, and cash flows. The County has two enterprise funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the County's major enterprise funds:

Sewer Fund - This fund is used to account for the provision of sanitary sewer service provided to residents and businesses of the County.

Landfill Fund - This fund is used to account for fees collected by the waste disposal department for the dumping of waste. The costs of providing the services are financed primarily through these fees and user charges.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The three types of trust funds should be used to report resources held and administered by the reporting government when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The County's only trust fund is a private purpose trust fund which accounts for various college scholarship programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's agency funds account for assets held by the County for political subdivisions for which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

**Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the County are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. The governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Fund Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets. The Statement of Cash Flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues – Exchange and Non-exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. “Measurable” means that the amount of the transaction can be determined and “available” means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within 60 days of year-end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales tax, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 6) Revenue from permissive sales tax is recognized in the period in which the sales occur. (See Note 7) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: permissive sales tax, charges for services, interest, federal and State subsidies and grants, and State-levied locally shared taxes.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred Revenue

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2011, but were levied to finance 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**Cash and Cash Equivalents**

To improve cash management, cash received by the County, except cash held in segregated accounts or with a fiscal agent, is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the County's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

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

Cash and cash equivalents that are held by the West Central Ohio Network for assistance of persons with developmental disabilities are recorded as "Cash and Cash Equivalents with Fiscal Agents" on the financial statements.

Cash and cash equivalents that are held in a trustee capacity for financial assurance of the landfill closure and postclosure care liabilities are recorded on the financial statements as "Cash and Cash Equivalents with Trustee."



PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

During 2011, the County invested in Federal Farm Credit Bank Notes, Federal Home Loan Bank Notes, Corporate Notes and the State Treasury Asset Reserve of Ohio (STAROhio). Investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2011.

Following Ohio statutes, the County has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during 2011 amounted to \$194,613 which includes \$164,273 assigned from other County funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are reported as cash equivalents on the financial statements.

**Interfund Balances**

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "Interfund Receivable" and "Interfund Payable." Interfund balances are eliminated on the government-wide Statement of Net Assets, except for any net residual amounts due between governmental and business-type activities, which are presented as "Internal Balances."

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**Materials and Supplies Inventory**

Materials and supplies inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Materials and supplies inventory consists of expendable supplies held for consumption.

PREBLE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the enterprise funds represent cash and cash equivalents which have been set aside to satisfy the Ohio Environmental Protection Agency’s guidelines related to landfill closure and post-closure costs.

**Capital Assets**

General capital assets are capital assets that are associated with and generally arise from governmental activities. They generally result from disbursements in governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide Statement of Net Assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement costs back to the year of acquisition) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values on the date donated. The County maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are disbursed.

All capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County’s historical records of necessary improvements and replacements. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings, Structures, and Improvements	20-100 years
Furniture, Fixtures, and Equipment	5-40 years
Infrastructure	10-50 years

The County’s infrastructure system consists of guardrails, ditches, roads, bridges, sewer lines and manholes. The County’s governmental infrastructure consists only of assets acquired after June 30, 1980. Enterprise funds’ infrastructure consists of assets acquired after January 1, 2005, the first year the County constructed the assets.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Compensated Absences**

Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probably that the County will compensate the employees for the benefits through paid time off or some other means. The County records a liability for accumulated unused vacation and compensatory time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the County has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year-end, taking into consideration any limits specified in the County's termination policy. The County records a liability for accumulated unused sick leave for all employees after 15 years of current service with the County.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long-term notes, bonds, and capital leases are recognized as liabilities on the governmental fund financial statements when due.

**Bond Premiums/Issuance Costs/Compound Interest on Capital Appreciation Bonds**

On the government-wide financial statements (and in the enterprise funds), bond premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each year for the compounded interest accrued during the year. Bond premiums and the compound interest on capital appreciation bonds are presented as additions to the face amount of bonds payable. Issuance costs are amortized on a straight-line basis over the term of the bonds and are reported as deferred charges.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the period in which the debt is issued.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As permitted by State statute, the County paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in that determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

**Gain/Loss on Advance Refunding**

On the government-wide financial statements (and in the enterprise funds), an advance refunding resulting in the defeasance of debt generates an accounting gain or loss calculated by comparing the reacquisition price and the net carrying amount of the old debt. This accounting gain/loss is amortized as interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an increase/reduction of the face amount of the new debt.

**Fund Balance**

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

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (County resolutions).

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

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned amounts represent intended uses established by the County Commissioners or a County Official delegated that authority by resolution or by State Statute.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The County has not adopted a formal fund balance policy.

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

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for sewer services and waste disposal. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of these funds. Revenues and expenses that do not meet these definitions are reported as non-operating.

**Internal Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements.

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

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

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budgetary Process**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the County Commissioners. The legal level of budgetary control is at the object level (personal services, materials and supplies, charges and services, capital purchases, and other) within each department and fund. Budgetary modifications may only be made by resolution of the County Commissioners.

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

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

**NOTE 3 - ACCOUNTABILITY**

**Accountability**

The Goose Creek Crossing Capital Projects Fund, Other Community and Economic Development Special Revenue Fund and Landfill Enterprise Fund had fund balance deficits at December 31, 2011 of \$62,844, \$3,084 and \$2,044,891, respectively. The General Fund is liable for the deficit in the Goose Creek Crossing Capital Projects Fund, Other Community and Economic Development Special Revenue Fund and Landfill Enterprise Fund and will provide transfers when cash is required, not when accruals occur. The deficit in the Goose Creek Crossing Projects Fund is due to liabilities for an interfund payable from General Fund advances. The County is monitoring charges to finance landfill operations.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 4 - BUDGET TO GAAP RECONCILIATION**

While reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) is presented for the General Fund and the Motor Vehicle and Gas Tax, Human Services, Community Mental Health, and Developmental Disabilities Special Revenue Funds to provide a meaningful comparison of actual results. The differences between the budgetary basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed or assigned fund balance (GAAP basis).
4. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.
5. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
6. The County does not budget for the unclaimed monies activity which is reported as an agency fund on the County's books. However, the activity is included in the General Fund for GAAP reporting purposes.
7. Budgetary revenues and expenditures of the Uninsured Loss Special Revenue Fund is classified to the General Fund for GAAP Reporting.



PREBLE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 4 - BUDGET TO GAAP RECONCILIATION (Continued)**

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis are as follows:

	Net Change in Fund Balance				
	General	Motor Vehicle and Gas Tax	Human Services	Community Mental Health	Developmental Disabilities
GAAP Basis	\$891,059	(\$397,787)	(\$84,245)	\$35,052	\$480,791
Revenue Accruals	(602,563)	113,433	252,939	92,636	(788,806)
Expenditure Accruals	431,355	50,528	(86,278)	12,945	901,952
Encumbrances	(303,013)	(209,316)	(59,770)	(130,707)	0
Advances	(24,220)				
Unrecorded Cash - 2011	(196)	(36)	0	0	0
Unrecorded Cash - 2010	99,265	107	0	0	0
WestCON Activity	0	0	0	0	(4,998)
Agency Fund Cash					
Allocation - 2011	(58,685)	(25,590)	0	(10,743)	(28,594)
Agency Fund Cash					
Allocation - 2010	65,047	25,119	0	11,615	30,914
Decrease in Fair Value					
of Cash Equivalents - 2011	(48,747)	0	0	0	0
Increase in Fair Value					
of Cash Equivalents - 2010	4,601	0	0	0	0
Excess of revenues under					
expenditure for Title					
Administration Fund	48,103				
Budget Basis	<u>\$502,006</u>	<u>(\$443,542)</u>	<u>\$22,646</u>	<u>\$10,798</u>	<u>\$591,259</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal or interest by the United States, or any book entry, zero coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange similar securities, or cash, equal value for equal value;
9. Up to 25 percent of the County's average portfolio in either of the following:
  - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding \$500 million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed 10 percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase;
  - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within 180 days after purchase;

PREBLE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

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

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Bankers' acceptances must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions.

