



Dave Yost • Auditor of State

PREBLE COUNTY
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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Preble County
101 East Main Street
Eaton, Ohio 45320

To the County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Preble County, Ohio (the County), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Preble County, Ohio, as of December 31, 2013, 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 accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the County's basic financial statements taken as a whole.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2014, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

September 24, 2014

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PREBLE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED

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, 2013. 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

- Total governmental activities net position increased \$3,785,410. The biggest increase was in net investment in capital assets, which increased \$3,600,826. Unrestricted increased by \$21,773.
- The net position of the County's business-type activities increased by \$929,330.

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.

Government-wide Financial Statements

Preble County's government-wide financial statements include a Statement of Net Position 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:

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.

PREBLE COUNTY

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

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 Position reports all assets and liabilities of the County, with Net Position being the difference between the two. This statement is useful when evaluating the financial condition of the County. Monitoring the changes to Net Position 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 Position, 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 Position" 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.

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 Position, 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.

PREBLE COUNTY

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

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.

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

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, Developmental Disabilities and Road and Bridge Construction. The basic governmental fund financial statements begin on page 16 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 31 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 33 of this report.

PREBLE COUNTY

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

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 Position looks at the County as a whole. Table 1 provides a summary of the County's Net Position for 2013 compared to 2012.

**Table 1
Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	Restated 2012	2013	Restated 2012
Assets:						
Current and Other Assets	\$22,428,884	\$21,364,837	\$4,325,010	\$3,573,471	\$26,753,894	\$24,938,308
Capital Assets	33,146,363	29,679,783	4,674,249	4,791,808	37,820,612	34,471,591
Total Assets	55,575,247	51,044,620	8,999,259	8,365,279	64,574,506	59,409,899
Deferred Outflows of Resources:						
Deferred Charge on Refunding			54,315	72,422	54,315	72,422
Liabilities:						
Long-Term Liabilities	668,042	1,181,639	8,743,347	9,008,554	9,411,389	10,190,193
Other Liabilities	2,920,737	1,654,865	256,997	305,247	3,177,734	1,960,112
Total Liabilities	3,588,779	2,836,504	9,000,344	9,313,801	12,589,123	12,150,305
Deferred Inflow of Resources:						
Deferred Charge on Refunding	698	930			698	930
Property Taxes	3,295,016	3,301,842			3,295,016	3,301,842
Total Deferred Inflow of Resources	3,295,714	3,302,772			3,295,714	3,302,772
Net Position:						
Net Investment in Capital Assets	32,651,519	29,050,693	2,031,988	1,974,281	34,683,507	31,024,974
Restricted:						
Other Purposes	11,358,414	11,338,560			11,358,414	11,338,560
Debt Service	2,856	1,320			2,856	1,320
Capital Projects	651,571	44,336			651,571	44,336
Unrestricted (Deficit)	4,026,394	4,470,435	(1,978,758)	(2,850,381)	2,047,636	1,620,054
Total Net Position	\$48,690,754	\$44,905,344	\$53,230	(\$876,100)	\$48,743,984	\$44,029,244

PREBLE COUNTY

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

Government-wide Financial Analysis

Total governmental activities net position increased \$3,785,410. The biggest increase was in net investment in capital assets, which increased \$3,600,826 due to additions of assets, especially infrastructure. The County finished several bridge replacement projects and road resurfacing projects during the year, in addition to starting two bridge replacement projects. Current and other assets increased \$1,064,047 primarily due to intergovernmental receivables relating to grants on bridge projects. Capital assets increased \$3,466,580 primarily due to construction in progress of \$2,315,365.

Total governmental activities liabilities increased \$752,275 due primarily to contracts payable relating to the ongoing bridge projects.

The net position of the County's business-type activities increased by \$929,330, due to an increase in cash and cash equivalents. Cash and cash equivalents increased due to expenditures were less than revenues for 2013. The decrease in expenditures is related to the County completing the waste water treatment plant and landfill projects.

Table 2 normally shows the changes in Net Position for the years ended December 31, 2013 and 2012.

**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	Restated 2012	2013	Restated 2012
Revenues:						
Program Revenues:						
Charges for Services	\$4,491,960	\$3,947,654	\$3,231,236	\$3,891,912	\$7,723,196	\$7,839,566
Operating Grants, Contributions, and Interest	11,593,972	11,502,523	15,404	31,827	11,609,376	11,534,350
Capital Grants, Contributions, and Interest	2,674,594	2,471,753			2,674,594	2,471,753
Total Program Revenues	18,760,526	17,921,930	3,246,640	3,923,739	22,007,166	21,845,669
General Revenues:						
Property Taxes	4,091,424	4,014,878			4,091,424	4,014,878
Permissive Sales Tax	4,870,480	4,729,873			4,870,480	4,729,873
Grants and Entitlements	1,132,972	878,261			1,132,972	878,261
Unrestricted Investment Earnings	83,055	127,470	146	229	83,201	127,699
Other	587,406	594,264	33,126	62,430	620,532	656,694
Total General Revenues	10,765,337	10,344,746	33,272	62,659	10,798,609	10,407,405
Total Revenues	29,525,863	28,266,676	3,279,912	3,986,398	32,805,775	32,253,074

(Continued)

PREBLE COUNTY

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

**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	Restated 2012	2013	Restated 2012
Program Expenses:						
General Government:						
Legislative and Executive	4,139,433	3,642,852			4,139,433	3,642,852
Judicial	1,998,832	1,942,249			1,998,832	1,942,249
Public Safety	4,548,340	4,550,316			4,548,340	4,550,316
Public Works	2,552,249	4,629,947			2,552,249	4,629,947
Health	1,502,029	2,092,257			1,502,029	2,092,257
Human Services	10,247,201	9,290,577			10,247,201	\$9,290,577
Community and Economic Development	680,574	666,790			680,574	666,790
Intergovernmental	47,126	71,479			47,126	71,479
Interest and Fiscal Charges	24,669	29,426			24,669	29,426
Sewer			67,478	88,128	67,478	88,128
Landfill			2,283,104	3,323,631	2,283,104	3,323,631
Total Expenses	<u>25,740,453</u>	<u>26,915,893</u>	<u>2,350,582</u>	<u>3,411,759</u>	<u>28,091,035</u>	<u>30,327,652</u>
Change in Net Position	3,785,410	1,350,783	929,330	574,639	4,714,740	1,925,422
Net Position Beginning of Year	44,905,344	43,554,561	(876,100)	(1,450,739)	44,029,244	42,103,822
Net Position End of Year	<u>\$48,690,754</u>	<u>\$44,905,344</u>	<u>\$53,230</u>	<u>(\$876,100)</u>	<u>\$48,743,984</u>	<u>\$44,029,244</u>

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). Property tax and sales tax revenues together are the second largest revenue stream of the County.

The largest increase to revenues was from charges for services, capital grants, contribution, and interest as well as grants and entitlements. The County has received more in building permits due to a large expansion project related to a private corporation, and casino tax revenue increasing compared to the prior year.

Expenses saw a decrease of \$1,175,440 due to a large decrease in public works programs. This is a result of a decrease in construction projects. Several County departments had wage and other operating expenditure increases; however, these increases did not exceed the decrease in construction cost from the Engineer's Department.

Business-type Activities

The County's sewer and landfill system operations constitute the only business-type activities. Both revenue and expenditures decreased for the business-type activities. This is most noticeable in landfill operations. Due to a decrease in trash collection revenues, operating expenditures also decreased.

PREBLE COUNTY

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

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 2013, the County's governmental funds reported combined ending fund balances of \$14,367,980. Approximately 67.6 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 \$4,428,502, a decrease of \$265,246. The increase was due to an increase in transfers out as the County Commissioners forgave advances to a nonmajor governmental fund.

The Motor Vehicle and Gas Tax Fund increased by \$427,214, leaving a balance of \$1,794,365.

The Human Services Fund decreased by \$93,202. Transfers in from the General Fund supplemented existing revenues to offset expenditures.

The Community Mental Health Fund revenues exceeded expenditures, increasing the year-end fund balance by \$93,281.

The Developmental Disabilities Fund revenues did not exceed expenditures, decreasing the year-end fund balance by \$264,901. Services provided for the developmental disabled have increased while funding to support these services has not kept pace.

The Road and Bridge Construction Fund revenues exceeded expenditures, increasing fund balance by \$9. The County received large grants for bridge projects which were started during the year.

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 \$146,311 in user charges during 2013. Net position increased by \$86,752 during 2013, ending with a net position of \$1,068,712.

Net position for the County-owned landfill had an increase of \$842,578 in 2013. The increase was mainly due to the decrease in operating expenditures as revenues decreased in addition to the County completing the construction project during 2013.

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 14.8 percent. This increase is related to higher than expected casino tax revenues and building permit fees due to a large expansion project at a local industrial plant. Actual receipts were slightly higher than final budgeted revenues.

PREBLE COUNTY

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

During 2013, there were numerous revisions to the General Fund's budgeted expenditures. The net effect of the revisions was an increase in budgeted disbursements of 2.5 percent.

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 \$33,146,363 and \$4,674,249, an increase of \$3,466,580 in governmental and a decrease of \$117,559 in business type from 2012.

**Table 3
Capital Assets**

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	Restated 2012	2013	Restated 2012
	Land	\$2,252,014	\$2,252,014	\$452,313	\$452,313	\$2,704,327
Construction in Progress	2,438,865	123,500		1,841,631	2,438,865	1,965,131
Buildings, Structures, and Improvements	7,236,062	7,227,551	1,316,133	733,414	8,552,195	7,960,965
Furniture, Fixtures, and Equipment	2,682,125	2,885,671	1,171,089	1,230,722	3,853,214	4,116,393
Infrastructure	18,537,297	17,191,047	1,734,714	533,728	20,272,011	17,724,775
Totals	\$33,146,363	\$29,679,783	\$4,674,249	\$4,791,808	\$37,820,612	\$34,471,591

See Note 10 of the notes to the basic financial statements for more detailed information.

Debt

At December 31, 2013, Preble County had \$494,146 and \$3,690,157 in governmental activities and business-type activities, respectively debt outstanding.

**Table 4
Outstanding Debt at Year-end**

	Governmental Activities		Business-Type Activities	
	2013	2012	2013	2012
Long-Term Notes		\$26,849	\$153,473	\$204,630
Loans Payable			2,383,630	2,507,739
General Obligation Bonds	\$450,083	505,110	1,101,897	1,442,529
Short-Term Notes	44,063	96,201	51,157	105,158
Totals	\$494,146	\$628,160	\$3,690,157	\$4,260,056

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

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.

