



Dave Yost · Auditor of State

PREBLE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	20
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds To the Statement of Activities	24
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual – Budget Basis General Fund	25
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual – Budget Basis Motor Vehicle and Gas Tax Fund	26
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual – Budget Basis Human Services Fund.....	27
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual – Budget Basis Community Mental Health Fund	28
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual – Budget Basis Developmental Disabilities Fund.....	29
Statement of Fund Net Position – Enterprise Funds.....	30
Statement of Revenues, Expenses and Changes In Fund Net Position – Enterprise Funds.....	31

PREBLE COUNTY

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Statement of Cash Flows – Enterprise Funds.....	32
Statement of Fiduciary Net Position – Fiduciary Funds	34
Statement of Changes in Fiduciary Net Position – Private Purpose Trust Fund	35
Notes to the Basic Financial Statements	37
Federal Awards Expenditures Schedule.....	75
Notes to the Federal Awards Expenditures Schedule	78
Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required By <i>Government Auditing Standards</i>	79
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133.	81
Schedule of Findings.....	83
Schedule of Prior Audit Findings.....	85



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, 2012, 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, 2012, 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.

Emphasis of Matter

As discussed in Note 26 to the financial statements, during the year ended December 31, 2012, the County adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53," Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62." We did not modify our opinion regarding these matters.

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 is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 August 21, 2013, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

August 21, 2013

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PREBLE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 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, 2012. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding.

FINANCIAL HIGHLIGHTS

1. Total governmental activities Net Position increased \$1,350,783. The biggest increase was in Invested in Capital Assets, net of Related Debt increased \$1,893,148. Unrestricted decreased by \$536,249.
2. The Net Position of the County's business-type activities decreased by \$862,598.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

PREBLE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 UNAUDITED

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

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

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

The Statement of Net 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

PREBLE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 UNAUDITED

related legal requirements associated with those resources.

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

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

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

Most of the County's services are reported in governmental funds, the following of which are considered major funds: General, Motor Vehicle and Gas Tax, Human Services, Community Mental Health, and Developmental Disabilities Levy. The basic governmental fund financial statements begin on page 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 32 of this report.

Notes to the Financial Statements

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

PREBLE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED

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 2012 compared to 2011.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Assets						
Current and Other						
Assets	\$21,364,837	\$21,902,877	\$3,573,471	\$3,191,086	\$24,938,308	\$25,093,963
Capital Assets	29,679,783	28,260,770	5,079,767	2,766,698	34,759,550	31,027,468
Total Assets	51,044,620	50,163,647	8,653,238	5,957,784	59,697,858	56,121,431
Deferred Outflows of Resources:						
Current and Other	0	0	72,422	90,529	72,422	90,529
Liabilities						
Long-Term Liabilities	1,181,639	1,672,502	9,008,554	7,185,293	10,190,193	8,857,795
Other Liabilities	1,654,865	1,874,756	305,247	313,759	1,960,112	2,188,515
Total Liabilities	2,836,504	3,547,258	9,313,801	7,499,052	12,150,305	11,046,310

(continued)

PREBLE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED

Table 1
 Net Position
 (continued)

	2012	2011	2012	2011	2012	2011
Deferred Inflow of Resources						
Deferred Charge on						
Refunding	930	1,162	0	0	930	1,162
Property Taxes	<u>3,301,842</u>	<u>3,060,666</u>	<u>0</u>	<u>0</u>	<u>3,301,842</u>	<u>3,060,666</u>
Total Deferred Inflow of Resources	<u>3,302,772</u>	<u>3,061,828</u>	<u>0</u>	<u>0</u>	<u>3,302,772</u>	<u>3,061,828</u>
Net Position						
Invested in Capital Assets, Net of						
Related Debt	29,050,693	27,157,545	2,262,240	1,961,897	31,312,933	29,119,442
Restricted						
Other Purposes	11,338,560	10,943,572	0	0	11,338,560	10,943,572
Debt Service	1,320	75,964	0	0	1,320	75,964
Capital Projects	44,336	370,796	0	0	44,336	370,796
Unrestricted (Deficit)	<u>4,470,435</u>	<u>5,006,684</u>	<u>(2,850,381)</u>	<u>(3,412,636)</u>	<u>1,620,054</u>	<u>1,594,048</u>
Total Net Position	<u>\$44,905,344</u>	<u>\$43,554,561</u>	<u>(\$588,141)</u>	<u>(\$1,450,739)</u>	<u>\$44,317,203</u>	<u>\$42,103,822</u>

Government-wide Financial Analysis

Total governmental activities Net Position increased \$1,350,783. The biggest increase was in Invested in Capital Assets, net of Related Debt increased \$1,893,148 due to additions of assets, especially infrastructure. The County finished a large bridge project to Camden College Corner Road Bridge. Unrestricted decreased by \$536,249 mainly due to the decrease in not only sales tax revenues but also grants and entitlements. The County received a large one-time permissive sales tax receipt in 2011. Also, the County continues to see a decrease in local government monies received from the State.

Total governmental activities liabilities decreased \$710,754. The debt payments by the County during 2012 were the main cause of the liabilities decreasing. Total governmental assets increased overall by \$880,973 mostly from capital assets. Infrastructure increased largely due to bridge projects during 2012.

The Net Position of the County's business-type activities increased by \$862,598 mainly due to the increase in capital assets. Construction in progress increased from a waste water treatment plant and landfill project.

Table 2 normally shows the changes in Net Position for the years ended December 31, 2012 and 2011.

PREBLE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED

Table 2
 Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for Services	\$3,947,654	\$4,020,895	\$3,891,912	\$2,810,397	\$7,839,566	\$6,831,292
Operating Grants,						
Contributions, and Interest	11,502,523	12,786,643	31,827	8,072	11,534,350	12,794,715
Capital Grants,						
Contributions, and Interest	2,471,753	1,478,362	0	0	2,471,753	1,478,362
Total Program Revenues	17,921,930	18,285,900	3,923,739	2,818,469	21,845,669	21,104,369
General Revenues:						
Property Taxes	4,014,878	4,179,527	0	0	4,014,878	4,179,527
Permissive Sales Tax	4,729,873	5,027,910	0	0	4,729,873	5,027,910
Grants and Entitlements	878,261	1,064,961	0	0	878,261	1,064,961
Gifts and Donations	0	0	0	0	0	0
Unrestricted Investment Earnings	127,470	177,468	229	371	127,699	177,839
Gain on Sale of Capital Assets	0	0	0	0	0	0
Other	594,264	266,841	62,430	100	656,694	266,941
Total General Revenues	10,344,746	10,716,707	62,659	471	10,407,405	10,717,178
Total Revenues	\$28,266,676	\$29,002,607	\$3,986,398	\$2,818,940	\$32,253,074	31,821,547
Program Expenses						
General Government						
Legislative and Executive	3,642,852	3,522,409	0	0	3,642,852	3,522,409
Judicial	1,942,249	1,918,401	0	0	1,942,249	1,918,401
Public Safety	4,550,316	4,382,435	0	0	4,550,316	4,382,435
Public Works	4,629,947	4,307,804	0	0	4,629,947	4,307,804
Health	2,092,257	2,486,788	0	0	2,092,257	2,486,788
Human Services	9,290,577	9,167,399	0	0	9,290,577	\$9,167,399
Community and Economic Development	666,790	451,790	0	0	666,790	451,790
Intergovernmental	71,479	37,265	0	0	71,479	37,265
Interest and Fiscal Charges	29,426	32,660	0	0	29,426	32,660
Sewer	0	0	88,128	95,883	88,128	95,883
Landfill	0	0	3,035,672	3,039,397	3,035,672	3,039,397
Total Expenses	26,915,893	26,306,951	3,123,800	3,135,280	30,039,693	29,442,231
Change in Net Position	1,350,783	2,695,656	862,598	(316,340)	2,213,381	2,379,316
Net Position Beginning of Year (Restated)	43,554,561	40,858,905	(1,450,739)	(1,134,399)	42,103,822	39,724,506
Net Position End of Year	\$44,905,344	\$43,554,561	(\$588,141)	(\$1,450,739)	\$44,317,203	\$42,103,822

PREBLE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 UNAUDITED

Governmental Activities

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

The largest decrease to revenues was from operating grants, contributions and interest as well as permissive sales tax and grant and entitlements. The County has received less operating grant monies and local government monies from the State due to decrease in funding. The County received a large one-time permissive sales tax receipt in 2011.

Expenses saw an increase of \$608,942. The County had increase in rates and wages in many County departments in 2012. Also, health insurance premiums increased again in 2012.

Business-type Activities

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

FUND ANALYSIS

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

Governmental funds: The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the year. At the end of 2012, the County's governmental funds reported combined ending fund balances of \$13,897,889. Approximately 68.0 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 \$4,693,748, a decrease of \$133,478. The decrease was mostly due to reduction in permissive sales tax revenue received from the one-time receipt received in 2011.

The Motor Vehicle and Gas Tax Fund increased by \$82,773, leaving a balance of \$1,367,151.

The Human Services Fund decreased by \$126,852. Transfers in from the General Fund supplemented existing revenues to offset expenditures.

The Community Mental Health Fund revenues did not exceed expenditures, decreasing the year-end fund balance by \$105,509. Due to reduction in revenues, the County strived to keep expenditures in line with revenue streams in 2012.