**Investments**

As of December 31, 2011, the County had the following investments:

	Fair Value	Investment Maturities (in Years)		Moody's & S&P Ratings	Percent of Total Investments
		Less than 1	1-2		
Federal Farm Credit Bank Notes	\$2,002,460	\$0	\$2,002,460	Aaa	16%
Federal Home Loan Bank Notes	7,037,860	2,006,860	5,031,000	Aaa	57%
Corporate Notes	506,290	0	506,290	Aa	8%
STAROhio	2,375,675	2,375,675	0	Aaam	19%
<b>Total Investments</b>	<b>\$11,922,285</b>	<b>\$4,382,535</b>	<b>\$7,539,750</b>		

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

*Interest Rate Risk* – The County has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County, and that an investment must be purchased with the expectation that it will be held to maturity.

*Credit Risk* – Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The County's investment policy limits investments to those authorized by State statute.

*Concentration of Credit Risk* – The County places no limit on the amount it may invest in any one issuer.

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes.

2011 real property taxes were levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

PREBLE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 6 - PROPERTY TAXES (Continued)**

The full tax rate for all County operations for the year ended December 31, 2011, was \$8.78 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

Category	Assessed Value	Percent
Real Property		
Residential/Agricultural	\$673,650,320	84%
Commercial/Industrial/Public Utility	94,007,620	12
Public Utility Personal	33,939,000	4
Totals	\$801,596,940	100%

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County. Property taxes receivable represents real and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2011, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

**NOTE 7 - PERMISSIVE SALES AND USE TAX**

In accordance with Sections 5739.021 and 5741.021 of the Revised Code, the County Commissioners, by resolution, imposed a 1.5 percent continuing tax on all retail sales made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles. Vendor collections of the tax are paid to the State Treasurer by the 23<sup>rd</sup> day of the month following collection. The State Tax Commissioner certifies to the Office of Budget and Management the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within 45 days after the end of each month. The Tax Commissioner shall then, on or before the twentieth day of the month in which certification is made, provide for payment to the County.

Proceeds of the tax are credited entirely to the General Fund.

PREBLE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2011, consisted of taxes, charges for services, utility accounts, special assessments, interest on investments, interfund amounts, and intergovernmental receivables arising from grants, entitlements and shared revenues. Utility accounts receivable at December 31, 2011, were \$727,152. All receivables are considered fully collectible. All will be collected within one year.

Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. The County had \$345,242 of delinquent special assessments at December 31, 2011.

A summary of intergovernmental receivables follows:

Local Government	\$330,636
Homestead and Rollback	355,697
Gasoline Cents Per Gallon	371,097
Gasoline Excise Tax	739,746
Auto License	513,345
WIA Grant	49,114
Medicaid	3,140
ODADAS and ODMH State Grants	25,643
Child Support Grant	4,009
Children Services Grants	223,071
Wireless 911 Grant	16,185
Victim Witness Grant	1,509
Ketterman Junction Road Bridge	32,707
Camden College Corner Road Bridge Project	92,863
CSTP Guardrail Project	293,032
Miscellaneous	65,755
Total Governmental Activities	3,117,549

PREBLE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 9 - CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2011, was as follows:

	<u>Balance At</u> <u>12/31/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance At</u> <u>12/31/2011</u>
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$2,252,014	\$0	\$0	\$2,252,014
Construction in Progress	333,667	485,998	(372,000)	447,665
Total Capital Assets, Not Being Depreciated	<u>2,585,681</u>	<u>485,998</u>	<u>(372,000)</u>	<u>2,699,679</u>
Depreciable Capital Assets:				
Buildings, Structures, and Improvements	11,658,988	22,095	0	11,681,083
Furniture, Fixtures, and Equipment	8,718,518	757,401	(45,529)	9,430,390
Infrastructure	20,828,963	1,999,335	(142,184)	22,686,114
Total Depreciable Capital Assets	<u>41,206,469</u>	<u>2,778,831</u>	<u>(187,713)</u>	<u>43,797,587</u>
Less Accumulated Depreciation:				
Buildings, Structures, and Improvements	(4,325,524)	(97,217)	0	(4,422,741)
Furniture, Fixtures, and Equipment	(5,989,271)	(495,027)	41,989	(6,442,309)
Infrastructure	(6,742,959)	(734,496)	106,009	(7,371,446)
Total Accumulated Depreciation	<u>(17,057,754)</u>	<u>(1,326,740)*</u>	<u>147,998</u>	<u>(18,236,496)</u>
Depreciable Capital Assets, Net	<u>24,148,715</u>	<u>1,452,091</u>	<u>(39,715)</u>	<u>25,561,091</u>
Governmental Activities Capital Assets, Net	<u>\$26,734,396</u>	<u>\$1,938,089</u>	<u>(\$411,715)</u>	<u>\$28,260,770</u>

\* Depreciation expense was charged to governmental programs as follows:

General Government:	
Legislative and Executive	\$111,172
Judicial	17,019
Public Safety	164,447
Public Works	953,466
Health	4,102
Human Services	76,534
Total Depreciation Expense	<u>\$1,326,740</u>

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 9 - CAPITAL ASSETS (Continued)**

Capital assets activity of the business-type activities for the year ended December 31, 2011, was as follows:

	Balance at 12/31/2010	Additions	Deletions	Balance at 12/31/2011
<b><u>Business-Type Activities:</u></b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$452,313	\$0	\$0	\$452,313
<b>Depreciable Capital Assets:</b>				
Buildings, Structures, and Improvements	1,536,814	0	0	1,536,814
Furniture, Fixtures, and Equipment	2,150,125	0	0	2,150,125
Sewer Lines and Manholes	580,137	0	0	580,137
<b>Total Depreciable Capital Assets</b>	<b>4,267,076</b>	<b>0</b>	<b>0</b>	<b>4,267,076</b>
<b>Less Accumulated Depreciation:</b>				
Buildings, Structures, and Improvements	(785,728)	(8,836)	0	(794,564)
Furniture, Fixtures, and Equipment	(1,035,022)	(82,497)	0	(1,117,519)
Sewer Lines and Manholes	(34,807)	(5,801)	0	(40,608)
<b>Total Accumulated Depreciation</b>	<b>(1,855,557)</b>	<b>(97,134)</b>	<b>0</b>	<b>(1,952,691)</b>
<b>Depreciable Capital Assets, Net</b>	<b>2,411,519</b>	<b>(97,134)</b>	<b>0</b>	<b>2,314,385</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$2,863,832</b>	<b>(\$97,134)</b>	<b>\$0</b>	<b>\$2,766,698</b>

**NOTE 10 - RISK MANAGEMENT**

**Insurance**

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County maintains comprehensive insurance coverage with the County Risk Sharing Authority, Inc. (CORSA), a risk sharing pool (see Note 21), for liability, property, auto, and crime insurance.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in coverage from last year. The County pays all elected officials' bonds by statute.



PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 10 - RISK MANAGEMENT (Continued)**

**Workers' Compensation**

For 2011, the County participated in the County Commissioners' Association of Ohio Service Corporation (the Plan), an insurance purchasing pool (See Note 22). The plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than the individual rate.

In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, annually the Plan's executive committee calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from, or pays rate equalization rebates to the various participants. Participation in the plan is limited to counties that can meet the Plan's selection criteria.

The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

The County may withdraw from the Plan if written notice is provided 60 days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and a participant leaving the Plan allows a representative of the Plan to assess loss experience for three years following the last year of participation.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 11 - DEFINED BENEFIT PENSION PLAN**

**Ohio Public Employees Retirement System**

Plan Description – The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions and 12 percent for law enforcement and public safety members. For the year ended December 31, 2011, members in state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11.0 percent and 11.6 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2011, member and employer contribution rates were consistent across all three plans.

The County's 2011 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.0 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011. Employer contribution rates are actuarially determined.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)**

The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$1,097,771, \$990,915, and \$951,748, respectively. For 2011, 88.36 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009. Contributions to the Member-Directed Plan for 2011 were \$19,127 made by the County and \$13,662 made by plan members.