PREBLE COUNTY, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	L & M Products
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$12,919,068	\$2,637,366	\$15,556,434	\$355,126
Cash and Cash Equivalents in Segregated Accounts	232,651	0	232,651	0
Cash and Cash Equivalents with Fiscal Agents	330,037	0	330,037	0
Cash and Cash Equivalents with Trustee	0	1,709,542	1,709,542	0
Accrued Interest Receivable	24,559	0	24,559	0
Accounts Receivable	139,719	405,357	545,076	26,776
Permissive Sales Tax Receivable	796,028	0	796,028	0
Due from Other Governments	3,469,970	0	3,469,970	0
Internal Balances	431,468	(431,468)	0	0
Prepaid Items	57,831	0	57,831	2,298
Materials and Supplies Inventory	173,554	4,213	177,767	0
Property Taxes Receivable	3,647,789	0	3,647,789	0
Special Assessments Receivable	206,210	0	206,210	0
Restricted Cash - Custodial Funds	0	0	0	90
Restricted Cash - Consumer Funds	0	0	0	588
Advance Deposits	0	0	0	186
Nondepreciable Capital Assets	4,690,879	452,313	5,143,192	0
Depreciable Capital Assets, Net	28,455,484	4,221,936	32,677,420	75,654
Total Assets	55,575,247	8,999,259	64,574,506	460,718
Deferred Outflow of Resources:				
Deferred Charge on Refunding	0	54,315	54,315	0
Liabilities:				
Accounts Payable	491,901	82,392	574,293	1,894
Accrued Salaries Payable	555,103	22,905	578,008	2,934
Payroll Taxes and Withholdings	0	0	0	1,391
Matured Compensated Absences Payable	2,573	0	2,573	0
Accrued Vacation Leave Payable	468,822	13,155	481,977	0
Contracts Payable	965,134	21,507	986,641	0
Due to Other Governments	386,644	42,650	429,294	0
Accrued Interest Payable	6,497	23,231	29,728	0
Custodial Funds	0	0	0	90
Consumer Funds	0	0	0	588
Notes Payable	44,063	51,157	95,220	0
Long-Term Liabilities:				
Due Within One Year	105,769	496,246	602,015	0
Due in More Than One Year	562,273	8,247,101	8,809,374	0
Total Liabilities	3,588,779	9,000,344	12,589,123	6,897
Deferred Inflows of Resources:				
Deferred Charge on Refunding	698	0	698	0
Property Taxes	3,295,016	0	3,295,016	0
Total Deferred Inflows of Resources	3,295,714	0	3,295,714	0
Net Position:				
Net Investment in Capital Assets	32,651,519	2,031,988	34,683,507	0
Restricted for:				
Public Safety	1,002,397	0	1,002,397	0
Public Works	3,077,332	0	3,077,332	0
Health	1,348,911	0	1,348,911	0
Human Services	4,516,738	0	4,516,738	740
Community and Economic Development	74,330	0	74,330	0
General Government	1,338,706	0	1,338,706	0
Debt Service	2,856	0	2,856	0
Capital Projects	651,571	0	651,571	0
Unrestricted (Deficit)	4,026,394	(1,978,758)	2,047,636	453,081
Total Net Position	\$48,690,754	\$53,230	\$48,743,984	\$453,821

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
Governmental Activities:				
General Government:				
Legislative and Executive	\$4,139,433	\$1,736,439	\$0	\$0
Judicial	1,998,832	867,081	76,819	0
Public Safety	4,548,340	643,068	378,580	0
Public Works	2,552,249	770,181	3,795,881	2,119,275
Health	1,502,029	170,621	1,216,842	0
Human Services	10,247,201	304,570	6,125,850	0
Community and Economic Development	680,574	0	0	555,319
Intergovernmental	47,126	0	0	0
Interest and Fiscal Charges	24,669	0	0	0
Total Governmental Activities	25,740,453	4,491,960	11,593,972	2,674,594
Business-Type Activities:				
Sewer	67,478	146,311	7,904	0
Landfill	2,283,104	3,084,925	7,500	0
Total Business-Type Activities	2,350,582	3,231,236	15,404	0
Total Primary Government	\$28,091,035	\$7,723,196	\$11,609,376	\$2,674,594
Component Unit:				
L & M Products	\$1,943,310	\$281,393	\$1,692,033	\$0

General Revenues:

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

Total General Revenues

Change in Net Position

Net Position (Deficit) at Beginning of Year -
 Restated (See Note 3)

Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expenses) Revenues and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	L & M Products
(\$2,402,994)	\$0	(\$2,402,994)	\$0
(1,054,932)	0	(1,054,932)	0
(3,526,692)	0	(3,526,692)	0
4,133,088	0	4,133,088	0
(114,566)	0	(114,566)	0
(3,816,781)	0	(3,816,781)	0
(125,255)	0	(125,255)	0
(47,126)	0	(47,126)	0
(24,669)	0	(24,669)	0
(6,979,927)	0	(6,979,927)	0
0	86,737	86,737	0
0	809,321	809,321	0
0	896,058	896,058	0
(6,979,927)	896,058	(6,083,869)	0
0	0	0	30,116
1,880,410	0	1,880,410	0
245,503	0	245,503	0
1,586,408	0	1,586,408	0
68,462	0	68,462	0
310,641	0	310,641	0
4,870,480	0	4,870,480	0
1,132,972	0	1,132,972	0
83,055	146	83,201	0
587,406	33,126	620,532	0
10,765,337	33,272	10,798,609	0
3,785,410	929,330	4,714,740	30,116
44,905,344	(876,100)	44,029,244	423,705
\$48,690,754	\$53,230	\$48,743,984	\$453,821

PREBLE COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General Fund	Motor Vehicle and Gas Tax Fund	Human Services Fund	Community Mental Health Fund
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,638,836	\$1,229,641	\$132,113	\$1,356,481
Cash and Cash Equivalents in Segregated Accounts	961	0	0	0
Cash and Cash Equivalents with Fiscal Agents	0	0	0	0
Receivables:				
Permissive Sales Tax	796,028	0	0	0
Property Taxes	1,647,328	0	0	219,898
Accounts	13,720	49,468	1,729	2,343
Special Assessments	0	0	0	0
Accrued Interest	24,559	0	0	0
Interfund	431,468	0	0	0
Due From Other Governments	333,286	1,638,175	111,548	43,498
Materials and Supplies Inventory	3,120	163,230	4,864	0
Prepaid Items	8,973	708	47,833	0
Total Assets	<u>\$6,898,279</u>	<u>\$3,081,222</u>	<u>\$298,087</u>	<u>\$1,622,220</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$147,876	\$23,092	\$25,493	\$56,949
Contracts Payable	0	12,208	0	0
Accrued Salaries Payable	235,413	78,225	79,601	19,537
Due to Other Governments	175,186	37,573	39,566	9,614
Matured Compensated Absences Payable	236	2,337	0	0
Notes Payable	0	0	0	0
Accrued Interest Payable	0	0	0	0
Total Liabilities	<u>558,711</u>	<u>153,435</u>	<u>144,660</u>	<u>86,100</u>
Deferred Inflows of Resources:				
Property Taxes	1,484,669	0	0	198,689
Unavailable Revenue	426,397	1,133,422	100,761	32,930
Total Deferred Inflows of Resources	<u>1,911,066</u>	<u>1,133,422</u>	<u>100,761</u>	<u>231,619</u>
Fund Balances:				
Nonspendable	115,417	163,938	52,697	0
Restricted	0	1,630,427	0	1,304,501
Assigned	133,519	0	0	0
Unassigned (Deficit)	4,179,566	0	(31)	0
Total Fund Balances	<u>4,428,502</u>	<u>1,794,365</u>	<u>52,666</u>	<u>1,304,501</u>
Total Liabilities and Fund Balances	<u>\$6,898,279</u>	<u>\$3,081,222</u>	<u>\$298,087</u>	<u>\$1,622,220</u>

See Accompanying Notes to the Basic Financial Statements

Developmental Disabilities Fund	Road and Bridge Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$3,487,759	\$2,441	\$3,071,797	\$12,919,068
0	0	231,690	232,651
330,037	0	0	330,037
0	0	0	796,028
1,449,713	0	330,850	3,647,789
49,668	0	22,791	139,719
0	0	206,210	206,210
0	0	0	24,559
0	0	0	431,468
88,689	1,074,905	179,869	3,469,970
0	0	2,340	173,554
0	0	317	57,831
<u>\$5,405,866</u>	<u>\$1,077,346</u>	<u>\$4,045,864</u>	<u>\$22,428,884</u>
\$12,965	\$0	\$225,526	\$491,901
0	932,976	19,950	965,134
90,416	0	51,911	555,103
46,141	0	78,564	386,644
0	0	0	2,573
0	0	44,063	44,063
0	0	521	521
<u>149,522</u>	<u>932,976</u>	<u>420,535</u>	<u>2,445,939</u>
1,309,565	0	302,093	3,295,016
230,372	141,920	254,147	2,319,949
<u>1,539,937</u>	<u>141,920</u>	<u>556,240</u>	<u>5,614,965</u>
0	0	2,657	334,709
3,716,407	2,450	3,524,259	10,178,044
0	0	8,153	141,672
0	0	(465,980)	3,713,555
<u>3,716,407</u>	<u>2,450</u>	<u>3,069,089</u>	<u>14,367,980</u>
<u>\$5,405,866</u>	<u>\$1,077,346</u>	<u>\$4,045,864</u>	<u>\$22,428,884</u>

PREBLE COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013

Total Governmental Fund Balance \$14,367,980

*Amounts reported for governmental activities in the
Statement of Net Position 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	2,438,865
Buildings, Structures, and Improvements	11,863,289
Furniture, Fixtures, and Equipment	10,004,229
Infrastructure	27,311,257
Accumulated Depreciation	<u>(20,723,291)</u>

Total Capital Assets 33,146,363

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds:

Property and Other Taxes	352,773
Accounts	1,535
Intergovernmental	1,746,030
Special Assessments	206,210
Interest	<u>13,401</u>

Total 2,319,949

Deferred Inflow of Resources represents deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds. (698)

In the Statement of Activities interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (5,976)

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:

General Obligation Bonds	(450,000)
Premium on Debt Issued	(83)
Vacation Leave Payable	(468,822)
Compensated Absences	<u>(217,959)</u>

Total (1,136,864)

Net Position of Governmental Activities \$48,690,754

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, 2013

	General Fund	Motor Vehicle and Gas Tax Fund	Human Services Fund	Community Mental Health Fund
Revenues:				
Property Taxes	\$1,867,622	\$0	\$0	\$243,427
Permissive Sales Tax	4,870,480	0	0	0
Charges for Services	2,014,618	533,652	139,805	104,484
Licenses and Permits	2,181	0	0	0
Fines and Forfeitures	25,317	23,223	0	0
Intergovernmental	1,221,805	3,834,142	1,619,176	1,395,800
Special Assessments	0	0	0	0
Interest	78,816	428	0	0
Other	333,491	9,425	11,121	4,682
Total Receipts	10,414,330	4,400,870	1,770,102	1,748,393
Expenditures:				
Current:				
General Government:				
Legislative and Executive	3,264,356	0	0	0
Judicial	1,790,155	0	0	0
Public Safety	3,872,208	0	0	0
Public Works	10,000	4,027,647	0	0
Health	80,679	0	0	1,399,788
Human Services	375,075	0	2,489,503	253,722
Community and Economic Development	125,730	0	0	0
Capital Outlay	0	0	0	2,784
Intergovernmental	47,126	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	129	0	0	0
Total Disbursements	9,565,458	4,027,647	2,489,503	1,656,294
Excess of Revenues Over (Under) Expenditures	848,872	373,223	(719,401)	92,099
Other Financing Sources (Uses):				
Transfers - In	0	53,991	686,001	1,182
Transfers - Out	(1,114,118)	0	(59,802)	0
Total Other Financing Sources (Uses)	(1,114,118)	53,991	626,199	1,182
Net Change in Fund Balances	(265,246)	427,214	(93,202)	93,281
Fund Balances at Beginning of Year	4,693,748	1,367,151	145,868	1,211,220
Fund Balances at End of Year	<u>\$4,428,502</u>	<u>\$1,794,365</u>	<u>\$52,666</u>	<u>\$1,304,501</u>