The Developmental Disabilities Fund revenues did not exceed expenditures decreasing the year-end fund balance by \$341,748. Intergovernmental revenues decreased drastically from the prior year due to State funding dropping with hard economic times.

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 \$147,311 in user charges during 2012. Net Position increased by \$91,010 during 2012, ending with a fund balance of \$981,960.

PREBLE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 UNAUDITED

Net Position for the County-owned landfill had a increase of \$771,588 in 2012. The increase was mainly due to the increase from construction in progress project.

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 4.5 percent. Actual receipts were slightly higher than final budgeted revenues.

During 2012, there were numerous revisions to the General Fund's budgeted expenditures. The net effect of the revisions was an increase in budgeted disbursements of 1.5 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 \$29,679,783 and \$5,079,767, an increase of \$1,419,013 in governmental and an increase of \$2,313,069 in business type from 2012.

Table 3
Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$2,252,014	\$2,252,014	\$452,313	\$452,313	\$2,704,327	\$2,704,327
Construction in Progress	123,500	447,665	2,129,590	0	2,253,090	447,665
Buildings, Structures, and Improvements	7,227,551	7,258,342	733,414	742,250	7,960,965	8,000,592
Furniture, Fixtures, and Equipment	2,885,671	2,988,081	1,230,722	1,032,606	4,116,393	4,020,687
Infrastructure	17,191,047	15,314,668	533,728	539,529	17,724,775	15,854,197
Totals	<u>\$29,679,783</u>	<u>\$28,260,770</u>	<u>\$5,079,767</u>	<u>\$2,766,698</u>	<u>\$34,759,550</u>	<u>\$31,027,468</u>

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

Debt

At December 31, 2012, Preble County had \$628,160 and \$4,260,056 in governmental activities and business-type activities, respectively debt outstanding.

PREBLE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED

Table 4
Outstanding Debt at Year-end

	Governmental Activities		Business-Type Activities	
	2012	2011	2012	2011
Long-Term Notes	\$26,849	\$100,097	\$204,630	\$54,000
Loans Payable	0	344,381	2,507,739	750,801
General Obligation Bonds	505,110	560,136	1,442,529	1,773,160
Short-Term Notes	96,201	98,740	105,158	54,000
Totals	\$628,160	\$1,103,354	\$4,260,056	\$2,631,961

See Notes 14 and 15 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.

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PREBLE COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	L & M Products
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$12,290,970	\$1,727,543	\$14,018,513	\$302,454
Cash and Cash Equivalents in Segregated Accounts	161,350	0	161,350	0
Cash and Cash Equivalents with Fiscal Agents	565,058	0	565,058	0
Cash and Cash Equivalents with Trustee	0	1,709,542	1,709,542	0
Accrued Interest Receivable	15,281	0	15,281	0
Accounts Receivable	186,319	666,876	853,195	44,336
Permissive Sales Tax Receivable	794,289	0	794,289	0
Due from Other Governments	2,786,966	0	2,786,966	0
Internal Balances	531,468	(531,468)	0	0
Prepaid Items	68,713	0	68,713	1,908
Materials and Supplies Inventory	171,316	978	172,294	0
Property Taxes Receivable	3,625,265	0	3,625,265	0
Special Assessments Receivable	167,842	0	167,842	0
Restricted Cash - Custodial Funds	0	0	0	2,194
Restricted Cash - Consumer Funds	0	0	0	675
Advance Deposits	0	0	0	186
Nondepreciable Capital Assets	2,375,514	2,581,903	4,957,417	0
Depreciable Capital Assets, Net	27,304,269	2,497,864	29,802,133	97,515
 Total Assets	 51,044,620	 8,653,238	 59,697,858	 449,268
Deferred Outflow of Resources				
Deferred Charge on Refunding	0	72,422	72,422	0
Liabilities:				
Accounts Payable	385,568	65,768	451,336	18,411
Accrued Salaries Payable	608,346	19,456	627,802	3,099
Payroll Taxes and Withholdings	0	0	0	1,184
Contracts Payable	159,538	18,585	178,123	0
Retainage Payable	0	5,000	5,000	0
Due to Other Governments	397,218	68,249	465,467	0
Accrued Interest Payable	7,994	23,031	31,025	0
Custodial Funds	0	0	0	2,194
Consumer Funds	0	0	0	675
Notes Payable	96,201	105,158	201,359	0
Long-Term Liabilities:				
Due Within One Year	547,233	482,129	1,029,362	0
Due in More Than One Year	634,406	8,526,425	9,160,831	0
 Total Liabilities	 2,836,504	 9,313,801	 12,150,305	 25,563
Deferred Inflows of Resources				
Deferred Charge on Refunding	930	0	930	0
Property Taxes	3,301,842	0	3,301,842	0
 Total Deferred Inflows of Resources	 3,302,772	 0	 3,302,772	 0
Net Position:				
Net Investment in Capital Assets	29,050,693	2,262,240	31,312,933	0
Restricted for:				
Public Safety	874,460	0	874,460	0
Public Works	2,652,001	0	2,652,001	0
Health	1,272,316	0	1,272,316	0
Human Services	5,178,653	0	5,178,653	0
Community and Economic Development	352,649	0	352,649	0
General Government	1,008,481	0	1,008,481	0
Debt Service	1,320	0	1,320	0
Capital Projects	44,336	0	44,336	0
Unrestricted (Deficit)	4,470,435	(2,850,381)	1,620,054	423,705
 Total Net Position (Deficit)	 \$44,905,344	 (\$588,141)	 \$44,317,203	 \$423,705

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
Governmental Activities:				
General Government:				
Legislative and Executive	\$3,642,852	\$1,637,703	\$0	\$0
Judicial	1,942,249	786,917	85,589	0
Public Safety	4,550,316	498,069	302,626	0
Public Works	4,629,947	423,434	3,809,839	1,528,623
Health	2,092,257	134,740	1,586,070	0
Human Services	9,290,577	457,373	5,718,399	0
Community and Economic Development	666,790	9,418	0	943,130
Intergovernmental	71,479	0	0	0
Interest and Fiscal Charges	29,426	0	0	0
Total Governmental Activities	<u>26,915,893</u>	<u>3,947,654</u>	<u>11,502,523</u>	<u>2,471,753</u>
Business-Type Activities:				
Sewer	88,128	147,311	31,827	0
Landfill	<u>3,035,672</u>	<u>3,744,601</u>	<u>0</u>	<u>0</u>
Total Business-Type Activities	<u>3,123,800</u>	<u>3,891,912</u>	<u>31,827</u>	<u>0</u>
Total Primary Government	<u>\$30,039,693</u>	<u>\$7,839,566</u>	<u>\$11,534,350</u>	<u>\$2,471,753</u>
Component Unit:				
L & M Products	<u>\$2,059,542</u>	<u>\$361,462</u>	<u>\$1,704,970</u>	<u>\$0</u>
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				
Net Position (Deficit) 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
(\$2,005,149)	\$0	(\$2,005,149)	\$0
(1,069,743)	0	(1,069,743)	0
(3,749,621)	0	(3,749,621)	0
1,131,949	0	1,131,949	0
(371,447)	0	(371,447)	0
(3,114,805)	0	(3,114,805)	0
285,758	0	285,758	0
(71,479)	0	(71,479)	0
(29,426)	0	(29,426)	0
<u>(8,993,963)</u>	<u>0</u>	<u>(8,993,963)</u>	<u>0</u>
 0	 91,010	 91,010	 0
<u>0</u>	<u>708,929</u>	<u>708,929</u>	<u>0</u>
 0	 799,939	 799,939	 0
<u>(8,993,963)</u>	<u>799,939</u>	<u>(8,194,024)</u>	<u>0</u>
 <u>0</u>	 <u>0</u>	 <u>0</u>	 <u>6,890</u>
 1,872,136	 0	 1,872,136	 0
<u>212,386</u>	<u>0</u>	<u>212,386</u>	<u>0</u>
<u>1,576,682</u>	<u>0</u>	<u>1,576,682</u>	<u>0</u>
<u>76,268</u>	<u>0</u>	<u>76,268</u>	<u>0</u>
<u>277,406</u>	<u>0</u>	<u>277,406</u>	<u>0</u>
<u>4,729,873</u>	<u>0</u>	<u>4,729,873</u>	<u>0</u>
<u>878,261</u>	<u>0</u>	<u>878,261</u>	<u>0</u>
<u>127,470</u>	<u>229</u>	<u>127,699</u>	<u>0</u>
<u>594,264</u>	<u>62,430</u>	<u>656,694</u>	<u>0</u>
<u>10,344,746</u>	<u>62,659</u>	<u>10,407,405</u>	<u>0</u>
 1,350,783	 862,598	 2,213,381	 6,890
<u>43,554,561</u>	<u>(1,450,739)</u>	<u>42,103,822</u>	<u>416,815</u>
<u><u>\$44,905,344</u></u>	<u><u>(\$588,141)</u></u>	<u><u>\$44,317,203</u></u>	<u><u>\$423,705</u></u>