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the Ohio Public Employees Retirement System have an option to choose Social Security. As of December 31, 2011, one County Commissioner has elected Social Security. The County's liability is 6.2 percent of wages.

**NOTE 12 - POST-EMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 12 - POST-EMPLOYMENT BENEFITS (Continued)**

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The County’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$439,109, \$550,508, and \$615,837, respectively. For 2011, 88.36 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law enforcement and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**Deferred Compensation Plan**

County employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan is created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency. Plan assets belong to the individual employees, and the County has no responsibility for the plan assets.

**Insurance**

Medical, vision and life insurance coverage for employees is provided by United Health Care. Dental coverage for employees is provided by Dental Select. Elected officials and county employees pay a 13 percent and 17 percent, respectively, of all insurance premiums.

**NOTE 14 – CAPITAL LEASES – LESSE DISCLOSURE**

In prior years, the County entered into lease agreements for the purchase of buses. These leases meet the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases"*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized in the Statement of Net Assets for governmental activities in the amount of \$174,236, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payment in 2011 totaled \$36,424. The County paid the lease off at the end of fiscal year 2011.

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental</u>
Buses	\$174,236
Less: Accumulated Depreciation	(87,118)
Total	<u>\$87,118</u>

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 15 - LONG-TERM OBLIGATIONS**

The schedule of changes in long-term obligations of the governmental activities of the County during 2011 follows:

Types / Issues	Restated Balance at 12/31/2010	Issued	Retired	Balance at 12/31/2011	Due Within One Year
<u>Notes Payable:</u>					
2.91 - 3.19% Court Computer Software Bond Anticipation Note \$100,000	\$80,000	\$40,000	\$80,000	\$40,000	\$0
2.89 - 3.21% Brock Ditch Construction Anticipation Note \$34,247	20,547	13,697	20,547	13,697	0
2.89 - 3.0% Jail HVAC Bond Anticipation Note \$116,000	69,600	46,400	69,600	46,400	0
Total Notes Payable	<u>170,147</u>	<u>100,097</u>	<u>170,147</u>	<u>100,097</u>	<u>0</u>
<u>General Obligations Bonds:</u>					
2002 County Jail Refunding Bonds - Voted 11.69 to 12.08% - Original Issue on Capital Appreciation Bonds \$240,000	115,000	0	115,000	0	0
Accretion on Capital Appreciation Bonds	210,000	0	210,000	0	0
2002 2.00 to 3.50% Various Purpose Bonds - Unvoted \$1,440,000	525,000	0	40,000	485,000	40,000
2005 County Fairgrounds Refunding Bonds - Unvoted 3.00 to 3.60% - Current Interest Bonds \$125,000	85,000	0	10,000	75,000	15,000
Unamortized Gain	1,394	0	232	1,162	0
Premium on Debt Issue	162	0	26	136	0
Total General Obligation Bonds Payable	<u>936,556</u>	<u>0</u>	<u>375,258</u>	<u>561,298</u>	<u>55,000</u>
Ohio Water Development Authority					
Water Design Loan	0	148,493	9,588	138,905	0
Waste Water Design Loan	0	220,107	14,631	205,476	0
	<u>0</u>	<u>368,600</u>	<u>24,219</u>	<u>344,381</u>	<u>0</u>
<u>Other Long-Term Obligations:</u>					
Compensated Absences Payable	737,483	27,535	97,130	667,888	488,437
Capital Leases Payable	36,424	0	36,424	0	0
Total Other Long-Term Obligations	<u>773,907</u>	<u>27,535</u>	<u>133,554</u>	<u>667,888</u>	<u>488,437</u>
Total - General Long-Term Obligations	<u>\$1,880,610</u>	<u>\$496,232</u>	<u>\$703,178</u>	<u>\$1,673,664</u>	<u>\$543,437</u>

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

The 2010 Court Computer Software Bond Anticipation Note was issued on April 6, 2010, in the amount of \$90,000 for the purchase of computer software equipment for the clerk of courts. The notes were paid off and reissued in 2011. The 2011 Court Computer Software Bond Anticipation Note was reissued on April 6, 2011, in the amount of \$80,000. The note was issued at a 2.91 percent interest rate and reached maturity on April 6, 2012. This note was refinanced prior to the issuance of the 2011 statements in the amount of \$40,000. Therefore, the \$80,000 liability outstanding at December 31, 2011 is split with \$40,000 presented as a long-term liability and \$40,000 presented as a fund liability in the financial statements. The note will be paid through the Other Judicial Fund.

The 2010 Brock Ditch Construction Bond Anticipation Note was issued on June 14, 2010, in the amount of \$27,397 for the construction of Brock Ditch. The notes were paid off and reissued in 2011. The 2011 Brock Ditch Construction Bond Anticipation Note was reissued on June 6, 2011, in the amount of \$20,547 for the construction of Brock Ditch. The note was issued at a 2.89 percent interest rate and reached maturity on June 6, 2012. This note was refinanced prior to the issuance of the 2011 statements for \$13,697. Therefore, the \$20,547 liability outstanding at December 31, 2011 is split with \$13,697 presented as a long-term liability and \$6,850 presented as a fund liability in the financial statements. The note will be paid through the Ditch and Guardrail Construction Fund.

The 2010 Electronic Documentation Data Equipment Bond Anticipation Note was issued on February 24, 2010, in the amount of \$40,500 for the purchase of electronic documentation data equipment. The note was issued at a 2.89 percent interest rate and reached maturity on February 24, 2011. The note was paid off through Human Services Fund.

The 2010 Jail HVAC Bond Anticipation Note was issued on February 24, 2010 in the amount of \$92,800 for the purchase and installation of a new jail HVAC system. The notes were paid off and reissued in 2011. The 2011 Jail HVAC Bond Anticipation Note was issued on February 14, 2011, in the amount of \$69,600 for the purchase and installation of a new jail HVAC system. The note was issued at a 3.0 percent interest rate and reached maturity on February 14, 2012. This note was refinanced prior to the issuance of the 2011 statements for \$46,400. Therefore, the \$69,600 liability outstanding at December 31, 2011 is split with \$46,400 presented as a long-term liability and \$23,200 presented as a fund liability in the financial statements. The note will be paid through the General Fund.

All of the notes are backed by the full faith and credit of the County and are general obligations of the County.

PREBLE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

The 2002 County Jail Refunding General Obligation Bonds were issued to refund bonds originally issued on July 28, 1993 for the purpose of constructing a jail facility on County owned land and providing equipment. The bonds will be paid from property taxes in the Debt Service Fund. The maturity amount of the capital appreciation bonds was \$210,000 due in 2011.

The 2002 Various Purpose General Obligation Bonds were issued to refund original bonds issued on July 1, 1989 for the purpose of constructing a human services building and the expansion and improvement of the Job and Family Services facility. The bonds will be paid from general revenues, including transfers from the General Fund.

The 2005 County Fairgrounds Refunding General Obligation Bonds were issued June 1, 2005, for the purpose of advance refunding the \$125,000 outstanding County Fairgrounds Bonds. The bonds be paid from general revenues, including transfers from the General Fund, and monies received from the Preble County Agricultural Society.

Compensated absences will be paid from the General Fund, and the Motor Vehicle License and Gas Tax, Human Services, Community Mental Health, Developmental Disabilities, Other Legislative and Executive, Other Public Works, Other Health and Other Human Services Funds. The capital lease obligations will be paid from the Developmental Disabilities Levy Fund.