See Accompanying Notes to the Basic Financial Statements

Developmental Disabilities Fund	Road and Bridge Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$1,574,617	\$0	\$376,408	\$4,062,074
0	0	0	4,870,480
2,402	0	1,175,044	3,970,005
0	0	123,006	125,187
0	0	134,921	183,461
2,677,280	1,977,355	2,938,744	15,664,302
0	0	177,387	177,387
0	0	0	79,244
194,820	0	36,642	590,181
<u>4,449,119</u>	<u>1,977,355</u>	<u>4,962,152</u>	<u>29,722,321</u>
0	0	728,087	3,992,443
0	0	186,979	1,977,134
0	0	657,585	4,529,793
0	0	200,454	4,238,101
0	0	66,657	1,547,124
4,714,020	0	2,320,518	10,152,838
0	0	554,844	680,574
0	1,977,346	0	1,980,130
0	0	0	47,126
0	0	81,849	81,849
0	0	24,989	25,118
<u>4,714,020</u>	<u>1,977,346</u>	<u>4,821,962</u>	<u>29,252,230</u>
<u>(264,901)</u>	<u>9</u>	<u>140,190</u>	<u>470,091</u>
0	0	1,004,770	1,745,944
0	0	(572,024)	(1,745,944)
<u>0</u>	<u>0</u>	<u>432,746</u>	<u>0</u>
(264,901)	9	572,936	470,091
<u>3,981,308</u>	<u>2,441</u>	<u>2,496,153</u>	<u>13,897,889</u>
<u>\$3,716,407 #</u>	<u>\$2,450</u>	<u>\$3,069,089</u>	<u>\$14,367,980</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, 2013

Net Change in Fund Balances - Total Governmental Funds \$470,091

*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	4,967,580	
Depreciation	(1,458,657)	
Excess of Capital Outlay over Depreciation Expense		3,508,923

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.

Loss on Disposal of Capital Assets		(42,343)
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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 Position. In the current year, these consist of:

Notes Payable	26,849	
General Obligation Bonds	55,000	
Total		81,849

In the Statement of Activities, interest accrued on outstanding bonds 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	190	
Amortization of Loss	232	
Amortization of Premium on Debt	27	
Total		449

Some revenues that will not be collected for several months after the County's year-end are not considered "available" revenues and are therefore recorded as deferred inflows of resources in the governmental funds. Deferred inflows of resources changed by these amounts this year:

Property Taxes	29,350	
Charges for Services	(1,773)	
Fines and Forfeitures	(675)	
Intergovernmental	(263,192)	
Special Assessments	38,368	
Interest	4,239	
Other	(2,775)	
Total		(196,458)

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	431,721	
Increase in Accrued Vacation Leave	(468,822)	
Total		(37,101)

Change in Net Position of Governmental Activities \$3,785,410

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, 2013

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property Taxes	\$1,587,387	\$1,860,038	\$1,860,038	\$0
Permissive Sales Tax	4,155,063	4,868,741	4,868,741	0
Charges for Services	1,507,432	1,698,554	1,766,350	67,796
Licenses and Permits	1,861	2,121	2,181	60
Fines and Forfeitures	29,077	34,071	34,071	0
Intergovernmental	1,033,636	1,219,918	1,220,598	680
Interest	109,255	106,849	128,021	21,172
Other	252,312	301,851	301,999	148
Total Revenues	8,676,023	10,092,143	10,181,999	89,856
Expenditures:				
Current:				
General Government:				
Legislative and Executive	3,309,886	3,459,432	3,341,173	118,259
Judicial	1,741,353	1,755,140	1,607,546	147,594
Public Safety	4,090,812	4,123,202	4,030,189	93,013
Health	81,001	81,642	80,679	963
Human Services	406,048	409,263	376,096	33,167
Community and Economic Development	134,801	135,868	135,730	138
Intergovernmental	61,362	61,848	61,848	0
Debt Service:				
Principal Retirement	0	46,400	46,400	0
Interest and Fiscal Charges	0	1,276	1,276	0
Total Expenditures	9,825,263	10,074,071	9,680,937	393,134
Excess of Revenues Over (Under) Expenditures	(1,149,240)	18,072	501,062	482,990
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	4,102	0	0	0
Advances - In	85,342	100,000	100,000	0
Transfers - In	112,891	0	0	0
Transfers - Out	(756,231)	(648,304)	(648,304)	0
Total Other Financing Sources (Uses)	(553,896)	(548,304)	(548,304)	0
Net Change in Fund Balance	(1,703,136)	(530,232)	(47,242)	482,990
Fund Balance at Beginning of Year	2,892,980	2,892,980	2,892,980	0
Prior Year Encumbrances Appropriated	313,540	313,540	313,540	0
Fund Balance at End of Year	\$1,503,384	\$2,676,288	\$3,159,278	\$482,990

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, 2013

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Charges for Services	\$437,667	\$469,631	\$484,184	\$14,553
Fines and Forfeitures	22,194	24,553	24,553	0
Intergovernmental	3,482,389	3,719,924	3,852,510	132,586
Interest	426	471	471	0
Other	8,520	9,425	9,425	0
Total Revenues	3,951,196	4,224,004	4,371,143	147,139
Expenditures:				
Current:				
Public Works	4,424,415	4,628,529	4,231,785	396,744
Excess of Receipts Over (Under) Disbursements	(473,219)	(404,525)	139,358	543,883
Other Financing Sources:				
Transfers - In	48,804	53,991	53,991	0
Net Change in Fund Balance	(424,415)	(350,534)	193,349	543,883
Fund Balance at Beginning of Year	574,157	574,157	574,157	0
Prior Year Encumbrances Appropriated	255,913	255,913	255,913	0
Fund Balance at End of Year	\$405,655	\$479,536	\$1,023,419	\$543,883

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, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$156,658	\$135,899	\$139,552	\$3,653
Intergovernmental	1,939,369	1,601,504	1,643,929	42,425
Other	11,295	10,062	10,062	0
Total Revenues	2,107,322	1,747,465	1,793,543	46,078
Expenditures:				
Current:				
Human Services	2,774,839	2,593,434	2,532,396	61,038
Excess of Revenues Under Expenditures	(667,517)	(845,969)	(738,853)	107,116
Other Financing Sources (Uses):				
Transfers - In	770,090	686,001	686,001	0
Transfers - Out	(155,002)	(61,196)	(59,802)	1,394
Total Other Financing Sources (Uses)	615,088	624,805	626,199	1,394
Net Change in Fund Balance	(52,429)	(221,164)	(112,654)	108,510
Fund Balance at Beginning of Year	149,961	149,961	149,961	0
Prior Year Encumbrances Appropriated	72,974	72,974	72,974	0
Fund Balance at End of Year	<u>\$170,506</u>	<u>\$1,771</u>	<u>\$110,281</u>	<u>\$108,510</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, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$255,700	\$241,666	\$241,666	\$0
Charges for Services	110,552	104,484	104,484	0
Intergovernmental	1,451,028	1,308,372	1,371,387	63,015
Other	3,036	2,869	2,869	0
Total Revenues	1,820,316	1,657,391	1,720,406	63,015
Expenditures:				
Current:				
Health	1,683,735	1,713,501	1,521,630	191,871
Human Services	270,268	275,046	261,483	13,563
Total Expenditures	1,954,003	1,988,547	1,783,113	205,434
Excess of Revenues Under Expenditures	(133,687)	(331,156)	(62,707)	268,449
Other Financing Sources:				
Transfers - In	1,250	1,182	1,182	0
Net Change in Fund Balance	(132,437)	(329,974)	(61,525)	268,449
Fund Balance at Beginning of Year	1,148,236	1,148,236	1,148,236	0
Prior Year Encumbrances Appropriated	123,431	123,431	123,431	0
Fund Balance at End of Year	\$1,139,230	\$941,693	\$1,210,142	\$268,449

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, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$1,348,356	\$1,569,931	\$1,569,931	\$0
Charges for Services	2,063	2,402	2,402	0
Intergovernmental	1,560,755	1,651,747	1,817,233	165,486
Other	160,838	187,178	187,269	91
Total Revenues	3,072,012	3,411,258	3,576,835	165,577
Expenditures:				
Current:				
Human Services	3,618,830	4,383,830	3,726,161	657,669
Net Change in Fund Balance	(546,818)	(972,572)	(149,326)	823,246
Fund Balance at Beginning of Year	3,491,912	3,491,912	3,491,912	0
Prior Year Encumbrances Appropriated	14,936	14,936	14,936	0
Fund Balance at End of Year	<u>\$2,960,030</u>	<u>\$2,534,276</u>	<u>\$3,357,522</u>	<u>\$823,246</u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO

STATEMENT OF FUND NET POSITION
 ENTERPRISE FUNDS
 DECEMBER 31, 2013

	<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
Assets:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$285,189	\$2,352,177	\$2,637,366
Materials and Supplies	0	4,213	4,213
Accounts Receivable	106,392	298,965	405,357
Total Current Assets	<u>391,581</u>	<u>2,655,355</u>	<u>3,046,936</u>
Non-current Assets:			
Restricted Assets:			
Cash and Cash Equivalents with Trustee	0	1,709,542	1,709,542
Nondepreciable Capital Assets	0	452,313	452,313
Depreciable Capital Assets, Net	1,640,283	2,581,653	4,221,936
Total Non-current Assets	<u>1,640,283</u>	<u>4,743,508</u>	<u>6,383,791</u>
Total Assets	<u>2,031,864</u>	<u>7,398,863</u>	<u>9,430,727</u>
Deferred Outflows of Resources:			
Deferred Charge on Refunding	<u>0</u>	<u>54,315</u>	<u>54,315</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	951	81,441	82,392
Contracts Payable	0	21,507	21,507
Accrued Salaries Payable	102	22,803	22,905
Accrued Vacation Leave Payable	0	13,155	13,155
Due to Other Governments	3,469	39,181	42,650
Interfund Payable	0	431,468	431,468
Accrued Interest Payable	0	23,231	23,231
Notes Payable	0	51,157	51,157
General Obligation Bonds Payable	0	355,000	355,000
OWDA Loans Payable	40,498	0	40,498
OPWC Loans Payable	25,748	75,000	100,748
Total Current Liabilities	<u>70,768</u>	<u>1,113,943</u>	<u>1,184,711</u>
Long-Term Liabilities:			
Notes Payable	0	153,473	153,473
General Obligation Bonds Payable	0	746,897	746,897
OWDA Loans Payable	445,473	0	445,473
OPWC Loans Payable	446,911	1,350,000	1,796,911
Landfill Closure and Postclosure Costs	0	5,104,347	5,104,347
Total Long-Term Liabilities	<u>892,384</u>	<u>7,354,717</u>	<u>8,247,101</u>
Total Liabilities	<u>963,152</u>	<u>8,468,660</u>	<u>9,431,812</u>
Net Position:			
Net Investment in Capital Assets	681,653	1,350,335	2,031,988
Unrestricted (Deficit)	<u>387,059</u>	<u>(2,365,817)</u>	<u>(1,978,758)</u>
Total Net Position (Deficit)	<u>\$1,068,712</u>	<u>(\$1,015,482)</u>	<u>\$53,230</u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO

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

	<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for Services	\$146,311	\$3,084,925	\$3,231,236
Other	15	33,111	33,126
	<u>146,326</u>	<u>3,118,036</u>	<u>3,264,362</u>
Total Operating Revenues			
Operating Expenses:			
Personal Services	10,704	460,923	471,627
Materials and Supplies	2,160	136,461	138,621
Charges and Services	32,439	1,094,005	1,126,444
Depreciation	19,732	139,819	159,551
Closure and Postclosure Costs	0	264,064	264,064
Miscellaneous	2,443	109,166	111,609
	<u>67,478</u>	<u>2,204,438</u>	<u>2,271,916</u>
Total Operating Expenses			
Operating Income	<u>78,848</u>	<u>913,598</u>	<u>992,446</u>
Non-Operating Revenues (Expenses):			
Interest	0	146	146
Intergovernmental	7,904	7,500	15,404
Interest and Fiscal Charges	0	(78,666)	(78,666)
	<u>7,904</u>	<u>(71,020)</u>	<u>(63,116)</u>
Total Non-Operating Revenues (Expenses)			
Change in Net Position	86,752	842,578	929,330
Net Position (Deficit) at Beginning of Year - Restated (See Note 3)	<u>981,960</u>	<u>(1,858,060)</u>	<u>(876,100)</u>
Net Position (Deficit) at End of Year	<u>\$1,068,712</u>	<u>(\$1,015,482)</u>	<u>\$53,230</u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received From Customers	\$141,440	\$3,352,500	\$3,493,940
Cash Received From Other Operating Revenues	0	33,111	33,111
Cash Payments for Employee Services and Benefits	(10,748)	(459,194)	(469,942)
Cash Payments to Suppliers	(35,381)	(1,242,426)	(1,277,807)
Cash Payments for Other Operating Expenses	(2,443)	(110,336)	(112,779)
Net Cash Provided by Operating Activities	<u>92,868</u>	<u>1,573,655</u>	<u>1,666,523</u>
Cash Flows from Capital and Related Financing Activities:			
Grants	7,904	7,500	15,404
Acquisition of Capital Assets	(10,892)	(31,100)	(41,992)
Loan Proceeds	10,892	0	10,892
Note Proceeds	0	204,630	204,630
Loan Principal Payments	(60,001)	(75,000)	(135,001)
General Obligation Bond Principal Payments	0	(340,000)	(340,000)
General Obligation Bond Interest Payments	0	(52,580)	(52,580)
Notes Payable Principal Payments	0	(309,788)	(309,788)
Notes Payable Interest Payments	0	(8,411)	(8,411)
Short-Term Loan from Other Funds	0	(100,000)	(100,000)
Net Cash Used for Capital and Related Financing Activities	<u>(52,097)</u>	<u>(704,749)</u>	<u>(756,846)</u>
Cash Flows from Investing Activities:			
Interest	0	146	146
Net Increase in Cash and Cash Equivalents	40,771	869,052	909,823
Cash and Cash Equivalents at Beginning of Year	<u>244,418</u>	<u>3,192,667</u>	<u>3,437,085</u>
Cash and Cash Equivalents at End of Year	<u>\$285,189</u>	<u>\$4,061,719</u>	<u>\$4,346,908</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$78,848	\$913,598	\$992,446
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	19,732	139,819	159,551
Landfill Closure and Postclosure Costs	0	264,064	264,064
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(4,886)	266,405	261,519
Increase in Materials and Supplies Inventory	0	(3,235)	(3,235)
Increase (Decrease) in Accounts Payable	(4,194)	20,818	16,624
Increase (Decrease) in Accrued Salaries Payable	(11)	3,460	3,449
Decrease in Contracts Payable	0	2,922	2,922
Increase (Decrease) in Due to Other Governments	3,379	(28,978)	(25,599)
Decrease in Retainage Payable	0	(5,000)	(5,000)
Decrease in Compensated Absences Payable	0	(13,373)	(13,373)
Increase in Accrued Vacation Leave Payable	0	13,155	13,155
Net Cash Provided by Operating Activities	<u>\$92,868</u>	<u>\$1,573,655</u>	<u>\$1,666,523</u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 DECEMBER 31, 2013

	Private Purpose Trust	
	Scholarship and Trust Fund	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$38,903	\$1,727,126
Cash and Cash Equivalents in Segregated Accounts	0	556,029
Receivables:		
Property Taxes	0	30,380,430
Accounts	0	40,118
Special Assessments	0	502,448
Due from Other Governments	0	2,002,811
Total Assets	<u>38,903</u>	<u>\$35,208,962</u>
Liabilities:		
Accounts Payable	0	\$4,586
Accrued Salaries Payable	0	62,171
Due to Other Governments	0	32,606,834
Undistributed Monies	0	1,405,310
Deposits Held and Due to Others	0	1,130,061
Total Liabilities	<u>0</u>	<u>\$35,208,962</u>
Net Position:		
Held in Trust for Scholarships	<u>\$38,903</u>	

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Scholarship and Trust</u>
Additions:	
Interest	\$31
Deductions:	
	<u>0</u>
Change in Net Position	31
Net Position at Beginning of Year	<u>38,872</u>
Net Position at End of Year	<u><u>\$38,903</u></u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO

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

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, 2013
(Continued)**

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 29).

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 19, 20, 21, 22, and 23 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

Jointly Governed Organization:

- West Central Ohio Network

PREBLE COUNTY, OHIO

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

Note 1 – Description of the County and Reporting Entity (Continued)

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 more significant of the County's accounting policies are described below. Information regarding L & M Products is presented in Note 29.

Basis of Presentation

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the County as a whole. These statements include the financial activities of the primary government, except for 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.

The Statement of Net Position 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.

PREBLE COUNTY, OHIO

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

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

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.

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.

PREBLE COUNTY, OHIO

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Road and Bridge Construction Fund - This fund accounts for various construction and improvement projects within the County. These projects are financed from State grants.

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 position, 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.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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.

PREBLE COUNTY, OHIO

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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 Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

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 Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (i.e. revenues) and decreases (i.e. expenses) in total net position. The Statement of Cash Flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

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.

PREBLE COUNTY, OHIO

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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 7) Revenue from permissive sales tax is recognized in the period in which the sales occur. (See Note 8) 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the County, deferred outflows of resources include a deferred charge on refunding reported in the government-wide Statement of Net Position for business-type activities. It is also presented on the enterprise Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt.

PREBLE COUNTY, OHIO

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

Note 2 - Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the County unavailable revenue includes delinquent property taxes, sales tax, charges for service, fines and forfeitures, interest, special assessments and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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 post-closure 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, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

During 2013, the County invested in Federal Farm Credit Bank Notes, Federal Home Loan Bank Notes, Corporate Notes, Municipal Bonds 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 net asset per share which is the price the investment could be sold for on December 31, 2013.

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 2013 amounted to \$78,816, which includes \$63,518 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 Receivables/Payable." Interfund balances are eliminated on the government-wide Statement of Net Position, except for any net residual amounts due between governmental and business-type activities, which are presented as "Internal Balances."

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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2013, 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.

PREBLE COUNTY, OHIO

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

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 Position 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 Position 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:

<u>Description</u>	<u>Estimated Lives</u>
Buildings, Structures, Improvements and Landfill Lines	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, 2013
(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.

The entire compensated absences liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations or retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees are paid. In the proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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 and bonds are recognized as liabilities on the governmental fund financial statements when due.

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 are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. The non-spendable fund balances for the County include prepaids, materials and supplies inventory and unclaimed monies.

PREBLE COUNTY, OHIO

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Restricted – The restricted fund balance category includes amounts that can be spent only for the 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.

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 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.

PREBLE COUNTY, OHIO

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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 Position

Net position represents the difference between all other elements in a statement of financial position. The net investment in capital assets component of net position, 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 position is reported as restricted when there are limitations imposed on its 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 position are available.

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.

PREBLE COUNTY, OHIO

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

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.

Bond Premiums

Bond premiums for government-wide statements and proprietary fund statements 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. Bond premiums are presented as reduction/increase to the face amount of bonds.

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.

PREBLE COUNTY, OHIO

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the Statement of Net Position.

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.

Note 3 – Change in Accounting Principle and Correction of and Error

Change in Accounting Principle

For 2013, the County implemented Governmental Accounting Standard Board (GASB) *Statement No. 61, “The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34.”* This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and financial reporting entity display and disclosure requirements. The implementation of this statement did not result in any change in the County’s financial statements.

Correction of an Error

This correction is due to non-capitalized work was recorded as construction in progress in the Landfill Enterprise Fund.

	<u>Sewer</u>	<u>Landfill</u>	<u>Business-Type Activities</u>
Net Position December 31, 2012, as Previously Reported	\$981,960	(\$1,570,101)	(\$588,141)
Restatement of Capital Assets	0	(287,959)	(287,959)
Net Position December 30, 2012, as Restated	<u>\$981,960</u>	<u>(\$1,858,060)</u>	<u>(\$876,100)</u>

PREBLE COUNTY, OHIO

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

Note 4 - Accountability

The Guardrail Construction Capital Projects Fund and the Landfill Enterprise Fund had fund balance net position deficits at December 31, 2013 of \$166 and \$1,015,482, respectively. The General Fund is liable for the deficits in the Ditch and Guardrail Construction Capital Projects Fund and the Landfill Enterprise Fund and will provide transfers when cash is required, not when accruals occur. The County is monitoring charges to finance landfill operations.

Note 5 – Budgetary Basis of Accounting

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. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Transfers-In and Transfers-Out are balance sheet transactions (GAAP basis) as opposed to operating transactions (budget basis).
6. 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.
7. 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.
8. Investments are reported at fair value (GAAP basis) rather than at cost (budget basis).
9. Budgetary revenues and expenditures of the Certificate of Title Administration Revenue Fund are classified to the General Fund for GAAP Reporting.