PREBLE COUNTY, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General	Motor Vehicle and Gas Tax	Human Services
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$3,418,698	\$853,025	\$222,935
Cash and Cash Equivalents in Segregated Accounts	3	0	0
Cash and Cash Equivalents with Fiscal Agents	0	0	0
Receivables:			
Permissive Sales Tax	794,289	0	0
Property Taxes	1,638,711	0	0
Accounts	33,681	4,638	417
Special Assessments	0	0	0
Accrued Interest	15,281	0	0
Interfund	997,282	0	0
Due From Other Governments	420,912	1,693,279	63,066
Materials and Supplies Inventory	1,500	163,960	3,638
Prepaid Items	18,557	2,277	47,482
Total Assets	<u><u>\$7,338,914</u></u>	<u><u>\$2,717,179</u></u>	<u><u>\$337,538</u></u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$135,363	\$12,770	\$28,055
Contracts Payable	0	36,038	0
Accrued Salaries Payable	262,774	84,746	88,588
Due to Other Governments	211,764	41,055	47,501
Interfund Payable	0	0	0
Notes Payable	46,400	0	0
Accrued Interest Payable	1,147	0	0
Total Liabilities	<u><u>657,448</u></u>	<u><u>174,609</u></u>	<u><u>164,144</u></u>
Deferred Inflows of Resources:			
Property Taxes	1,488,840	0	0
Unavailable Revenue	498,878	1,175,419	27,526
Total Deferred Inflows of Resources	<u><u>1,987,718</u></u>	<u><u>1,175,419</u></u>	<u><u>27,526</u></u>
Fund Balances:			
Nonspendable	250,992	166,237	51,120
Restricted	0	1,200,914	94,748
Assigned	134,351	0	0
Unassigned	4,308,405	0	0
Total Fund Balances	<u><u>4,693,748</u></u>	<u><u>1,367,151</u></u>	<u><u>145,868</u></u>
Total Liabilities and Fund Balances	<u><u>\$7,338,914</u></u>	<u><u>\$2,717,179</u></u>	<u><u>\$337,538</u></u>

See Accompanying Notes to the Basic Financial Statements

Community Mental Health	Developmental Disabilities	Nonmajor Governmental Funds	Total Governmental Funds
\$1,281,675	\$3,533,484	\$2,981,153	\$12,290,970
0	0	161,347	161,350
0	565,058	0	565,058
0	0	0	794,289
217,423	1,440,985	328,146	3,625,265
9,189	85,897	52,497	186,319
0	0	167,842	167,842
0	0	0	15,281
0	0	0	997,282
45,287	284,506	279,916	2,786,966
0	0	2,218	171,316
0	0	397	68,713
<u>\$1,553,574</u>	<u>\$5,909,930</u>	<u>\$3,973,516</u>	<u>\$21,830,651</u>
\$50,439	\$16,607	\$142,334	\$385,568
0	123,500	0	159,538
18,270	93,642	60,326	608,346
9,640	53,411	33,847	397,218
0	0	465,814	465,814
0	0	49,801	96,201
0	0	681	1,828
<u>78,349</u>	<u>287,160</u>	<u>752,803</u>	<u>2,114,513</u>
198,290	1,312,628	302,084	3,301,842
65,715	328,834	420,035	2,516,407
<u>264,005</u>	<u>1,641,462</u>	<u>722,119</u>	<u>5,818,249</u>
0	0	2,615	470,964
1,211,220	3,981,308	2,957,660	9,445,850
0	0	8,153	142,504
0	0	(469,834)	3,838,571
<u>1,211,220</u>	<u>3,981,308</u>	<u>2,498,594</u>	<u>13,897,889</u>
<u>\$1,553,574</u>	<u>\$5,909,930</u>	<u>\$3,973,516</u>	<u>\$21,830,651</u>

PREBLE COUNTY, OHIO
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
 NET POSITION OF GOVERNMENTAL ACTIVITIES
 DECEMBER 31, 2012

Total Governmental Fund Balance \$13,897,889

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	123,500
Buildings, Structures, and Improvements	11,748,471
Furniture, Fixtures, and Equipment	9,772,064
Infrastructure	25,205,855
Accumulated Depreciation	<u>(19,422,121)</u>
 Total Capital Assets	29,679,783

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	323,423
Charges for Services	42,779
Fines and Forfeitures	675
Intergovernmental	1,969,751
Special Assessments	167,842
Investment Earnings	9,162
Miscellaneous	<u>2,775</u>
 Total Long-term Assets	2,516,407

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

Accrued Interest on Bonds	(6,166)
Unamortized Loss	(930)
Premium on Debt Issued	(110)
Notes Payable	(26,849)
General Obligation Bonds	(505,000)
Compensated Absences	<u>(649,680)</u>
 Total Long-term Liabilities	<u>(1,188,735)</u>

Net Position of Governmental Activities \$44,905,344

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, 2012

	General	Motor Vehicle and Gas Tax	Human Services
Revenues:			
Property Taxes	\$1,879,046	\$0	\$0
Permissive Sales Tax	4,729,873	0	0
Charges for Services	1,866,981	216,637	170,440
Licenses and Permits	2,444	0	0
Fines and Forfeitures	40,296	29,837	0
Intergovernmental	928,731	3,816,991	1,720,967
Special Assessments	0	0	0
Interest	118,323	665	0
Other	292,473	0	0
Total Receipts	<u>9,858,167</u>	<u>4,064,130</u>	<u>1,891,407</u>
Expenditures:			
Current:			
General Government:			
Legislative and Executive	3,106,718	0	0
Judicial	1,732,138	0	0
Public Safety	3,806,673	0	0
Public Works	0	4,026,860	0
Health	80,032	0	0
Human Services	358,282	0	2,554,658
Community and Economic Development	74,475	0	0
Capital Outlay	0	0	0
Intergovernmental	71,479	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	2,625	0	0
Current Refunding	46,400	0	0
Total Disbursements	<u>9,278,822</u>	<u>4,026,860</u>	<u>2,554,658</u>
Excess of Revenues Over (Under) Expenditures	<u>579,345</u>	<u>37,270</u>	<u>(663,251)</u>
Other Financing Sources (Uses):			
Current Refunding	0	0	0
Proceeds from OWDA Loans	0	0	0
Proceeds from Sale of Capital Assets	6,459	0	0
Notes Issued	0	0	0
Transfers - In	45,990	45,503	597,602
Transfers - Out	(765,272)	0	(61,203)
Total Other Financing Sources (Uses)	<u>(712,823)</u>	<u>45,503</u>	<u>536,399</u>
Net Change in Fund Balances	(133,478)	82,773	(126,852)
Fund Balances at Beginning of Year	<u>4,827,226</u>	<u>1,284,378</u>	<u>272,720</u>
Fund Balances at End of Year	<u>\$4,693,748</u>	<u>\$1,367,151</u>	<u>\$145,868</u>

See Accompanying Notes to the Basic Financial Statements

Community Mental Health	Developmental Disabilities	Nonmajor Governmental Funds	Total Governmental Funds
\$226,665	\$1,588,658	\$379,015	\$4,073,384
0	0	0	4,729,873
66,022	17,422	1,178,829	3,516,331
0	0	102,199	104,643
0	2,865	37,766	110,764
1,750,051	2,105,838	4,329,221	14,651,799
0	0	172,913	172,913
0	0	(15)	118,973
5,884	264,701	28,431	591,489
<hr/>	<hr/>	<hr/>	<hr/>
2,048,622	3,979,484	6,228,359	28,070,169
<hr/>	<hr/>	<hr/>	<hr/>
0	0	481,574	3,588,292
0	0	191,177	1,923,315
0	0	640,195	4,446,868
0	0	215,982	4,242,842
1,923,681	0	106,387	2,110,100
230,649	4,321,232	1,887,900	9,352,721
0	0	592,315	666,790
830	0	1,926,910	1,927,740
0	0	0	71,479
0	0	430,661	430,661
0	0	27,722	30,347
0	0	26,848	73,248
<hr/>	<hr/>	<hr/>	<hr/>
2,155,160	4,321,232	6,527,671	28,864,403
<hr/>	<hr/>	<hr/>	<hr/>
(106,538)	(341,748)	(299,312)	(794,234)
<hr/>	<hr/>	<hr/>	<hr/>
0	0	(26,849)	(26,849)
0	0	31,280	31,280
0	0	0	6,459
0	0	26,849	26,849
1,029	0	685,732	1,375,856
0	0	(549,381)	(1,375,856)
<hr/>	<hr/>	<hr/>	<hr/>
1,029	0	167,631	37,739
<hr/>	<hr/>	<hr/>	<hr/>
(105,509)	(341,748)	(131,681)	(756,495)
<hr/>	<hr/>	<hr/>	<hr/>
1,316,729	4,323,056	2,630,275	14,654,384
<hr/>	<hr/>	<hr/>	<hr/>
\$1,211,220	\$3,981,308	\$2,498,594	\$13,897,889
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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, 2012

Net Change in Fund Balances - Total Governmental Funds (\$756,495)

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

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

Capital Outlay	2,797,044
Depreciation	<u>(1,322,735)</u>
Excess of Capital Outlay over Depreciation Expense	1,474,309

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

Proceeds from Sale of Capital Assets	(6,459)
Loss on Disposal of Capital Assets	<u>(48,837)</u>
	(55,296)

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	100,097
General Obligation Bonds	55,000
Loans Payable	<u>375,661</u>
	530,758

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	663
Amortization of Loss	232
Amortization of Premium on Debt	<u>26</u>
	921

Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Property Taxes	(58,506)
Charges for Services	42,779
Fines and Forfeitures	675
Intergovernmental	200,073
Special Assessments	(451)
Interest	9,162
Other	<u>2,775</u>
	196,507