Changes in the long-term obligations reported for business-type activities during 2011 were as follows:

<u>Types/Issues</u>	<u>Balance at 12/31/2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 12/31/2011</u>	<u>Due Within One Year</u>
<u>Notes Payable:</u>					
3.19% Landfill Compactor \$216,000	\$108,000	\$54,000	\$108,000	\$54,000	\$0
<u>Loans Payable:</u>					
0.00% - 2004 OWDA Loan \$820,238	\$607,465	\$0	\$40,498	\$566,967	\$40,498
0.00% - 2010 OPWC Loan \$15,820	15,820	37,292	0	53,112	0
0.00% - 2006 OPWC Loan \$38,000	30,400	0	1,900	28,500	1,900
0.00% - 2000 OPWC Loan \$227,160	113,580	0	11,358	102,222	11,358
Total Loans Payable	<u>767,265</u>	<u>37,292</u>	<u>53,756</u>	<u>750,801</u>	<u>53,756</u>
<u>General Obligation Bonds Payable:</u>					
3.00 to 3.60% - 2005 Landfill Improvement					
Refunding Bonds \$3,445,000	2,090,000	0	320,000	1,770,000	330,000
Unamortized Gain	(108,636)	0	(18,107)	(90,529)	0
Premium on Debt Issue	3,791	0	631	3,160	0
Total General Obligation Bonds Payable	<u>1,985,155</u>	<u>0</u>	<u>302,524</u>	<u>1,682,631</u>	<u>330,000</u>



PREBLE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

Types/Issues	Balance at 12/31/2010	Increases	Decreases	Balance at 12/31/2011	Due Within One Year
<u>Other Long-Term Obligations:</u>					
Compensated Absences Payable	\$28,593	\$4,435	\$0	\$33,028	\$29,058
Landfill Closure and Postclosure	4,360,109	214,195	0	4,574,304	0
Total Other Long-Term Obligations	<u>4,388,702</u>	<u>218,630</u>	<u>0</u>	<u>4,607,332</u>	<u>29,058</u>
 Total - Business-Type Activities	 <u>\$7,249,122</u>	 <u>\$309,922</u>	 <u>\$464,280</u>	 <u>\$7,094,764</u>	 <u>\$412,814</u>

The 2010 Landfill Compactor Bond Anticipation Note was issued on April 19, 2010, in the amount of \$162,000 for the purchase of a landfill compactor. The notes were paid off and reissued in 2011. The 2011 Landfill Compactor Bond Anticipation Note was issued April 19, 2011, in the amount of \$108,000. The note was issued at a 2.91 percent interest rate and reached maturity on April 19, 2012. This note was refinanced prior to the issuance of the 2011 statements for \$54,000. Therefore, the \$108,000 liability outstanding at December 31, 2011 is split with \$54,000 presented as a long-term liability and \$54,000 presented as a fund liability in the financial statements. The note will be paid through the Landfill Fund.

The County has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$566,976 in sewer system OWDA loans issued in 2004 with an interest rate of zero percent. Proceeds from these loans provided financing for the construction of the West Elkton sewer system and to refund the County's three outstanding OWDA Loans at December 31, 2003. The loans are payable solely from sewer customer net receipts and are payable through January 1, 2026. Annual principal and interest payments on the loans are expected to require less than 54 percent of net receipts. The total principal remaining to be paid on the loans is \$566,967. Principal paid for the current year and total customer net receipts were \$40,498 and \$56,526, respectively.

The County obtained an OPWC loan for \$1,500,000 in 2008 for a landfill leachate force main/sewer project. As of December 31, 2011, the County had drawn \$53,112 of the available loan monies. A final amortization schedule will be established upon completion of the project.

The County OPWC Loan outstanding at December 31, 2011 in the amount of \$28,500. The OPWC Loan bears an interest rate of zero percent and is payable in semi-annual installments through 2026 and is a general obligation of the County. The OPWC was originally received by the Village of West Elkton during 1998 and was assumed by the County in 2000. Current operations of the Sewer Fund are expected to provide sufficient cash flows to fund debt service requirements.

PREBLE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

The County has an OPWC Loan outstanding at December 31, 2011 in the amount of \$102,222. The OPWC Loan bears an interest rate of zero percent and is payable in semi-annual installments through 2021 and is a general obligation of the County. The OPWC Loan was originally received by the Village of West Elkton during 1994 and 1995 in the amount of \$299,755, and was assumed by the County in 2000, when the village could not repay the loan. Current operations of the Sewer Fund are expected to provide sufficient cash flows to fund debt service requirements.

The 2005 Landfill Improvement Refunding General Obligation Bonds were issued June 1, 2005, for the purpose of advance refunding the 1996 Landfill Improvement Bonds in the amount of \$3,195,000. The bonds will be repaid from the Landfill Fund. The original 1996 Landfill Improvement Bonds were issued to support operations and to bring the landfill up to compliance with the EPA.

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The effects of the debt limitations at December 31, 2011, are an overall legal debt margin of \$18,539,924 and an unvoted legal debt margin of \$8,015,969.

The following is a summary of the County's future annual debt service requirements, including interest, for long-term obligations:

Year	Governmental Activities	
	General Obligation Serial Bonds	
	Principal	Interest
2012	\$55,000	\$23,894
2013	55,000	21,992
2014	60,000	19,688
2015	60,000	17,122
2016	60,000	14,558
2017-2021	270,000	37,157
Totals	\$560,000	\$134,411

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

Year	Business-Type Activities		
	Loans Payable	General Obligation Bonds	
	Principal	Principal	Interest
2012	\$53,756	\$330,000	\$63,635
2013	53,756	340,000	52,580
2014	53,756	355,000	40,680
2015	53,756	365,000	27,368
2016	53,756	380,000	13,680
2017-2021	257,422	0	0
2022-2026	171,487	0	0
Totals	\$697,689	\$1,770,000	\$197,943

**NOTE 16 - SHORT-TERM OBLIGATIONS**

Changes in the short-term obligations during 2011 were as follows:

Fund Type/Fund/Issue	Interest Rate	Balance at 12/31/2010	Increases	Decreases	Balance at 12/31/2011
<u>Governmental:</u>					
Ditch and Guardrail Construction					
Gates Joint Ditch	2.89%	\$34,427	\$28,690	\$34,427	\$28,690
Ditch and Guardrail Construction					
Brock Ditch	2.89%	6,850	6,850	6,850	6,850
Human Services					
Electronic Documentation Data Equipment	2.89%	40,500	0	40,500	0
General					
Jail HVAC	2.89%	23,200	23,200	23,200	23,200
Other Judicial					
Court Computer Software	2.89%	10,000	40,000	10,000	40,000
Total Governmental Funds		\$114,977	\$98,740	\$114,977	\$98,740
<u>Business-Type Activities:</u>					
Landfill Compactor Note	2.89%	\$54,000	\$54,000	\$54,000	\$54,000

All of the notes are backed by the full faith and credit of the County and will mature within one year. The Gates Joint Ditch Note and the Brock Ditch Note will be paid from the Ditch and Guardrail Construction Nonmajor Fund. The Electronic Documentation Data Equipment Note will be paid from the Human Services Fund. The Jail HVAC Note will be paid from the General Fund. The Court Computer Software Note will be paid from the Other Judicial Fund. The Landfill Compactor Note will be paid through the Landfill Fund. The notes are issued in anticipation of long-term bond financing, and the County intends to refinance the notes until such bonds are issued. The liability for the notes is presented in the funds that received the note proceeds.

PREBLE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 17 - INTERFUND ACTIVITY**

Interfund balances at December 31, 2011, consisted of the following amounts and result from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be paid within one year.

<u>Interfund Payable</u>	Interfund Receivable		<u>Total</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	
Motor Vehicle and Gas Tax Fund	\$0	\$526	\$526
Other Governmental Funds	71,395	0	71,395
Landfill Enterprise Fund	631,468	0	631,468
<b>Total</b>	<b>\$702,863</b>	<b>\$526</b>	<b>\$703,389</b>

Interfund transfers for the year ended December 31, 2011, consisted of the following:

<u>Transfers From</u>	Transfers To				<u>Totals</u>
	<u>Motor Vehicle and Gas Tax</u>	<u>Human Services</u>	<u>Community Mental Health</u>	<u>Other Governmental</u>	
General	\$45,700	\$100,473	\$0	\$380,403	\$526,576
Human Services	0	0	1,477	61,086	62,563
Other Governmental	0	590,206	0	0	590,206
<b>Total</b>	<b>\$45,700</b>	<b>\$690,679</b>	<b>\$1,477</b>	<b>\$441,489</b>	<b>\$1,179,345</b>

Transfers are used to move revenues from the fund that State statute or the County's budget requires to collect them to the fund that is (required) to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. The transfers from Other Governmental Funds to the Human Services Fund was used to support the human services activities. The transfers from the Human Services Fund to Other Governmental Funds was for debt payments.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 18 - RELATED ORGANIZATIONS**

**Preble County Library Board**

The Preble County Library Board is a related organization of the County. The County Officials (the Commissioners, the Probate Court and the Common Pleas Court) are responsible for appointing the trustees of the Library Board; however, the County Officials cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden to the County. Although the County does serve as the taxing authority and may issue tax related debt on behalf of the Library Board, its role is limited to a ministerial function. Once the Library Board determines to present a levy to the voters, including the determination of the rate and duration, the County must place the levy on the ballot. The Library may issue debt and determines its own budget. During 2011, the County did not make any significant financial contributions to the operation of the Library. Financial information for the Library may be obtained by writing to the Treasurer of the Preble County Library Board, 450 S. Barron Street, Eaton, Ohio 45320.