PREBLE COUNTY, OHIO

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

Note 5 – Budgetary Basis of Accounting (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 Fund	Developmental Disabilities Fund
	Fund	Fund	Fund	Fund	Fund
GAAP Basis	(\$265,246)	\$427,214	(\$93,202)	\$93,281	(\$264,901)
Revenue Accruals	(292,717)	(31,723)	23,441	(26,226)	(1,197,635)
Expenditure Accruals	187,078	(18,875)	(21,061)	7,751	1,086,774
Encumbrances	(309,881)	(185,263)	(21,832)	(134,570)	(98,915)
Advances	100,000	0	0	0	0
Transfers	465,814	0	0	0	0
Unrecorded Cash - 2013	(66)	(22)	0	0	0
Unrecorded Cash - 2012	337	65	0	0	0
WestCON Activity	0	0	0	0	330,037
Agency Fund Cash					
Allocation - 2013	(54,471)	(20,937)	0	(11,769)	(31,322)
Agency Fund Cash					
Allocation - 2012	60,613	22,890	0	10,008	26,636
Decrease in Fair Value					
of Cash Equivalents - 2013	13,304	0	0	0	0
Increase in Fair Value					
of Cash Equivalents - 2012	40,669	0	0	0	0
Excess of revenues under					
expenditures for Title					
Administration Fund	7,324	0	0	0	0
Budget Basis	<u>(\$47,242)</u>	<u>\$193,349</u>	<u>(\$112,654)</u>	<u>(\$61,525)</u>	<u>(\$149,326)</u>

Note 6 - Deposits and Investments

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal 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;

PREBLE COUNTY, OHIO

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

Note 6 - Deposits and Investments (Continued)

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;
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;

PREBLE COUNTY, OHIO

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

Note 6 - Deposits and Investments (Continued)

11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and
12. Up to 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, 2013, the County had the following investments:

	Fair Value	Investment Maturities (in Years)		Moody's & S&P Ratings	Percent of Total Investments
		Less than 1	2-5		
Federal Farm Credit Bank Notes	\$5,484,005	\$1,000,231	\$4,483,774	Aaa	39%
Federal Home Loan Bank Notes	4,584,916	1,001,229	3,583,687	Aaa	33%
Corporate Notes	500,095	500,095	0	Aa	n/a
Municipal Bonds	997,130	502,125	495,005	Aaa	7%
STAROhio	2,338,665	2,338,665	0	Aaam	n/a
Total Investments	<u>\$13,904,811</u>	<u>\$5,342,345</u>	<u>\$8,562,466</u>		

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.

PREBLE COUNTY, OHIO

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

Note 7 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2013 for real and public utility property taxes represents collections of 2012 taxes. 2013 real property taxes were levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

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. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2013, was \$8.78 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2013 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Real Property		
Residential/Agricultural	\$676,019,000	85%
Commercial/Industrial/Public Utility	82,018,000	10
Public Utility Personal	37,965,000	5
Totals	<u>\$796,002,000</u>	<u>100%</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds. Property taxes receivable represents real and public utility taxes and outstanding delinquencies which were measurable as of December 31, 2013, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2013 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

PREBLE COUNTY, OHIO

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

Note 8 – Permissive Sales 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 23rd 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.

Note 9 - Receivables

Receivables at December 31, 2013, consisted of taxes, accounts (billings for user charged services), special assessments, interest on investments, interfund amounts, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible and will be received within one year with the exception of property taxes, revenue in lieu of taxes, and loans. Sewer charges receivable, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Property taxes and revenue in lieu of taxes, although ultimately collectible, include some portion of delinquents that will not 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 \$491,615 of delinquent special assessments at December 31, 2013.

A summary of intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amount</u>
Local Government	\$207,513
Homestead and Rollback	230,038
Gasoline Cents Per Gallon	385,889
Gasoline Excise Tax	762,600
Auto License	457,318
Bridge and Culvert Grant	32,006
Human Services Grant	111,548
ODADAS Grant	8,040

PREBLE COUNTY, OHIO

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

Note 9 – Receivables (Continued)

<u>Governmental Activities:</u>	<u>Amount</u>
Children Services Grant	126,554
Moving Ohio Forward Grant	37,674
Seven Mile Road Bridge Grant	53,010
Barnets Mill Road Bridge Grant	156,477
Concord Fairhaven Bridge Grant	447,674
California School & Monebrake Bridge Grant	417,744
Miscellaneous	35,885
Total Governmental Activities	<u>\$3,469,970</u>

Note 10 - Capital Assets

Capital assets activity for the year ended December 31, 2013, was as follows:

	<u>Balance at 12/31/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/2013</u>
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$2,252,014	\$0	\$0	\$2,252,014
Construction in Progress	123,500	2,315,365	0	2,438,865
Total Capital Assets, Not Being Depreciated	<u>2,375,514</u>	<u>2,315,365</u>	<u>0</u>	<u>4,690,879</u>
Depreciable Capital Assets:				
Buildings, Structures, and Improvements	11,748,471	114,818	0	11,863,289
Furniture, Fixtures, and Equipment	9,772,064	290,851	(58,686)	10,004,229
Infrastructure	25,205,855	2,246,546	(141,144)	27,311,257
Total Depreciable Capital Assets	<u>46,726,390</u>	<u>2,652,215</u>	<u>(199,830)</u>	<u>49,178,775</u>
Less Accumulated Depreciation:				
Buildings, Structures, and Improvements	(4,520,920)	(106,307)	0	(4,627,227)
Furniture, Fixtures, and Equipment	(6,886,393)	(494,397)	58,686	(7,322,104)
Infrastructure	(8,014,808)	(857,953)	98,801	(8,773,960)
Total Accumulated Depreciation	<u>(19,422,121)</u>	<u>(1,458,657)*</u>	<u>157,487</u>	<u>(20,723,291)</u>
Depreciable Capital Assets, Net	<u>27,304,269</u>	<u>1,193,558</u>	<u>(42,343)</u>	<u>28,455,484</u>
Governmental Activities Capital Assets, Net	<u>\$29,679,783</u>	<u>\$3,508,923</u>	<u>(\$42,343)</u>	<u>\$33,146,363</u>

* Depreciation expense was charged to governmental programs as follows:

<u>General Government:</u>	
Legislative and Executive	\$112,509
Judicial	18,121
Public Safety	145,694
Public Works	1,098,532
Health	4,101
Human Services	79,700
Total Depreciation Expense	<u>\$1,458,657</u>

PREBLE COUNTY, OHIO

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

Note 10 - Capital Assets (Continued)

Capital assets activity of the business-type activities for the year ended December 31, 2013, was as follows:

	Restated Balance at 12/31/2012	Additions	Deletions	Balance at 12/31/2013
<u>Business-Type Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$452,313	\$0	\$0	\$452,313
Construction in Progress	1,841,631	15,892	(1,857,523)	0
Total Capital Assets, Not Being Depreciated	2,293,944	15,892	(1,857,523)	452,313
Depreciable Capital Assets:				
Buildings, Structures, and Improvements	1,536,814	602,744	0	2,139,558
Furniture, Fixtures, and Equipment	2,436,512	29,242	0	2,465,754
Sewer Lines and Manholes	580,137	70,796	0	650,933
Landfill Lines	0	372,499	0	372,499
Landfill Improvements	0	808,342	0	808,342
Total Depreciable Capital Assets	4,553,463	1,883,623	0	6,437,086
Less Accumulated Depreciation:				
Buildings, Structures, and Improvements	(803,400)	(20,025)	0	(823,425)
Furniture, Fixtures, and Equipment	(1,205,790)	(88,875)	0	(1,294,665)
Sewer Lines and Manholes	(46,409)	(6,509)	0	(52,918)
Landfill Lines	0	(3,725)	0	(3,725)
Landfill Improvements	0	(40,417)	0	(40,417)
Total Accumulated Depreciation	(2,055,599)	(159,551)	0	(2,215,150)
Depreciable Capital Assets, Net	2,497,864	1,724,072	0	4,221,936
Business-Type Activities Capital Assets, Net	\$4,791,808	\$1,739,964	(\$1,857,523)	\$4,674,249

Note 11 - 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 22), 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 the prior 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, 2013 (Continued)

Note 11 - Risk Management

Workers' Compensation

For 2013, the County participated in the County Commissioners' Association of Ohio Service Corporation (the Plan), an insurance purchasing pool (See Note 23). 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.

Note 12 - 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.

PREBLE COUNTY, OHIO

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

Note 12 - Defined Benefit Pension Plan (Continued)

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>, by 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 12.0 percent for law enforcement and public safety members. For the year ended December 31, 2013, members in State and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 12.0 percent and 12.6 percent, respectively. Effective January 1, 2014, the member contribution rates for public safety and law enforcement increased to 12.0 percent and 13.0 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 2013, member and employer contribution rates were consistent across all three plans.

The County's 2013 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.1 percent of covered payroll. For 2013, the portion of employer contribution allocated to health care 1.0 percent for members in the Traditional Plan and the Combined Plan. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2.0 percent. Employer contribution rates are actuarially determined.

The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011 were \$1,094,893, \$1,113,022, and \$1,097,771, respectively. For 2013, 86.25 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011. Contributions to the Member-Directed Plan for 2013 were \$25,289 made by the County and \$18,064 made by plan members.

PREBLE COUNTY, OHIO

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

Note 13 - 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>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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 2013, 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. For 2013, the portion of employer contributions allocated to health care for members in the Traditional Plan and the Combined Plan was 1.0 percent. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2.0 percent for both plans, as recommended by the OPERS Actuary.

PREBLE COUNTY, OHIO

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

Note 13 - Post-Employment Benefits (Continued)

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, 2013, 2012, and 2011 were \$437,957, \$445,209, and \$439,109, respectively. For 2013, 86.25 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.0 percent of the employer contributions toward the health care fund after the end of the transition period.

Note 14 - 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 insurance coverage for employees is provided by Anthem Blue Cross Blue Shield. Life insurance is provided by Anthem Life. Dental coverage for employees is provided by Delta Dental. Elected officials and county employees pay 13 percent and 17 percent, respectively, of all insurance premiums.

Note 15 - Short-Term Obligations

Changes in the short-term obligations during 2013 were as follows:

PREBLE COUNTY, OHIO

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

Note 15 - Short-Term Obligations (Continued)

<u>Fund Type/Fund/Issue</u>	<u>Interest Rate</u>	<u>Balance at 12/31/2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 12/31/2013</u>
<u>Governmental:</u>					
Ditch and Guardrail Construction					
Gates Joint Ditch	2.55%	\$22,952	\$17,214	\$22,952	\$17,214
Ditch and Guardrail Construction					
Brock Ditch	2.55%	6,849	6,849	6,849	6,849
General					
Jail HVAC	2.75%	46,400	0	46,400	0
Other Judicial					
Court Computer Software	2.55%	20,000	20,000	20,000	20,000
Total Governmental Funds		<u>\$96,201</u>	<u>\$44,063</u>	<u>\$96,201</u>	<u>\$44,063</u>
<u>Business-Type Activities:</u>					
Landfill Compactor Note	2.55%	\$54,000	\$0	\$54,000	\$0
Landfill Loader Note	2.75%	51,158	51,157	51,158	51,157
Total Business-Type Funds		<u>\$105,158</u>	<u>\$51,157</u>	<u>\$105,158</u>	<u>\$51,157</u>

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 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 and Landfill Loader 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.