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

Notes Payable	(26,849)
Loans Payable	<u>(31,280)</u>
	(58,129)

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

Decrease in Compensated Absences	<u>18,208</u>
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Change in Net Position of Governmental Activities \$1,350,783

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, 2012

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property Taxes	\$1,792,636	\$1,882,214	\$1,882,214	\$0
Permissive Sales Tax	4,458,659	4,681,459	4,681,459	0
Charges for Services	1,539,021	1,586,021	1,615,926	29,905
Licenses and Permits	2,328	2,419	2,444	25
Fines and Forfeitures	37,056	38,908	38,908	0
Intergovernmental	925,506	969,742	971,754	2,012
Interest	114,919	116,287	120,662	4,375
Other	250,786	263,265	263,318	53
Total Revenues	<u>9,120,911</u>	<u>9,540,315</u>	<u>9,576,685</u>	<u>36,370</u>
Expenditures:				
Current:				
General Government:				
Legislative and Executive	3,225,615	3,325,590	3,190,076	135,514
Judicial	1,677,076	1,670,441	1,506,765	163,676
Public Safety	3,956,823	3,941,169	3,898,919	42,250
Health	80,541	80,222	80,032	190
Human Services	399,327	397,747	377,157	20,590
Community and Economic Development	76,262	75,960	75,419	541
Intergovernmental	75,301	75,003	71,479	3,524
Debt Service:				
Principal Retirement	0	69,600	69,600	0
Interest and Fiscal Charges	0	2,088	2,088	0
Total Expenditures	<u>9,490,945</u>	<u>9,637,820</u>	<u>9,271,535</u>	<u>366,285</u>
Excess of Revenues Over (Under) Expenditures	<u>(370,034)</u>	<u>(97,505)</u>	<u>305,150</u>	<u>402,655</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	6,152	6,459	6,459	0
Notes Issued	44,192	46,400	46,400	0
Advances - In	114,012	100,000	100,000	0
Advances - Out	(1,280,345)	(394,419)	(394,419)	0
Transfers - In	44,915	45,990	45,990	0
Transfers - Out	0	(768,516)	(765,272)	3,244
Total Other Financing Sources (Uses)	<u>(1,071,074)</u>	<u>(964,086)</u>	<u>(960,842)</u>	<u>3,244</u>
Net Change in Fund Balance	(1,441,108)	(1,061,591)	(655,692)	405,899
Fund Balance at Beginning of Year	3,256,193	3,256,193	3,256,193	0
Prior Year Encumbrances Appropriated	292,479	292,479	292,479	0
Fund Balance at End of Year	<u>\$2,107,564</u>	<u>\$2,487,081</u>	<u>\$2,892,980</u>	<u>\$405,899</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)
 MOTOR VEHICLE AND GAS TAX FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Charges for Services	\$214,645	\$196,889	\$220,644	\$23,755
Fines and Forfeitures	27,732	28,507	28,507	0
Intergovernmental	3,723,239	3,695,836	3,827,299	131,463
Interest	619	636	636	0
Total Revenues	3,966,235	3,921,868	4,077,086	155,218
Expenditures:				
Current:				
Public Works	4,635,576	4,738,705	4,352,292	386,413
Excess of Receipts Over (Under) Disbursements	(669,341)	(816,837)	(275,206)	541,631
Other Financing Sources:				
Transfers - In	44,266	45,503	45,503	0
Net Change in Fund Balance	(625,075)	(771,334)	(229,703)	541,631
Fund Balance at Beginning of Year	594,544	594,544	594,544	0
Prior Year Encumbrances Appropriated	209,316	209,316	209,316	0
Fund Balance at End of Year	<u>\$178,785</u>	<u>\$32,526</u>	<u>\$574,157</u>	<u>\$541,631</u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 HUMAN SERVICES FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Charges for Services	\$187,888	\$170,690	\$172,601	\$1,911
Intergovernmental	1,990,860	1,734,900	1,734,900	0
Total Revenues	2,178,748	1,905,590	1,907,501	1,911
Expenditures:				
Current:				
Human Services	2,764,181	2,718,883	2,611,579	107,304
Excess of Revenues Under Expenditures	(585,433)	(813,293)	(704,078)	109,215
Other Financing Sources (Uses):				
Transfers - In	650,530	597,602	597,602	0
Transfers - Out	(158,771)	(62,187)	(61,203)	984
Total Other Financing Sources (Uses)	491,759	535,415	536,399	984
Net Change in Fund Balance	(93,674)	(277,878)	(167,679)	110,199
Fund Balance at Beginning of Year	257,870	257,870	257,870	0
Prior Year Encumbrances Appropriated	59,770	59,770	59,770	0
Fund Balance at End of Year	<u><u>\$223,966</u></u>	<u><u>\$39,762</u></u>	<u><u>\$149,961</u></u>	<u><u>\$110,199</u></u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 COMMUNITY MENTAL HEALTH FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property Taxes	\$295,087	\$227,400	\$227,400	\$0
Charges for Services	113,313	87,321	87,321	0
Intergovernmental	2,322,706	1,786,295	1,789,922	3,627
Total Revenues	<u>2,731,106</u>	<u>2,101,016</u>	<u>2,104,643</u>	<u>3,627</u>
Expenditures:				
Current:				
Health	2,620,147	2,630,701	2,099,619	531,082
Human Services	<u>243,001</u>	<u>243,980</u>	<u>235,438</u>	<u>8,542</u>
Total Expenditures	<u>2,863,148</u>	<u>2,874,681</u>	<u>2,335,057</u>	<u>539,624</u>
Excess of Revenues Over (Under) Expenditures	(132,042)	(773,665)	(230,414)	543,251
Other Financing Sources:				
Transfers - In	<u>1,335</u>	<u>1,029</u>	<u>1,029</u>	<u>0</u>
Net Change in Fund Balance	(130,707)	(772,636)	(229,385)	543,251
Fund Balance at Beginning of Year	1,246,914	1,246,914	1,246,914	0
Prior Year Encumbrances Appropriated	<u>130,707</u>	<u>130,707</u>	<u>130,707</u>	<u>0</u>
Fund Balance at End of Year	<u>\$1,246,914</u>	<u>\$604,985</u>	<u>\$1,148,236</u>	<u>\$543,251</u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 DEVELOPMENTAL DISABILITIES FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property Taxes	\$1,354,810	\$1,590,616	\$1,590,616	\$0
Charges for Services	1,568	1,841	1,841	0
Intergovernmental	1,506,813	1,769,075	1,769,075	0
Other	225,460	264,701	264,701	0
Total Revenues	3,088,651	3,626,233	3,626,233	0
Expenditures:				
Current:				
Human Services	3,422,529	3,536,801	3,361,782	175,019
Net Change in Fund Balance	(333,878)	89,432	264,451	175,019
Fund Balance at Beginning of Year	3,227,461	3,227,461	3,227,461	0
Fund Balance at End of Year	<u>\$2,893,583</u>	<u>\$3,316,893</u>	<u>\$3,491,912</u>	<u>\$175,019</u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
 STATEMENT OF FUND NET POSITION
 ENTERPRISE FUNDS
 DECEMBER 31, 2012

	Sewer	Landfill	Total
Assets:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$244,418	\$1,483,125	\$1,727,543
Materials and Supplies	0	978	978
Accounts Receivable	<u>101,506</u>	<u>565,370</u>	<u>666,876</u>
Total Current Assets	<u>345,924</u>	<u>2,049,473</u>	<u>2,395,397</u>
Non-current Assets:			
Restricted Assets:			
Cash and Cash Equivalents with Trustee	0	1,709,542	1,709,542
Nondepreciable Capital Assets	366,082	2,215,821	2,581,903
Depreciable Capital Assets, Net	<u>1,283,041</u>	<u>1,214,823</u>	<u>2,497,864</u>
Total Non-current Assets	<u>1,649,123</u>	<u>5,140,186</u>	<u>6,789,309</u>
Total Assets	<u>1,995,047</u>	<u>7,189,659</u>	<u>9,184,706</u>
Deferred Outflows of Resources:			
Deferred Charge on Refunding	<u>0</u>	<u>72,422</u>	<u>72,422</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	5,145	60,623	65,768
Contracts Payable	0	18,585	18,585
Retainage Payable	0	5,000	5,000
Accrued Salaries Payable	113	19,343	19,456
Compensated Absences Payable	0	13,373	13,373
Due to Other Governments	90	68,159	68,249
Interfund Payable	0	531,468	531,468
Accrued Interest Payable	0	23,031	23,031
Notes Payable	0	105,158	105,158
OPWC Loans Payable	13,258	75,000	88,258
OWDA Loans Payable	40,498	0	40,498
General Obligation Bonds Payable	<u>0</u>	<u>340,000</u>	<u>340,000</u>
Total Current Liabilities	<u>59,104</u>	<u>1,259,740</u>	<u>1,318,844</u>
Long-Term Liabilities:			
Notes Payable	0	204,630	204,630
OPWC Loans Payable	468,012	1,425,000	1,893,012
OWDA Loans Payable	485,971	0	485,971
General Obligation Bonds Payable	0	1,102,529	1,102,529
Landfill Closure and Postclosure Costs	<u>0</u>	<u>4,840,283</u>	<u>4,840,283</u>
Total Long-Term Liabilities	<u>953,983</u>	<u>7,572,442</u>	<u>8,526,425</u>
Total Liabilities	<u>1,013,087</u>	<u>8,832,182</u>	<u>9,845,269</u>
Net Position:			
Net Investment in Capital Assets	641,384	1,620,856	2,262,240
Unrestricted (Deficit)	<u>340,576</u>	<u>(3,190,957)</u>	<u>(2,850,381)</u>
Total Net Position (Deficit)	<u>\$981,960</u>	<u>(\$1,570,101)</u>	<u>(\$588,141)</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, 2012