**Preble Metropolitan Housing Authority**

The Preble Metropolitan Housing Authority (PMHA) is a related organization to the County. The general purpose of the PMHA is to provide decent, safe, and sanitary housing for qualified persons within the County. The ability to influence operations depends on the County's representation on the Board. The PMHA Board is composed of five representatives: one member appointed by the County Common Pleas Court Judge; one member appointed by the County Commissioners; one member appointed by the County Probate Court Judge; and two members appointed by the Mayor of Eaton. During 2011, the County did not make any significant financial contributions to the operation of the PMHA. Financial information may be obtained by writing to Rita Daily, Director of the Preble Metropolitan Housing Authority, 2080 US Route 127 North, Eaton, Ohio 45320.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 19 - JOINT VENTURE**

**Preble County Emergency Management Agency**

The Preble County Emergency Management Agency (EMA) is a joint venture between the County, the City of Eaton, and townships and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is composed of the following seven members: one County Commissioner representing the Board of County Commissioners; five chief executives representing the municipal corporations and townships entering into the agreement; and one non-elected representative. The County contributed \$21,036 for the operation of the EMA during 2011. The EMA is a joint venture because its continued existence depends on contributed funding by the County. The EMA is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Complete financial statements can be obtained from Charles Biggs, Director of the EMA located at 6818 US 127 North, Eaton, Ohio 45320.

**NOTE 20 - JOINTLY GOVERNED ORGANIZATION**

**West Central Ohio Network**

The West Central Ohio Network (WestCON) is a jointly governed organization among Auglaize, Darke, Logan, Mercer, Miami, Preble, Shelby, and Union Counties. WestCON was formed to administer supported living services for persons with developmental disabilities in these counties. The executive committee consists of eight members that are the Superintendents of each local county board of developmental disabilities which is a WestCON member. During 2011, the County did not make any significant financial contributions to WestCON.

**NOTE 21 - RISK SHARING POOL**

**County Risk Sharing Authority, Inc.**

The County Risk Sharing Authority, Inc. (CORSA) is a risk sharing pool among counties in Ohio. CORSA was formed as an Ohio non-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. The coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 21 - RISK SHARING POOL (Continued)**

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgetary and financing of CORSA is limited to its voting authority and any representative it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payments of the certificates. The County does not have an equity interest in CORSA.

**NOTE 22 - GROUP PURCHASING POOL**

**County Commissioners' Association of Ohio Service Corporation**

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

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

**NOTE 23 – LANDFILL CLOSURE AND POST-CLOSURE COSTS**

State and federal laws and regulations require that the County place a final cover on its landfill when it stops accepting waste. These laws and regulations also require the County to perform certain maintenance and monitoring functions at the landfill site for 30 years after closure.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 23 – LANDFILL CLOSURE AND POST-CLOSURE COSTS (Continued)**

Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County is required by generally accepted accounting principles to report a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The \$4,574,304 reported as a landfill closure and post-closure care liability at December 31, 2011, represents the cumulative amount reported to date based on the use of 39 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of the closure and post-closure care of \$7,144,065 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2011. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County expects to close the landfill in the year 2044.

The County is required by state and federal laws and regulations to prove financial assurance to finance closure and post-closure care. The Ohio environmental Protection Agency has established certain rules applicable to the County, requiring that the permittee of a Solid Waste Disposal Facility ensure adequate funds will be available when needed for final closure/or post-closure care of the facility. The County has elected to provide a letter from the Chief Financial Officer, as specified in paragraph (F) of Rule 3745-27-15 or in paragraph (F) of Rule 3745-27-16 of the Ohio Administrative Code as the mechanism to demonstrate the County's Financial Assurance as specified in Chapter 3745-27 of the Ohio Administrative Code.

**NOTE 24 - CONTINGENT LIABILITIES**

**Litigation**

The County is involved in a number of claims and lawsuits, as of December 31, 2011, which may be classified as routine litigation in which minimal non-material damages are being sought.

**Federal and State Grants**

The County participates in a number of Federal and State assisted grant programs. The major programs are: Community Development Block Grant and Ohio Department of Human Services. These programs are subject to financial and compliance audits by grantors or representatives. At December 31, 2011, the audits of certain programs had not been completed. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The County believes that disallowed claims, if any, will not have a material adverse effect on the County's financial position.



PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 25 – FUND BALANCES**

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

Fund Balances	General	Motor Vehicle and Gas Tax	Human Services
<b><i>Nonspendable</i></b>			
Unclaimed Monies	\$208,590	\$0	\$0
Prepays	15,639	0	0
<b><i>Total Nonspendable</i></b>	<b><u>224,229</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b><i>Restricted For</i></b>			
Mental Health Services	0	0	0
Public Social Services	0	0	272,720
Road Maintenance And Repair	0	1,284,378	0
Debt Service	0	0	0
Public Safety	0	0	0
Real Estate Assessments	0	0	0
Other Health Services	0	0	0
<b><i>Total Restricted</i></b>	<b><u>0</u></b>	<b><u>1,284,378</u></b>	<b><u>272,720</u></b>
<b><i>Committed To</i></b>			
Public Safety	0	0	0
<b><i>Total Committed</i></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b><i>Assigned To</i></b>			
Unpaid Obligations	122,149	0	0
Building Construction	0	0	0
<b><i>Total Assigned</i></b>	<b><u>122,149</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b><i>Unassigned</i></b>	<b><u>4,480,848</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b><i>Total Fund Balances</i></b>	<b><u><u>\$4,827,226</u></u></b>	<b><u><u>\$1,284,378</u></u></b>	<b><u><u>\$272,720</u></u></b>

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 25 – FUND BALANCES (Continued)**

Fund Balances	Community Mental Health Board	Mental Retardation Levy	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>				
Unclaimed Monies	\$0	\$0	\$0	\$208,590
Prepays	0	0	0	15,639
<b><i>Total Nonspendable</i></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>224,229</b>
<b><i>Restricted For</i></b>				
Mental Health Services	1,316,729	4,323,056	0	5,639,785
Public Social Services	0	0	590,952	863,672
Road Maintenance And Repair	0	0	285,739	1,570,117
Debt Service	0	0	59,436	59,436
Public Safety	0	0	1,108,857	1,108,857
Real Estate Assessments	0	0	561,990	561,990
Other Health Services	0	0	56,590	56,590
<b><i>Total Restricted</i></b>	<b>1,316,729</b>	<b>4,323,056</b>	<b>2,663,564</b>	<b>9,860,447</b>
<b><i>Committed To</i></b>				
Public Safety	0	0	20,517	20,517
<b><i>Total Committed</i></b>	<b>0</b>	<b>0</b>	<b>20,517</b>	<b>20,517</b>
<b><i>Assigned To</i></b>				
Unpaid Obligations	0	0	0	122,149
Building Construction	0	0	12,122	12,122
<b><i>Total Assigned</i></b>	<b>0</b>	<b>0</b>	<b>12,122</b>	<b>134,271</b>
<b><i>Unassigned</i></b>	<b>0</b>	<b>0</b>	<b>(65,928)</b>	<b>4,414,920</b>
<b><i>Total Fund Balances</i></b>	<b>\$1,316,729</b>	<b>\$4,323,056</b>	<b>\$2,630,275</b>	<b>\$14,654,384</b>

PREBLE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 26 - RELATED PARTY TRANSACTIONS**

L & M Products (the “Company”) has entered into a contractual agreement with the Preble County Board of Developmental Disabilities (PCBDD) programs, whereby the PCBDD provides sheltered employment for persons with developmental disabilities and handicapped individuals in the County. The PCBDD provides the Company with personnel necessary for the operation of the habilitation services to the client, land and buildings for the operation of the center, maintenance and repair of the buildings and professional staff to supervise and train clients of L & M Products.