Note 16 - Long-Term Obligations

The schedule of changes in long-term obligations of the governmental activities of the County during 2013 follows:

PREBLE COUNTY, OHIO

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

Note 16 - Long-Term Obligations (Continued)

Types / Issues	Balance at 12/31/2012	Issued	Retired	Balance at 12/31/2013	Due Within One Year
<u>Notes Payable:</u>					
2.55% Court Computer Software Bond					
Anticipation Note \$40,000	\$20,000	\$0	\$20,000	\$0	\$0
2.55% Brock Ditch Construction					
Anticipation Note \$13,697	6,849	0	6,849	0	0
Total Notes Payable	<u>26,849</u>	<u>0</u>	<u>26,849</u>	<u>0</u>	<u>0</u>
<u>General Obligations Bonds:</u>					
2002 2.00 to 3.50% Various Purpose					
Bonds - Unvoted \$1,440,000	445,000	0	40,000	405,000	45,000
2005 County Fairgrounds Refunding Bonds -					
Unvoted 3.00 to 3.60% - Current Interest					
Bonds \$125,000	60,000	0	15,000	45,000	15,000
Premium on Debt Issue	110	0	27	83	0
Total General Obligation Bonds Payable	<u>505,110</u>	<u>0</u>	<u>55,027</u>	<u>450,083</u>	<u>60,000</u>
<u>Other Long-Term Obligations:</u>					
Compensated Absences Payable	<u>649,680</u>	<u>85,283</u>	<u>517,004</u>	<u>217,959</u>	<u>45,769</u>
Total - General Long-Term Obligations	<u>\$1,181,639</u>	<u>\$85,283</u>	<u>\$598,880</u>	<u>\$668,042</u>	<u>\$105,769</u>

The 2012 Court Computer Software Bond Anticipation Note was reissued on March 26, 2012, in the amount of \$40,000. The note was issued at a 2.91 percent interest rate and reached maturity on March 26, 2013. This note was refinanced prior to the issuance of the 2012 statements in the amount of \$20,000. Therefore, the \$40,000 liability outstanding at December 31, 2012 is split with \$20,000 presented as a long-term liability and \$20,000 presented as a fund liability in the financial statements. On March 18, 2013, the note was refinanced prior to the issuance of the 2013 statements in the amount of \$20,000 with a 1.99 percent interest rate. The \$20,000 liability outstanding at December 31, 2013 will be presented as a liability on the fund financial statements. The note will be paid through the Other Judicial Fund.

The 2012 Brock Ditch Construction Bond Anticipation Note was reissued on May 30, 2012, in the amount of \$13,697 for the construction of Brock Ditch. The note was issued at a 2.55 percent interest rate and reached maturity on May 30, 2013. This note was refinanced prior to the issuance of the 2012 statements for \$6,849. Therefore, the \$13,697 liability outstanding at December 31, 2012 is split with \$6,849 presented as a long-term liability and \$6,849 presented as a fund liability in the financial statements. On May 30, 2013, the note was refinanced prior to the issuance of the 2013 financial statements in the amount of \$6,849 with a 1.99 percent interest rate. The \$6,849 liability outstanding at December 31, 2013 will be presented as a liability on the fund financial statements. The note will be paid through the Ditch and Guardrail Construction 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, 2013
(Continued)**

Note 16 - Long-Term Obligations (Continued)

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 will 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.

Changes in the long-term obligations reported for business-type activities during 2013 were as follows:

<u>Types/Issues</u>	<u>Balance at 12/31/2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 12/31/2013</u>	<u>Within One Year</u>
<u>Notes Payable:</u>					
2.75% Landfill Loader \$255,788	\$204,630	\$153,473	\$204,630	\$153,473	\$0
<u>Loans Payable:</u>					
0.00% - 2004 OWDA Loan \$820,238	526,469	0	40,498	485,971	40,498
0.00% - 2010 OPWC Loan \$1,500,000	1,500,000	0	75,000	1,425,000	75,000
0.00% - 2012 OPWC Loan \$374,698	363,806	10,892	6,245	368,453	12,490
0.00% - 2006 OPWC Loan \$38,000	26,600	0	1,900	24,700	1,900
0.00% - 2000 OPWC Loan \$227,160	90,864	0	11,358	79,506	11,358
Total Loans Payable	<u>\$2,507,739</u>	<u>\$10,892</u>	<u>\$135,001</u>	<u>\$2,383,630</u>	<u>\$141,246</u>

(continued)

<u>Types/Issues</u>	<u>Balance at 12/31/2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 12/31/2013</u>	<u>Within One Year</u>
<u>General Obligation Bonds Payable:</u>					
3.00 to 3.60% - 2005 Landfill Improvement Refunding Bonds \$3,445,000	\$1,440,000	\$0	\$340,000	\$1,100,000	\$355,000
Premium on Debt Issue	2,529	0	632	1,897	0
Total General Obligation Bonds Payable	<u>1,442,529</u>	<u>0</u>	<u>340,632</u>	<u>1,101,897</u>	<u>355,000</u>
<u>Other Long-Term Obligations:</u>					
Compensated Absences Payable	13,373	0	13,373	0	0
Landfill Closure and Postclosure	4,840,283	264,064	0	5,104,347	0
Total Other Long-Term Obligations	<u>4,853,656</u>	<u>264,064</u>	<u>13,373</u>	<u>5,104,347</u>	<u>0</u>
Total - Business-Type Activities	<u>\$9,008,554</u>	<u>\$428,429</u>	<u>\$693,636</u>	<u>\$8,743,347</u>	<u>\$496,246</u>

PREBLE COUNTY, OHIO

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

Note 16 - Long-Term Obligations (Continued)

The 2012 Landfill Loader Bond Anticipation Note was issued on February 6, 2012, in the amount of \$255,788 for the purchase of a landfill loader. This note was refinanced prior to the issuance of the 2012 statements for \$51,158. Therefore, the \$255,788 liability outstanding at December 31, 2012 is split with \$204,630 presented as a long-term liability and \$51,158 presented as a fund liability in the financial statements. The 2013 Landfill Loader Bond Anticipation Note was issued on January 30, 2013, in the amount of \$204,631 for the purchase of a landfill loader. This note was refinanced prior to the issuance of the 2013 statements for \$51,157. Therefore, the \$204,630 liability outstanding at December 31, 2013 is split with \$153,473 presented as a long-term liability and \$51,157 presented as a fund liability in the financial statements. The note was paid off through the Landfill Fund.

The County has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$526,469 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 \$485,971. Principal paid for the current year was \$40,498.

The OPWC loans consist of money owed to the Ohio Public Works Commission for various construction projects within the County. These consist of 20 year general obligation loans payable. The liability for the Sewer and Landfill Funds is recorded in the fund and government-wide financial statements. The loans will be repaid from the Sewer and Landfill Enterprise Funds.

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, 2013, are an overall legal debt margin of \$18,400,050 and an unvoted legal debt margin of \$7,960,020.

PREBLE COUNTY, OHIO

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

Note 16 - Long-Term Obligations (Continued)

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

Governmental Activities			
General Obligation			
Serial Bonds			
Year	Principal	Interest	
2014	\$60,000	\$19,688	
2015	60,000	17,122	
2016	60,000	14,557	
2017	50,000	12,015	
2018	50,000	9,790	
2019-2021	170,000	15,353	
Totals	\$450,000	\$88,525	

Year	Loans Payable	General Obligation Bonds	
	Principal	Principal	Interest
2014	\$141,246	\$355,000	\$40,680
2015	141,246	365,000	27,368
2016	141,246	380,000	13,680
2017	141,246	0	0
2018	141,246	0	0
2019-2023	672,156	0	0
2024-2028	524,141	0	0
2029-2033	362,450	0	0
2034-2038	62,450	0	0
2039-2043	56,203	0	0
Totals	\$2,383,630	\$1,100,000	\$81,728

Note 17 – 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.

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 \$5,104,347 reported as a landfill closure and post-closure care liability at December 31, 2013, represents the cumulative amount reported to date based on the use of 41.94 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of the closure and post-closure care of \$7,067,228 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 2013. 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.

PREBLE COUNTY, OHIO

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

Note 17 – Landfill Closure And Post-Closure Costs (Continued)

The County is required by State and federal laws and regulations to provide 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 18 - Interfund Activity

Interfund balances at December 31, 2013, 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 Receivable</u>
	General
<u>Interfund Payable</u>	Fund
Landfill Enterprise Fund	<u>\$431,468</u>

Interfund transfers for the year ended December 31, 2013 consisted of the following:

Transfers From	Transfers To				Totals
	Motor Vehicle and Gas Tax Fund	Human Services Fund	Community Mental Health Fund	Nonmajor Governmental Funds	
General	\$53,991	\$113,977	\$0	\$946,150	\$1,114,118
Human Services	0	0	1,182	58,620	59,802
Nonmajor Governmental	0	572,024	0	0	572,024
Total	<u>\$53,991</u>	<u>\$686,001</u>	<u>\$1,182</u>	<u>\$1,004,770</u>	<u>\$1,745,944</u>

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 Nonmajor Governmental Funds to the Human Services Fund were used to support the human services activities. The transfers from the Human Services Fund to Nonmajor Governmental Funds were for debt payments.

PREBLE COUNTY, OHIO

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

Note 19 - 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 2013, 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 2013, 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.

Note 20 - 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 \$21,027 for the operation of the EMA during 2013. 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 David Anderson, Director of the EMA located at 6818 US 127 North, Eaton, Ohio 45320.

PREBLE COUNTY, OHIO

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

Note 21 - 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. The Board exercises total control over operations including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the Board. During 2013, the County did not make any significant financial contributions to WestCON.

Note 22 - 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.

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 23 - 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.