	Sewer	Landfill	Total
Operating Revenues:			
Charges for Services	\$147,311	\$3,744,601	\$3,891,912
Other	0	62,430	62,430
Total Operating Revenues	<u>147,311</u>	<u>3,807,031</u>	<u>3,954,342</u>
Operating Expenses:			
Personal Services	14,724	522,307	537,031
Materials and Supplies	26,165	944,264	970,429
Charges and Services	31,277	1,066,046	1,097,323
Depreciation	15,962	86,946	102,908
Closure and Postclosure Costs	0	265,979	265,979
Miscellaneous	0	23,431	23,431
Total Operating Expenses	<u>88,128</u>	<u>2,908,973</u>	<u>2,997,101</u>
Operating Income	<u>59,183</u>	<u>898,058</u>	<u>957,241</u>
Non-Operating Revenues (Expenses):			
Interest	0	229	229
Intergovernmental	31,827	0	31,827
Interest and Fiscal Charges	0	(126,699)	(126,699)
Total Non-Operating Revenues (Expenses)	<u>31,827</u>	<u>(126,470)</u>	<u>(94,643)</u>
Change in Net Position	91,010	771,588	862,598
Net Position (Deficit) at Beginning of Year	<u>890,950</u>	<u>(2,341,689)</u>	<u>(1,450,739)</u>
Net Position (Deficit) at End of Year	<u><u>\$981,960</u></u>	<u><u>(\$1,570,101)</u></u>	<u><u>(\$588,141)</u></u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
 STATEMENT OF CASH FLOWS
 ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Sewer	Landfill	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received From Customers	\$143,168	\$3,756,138	\$3,899,306
Cash Received From Other Operating Revenues	0	62,430	62,430
Cash Payments for Employee Services and Benefits	(14,668)	(547,609)	(562,277)
Cash Payments to Suppliers	(55,452)	(2,075,305)	(2,130,757)
Cash Payments for Other Operating Expenses	<u>0</u>	<u>(23,431)</u>	<u>(23,431)</u>
Net Cash Provided by Operating Activities	<u>73,048</u>	<u>1,172,223</u>	<u>1,245,271</u>
Cash Flows from Capital and Related Financing Activities:			
Grants	31,827	0	31,827
Acquisition of Capital Assets	(366,082)	(2,049,895)	(2,415,977)
Loan Proceeds	363,806	1,446,888	1,810,694
Note Proceeds	0	309,788	309,788
Loan Principal Payments	(53,756)	0	(53,756)
General Obligation Bond Principal Payments	0	(330,000)	(330,000)
General Obligation Bond Interest Payments	0	(63,635)	(63,635)
Notes Payable Principal Payments	0	(108,000)	(108,000)
Notes Payable Interest Payments	0	(3,143)	(3,143)
Short-Term Loan from Other Funds	<u>0</u>	<u>(100,000)</u>	<u>(100,000)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(24,205)</u>	<u>(897,997)</u>	<u>(922,202)</u>
Cash Flows from Investing Activities:			
Interest	<u>0</u>	<u>229</u>	<u>229</u>
Net Increase in Cash and Cash Equivalents	<u>48,843</u>	<u>274,455</u>	<u>323,298</u>
Cash and Cash Equivalents at Beginning of Year	<u>195,575</u>	<u>2,918,212</u>	<u>3,113,787</u>
Cash and Cash Equivalents at End of Year	<u>\$244,418</u>	<u>\$3,192,667</u>	<u>\$3,437,085</u>

See Accompanying Notes to the Basic Financial Statements

(continued)

PREBLE COUNTY, OHIO
 STATEMENT OF CASH FLOWS
 ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012
 (Continued)

	Enterprise Funds		
	Sewer	Landfill	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$59,183	\$898,058	\$957,241
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	15,962	86,946	102,908
Landfill Closure and Postclosure Costs	0	265,979	265,979
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(4,143)	3,465	(678)
Decrease in Materials and Supplies Inventory	0	477	477
Decrease in Interfund Receivable	0	8,072	8,072
Increase (Decrease) in Accounts Payable	1,990	(125,480)	(123,490)
Decrease in Contracts Payable	0	(1,181)	(1,181)
Increase in Retainage Payable	0	5,000	5,000
Increase (Decrease) in Accrued Salaries Payable	25	(4,381)	(4,356)
Increase in Due to Other Governments	31	54,923	54,954
Decrease in Compensated Absences Payable	0	(19,655)	(19,655)
Net Cash Provided by Operating Activities	<u><u>\$73,048</u></u>	<u><u>\$1,172,223</u></u>	<u><u>\$1,245,271</u></u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 DECEMBER 31, 2012

	Private Purpose Trust	
	Scholarship and Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$38,872	\$1,952,570
Cash and Cash Equivalents in Segregated Accounts	0	613,460
Receivables:		
Property Taxes	0	30,206,426
Accounts	0	41,015
Special Assessments	0	524,261
Due from Other Governments	<u>0</u>	<u>2,012,072</u>
Total Assets	<u>38,872</u>	<u>\$35,349,804</u>
Liabilities:		
Accounts Payable	0	\$8,311
Contracts Payable	0	13,106
Accrued Salaries Payable	0	64,747
Due to Other Governments	0	32,448,872
Undistributed Monies	0	1,649,589
Deposits Held and Due to Others	<u>0</u>	<u>1,165,179</u>
Total Liabilities	<u>0</u>	<u>\$35,349,804</u>
Net Position:		
Held in Trust for Scholarships	<u><u>\$38,872</u></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, 2012

	<u>Scholarship and Trust</u>
Additions:	
Interest	\$24
Deductions:	<u>0</u>
Change in Net Position	24
Net Position at Beginning of Year	<u>38,848</u>
Net Position at End of Year	<u>\$38,872</u>

See Accompanying Notes to the Basic Financial Statements

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PREBLE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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.

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 28).

PREBLE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (Continued)

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

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 17, 18, 19, 20 and 21 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

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 28.

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.

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (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.

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.

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.

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Revenues – Exchange and Non-exchange Transactions

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

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

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, represents 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. 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.

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, 2012, but which were levied to finance fiscal year 2013 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, income taxes, charges for service, fines and forfeitures 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.

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

During 2012, 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, 2012.

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 2012 amounted to \$118,323 which includes \$96,410 assigned from other County funds.

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

Interfund Balances

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Materials and Supplies Inventory

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

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.

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

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

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

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 probable 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.

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-Term Obligations

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

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

Bond Premiums

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.

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, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

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.

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.

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City 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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal Activity

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

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

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

Estimates

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

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.

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
(Continued)

NOTE 3 - ACCOUNTABILITY

Accountability

The Goose Creek Crossing Capital Projects Fund, Ditch and Guardrail Construction Capital Projects Fund and Landfill Enterprise Fund had fund balance deficits at December 31, 2012 of \$465,814, \$4,020 and \$1,570,101, respectively. The General Fund is liable for the deficit in the Goose Creek Crossing Capital Projects Fund, Ditch and Guardrail Construction Capital Projects Fund and Landfill Enterprise Fund and will provide transfers when cash is required, not when accruals occur. The deficit in the Goose Creek Crossing Projects Fund is due to liabilities for an interfund payable from General Fund advances. The County is monitoring charges to finance landfill operations.

NOTE 4 - BUDGET TO GAAP RECONCILIATION

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

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

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

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
(Continued)

NOTE 4 - BUDGET TO GAAP RECONCILIATION (Continued)

Net Change in Fund Balance

	General	Motor		Community		Developmental Disabilities
		Vehicle and Gas Tax	Human Services	Mental Health		
GAAP Basis	(\$133,478)	\$82,773	(\$126,852)	(\$105,509)		(\$341,748)
Revenue Accruals	(34,282)	10,285	16,094	55,286		264,303
Expenditure Accruals	49,116	(69,519)	16,053	(56,466)		968,269
Encumbrances	(313,540)	(255,913)	(72,974)	(123,431)		(14,936)
Advances	(294,419)	0	0	0		0
Unrecorded Cash - 2012	(337)	(65)	0	0		0
Unrecorded Cash - 2011	196	36	0	0		0
WestCON Activity	0	0	0	0		(613,395)
Agency Fund Cash						
Allocation - 2012	(60,613)	(22,890)	0	(10,008)		(26,636)
Agency Fund Cash						
Allocation - 2011	58,685	25,590	0	10,743		28,594
Decrease in Fair Value						
of Cash Equivalents - 2012	(40,669)	0	0	0		0
Increase in Fair Value						
of Cash Equivalents - 2011	48,747	0	0	0		0
Note Proceeds	46,400	0	0	0		0
Excess of revenues under expenditures for Title						
Administration Fund	18,502	0	0	0		0
Budget Basis	<u>(\$655,692)</u>	<u>(\$229,703)</u>	<u>(\$167,679)</u>	<u>(\$229,385)</u>		<u>\$264,451</u>

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and
12. Up to 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, 2012, 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	\$2,005,250	\$0	\$2,005,250	Aaa	15%
Federal Home Loan Bank Notes	5,101,470	2,013,230	3,088,240	Aaa	39%
Corporate Notes	1,013,135	504,930	508,205	Aa	8%
Municipal Bonds	498,090	0	498,090	Aaa	N/A
STAROhio	4,413,806	4,413,806	0	Aaam	34%
Total Investments	<u>\$13,031,751</u>	<u>\$6,931,966</u>	<u>\$6,099,785</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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2012 for real and public utility property taxes represents collections of 2011 taxes.