**NOTE 27 – CHANGE IN ACCOUNTING PRINCIPLE**

During 2011, the County has implemented *Governmental Accounting Standards Board (GASB) No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”* and *Governmental Accounting Standards Board (GASB) No. 59, “Financial Omnibus”*.

GASB Statement No. 54 establishes fund balance classification that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in government funds. It requires fund balance to be classified as nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The implementation of this statement resulted in the reclassification of a certain fund and restatement of the County’s financial statements.

GASB Statement No. 59, “Financial Instruments Omnibus” addresses the changes to several GASB Statements regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of this Statement did not result in any changes to the County’s financial statements.

During 2011, the implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds and net assets as they were previously reported:

	General Fund	Nonmajor Governmental Fund
	<u>          </u>	<u>          </u>
Fund Balance at December 31, 2010	\$3,855,209	\$2,162,004
Fund Reclassification	80,958	(80,958)
Adjusted Fund Balance at December 31, 2010	<u>\$3,936,167</u>	<u>\$2,081,046</u>

PREBLE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 28 - CONTRACTUAL COMMITMENTS**

As of December 31, 2011, the County had the following contractual purchase commitments for various projects:

Project/Contractor	Contract Amount	Amount Expended	Balance at December 31, 2011
Camden College Corner Road Bridge Project	\$1,795,444	\$447,665	\$1,347,779

**NOTE 29 – SUBSEQUENT EVENT**

During February, April, and June of 2012, the County refinanced the following bond anticipation notes: Court Computer Software for \$40,000, Brock Ditch construction for \$13,697, Jail HVAC for \$46,400 and the Landfill Compactor for \$54,000.

**NOTE 30 - DISCRETELY PRESENTED COMPONENT UNIT**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ORGANIZATION** - L & M Products (the “Company”) is incorporated as a non-governmental not-for-profit organization under the laws of the State of Ohio.

**NATURE OF ACTIVITIES** - The Company provides employment, training, and rehabilitation opportunities in support of the Preble County Board of Developmental Disabilities (PCBDD) programs. The Company enters into month-to-month contracts for the assembly of component parts for local businesses, places workers with employers (including enclaves), offers document shredding services to local businesses, and also operates a concession stand at Eaton Community Pool. Excess net revenues generated by the operations are used to fund habilitative programs, including nursing services and a senior/retirement program.

**BASIS OF ACCOUNTING** - The financial statements of the Company have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America, as contained in the Accounting Standards Codification (ASC) issued by the Financial Accounting Standards Board (FASB).

**BASIS OF PRESENTATION** - Financial statement presentation follows the requirements of ASC Section 958 relating to financial statements of not-for profit entities. Accordingly, the Company is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 30 - DISCRETELY PRESENTED COMPONENT UNIT (Continued)**

USE OF ESTIMATES - The presentation 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.

REVENUE RECOGNITION – Revenue received from contracts with local agencies for consumer employment, training and rehabilitation is recognized when earned and is reported as an increase in unrestricted net assets. Donated services, materials, and facilities meeting criteria established in ASC Section 958 are reflected as unrestricted contributions in the accompanying statements at their estimated values as of the date of receipts. An equivalent expense is also recognized. Contributions, if any, are considered to be available for unrestricted use unless specifically restricted by the donor. Temporarily and permanently restricted net assets reflect donor stipulations for use in specific programs or for specific periods of time. Restricted contributions are reported as an increase in unrestricted net assets if the restrictions expire in the same reporting period in which the contribution is recognized. If donor restrictions expire in a subsequent reporting period, the contribution is initially classified as an increase in temporarily restricted net assets, and reported in the Statement of Activities for the subsequent period as net assets released from restrictions.

FAIR VALUE OF FINANCIAL INSTRUMENTS - The Company has adopted the provisions of ASC Section 820 relating to fair value measurements and disclosures for financial assets and financial liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Section 820 establishes a framework for measuring fair value which includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy under ASC Section 820 are:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation method are unobservable and significant to the fair value measurement.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 30 - DISCRETELY PRESENTED COMPONENT UNIT (Continued)**

The level at which the fair value of an asset or liability will be measured is based on the highest priority of any available input that is significant to the fair value measurement. Valuation techniques are used to attempt to maximize the use of observable inputs and minimize the use of unobservable inputs.

**CASH AND CASH EQUIVALENTS** - For purposes of reporting cash flows, the Company considers all checking accounts, savings accounts, and certificates of deposit to be cash equivalents.

**ACCOUNTS RECEIVABLE** - Accounts receivable are stated at fair value (level 3 inputs), which approximates the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from production contracts and other services. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable.

**PROPERTY AND EQUIPMENT** - Assets with a cost exceeding \$1,000 and a useful life exceeding one year, are recorded at cost; donated assets with a fair value exceeding \$1,000 and a useful life exceeding one year are recorded at fair value at the time of donation. Depreciation is computed principally using straight-line methods over the estimated useful lives of the assets. Routine maintenance, repairs, and renewals are charged to income as incurred. Renewals and betterments that substantially increase the life of an asset are capitalized. At retirement or sale, the cost of assets, less the related accumulated depreciation, is removed from the accounts and resulting gains or losses are included in income.

**ADVERTISING** - Advertising costs are expensed as incurred.

**FUNCTIONAL ALLOCATION OF EXPENSES** - The costs of providing the various programs have been summarized on a functional basis in the Statement of Activities. Where identifiable, costs are charged directly to the program service for which they are incurred. Costs that benefit more than one program are allocated among those programs based on estimates made by management. Payroll taxes and fringe benefits are allocated based upon payroll costs.

**INCOME TAXES** - The Company is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code, and does not currently conduct any activities, which would result in the imposition of the unrelated business income tax. Although the Company's federal information returns for the years ending December 31, 2008 – 2011 are subject to examination by the Internal Revenue Service, it has not indicated any intent to do so.

PREBLE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 30 - DISCRETELY PRESENTED COMPONENT UNIT (Continued)**

**CONCENTRATIONS OF CREDIT RISK**

Three customers represent 67 percent of total assembly contract billings for 2011. Two customers account for 90 percent of accounts receivable at December 31, 2011. Management believes that all accounts receivable, which are measured using Level 3 inputs, are collectible at December 31, 2011, and has made no provision for uncollectible amounts.

**PROPERTY AND EQUIPMENT**

Property and equipment consists of:

2011	Cost	Accumulated Depreciation	Book Value
Leasehold Improvements	\$83,646	\$57,775	\$25,871
Machinery and Equipment	107,631	89,105	18,526
Vehicles	39,550	19,371	20,179
Total	<u>\$230,827</u>	<u>\$166,251</u>	<u>\$64,576</u>

**DONATED SERVICES AND FACILITIES**

The PCBDD pays the salaries and benefits of the Company's non-client staff, and provides the facilities and transportation for the operations of the Company. The fair value of these items is reported as a contribution and a corresponding expense is recognized. These values are computed as follows.

	2011
<u>Donated Services</u>	
Salaries and benefits expense incurred by PCBDD	<u>\$1,021,225</u>
<u>Donated Facilities</u>	
Costs paid by PCBDD	\$227,464
Estimated equivalent rental value of facilities owned by PCBDD	80,314
Value of facilities donated by PCBDD	<u>\$307,778</u>

**RELATED PARTY TRANSACTIONS**

At December 31, 2011, three of the Company's board members was employed by a customer of the Company. Another board member is an employee of a bank in which the Company maintains accounts. Board policy allows that up to three board members can be related to employees of the Company. At December 31, 2011, two board members were related to employees.