PREBLE COUNTY, OHIO

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

Note 23 - Group 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 24 – 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 Fund	Motor Vehicle and Gas Tax Fund	Human Services Fund	Community Mental Health Fund
<i>Non-spendable</i>				
Unclaimed Monies	\$103,324	\$0	\$0	\$0
Materials And Supplies Inventory	3,120	163,230	4,864	0
Prepays	8,973	708	47,833	0
<i>Total Non-spendable</i>	115,417	163,938	52,697	0
<i>Restricted For</i>				
Mental Health Services	0	0	0	1,304,501
Public Social Services	0	0	0	0
Road Maintenance And Repair	0	1,630,427	0	0
Debt Service	0	0	0	0
Public Safety	0	0	0	0
Real Estate Assessments	0	0	0	0
Other Health Services	0	0	0	0
<i>Total Restricted</i>	0	1,630,427	0	1,304,501
<i>Assigned To</i>				
Purchases On Order	133,519	0	0	0
Building Construction	0	0	0	0
<i>Total Assigned</i>	133,519	0	0	0
<i>Unassigned</i>	4,179,566	0	(31)	0
<i>Total Fund Balances</i>	\$4,428,502	\$1,794,365	\$52,666	\$1,304,501

PREBLE COUNTY, OHIO

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

Fund Balances	Developmental Disabilities Fund	Road and Bridge Construction Fund	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>				
Unclaimed Monies	\$0	\$0	\$0	\$103,324
Materials And Supplies Inventory	0	0	2,340	173,554
Prepays	0	0	317	57,831
<i>Total Nonspendable</i>	0	0	2,657	334,709
<i>Restricted For</i>				
Mental Health Services	3,716,407	0	0	5,020,908
Public Social Services	0	0	653,966	653,966
Road Maintenance And Repair	0	2,450	468,614	2,101,491
Debt Service	0	0	9,353	9,353
Public Safety	0	0	1,253,109	1,253,109
Real Estate Assessments	0	0	1,089,686	1,089,686
Other Health Services	0	0	49,531	49,531
<i>Total Restricted</i>	3,716,407	2,450	3,524,259	10,178,044
<i>Assigned To</i>				
Purchases On Order	0	0	0	133,519
Building Construction	0	0	8,153	8,153
<i>Total Assigned</i>	0	0	8,153	141,672
<i>Unassigned</i>	0	0	(465,980)	3,713,555
<i>Total Fund Balances</i>	\$3,716,407	\$2,450	\$3,069,089	\$14,367,980

Note 25 – Significant Commitments

Contractual Commitments

As of December 31, 2013, the County had the following contractual purchases commitments for various projects:

Project	Contract Amount
Concord Fairhaven Bridge Project	\$639,181
California School Monebrake Bridge Project	419,873
Marnett's Mill Bridge project	709,918
Seven Mile Bridge project	1,208,096
Total	\$2,977,068

PREBLE COUNTY, OHIO

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

Note 25 – Significant Commitments (Continued)

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

Governmental Funds:	
General	\$310,866
Motor Vehicle and Gas Tax	185,263
Human Services	21,832
Community Mental Health	134,570
Developmental Disabilities	98,915
Road and Bridge Construction	0
Nonmajor Governmental Funds	230,796
Total Governmental Funds	982,242
Proprietary Funds:	
Sewer	10,227
Landfill	490,903
Total Proprietary Funds	501,130
Total	<u>\$1,483,372</u>

Note 26 - Contingent Liabilities

Litigation

The County is involved in a number of claims and lawsuits, as of December 31, 2013, 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, 2013, 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, 2013
(Continued)**

Note 27 – Subsequent Event

During January of 2014, the County refinanced the following bond anticipation notes: the Landfill Loader for \$153,473.

Note 28- 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 29 - Discretely Presented Component Unit

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ORGANIZATION - L&M Products, Inc. (“Organization”) is incorporated as a not-for-profit corporation under the laws of the State of Ohio. The Organization provides employment, training, and rehabilitation opportunities in support of the Preble County Board of Developmental Disabilities (“PCBDD”) programs. The Organization enters into month-to-month contracts for 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. The Organization also provides Medicaid transportation services.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - The following accounting principles and practices of the Organization are set forth to facilitate the understanding of data presented in the financial statements.

BASIS OF PRESENTATION - The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables and liabilities. The Organization reports information regarding its financial position and activities according to three classes of net assets based on the nature and duration of any donor imposed restrictions. Unrestricted net assets have no donor-imposed restrictions. Temporarily restricted net assets have donor-imposed restrictions that will likely be met by specific actions being made and/or the passage of time. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Permanently restricted net assets have donor-imposed restrictions that do not expire. The Organization does not have any permanently restricted net assets.

PREBLE COUNTY, OHIO

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

Note 29 - Discretely Presented Component Unit (Continued)

FUNCTIONAL ALLOCATION OF EXPENSES - The costs of providing the various programs have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program, and management and general activities based upon direct allocation or indirect allocation based on usage by each function.

CASH AND CASH EQUIVALENTS - Interest bearing deposits and short-term investments with original maturities of three months or less are classified as cash equivalents. Periodically during the year, the organization may have cash deposits in banks in excess of the federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with its cash on deposit with financial institutions.

ACCOUNTS RECEIVABLE - Accounts receivable are stated at 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 - Property and equipment are stated at cost (fair value at date of donation for donated assets) and are depreciated over the estimated useful lives of the respective assets using the straight-line method. Renewals and betterments, which 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 and losses are included in income.

ADVERTISING - Advertising costs are expensed as incurred.

REVENUE RECOGNITION- Revenue received from contracts with local agencies for consumer employment, training and rehabilitation is recognized when earned. Donated services, materials, and facilities meeting criteria for recognition are reflected as unrestricted contributions in the accompanying statements at their estimated values at date of receipt. An equivalent expense is also recognized. Contributions, if any, are considered to be available for unrestricted use unless specifically restricted by the donor.

INCOME TAXES - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would fail to be sustained upon examination by the Internal Revenue Service. As discussed above, the Organization is exempt from federal income taxes and

PREBLE COUNTY, OHIO

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

Note 29 - Discretely Presented Component Unit (Continued)

management believes the Organization has not engaged in any activities that would disqualify it from tax exempt status or incur a tax obligation for the year ending December 31, 2013. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to December 31, 2010. The Organization's policy with regard to interest and penalty, in incurred, is to recognize interest through interest expense and penalties through other expenses.

USE OF ESTIMATES - The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SUBSEQUENT EVENTS - The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through May 13, 2014, the date on which the financial statements were available to be issued.

CONCENTRATIONS OF CREDIT RISK

Three customers represent 98% and 91% of total assembly contract billings for 2013 and 2012 respectively. Two customers account for 47% and 52% of accounts receivable at December 31, 2013 and 2012, respectively. Management believes that all accounts receivable are collectible at December 31, 2013 and 2012, and has made no provision for uncollectible amounts.

PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2013 and 2012:

<u>2013</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Leasehold Improvements	\$83,646	\$65,378	\$18,268
Machinery and Equipment	91,578	85,934	5,644
Vehicles	92,265	40,523	51,742
Total	<u>\$267,489</u>	<u>\$191,835</u>	<u>\$75,654</u>

DONATED SERVICES AND FACILITIES

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

PREBLE COUNTY, OHIO

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

Note 29 - Discretely Presented Component Unit (Continued)

<u>Donated Services</u>	<u>2013</u>
Salaries and benefits expense incurred by PCBDD	<u>\$1,370,528</u>
 <u>Donated Facilities</u>	
Costs paid by PCBDD	\$296,994
Estimated equivalent rental value of facilities owned by PCBDD	80,314
Value of facilities donated by PCBDD	<u>\$377,308</u>

TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets at December 31, 2013, consisted of an unused contribution to be used for senior services.

RELATED PARTY TRANSACTIONS

At December 31, 2013, two of the Organization's board members were employed by a customer of the Organization. Another board member is an employee of a bank in which the Organization maintains accounts. Board policy allows up to three board members to be related to employees of the Organization. At December 31, 2013 and 2012, two board members were related to employees.

FUNDS HELD FOR OTHERS

The Organization is the 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 the instructions of the committee conducting the event. Activity for 2013 consists of:

	<u>2013</u>
Contributions	\$3,220
Withdrawals	<u>(5,324)</u>
Increase (Decrease) in account	(2,104)
Custodial Balance, January 1	<u>2,194</u>
Custodial Balance, December 31	<u>\$90</u>

PREBLE COUNTY, OHIO

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

RESTRICTED CASH - CONSUMER FUNDS

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

	<u>2013</u>
Employee Council	\$324
People First	264
Total Restricted Consumer Funds	<u>\$588</u>

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PREBLE COUNTY

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Shelter Plus Care - Direct	N/A	14.238	\$93,519
<i>Passed Through Ohio Department Of Development:</i>			
Community Development Block Grant	B-F-12-1CK-1	14.228	137,547
Community Development Block Grant	B-F-11-1CK-1	14.228	354,719
Total Community Development Block Grant			492,266
Home Investment Partnership Program	B-C-11-1CK-1	14.239	8,066
Home Investment Partnership Program	B-C-11-1CK-2	14.239	17,178
Total Home Investment Partnership Program			25,244
Total Passed Through Ohio Department of Development			517,510
Total U.S. Department of Housing and Urban Development			611,029
U.S. DEPARTMENT OF AGRICULTURE			
Rural Development Multi-Family Housing - Direct	N/A	10.448	6,360
<i>Passed Through Ohio Department Of Job & Family Services :</i>			
Food Assistance Employment & Training (FAET) Operating FY 2013	G-1213-11-0102/G-1415-11-5417	10.561	12,141
Food Assistance Employment & Training (FAET) Participation FY 2013	G-1213-11-0102/G-1415-11-5417	10.561	1,279
Food Assistance Employment & Training (FAET) FY 2013	G-1213-11-0102/G-1415-11-5417	10.561	9,417
Food Assistance Employment & Training (FAET) FY 2014	G-1213-11-0102/G-1415-11-5417	10.561	28,525
Food Assistance FY 2013	G-1213-11-0102/G-1415-11-5417	10.561	128,699
Food Assistance FY 2014	G-1213-11-0102/G-1415-11-5417	10.561	22,185
Total Emergency Food Assistance Program			202,246
Total U.S. Department of Agriculture			208,606
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through Ohio Attorney General's Office:</i>			
Victims of Crime Act	2014 VAGENE 199	16.575	15,855
Victims of Crime Act	2013 VAGENE 199	16.575	42,083
Total Crime Victims Assistance			57,938
Total U.S. Department of Justice			57,938
U.S. DEPARTMENT OF FEDERAL HIGHWAY ADMINISTRATION			
<i>Passed Through The Ohio Emergency Management Agency:</i>			
Interagency Hazardous Materials Public Sector Training and Planning Grant	HM-HMP-0302-12-01-00	20.703	815
Interagency Hazardous Materials Public Sector Training and Planning Grant	HM-HMP-0302-12-01-00	20.703	10,470
Total Interagency Hazardous Materils Public Sector Training and Planning Grant			11,285
<i>Passed Through The Ohio Department of Transportation:</i>			
Highway Planning and Construction:			
Concord Fairhaven Rd. Bridge Replacement	PID 90962	20.205	402,395
Bridge and Culvert Load Rating	PID 93896	20.205	40,008
Barnetts Road Bridge Replacement	PID 90413	20.205	676,123
Load Ratings	PID 88870	20.205	22,319
LPA Safety Study Agreement	PID 93895	20.205	43,605
LPA Bridge Load Rating Agreement	PID 92742	20.205	45,485
Load Ratings	PID 90189	20.205	103,666
California School and Monebrake Road Bridge Replacements	PID 90412	20.205	678,501
Total Highway Planning and Construction			2,012,102
Total U.S. Department of Federal Highway Administration			2,023,387