2012 real property taxes were levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

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. 2012 public utility property taxes which became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2012, was \$8.78 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

Category	Assessed Value	Percent
Real Property		
Residential/Agricultural	\$675,815,130	85%
Commercial/Industrial/Public Utility	88,355,330	11
Public Utility Personal	34,032,980	4
Totals	\$798,203,440	100%

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, 2012, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2012 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.

NOTE 7 - PERMISSIVE SALES AND USE TAX

In accordance with Sections 5739.021 and 5741.021 of the Revised Code, the County Commissioners, by resolution, imposed a 1.5 percent continuing tax on all retail sales made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles. Vendor collections of the tax are paid to the State Treasurer by the 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.

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 7 - PERMISSIVE SALES AND USE TAX (Continued)

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

NOTE 8 - RECEIVABLES

Receivables at December 31, 2012, consisted of taxes, charges for services, utility accounts, special assessments, interest on investments, interfund amounts, and intergovernmental receivables arising from grants, entitlements and shared revenues. Utility accounts receivable at December 31, 2012, were \$430,414. All receivables are considered fully collectible. All will be collected within one year.

Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. The County had \$422,586 of delinquent special assessments at December 31, 2012.

A summary of intergovernmental receivables follows:

Governmental Activities:	Amount
Local Government	\$201,886
Homestead and Rollback	610,789
Gasoline Cents Per Gallon	346,534
Gasoline Excise Tax	733,891
Auto License	635,744
Human Services Grant	63,066
ODADAS Grants	24,008
Children Services Grants	16,407
Miscellaneous	154,641
Total Governmental Activities	<u>\$2,786,966</u>

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
(Continued)

NOTE 9 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2012, was as follows:

	Balance At 12/31/2011	Additions	Deletions	Balance At 12/31/2012
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$2,252,014	\$0	\$0	\$2,252,014
Construction in Progress	447,665	1,510,638	(1,834,803)	123,500
Total Capital Assets, Not Being Depreciated	<u>2,699,679</u>	<u>1,510,638</u>	<u>(1,834,803)</u>	<u>2,375,514</u>
Depreciable Capital Assets:				
Buildings, Structures, and Improvements	11,681,083	67,388	0	11,748,471
Furniture, Fixtures, and Equipment	9,430,390	362,020	(20,346)	9,772,064
Infrastructure	22,686,114	2,691,801	(172,060)	25,205,855
Total Depreciable Capital Assets	<u>43,797,587</u>	<u>3,121,209</u>	<u>(192,406)</u>	<u>46,726,390</u>
Less Accumulated Depreciation:				
Buildings, Structures, and Improvements	(4,422,741)	(98,179)	0	(4,520,920)
Furniture, Fixtures, and Equipment	(6,442,309)	(464,430)	20,346	(6,886,393)
Infrastructure	(7,371,446)	(760,126)	116,764	(8,014,808)
Total Accumulated Depreciation	<u>(18,236,496)</u>	<u>(1,322,735)</u> *	<u>137,110</u>	<u>(19,422,121)</u>
Depreciable Capital Assets, Net	<u>25,561,091</u>	<u>1,798,474</u>	<u>(55,296)</u>	<u>27,304,269</u>
Governmental Activities Capital Assets, Net	<u><u>\$28,260,770</u></u>	<u><u>\$3,309,112</u></u>	<u><u>(\$1,890,099)</u></u>	<u><u>\$29,679,783</u></u>

* Depreciation expense was charged to governmental programs as follows:

General Government:	
Legislative and Executive	\$108,889
Judicial	17,390
Public Safety	135,012
Public Works	980,927
Health	4,102
Human Services	76,415
Total Depreciation Expense	<u><u>\$1,322,735</u></u>

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
(Continued)

NOTE 9 - CAPITAL ASSETS (Continued)

Capital assets activity of the business-type activities for the year ended December 31, 2012, was as follows:

	Balance at 12/31/2011	Additions	Deletions	Balance at 12/31/2012
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$452,313	\$0	\$0	\$452,313
Construction in Progress	0	2,129,590	0	2,129,590
Total Capital Assets, Not Being Depreciated	<u>452,313</u>	<u>2,129,590</u>	<u>0</u>	<u>2,581,903</u>
Depreciable Capital Assets:				
Buildings, Structures, and Improvements	1,536,814	0	0	1,536,814
Furniture, Fixtures, and Equipment	2,150,125	286,387	0	2,436,512
Sewer Lines and Manholes	580,137	0	0	580,137
Total Depreciable Capital Assets	<u>4,267,076</u>	<u>286,387</u>	<u>0</u>	<u>4,553,463</u>
Less Accumulated Depreciation:				
Buildings, Structures, and Improvements	(794,564)	(8,836)	0	(803,400)
Furniture, Fixtures, and Equipment	(1,117,519)	(88,271)	0	(1,205,790)
Sewer Lines and Manholes	(40,608)	(5,801)	0	(46,409)
Total Accumulated Depreciation	<u>(1,952,691)</u>	<u>(102,908)</u>	<u>0</u>	<u>(2,055,599)</u>
Depreciable Capital Assets, Net	2,314,385	183,479	0	2,497,864
Business-Type Activities Capital Assets, Net	<u>\$2,766,698</u>	<u>\$2,313,069</u>	<u>\$0</u>	<u>\$5,079,767</u>

NOTE 10 - RISK MANAGEMENT

Insurance

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County maintains comprehensive insurance coverage with the County Risk Sharing Authority, Inc. (CORS), a risk sharing pool (see Note 20), for liability, property, auto, and crime insurance.

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

Workers' Compensation

For 2012, the County participated in the County Commissioners' Association of Ohio Service Corporation (the Plan), an insurance purchasing pool (See Note 21). 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.

PREBLE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (Continued)

NOTE 10 - RISK MANAGEMENT (Continued)

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 11 - DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, 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 percent for law enforcement and public safety members. For the year ended December 31, 2012, members in State and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11.5 percent and 12.1 percent, respectively. Effective January 1, 2013, the member contribution rates for public safety and law enforcement increased to 12 percent and 12.6 percent, respectively. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2012, member and employer contribution rates were consistent across all three plans.

PREBLE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

The County's 2012 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.00 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. 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, 2012, 2011, and 2010 were \$1,113,022, \$1,097,771, and \$990,915, respectively. For 2012, 87.64 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010. Contributions to the Member-Directed Plan for 2012 were \$14,700 made by the County and \$10,500 made by plan members.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the Ohio Public Employees Retirement System have an option to choose Social Security. As of December 31, 2012, one County Commissioner has elected Social Security. The County's liability is 6.2 percent of wages.

NOTE 12 - POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

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

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

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, 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.

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
(Continued)

NOTE 12 - POST-EMPLOYMENT BENEFITS (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary.

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, 2012, 2011, and 2010 were \$445,209, \$439,109, and \$550,508, respectively. For 2012, 87.64 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

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 percent of the employer contributions toward the health care fund after the end of the transition period.

NOTE 13 - OTHER EMPLOYEE BENEFITS

Deferred Compensation Plan

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

Insurance

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

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
(Continued)

NOTE 14 - LONG-TERM OBLIGATIONS

The schedule of changes in long-term obligations of the governmental activities of the County during 2012 follows:

Types / Issues	Balance at 12/31/2011	Issued	Retired	Balance at 12/31/2012	Due Within One Year
Notes Payable:					
2.55% Court Computer Software Bond Anticipation Note \$40,000	\$40,000	\$20,000	\$40,000	\$20,000	\$0
2.55% Brock Ditch Construction Anticipation Note \$13,697	13,697	6,849	13,697	6,849	0
2.75% Jail HVAC Bond Anticipation Note \$46,400	46,400	0	46,400	0	0
Total Notes Payable	<u>100,097</u>	<u>26,849</u>	<u>100,097</u>	<u>26,849</u>	<u>0</u>
General Obligations Bonds:					
2002 2.00 to 3.50% Various Purpose Bonds - Unvoted \$1,440,000	485,000	0	40,000	445,000	40,000
2005 County Fairgrounds Refunding Bonds - Unvoted 3.00 to 3.60% - Current Interest Bonds \$125,000	75,000	0	15,000	60,000	15,000
Premium on Debt Issue	136	0	26	110	0
Total General Obligation Bonds Payable	<u>560,136</u>	<u>0</u>	<u>55,026</u>	<u>505,110</u>	<u>55,000</u>
Ohio Water Development Authority					
Water Design Loan	138,905	12,512	151,417	0	0
Waste Water Design Loan	205,476	18,768	224,244	0	0
Total Ohio Water Development Authority	<u>344,381</u>	<u>31,280</u>	<u>375,661</u>	<u>0</u>	<u>0</u>
Other Long-Term Obligations:					
Compensated Absences Payable	667,888	101,560	119,768	649,680	492,233
Total - General Long-Term Obligations	<u>\$1,672,502</u>	<u>\$159,689</u>	<u>\$650,552</u>	<u>\$1,181,639</u>	<u>\$547,233</u>

The 2011 Court Computer Software Bond Anticipation Note was issued on April 6, 2011, in the amount of \$80,000 for the purchase of computer software equipment for the clerk of courts. The notes were paid off and reissued in 2012. The 2012 Court Computer Software Bond Anticipation Note was reissued on April 6, 2012, in the amount of \$40,000. The note was issued at a 2.91 percent interest rate and reached maturity on April 6, 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. In 2013, the note was refinanced in the amount of \$20,000 with a 2.55 percent interest rate. The note will be paid through the Other Judicial Fund.