PREBLE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

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**NOTE 30 - DISCRETELY PRESENTED COMPONENT UNIT (Continued)**

**RESTRICTED CASH - CUSTODIAL FUNDS**

The Company is also the funds custodian for an event fund established by the Preble County Special Olympics. As such, it collects contributions and other funds raised for the event, and disburses these funds pursuant to the instructions of the committee conducting the event. Activity for 2011 consists of:

	2011
Contributions	\$2,507
Withdrawals	(1,574)
Decrease in account	933
Custodial Balance, January 1	276
Custodial Balance, December 31	\$1,209

**RESTRICTED CASH - CONSUMER FUNDS**

The Company also is the custodian for consumer club funds. Consumer club funds are summarized as follows:

	2011
Employee Council	\$783
People First	106
Total Restricted Consumer Funds	\$889

**DEFERRED REVENUE**

At December 31, 2011, deferred revenue consisted of the following:

	2011
Westcentral Ohio Network	\$6,332
Less consumer activity expense	(2,672)
Total Deferred Revenue	\$3,660

**SUBSEQUENT EVENTS**

The Company has evaluated all subsequent events through April 16, 2012, the date the financial statements were available to be issued.



PREBLE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2011

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
Shelter Plus Care	n/a	14.238	\$ 50,012
<i>Passed Through Ohio Department Of Development:</i>			
Community Development Block Grant	B-C-09-1CK-1	14.228	32,511
	B-F-09-1CK-1	14.228	97,908
Community Development Block Grant	B-F-10-1CK-1	14.228	134,896
Total Community Development Block Grant			<u>265,315</u>
Community Housing Improvement Program	B-C-09-1CK-2	14.239	24,215
<i>Total Passed Through Ohio Department of Development</i>			<u>289,530</u>
Total U.S. Department of Housing and Urban Development			<u>339,542</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through Ohio Department Of Job &amp; Family Services :</i>			
Food Assistance Employment & Training (FAET)	G-1011-11-5102	10.561	6,711
Food Assistance	G-1011-11-5102	10.561	189,539
Total Food Assistance			<u>196,250</u>
Total U.S. Department of Agriculture			<u>196,250</u>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
ARRA - Edward Byrne Memorial Justice Assistance Grant	2009-RA-E01-2244	16.804	36,905
<i>Passed Through Ohio Attorney General's Office:</i>			
Victims of Crime Act	2011 VAGENE 199	16.575	52,724
Victims of Crime Act	2012 VAGENE 199	16.575	15,364
Total Victims of Crime Act			<u>68,088</u>
<i>Total Passed Through Ohio Attorney General's Office</i>			68,088
Total U.S. Department of Justice			<u>104,993</u>
<b><u>U.S. DEPARTMENT OF FEDERAL HIGHWAY ADMINISTRATION</u></b>			
<i>Passed Through The Ohio Emergency Management Agency:</i>			
HMEP 18th Year Grant	N/A	20.703	4,831
<i>Passed Through The Ohio Department of Transportation:</i>			
Highway Planning and Construction:			
Camden-College Corner Road Bridge Replacement	PID 82901	20.205	332,418
Ketterman Junction Road Bridge Replacements	PID 83047	20.205	689,009
Preble County Guardrail Project	PID 88320	20.205	293,032
California School and Monebrake Road Bridge Replacements	PID 90412	20.205	1,230
STW CEAO Safety Studies	PID 87063	20.205	1,864
Fracture Critical Bridge Load Rating	PID 87270	20.205	31,910
Total Highway Planning and Construction			<u>1,349,463</u>
Total U.S. Department of Federal Highway Administration			<u>1,354,294</u>
<b><u>U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT ASSISTANCE</u></b>			
<i>Passed Through Ohio Department of Public Safety:</i>			
State Homeland Security Grant-FY 2008	2008-GE-T8-0025	97.067	10,926
State Homeland Security Grant-FY 2009	2009-SS-T9-0089	97.067	23,688
State Homeland Security Grant-FY 2010	2010-SS-T0-0012	97.067	40,824
Citizen Corps Program Grant-FY 2008	2008-GE-T8-0025	97.067	6,650
Citizen Corps Program Grant-FY 2009	2009-SS-T9-0089	97.067	678
			<u>82,766</u>
Emergency Management Performance Grant-FY 2010	2010-EP-00-0003	97.042	23,517
Emergency Management Performance Grant-FY 2011	2011-EP-00003-S01	97.042	19,822
Total Emergency Management Performance Grants			<u>43,339</u>
Total U.S. Department of Federal Emergency Management Assistance			<u>126,105</u>

(Continued)

PREBLE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF LABOR</u></b>			
<i>Passed Through Montgomery County Department of Job &amp; Family Services:</i>			
<i>Workforce Investment Act Cluster:</i>			
Workforce Investment Act - Adult	G-1011-11-5102	17.258	98,952
Workforce Investment Act - Adult Administrative	G-1011-11-5102	17.258	5,118
Total Workforce Investment Act - Adult			<u>104,070</u>
Workforce Investment Act - Youth	G-1011-11-5102	17.259	93,769
Workforce Investment Act - Youth Administrative	G-1011-11-5102	17.259	5,673
Total Workforce Investment Act - Youth			<u>99,442</u>
Workforce Investment Act - Dislocated Worker	G-1011-11-5102	17.260	110,095
Workforce Investment Act - Dislocated Worker Administrative	G-1011-11-5102	17.260	11,534
Total Workforce Investment Act - Dislocated Worker			<u>121,629</u>
Total Workforce Investment Act Cluster			<u>325,141</u>
Total U.S. Department of Labor			<u>325,141</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Passed Through Ohio Department of Mental Health:</i>			
Strategic Prevention Framework	N/A	93.243	53,452
<i>Passed Through Ohio Department of Mental Health:</i>			
Early Childhood Grant	N/A	93.590	12,757
<i>Passed Through Ohio Department of Job &amp; Family Services:</i>			
Title XX - Base	G-1011-11-5102	93.667	98,211
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Title XX Social Service Block Grant-FY11	N/A	93.667	23,543
Title XX Social Service Block Grant-FY12	N/A	93.667	10,515
			<u>34,058</u>
<i>Passed Through Ohio Department of Mental Health:</i>			
Title XX Social Service Block Grant	N/A	93.667	19,335
Total Title XX Social Service Block Grant			<u>151,604</u>
<i>Passed Through Ohio Department of Job &amp; Family Services:</i>			
Title XIX Medical Assistance Program	G-1011-11-5102	93.778	163,810
Title XIX Medical Assistance Program - NET	G-1011-11-5102	93.778	20,996
Title XIX Medical Assistance Program - Child Welfare	G-1011-11-5102	93.778	1,193
			<u>185,999</u>
<i>Passed Through Ohio Department of Mental Health:</i>			
Title XIX Medical Assistance Program	N/A	93.778	441,892
ARRA - Title XIX Medical Assistance Program	N/A	93.778	29,108
			<u>471,000</u>
<i>Passed Through Ohio Department of Alcohol &amp; Drug Addiction Services:</i>			
Title XIX Medical Assistance Program	N/A	93.778	63,029
ARRA - enhanced Federal Matching Funds (eFMAP)	N/A	93.778	2,786
			<u>65,815</u>
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Title XIX Medical Assistance Program	N/A	93.778	186,356
ARRA - enhanced Federal Matching Funds (eFMAP)		97.778	44,820
			<u>231,176</u>
Total Title XIX Medical Assistance Program			<u>953,990</u>

(Continued)