PREBLE COUNTY

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

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT ASSISTANCE			
<i>Passed Through Ohio Department of Public Safety:</i>			
State Homeland Security Grant-FY 2010	2010-SS-T0-0012	97.067	3,944
Citizen Corps Program Grant-FY 2010	2010-SS-T0-0012	97.067	<u>3,500</u>
Total State Homeland Security Grants			7,444
Emergency Management Performance Grant-FY 2011	EMW-2012-EP-00004-S01	97.042	17,730
Emergency Management Performance Grant-FY 2012	EMW-2012-EP-00004-S01	97.042	<u>25,574</u>
Total Emergency Management Performance Grants			43,304
Total U.S. Department of Federal Emergency Management Assistance			<u>50,748</u>
U.S. DEPARTMENT OF LABOR			
<i>Passed Through Montgomery County Department of Job & Family Services/Area 7 Workforce Investment Board:</i>			
Workforce Investment Act Cluster:			
Workforce Investment Act - Adult	G-1213-11-0102/G-1415-11-5417	17.258	44,238
Workforce Investment Act - Adult Administrative	G-1213-11-0102/G-1415-11-5417	17.258	<u>4,814</u>
Total Workforce Investment Act - Adult			49,052
Workforce Investment Act - Youth	G-1213-11-0102/G-1415-11-5417	17.259	86,408
Workforce Investment Act - Youth Administrative	G-1213-11-0102/G-1415-11-5417	17.259	<u>716</u>
Total Workforce Investment Act - Youth			87,124
Rapid Response	G-1213-11-0102/G-1415-11-5417	17.278	225
Workforce Investment Act - Dislocated Worker	G-1213-11-0102/G-1415-11-5417	17.278	104,884
Workforce Investment Act - Dislocated Worker Administrative	G-1213-11-0102/G-1415-11-5417	17.278	<u>4,904</u>
Total Workforce Investment Act - Dislocated Worker			110,013
Total Workforce Investment Act Cluster			<u>246,189</u>
Total U.S. Department of Labor			<u>246,189</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Social Services Block Grant - Base FY 2013	G-1213-11-0102/G-1415-11-5417	93.667	52,264
Social Services Block Grant - Base FY 2014	G-1213-11-0102/G-1415-11-5417	93.667	17,248
Social Services Block Grant - Transfer FY 2013	G-1213-11-0102/G-1415-11-5417	93.667	140,088
Social Services Block Grant - Transfer FY 2014	G-1213-11-0102/G-1415-11-5417	93.667	<u>23,610</u>
			233,210
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Social Services Block Grant-FY12	N/A	93.667	2,335
Social Services Block Grant-FY13	N/A	93.667	<u>1,547</u>
			3,882
<i>Passed Through Ohio Department of Mental Health:</i>			
Social Services Block Grant	N/A	93.667	<u>5,844</u>
Total Social Services Block Grant			<u>242,936</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Title XIX Medical Assistance Program FY 2013	G-1213-11-0102/G-1415-11-5417	93.778	88,660
Title XIX Medical Assistance Program FY 2014	G-1213-11-0102/G-1415-11-5417	93.778	17,432
Title XIX Medical Assistance Enhanced Program FY 2014	G-1213-11-0102/G-1415-11-5417	93.778	4,755
Title XIX Medicaid Child Welfare FY 2013	G-1213-11-0102/G-1415-11-5417	93.778	516
Title XIX Medical Assistance Program - NET FY 2013	G-1213-11-0102/G-1415-11-5417	93.778	15,504
Title XIX Medical Assistance Program - NET FY 2014	G-1213-11-0102/G-1415-11-5417	93.778	<u>4,044</u>
			130,911

PREBLE COUNTY

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Title XIX Medical Assistance Program	N/A	93.778	114,121
Total Title XIX Medical Assistance Program			<u>245,032</u>
<i>Passed Through Ohio Department of Mental Health:</i>			
Block Grants for Community Mental Health Services	N/A	93.958	34,523
Block Grants for Community Mental Health Services	N/A	93.958	994
Total Block Grants for Community Mental Health Services			<u>35,517</u>
<i>Passed Through Ohio Department of Alcohol & Drug Addiction Services:</i>			
Block Grants for Prevention and Treatment of Substance Abuse	N/A	93.959	186,994
Block Grants for Prevention and Treatment of Substance Abuse	N/A	93.959	3,146
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>190,140</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Child Support Enforcement Incentives - 2013	G-1213-11-0102/G-1415-11-5417	93.563	28,680
Child Support Enforcement Incentives - 2014	G-1213-11-0102/G-1415-11-5417	93.563	31,695
Child Support Enforcement-2013	G-1213-11-0102/G-1415-11-5417	93.563	226,340
Child Support Enforcement-2014	G-1213-11-0102/G-1415-11-5417	93.563	77,928
Total Child Support Enforcement			<u>364,643</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Promoting Safe and Stable Families - FY 2013	G-1213-11-0102/G-1415-11-5417	93.556	14,227
Promoting Safe and Stable Families - FY 2014	G-1213-11-0102/G-1415-11-5417	93.556	1,234
Promoting Safe and Stable Families - Reunification FY 2013	G-1213-11-0102/G-1415-11-5417	93.556	3,345
Promoting Safe and Stable Families - Reunification FY 2014	G-1213-11-0102/G-1415-11-5417	93.556	2,855
			<u>21,661</u>
<i>Passed Through Ohio Department of Mental Health:</i>			
Promoting Safe and Stable Families - FY 2014	5-AU-14-100-22-068	93.556	8,936
Promoting Safe and Stable Families - FY 2013	5-AU-13-100-22-069	93.556	19,212
			<u>28,148</u>
Total Promoting Safe and Stable Families			49,809
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Chaffee Foster Care Independent Living FY2013	G-1213-11-0102/G-1415-11-5417	93.674	3,992
Chaffee Foster Care Independent Living FY2014	G-1213-11-0102/G-1415-11-5417	93.674	(2,165)
Total Chaffee Foster Care Independence Program			<u>1,827</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Stephanie Tubbs Jones Child Welfare Services - FY 2013	G-1213-11-0102/G-1415-11-5417	93.645	35,294
Stephanie Tubbs Jones Child Welfare Services - FY 2014	G-1213-11-0102/G-1415-11-5417	93.645	11,608
Total Stephanie Tubbs Jones Child Welfare Services			<u>46,902</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Adoption Assistance Administration FY2013	G-1213-11-0102/G-1415-11-5417	93.659	86,791
Adoption Assistance Administration FY2014	G-1213-11-0102/G-1415-11-5417	93.659	25,708
Non-Recurring Adoption Assistance FY2013	G-1213-11-0102/G-1415-11-5417	93.659	2,500
Non-Recurring Adoption Assistance FY2014	G-1213-11-0102/G-1415-11-5417	93.659	3,000
Total Adoption Assistance			<u>117,999</u>

PREBLE COUNTY

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Temporary Assistance for Needy Families-Administration FY 2013	G-1213-11-0102/G-1415-11-5417	93.558	381,409
Temporary Assistance for Needy Families-Administration FY 2014	G-1213-11-0102/G-1415-11-5417	93.558	23,243
Temporary Assistance for Needy Families-Regular FY 2013	G-1213-11-0102/G-1415-11-5417	93.558	127,601
Temporary Assistance for Needy Families-Regular FY 2014	G-1213-11-0102/G-1415-11-5417	93.558	116,586
Temporary Assistance for Needy Families- Earn/Collection FY 2013	G-1213-11-0102/G-1415-11-5417	93.558	1,756
Start Up Funds (TANF)	G-1213-11-0102/G-1415-11-5417	93.558	3,975
Temporary Assistance for Needy Families-Summer Youth - FY13	G-1213-11-0102/G-1415-11-5417	93.558	22,256
Temporary Assistance for Needy Families - Supplemental - FY12	G-1213-11-0102/G-1415-11-5417	93.558	33,861
Total Temporary Assistance for Needy Families			<u>710,687</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Foster Care Administration FY 2013	G-1213-11-0102/G-1415-11-5417	93.658	68,440
Foster Care Administration FY2014	G-1213-11-0102/G-1415-11-5417	93.658	26,651
Total Foster Care			<u>95,091</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Child Care and Development Block Grant - Administration FY 2013	G-1213-11-0102/G-1415-11-5417	93.575	17,221
Child Care and Development Block Grant- Non-Administrative FY 2013	G-1213-11-0102/G-1415-11-5417	93.575	14,974
Child Care and Development Block Grant- Non-Administrative FY 2014	G-1213-11-0102/G-1415-11-5417	93.575	11,621
Total Child Care and Development Block Grant			<u>43,816</u>
<i>Passed Through Ohio Department of Health:</i>			
Special Education Grants for Infants and Families - 2013	06810021HG0413	84.181	22,867
Special Education Grants for Infants and Families - 2014	06810021HG0514	84.181	386
Total Special Education Grants for Infants and Families			<u>23,253</u>
Total U.S. Department of Health and Human Services			<u>2,167,652</u>
Total			<u><u>\$5,365,549</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, 2013

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 – SUB-RECIPIENTS

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 (sub-recipients). As Note A describes, the County reports expenditures of Federal awards to sub-recipients when paid in cash.

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

NOTE 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, 2013, the gross amount of loans outstanding under the CDBG CHIP program was \$92,104. At December 31, 2013, the gross amount of loans outstanding under the HOME CHIP program was \$160,045.

The County has established a CHIP Revolving Loan Fund, which had a balance of \$49,718 as of December 31, 2013. 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 WORKFORCE INVESTMENT ACT

\$12,234 of Workforce Investment Act Adult Grant for fiscal year 2012 was refunded to the Ohio Department of Job and Family Services during the audit period. \$1,688 more was received in fiscal year 2013 for the fiscal year 2012 grant.

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Dave Yost • Auditor of State

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

Preble County
101 East Main Street
Eaton, Ohio 45320

To the County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component unit and the aggregate remaining fund information of Preble County, (the County) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 24, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2013-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

September 24, 2014



Dave Yost • Auditor of State

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

Preble County
101 East Main Street
Eaton, Ohio 45320

To the County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Preble County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Preble County's major federal programs for the year ended December 31, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the County's major federal programs.

Management's Responsibility

The County's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Preble County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

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

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

September 24, 2014

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA# 20.205 – Highway Planning and Construction CFDA# 14.228 – Community Development Block Grant CFDA# 93.667 – Title XX Social Services Block Grant CFDA# 93.563 – Child Support Enforcement CFDA# 17.258, 17.259, 17.278 – Workforce Investment Act (WIA) Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

Significant Deficiency

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.

The County's GAAP converter erroneously recorded the following transaction in the financial statements:

Interfund Receivables in the General Fund and Interfund Payable in Non-major Governmental Funds were overstated by \$465,814. On March 20, 2013 the Board of County Commissioners approved a resolution to change prior advances totaling \$465,814 from the General Fund to the Goose Creek Crossing Fund to a transfer since there was no chance of repayment. These advances should no longer be recorded in the financial statements as a receivable and payable. The financial statements have been corrected for this error.

Failure to properly report financial activity can result in inaccurate financial statements. To improve record keeping and accountability of financial activity we recommend that the County properly report all financial activity. The County should develop review procedures over the reporting of the County's financial activity.

Officials' Response:

Officials did not respond to this finding.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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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
OCTOBER 9, 2014