The 2011 Brock Ditch Construction Bond Anticipation Note was issued on June 14, 2011, in the amount of \$20,547 for the construction of Brock Ditch. The notes were paid off and reissued in 2012. The 2012 Brock Ditch Construction Bond Anticipation Note was reissued on June 6, 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 June 6, 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. In 2013, the note was refinanced for \$6,849 at a lower interest rate of 2.55 percent. The note will be paid through the Ditch and Guardrail Construction Fund.

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

The 2011 Jail HVAC Bond Anticipation Note was issued on February 14, 2011 in the amount of \$46,400 for the purchase and installation of a new jail HVAC system. The notes were paid off in 2012 through the General Fund.

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

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 2012 were as follows:

Types/Issues	Balance at 12/31/2011	Increases	Decreases	Balance at 12/31/2012	Within One Year
Notes Payable:					
2.91% Landfill Compactor \$54,000	\$54,000	\$0	\$54,000	\$0	\$0
2.75% Landfill Loader \$255,788	0	204,630	0	204,630	0
Total Notes Payable	<u>54,000</u>	<u>204,630</u>	<u>54,000</u>	<u>204,630</u>	<u>0</u>
Loans Payable:					
0.00% - 2004 OWDA Loan \$820,238	566,967	0	40,498	526,469	40,498
0.00% - 2010 OPWC Loan \$1,500,000	53,112	1,446,888	0	1,500,000	75,000
0.00% - 2012 OPWC Loan \$432,800	0	363,806	0	363,806	0
0.00% - 2006 OPWC Loan \$38,000	28,500	0	1,900	26,600	1,900
0.00% - 2000 OPWC Loan \$227,160	102,222	0	11,358	90,864	11,358
Total Loans Payable	<u>750,801</u>	<u>1,810,694</u>	<u>53,756</u>	<u>2,507,739</u>	<u>128,756</u>
General Obligation Bonds Payable:					
3.00 to 3.60% - 2005 Landfill Improvement					
Refunding Bonds \$3,445,000	1,770,000	0	330,000	1,440,000	340,000
Premium on Debt Issue	3,160	0	631	2,529	0
Total General Obligation Bonds Payable	<u>1,773,160</u>	<u>0</u>	<u>330,631</u>	<u>1,442,529</u>	<u>340,000</u>
Other Long-Term Obligations:					
Compensated Absences Payable	33,028	3,748	23,403	13,373	13,373
Landfill Closure and Postclosure	4,574,304	265,979	0	4,840,283	0
Total Other Long-Term Obligations	<u>4,607,332</u>	<u>269,727</u>	<u>23,403</u>	<u>4,853,656</u>	<u>13,373</u>
Total - Business-Type Activities	<u><u>\$7,185,293</u></u>	<u><u>\$2,285,051</u></u>	<u><u>\$461,790</u></u>	<u><u>\$9,008,554</u></u>	<u><u>\$482,129</u></u>

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
(Continued)

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

The 2011 Landfill Compactor Bond Anticipation Note was issued April 19, 2011, in the amount of \$108,000. The note was issued at a 2.91 percent interest rate and reached maturity on April 19, 2012. The 2012 Landfill Loader Bond Anticipation Note was issued on January 30, 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 note was paid off through the Landfill Fund.

The County has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$566,976 in sewer system OWDA loans issued in 2004 with an interest rate of zero percent. Proceeds from these loans provided financing for the construction of the West Elkton sewer system and to refund the County's three outstanding OWDA Loans at December 31, 2003. The loans are payable solely from sewer customer net receipts and are payable through January 1, 2026. Annual principal and interest payments on the loans are expected to require less than 54 percent of net receipts. The total principal remaining to be paid on the loans is \$526,469. Principal paid for the current was \$40,498.

The County obtained an OPWC loan for \$1,500,000 in 2008 for a landfill leachate force main/sewer project. As of December 31, 2012, the County had drawn \$1,500,000 of the available loan monies. A final amortization schedule will be established upon completion of the project.

The County obtained an OPWC loan for \$432,800 in 2012. As of December 31, 2012, the County had drawn \$363,806 of the available loan monies. A final amortization schedule will be established upon completion of the project.

The County has an OPWC Loan outstanding at December 31, 2012 in the amount of \$26,600. The OPWC Loan bears an interest rate of zero percent and is payable in semi-annual installments through 2026 and is a general obligation of the County. The OPWC was originally received by the Village of West Elkton during 1998 and was assumed by the County in 2000. Current operations of the Sewer Fund are expected to provide sufficient cash flows to fund debt service requirements.

The County has an OPWC Loan outstanding at December 31, 2012 in the amount of \$90,864. The OPWC Loan bears an interest rate of zero percent and is payable in semi-annual installments through 2021 and is a general obligation of the County. The OPWC Loan was originally received by the Village of West Elkton during 1994 and 1995 in the amount of \$299,755, and was assumed by the County in 2000, when the village could not repay the loan. Current operations of the Sewer Fund are expected to provide sufficient cash flows to fund debt service requirements.

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

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The effects of the debt limitations at December 31, 2012, are an overall legal debt margin of \$18,455,086 and an unvoted legal debt margin of \$7,982,034.

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

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

Year	Governmental Activities	
	General Obligation	
	Serial Bonds	
Year	Principal	Interest
2013	\$55,000	\$21,992
2014	60,000	19,688
2015	60,000	17,122
2016	60,000	14,557
2017	50,000	12,015
2018-2021	220,000	25,143
Totals	<u><u>\$505,000</u></u>	<u><u>\$110,517</u></u>

Year	Business-Type Activities		
	Loans Payable		General Obligation Bonds
	Principal	Principal	Interest
2013	\$128,756	\$340,000	\$52,580
2014	128,756	355,000	40,680
2015	128,756	365,000	27,368
2016	128,756	380,000	13,680
2017	128,756	0	0
2018-2022	621,064	0	0
2023-2027	504,089	0	0
2028-2032	375,000	0	0
Totals	<u><u>\$2,143,933</u></u>	<u><u>\$1,440,000</u></u>	<u><u>\$134,308</u></u>

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
(Continued)

NOTE 15 - SHORT-TERM OBLIGATIONS

Changes in the short-term obligations during 2012 were as follows:

Fund Type/Fund/Issue	Interest Rate	Balance at 12/31/2011	Increases	Decreases	Balance at 12/31/2012
<u>Governmental:</u>					
Ditch and Guardrail Construction Gates Joint Ditch	2.55%	\$28,690	\$22,952	\$28,690	\$22,952
Ditch and Guardrail Construction Brock Ditch	2.55%	6,850	6,849	6,850	6,849
General					
Jail HVAC	2.75%	23,200	46,400	23,200	46,400
Other Judicial					
Court Computer Software	2.55%	40,000	20,000	40,000	20,000
Total Governmental Funds		<u>\$98,740</u>	<u>\$96,201</u>	<u>\$98,740</u>	<u>\$96,201</u>
<u>Business-Type Activities:</u>					
Landfill Compactor Note	2.55%	\$54,000	\$54,000	\$54,000	\$54,000
Landfill Loader Note	2.75%	0	51,158	0	51,158
Total Business-Type Funds		<u>\$54,000</u>	<u>\$105,158</u>	<u>\$54,000</u>	<u>\$105,158</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 - INTERFUND ACTIVITY

Interfund balances at December 31, 2012, 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.

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 16 - INTERFUND ACTIVITY (Continued)

		<u>Interfund Receivable</u>
<u>Interfund Payable</u>		<u>General Fund</u>
Nonmajor Governmental Funds		\$465,814
Landfill Enterprise Fund		<u>531,468</u>
Total		<u><u>\$997,282</u></u>

Interfund transfers for the year ended December 31, 2012, consisted of the following:

Transfers From	Transfers To					
	General	Motor Vehicle and Gas Tax	Human Services	Mental Health	Nonmajor Governmental	Totals
General	\$0	\$45,503	\$94,211	\$0	\$625,558	\$765,272
Human Services	0	0	0	1,029	60,174	61,203
Other Governmental	45,990	0	503,391	0	0	549,381
Total	<u>\$45,990</u>	<u>\$45,503</u>	<u>\$597,602</u>	<u>\$1,029</u>	<u>\$685,732</u>	<u>\$1,375,856</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 Other Governmental Funds to the General Fund and Human Services Fund was used to support the debt activities and human services activities. The transfers from the Human Services Fund to Other Governmental Funds was for debt payments.