PREBLE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<i>Passed Through Ohio Department of Mental Health:</i>			
Community Mental Service Block Grant	N/A	93.958	36,308
Suicide Prevention - Ohio State Research	BG-10-303-04-001	93.958	1,000
			<u>37,308</u>
<i>Passed Through Ohio Department of Alcohol &amp; Drug Addiction Services:</i>			
Block Grant-Federal PCN Treatment/Prevention	N/A	93.959	155,522
Youth Led Prevention	N/A	93.959	3,820
			<u>159,342</u>
<i>Passed Through Ohio Department of Job &amp; Family Services:</i>			
Child Support Enforcement-2011	G-1011-11-5102	93.563	199,758
Child Support Enforcement-2012	G-1011-11-5102	93.563	49,472
Child Support Enforcement Incentives	G-1011-11-5102	93.563	68,785
			<u>318,015</u>
<i>Passed Through Ohio Department of Job &amp; Family Services:</i>			
ESAA Preservation	G-1011-11-5102	93.556	26,407
ESAA Reunification	G-1011-11-5102	93.556	10,170
			<u>36,577</u>
<i>Passed Through Ohio Department of Mental Health:</i>			
Promoting Safe and Stable Families	5-AU-11-100-22-049	93.556	17,238
Promoting Safe and Stable Families	5-AU-12-100-22-069	93.556	3,184
			<u>20,422</u>
<i>Passed Through Ohio Department of Job &amp; Family Services:</i>			
Chaffee Foster Care Independent Living	G-1011-11-5102	93.674	11,407
<i>Passed Through Ohio Department of Job &amp; Family Services:</i>			
Child Welfare Services-State Grants (IV-B)	G-1011-11-5102	93.645	37,580
<i>Passed Through Ohio Department of Job &amp; Family Services:</i>			
Adoption Assistance Administration	G-1011-11-5102	93.659	114,315
Non-Recurring Adoption Assistance	G-1011-11-5102	93.659	8,110
			<u>122,425</u>
<i>Passed Through Ohio Department of Job &amp; Family Services:</i>			
Child Abuse & Neglect	G-1011-11-5102	93.590	1,648
<i>Passed Through Ohio Department of Job &amp; Family Services:</i>			
Temporary Assistance for Needy Families-Administration	G-1011-11-5102	93.558	376,511
Temporary Assistance for Needy Families-Regular	G-1011-11-5102	93.558	304,943
Title XX - Transfer	G-1011-11-5102	93.558	137,619
			<u>819,073</u>
<i>Passed Through Ohio Department of Job &amp; Family Services:</i>			
Foster Care Administration	G-1011-11-5102	93.658	57,068
Foster Care Maintenance	G-1011-11-5102	93.658	248,178
ARRA - Foster Care Maintenance	G-1011-11-5102	93.658	8,533
			<u>313,779</u>
<i>Passed Through Ohio Department of Job &amp; Family Services:</i>			
Childcare Block Grant:			
Child Care - Administration	G-1011-11-5102	93.575	15,238
Child Care - Non-Administrative	G-1011-11-5102	93.596	10,713
			<u>25,951</u>
Total Childcare Block Grant			<u>25,951</u>
<i>Passed Through Ohio Department of Health:</i>			
Early Head Start	06810021HG0209/06810021HG0312	93.709	23,285
ARRA - Early Head Start	06810021HA0211	93.709	14,188
			<u>37,473</u>
Total U.S. Department of Health and Human Services			<u>3,112,803</u>
<b>Total</b>			<u><u><b>\$5,559,128</b></u></u>

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

**PREBLE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED DECEMBER 31, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - SUBRECIPIENTS**

The County passes certain federal awards received from U.S. Department of Health and Human Services and the U.S. Department of Housing and Urban Development to other governments or not-for-profit agencies (subrecipients). As Note A describes, the County reports expenditures of Federal awards to subrecipients when paid in cash.

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

**NOTE C - COMMUNITY HOME IMPROVEMENT PROGRAM**

The Federal Department of Housing and Urban Development (HUD) grants money for loans to the County passed through the Ohio Department of Development. The County uses the loan program to provide interest free loans to individuals for home rehab, rental rehab, and to assist with down payments for first-time home buyers. The initial loan of this money is recorded as a disbursement on the accompanying Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2011, the gross amount of loans outstanding under the CDBG CHIP program was \$127,666. At December 31, 2011, the gross amount of loans outstanding under the HOME CHIP program was \$186,045.

The County has established a CHIP Revolving Loan Fund, which had a balance of \$17,870 as of December 31, 2011. The balance is from program income received when CDBG CHIP and HOME CHIP mortgages are paid back. Loans repaid are used to make additional loans or as a grant to assist low-income homeowners through other CHIP approved activities. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

**NOTE D - MATCHING REQUIREMENTS**

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

**NOTE E – ADJUSTMENTS TO MEDICAID MAC AND WAC**

During the calendar year, the County received a deferred payment from the Ohio Department of Developmental Disabilities (DODD) for the Medicaid program (CFDA # 93.778) in the amount of \$284,116. The deferred payment was for Medicaid Administrative Claiming (MAC) and Waiver Administrative Claiming (WAC) expenses the County incurred in prior reporting periods due to an increase of federal funding received by DODD to reimburse these expenses and also due to changes in the County's Medicaid Eligibility Rate (MER) for certain activity codes within MAC/WAC. This revenue is not listed on the County's Schedule of Federal Awards since the underlying expenses occurred in prior reporting periods.



# Dave Yost • Auditor of State

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

Preble County  
100 East Main Street  
Eaton, Ohio 45320

To the County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and the remaining fund information of Preble County, Ohio (the County), as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 5, 2012, in which we noted that the County adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted that the Landfill fund had a net assets deficit at December 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

### Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial

statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 5, 2012.

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

We intend this report solely for the information and use of management, the audit committee, the Board of County Commissioners, and federal awarding agencies and pass-through entities, and others within the County. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

September 5, 2012



# Dave Yost • Auditor of State

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

Preble County  
100 East Main Street  
Eaton, Ohio 45320

To the County Commissioners:

### Compliance

We have audited the compliance of Preble County, Ohio (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Preble County's major federal programs for the year ended December 31, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the County's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with these requirements.

In our opinion, the Preble County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011.

### Internal Control Over Compliance

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the audit committee, management, Board of County Commissioners, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Dave Yost**  
Auditor of State

September 5, 2012



**PREBLE COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 20.205 – Highway Planning and Construction CFDA # 93.778 – Title XIX Medical Assistance Program CFDA # 93.658 – Foster Care Maintenance and Administration CFDA # 93.558 – Temporary Assistance for Needy Families
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

**FINDING NUMBER 2011-01**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

**FINDING NUMBER 2011-01  
(Continued)**

The County lacks management oversight in the preparation of its financial statements.

Landfill accounts receivable was overstated by \$296,798. This overstatement was due to an account being counted twice in determining the accounts receivables amount for the landfill. Failure to properly value assets has resulted in material financial statement misstatements. We recommend the County use due care when calculating landfill accounts receivables.

The County corrected the financial statements.

**Officials' Response:**

Account #500 appears on the monthly report twice, one as Rumpke Waste and a second as a nameless account. This began to occur in March of 2010 after an accounting issue revealed a glitch in the computer program with the original Rumpke #500 account. The scale program utilized by the Preble County Landfill is a DOS based software designed specifically for landfill use. This software was written and placed in service in 1994, while very limited in its functions and capabilities it has been used continuously since that time. A high account balance that occurred caused the program to reset the running tally. Once this occurred the program reported a lower balance than was actually owed. Electronic support technicians were brought onsite and repaired the tally problem that had occurred. During this repair the system began reporting a nameless #500 account, although this concern was addressed by the scale clerk; the double account entry was not corrected at that time. The Landfill staff have been aware of this entry and mentally corrected the statement when reviewing this information. Electronic support technicians have been brought onsite to repair the issue as addressed in the State Auditor's report. This repair required program editing/writing of the software to ensure the deletion of the nameless #500 account did not affect the Rumpke Waster #500 account. This issue has been corrected as of August 29, 2012.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**None.**

PREBLE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	Finding for Recovery Repaid Under Audit – Lorelei Karns	Yes	

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# Dave Yost • Auditor of State

## PREBLE COUNTY FINANCIAL CONDITION

### PREBLE COUNTY

#### CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
SEPTEMBER 27, 2012