NOTE 17 - 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 2012, 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 COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 17 - RELATED ORGANIZATIONS (Continued)

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 2012, 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 18 - 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 2012. The EMA is a joint venture because its continued existence depends on contributed funding by the County. The EMA is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Complete financial statements can be obtained from Charles Biggs, Director of the EMA located at 6818 US 127 North, Eaton, Ohio 45320.

NOTE 19 - JOINTLY GOVERNED ORGANIZATION

West Central Ohio Network

The West Central Ohio Network (WestCON) is a jointly governed organization among Auglaize, Darke, Logan, Mercer, Miami, Preble, Shelby, and Union Counties. WestCON was formed to administer supported living services for persons with developmental disabilities in these counties. The executive committee consists of eight members that are the Superintendents of each local county board of developmental disabilities which is a WestCON member. During 2012, the County did not make any significant financial contributions to WestCON.

NOTE 20 - RISK SHARING POOL

County Risk Sharing Authority, Inc.

The County Risk Sharing Authority, Inc. (CORS) is a risk sharing pool among counties in Ohio. CORS was formed as an Ohio non-profit corporation for the purpose of establishing the CORS 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 CORS. The coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
(Continued)

NOTE 20 - RISK SHARING POOL (Continued)

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

NOTE 21 - GROUP PURCHASING POOL

County Commissioners' Association of Ohio Service Corporation

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

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

NOTE 22 – 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 \$4,840,283 reported as a landfill closure and post-closure care liability at December 31, 2012, represents the cumulative amount reported to date based on the use of 40.46 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of the closure and post-closure care of \$7,124,173 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 2012. 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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
(Continued)

NOTE 22 – LANDFILL CLOSURE AND POST-CLOSURE COSTS (Continued)

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

NOTE 23 - CONTINGENT LIABILITIES

Litigation

The County is involved in a number of claims and lawsuits, as of December 31, 2012, 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, 2012, 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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
(Continued)

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	Motor Vehicle and Gas Tax	Human Services
<i>Nonspendable</i>			
Unclaimed Monies	\$230,935	\$0	\$0
Materials And Supplies Inventory	1,500	163,960	3,638
Prepays	<u>18,557</u>	<u>2,277</u>	<u>47,482</u>
<i>Total Nonspendable</i>	<u>250,992</u>	<u>166,237</u>	<u>51,120</u>
<i>Restricted For</i>			
Mental Health Services	0	0	0
Public Social Services	0	0	94,748
Road Maintenance And Repair	0	1,200,914	0
Debt Service	0	0	0
Public Safety	0	0	0
Real Estate Assessments	0	0	0
Other Health Services	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Restricted</i>	<u>0</u>	<u>1,200,914</u>	<u>94,748</u>
<i>Assigned To</i>			
Purchases On Order	134,351	0	0
Building Construction	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assigned</i>	<u>134,351</u>	<u>0</u>	<u>0</u>
<i>Unassigned</i>			
	<u>4,308,405</u>	<u>0</u>	<u>0</u>
<i>Total Fund Balances</i>	<u><u>\$4,693,748</u></u>	<u><u>\$1,367,151</u></u>	<u><u>\$145,868</u></u>

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
(Continued)

NOTE 24 – FUND BALANCES (Continued)

Fund Balances	Community Mental Health	Developmental Disabilities	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>				
Unclaimed Monies	\$0	\$0	\$0	\$230,935
Materials And Supplies Inventory	0	0	2,218	171,316
Prepays	0	0	397	68,713
<i>Total Nonspendable</i>	<u>0</u>	<u>0</u>	<u>2,615</u>	<u>470,964</u>
<i>Restricted For</i>				
Mental Health Services	1,211,220	3,981,308	0	5,192,528
Public Social Services	0	0	994,842	1,089,590
Road Maintenance And Repair	0	0	5,241	1,206,155
Debt Service	0	0	9,314	9,314
Public Safety	0	0	1,107,296	1,107,296
Real Estate Assessments	0	0	809,161	809,161
Other Health Services	0	0	31,806	31,806
<i>Total Restricted</i>	<u>1,211,220</u>	<u>3,981,308</u>	<u>2,957,660</u>	<u>9,445,850</u>
<i>Assigned To</i>				
Unpaid Obligations	0	0	0	134,351
Building Construction	0	0	8,153	8,153
<i>Total Assigned</i>	<u>0</u>	<u>0</u>	<u>8,153</u>	<u>142,504</u>
<i>Unassigned</i>				
	0	0	(469,834)	3,838,571
<i>Total Fund Balances</i>	<u>\$1,211,220</u>	<u>\$3,981,308</u>	<u>\$2,498,594</u>	<u>\$13,897,889</u>

NOTE 25 - 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.

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 26 – CHANGE IN ACCOUNTING PRINCIPLE

For 2012, the County has implemented Governmental Accounting Standard Board (GASB) *Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements,"* *Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,"* *Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,"* *Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53,"* *Statement No. 65, "Items Previously Reported as Assets and Liabilities,"* and *Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62."*

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the County's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the County's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the County's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the County's financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the County's 2012 financial statements.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the County's financial statements.

NOTE 27 – SUBSEQUENT EVENT

During January, March, and May of 2013, the County refinanced the following bond anticipation notes: Court Computer Software for \$20,000, Brock Ditch construction for \$6,849, and the Landfill Loader for \$204,630.

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 28 - DISCRETELY PRESENTED COMPONENT UNIT

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION - L & M Products, Inc. (the Company) is incorporated as a not-for-profit corporation under the laws of the State of Ohio.

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

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

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

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

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

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

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
(Continued)

NOTE 28 - DISCRETELY PRESENTED COMPONENT UNIT (Continued)

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

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

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

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

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

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

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

ADVERTISING - Advertising costs are expensed as incurred.

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

INCOME TAXES - The Company is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code, and does not currently conduct any activities, which would result in the imposition of the unrelated business income tax. Although the Company's federal information returns for the years ending December 31, 2009 – 2012 are subject to examination by the Internal Revenue Service, it has not indicated any intent to do so.

CONCENTRATIONS OF CREDIT RISK

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

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 28 - DISCRETELY PRESENTED COMPONENT UNIT (Continued)

PROPERTY AND EQUIPMENT

Property and equipment consists of:

2012	Cost	Accumulated Depreciation	Book Value
Leasehold Improvements	\$83,646	\$62,288	\$21,358
Machinery and Equipment	92,144	82,522	9,622
Vehicles	92,265	25,730	66,535
Total	<u>\$268,055</u>	<u>\$170,540</u>	<u>\$97,515</u>

DONATED SERVICES AND FACILITIES

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

2012	
Donated Services	
Salaries and benefits expense	
incurred by PCBDD	<u>\$1,421,466</u>
Donated Facilities	
Costs paid by PCBDD	\$194,334
Estimated equivalent rental value	
of facilities owned by PCBDD	80,314
Value of facilities donated by PCBDD	<u>\$274,648</u>

RELATED PARTY TRANSACTIONS

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

RESTRICTED CASH - CUSTODIAL FUNDS

The Company is also the funds custodian for an event fund established by the Preble County Special Olympics. As such, it collects contributions and other funds raised for the event, and disburses these funds pursuant to the instructions of the committee conducting the event. Activity for 2012 consists of:

PREBLE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 28 - DISCRETELY PRESENTED COMPONENT UNIT (Continued)

	<u>2012</u>
Contributions	\$3,279
Withdrawals	(2,294)
Increase (Decrease) in account	985
Custodial Balance, January 1	1,209
Custodial Balance, December 31	<u>\$2,194</u>

RESTRICTED CASH - CONSUMER FUNDS

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

	<u>2012</u>
Employee Council	\$650
People First	25
Total Restricted Consumer Funds	<u>\$675</u>

PREBLE COUNTY

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Shelter Plus Care	N/A	14.238	70,333
<i>Passed Through Ohio Department Of Development:</i>			
Community Development Block Grant	B-F-11-1CK-1	14.228	106,281
Community Development Block Grant	B-F-10-1CK-1	14.228	41,104
Total Community Development Block Grant			147,385
Community Development Block Grant - CHIP	B-C-11-1CK-1	14.239	271,934
Community Housing Improvement Program	B-C-11-1CK-2	14.239	202,822
Total CHIP			474,756
<i>Total Passed Through Ohio Department of Development</i>			622,141
<i>Total U.S. Department of Housing and Urban Development</i>			692,474
<u>U.S. ELECTION ASSISTANCE COMMISSION</u>			
<i>Passed Through Ohio Secretary of State:</i>	N/A	90.401	1,070
Help America Vote Act (HAVA) - Pollworker Training Reimbursement			
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Rural Development Multi-Family Housing	N/A	10.448	6,360
<i>Passed Through Ohio Department Of Job & Family Services :</i>			
Food Assistance Employment & Training (FAET) FY 2012	G-1213-11-0102	10.561	2,092
Food Assistance Employment & Training (FAET) FY 2013	G-1213-11-0102	10.561	1,200
Food Assistance FY 2012	G-1213-11-0102	10.561	145,313
Food Assistance FY 2013	G-1213-11-0102	10.561	58,237
Total Food Assistance			206,842
<i>Total U.S. Department of Agriculture</i>			213,202
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Passed Through Ohio Attorney General's Office:</i>			
Victims of Crime Act	2012 VAGENE 199	16.575	47,874
Victims of Crime Act	2013 VAGENE 199	16.575	15,854
Total Victims of Crime Act			63,728
<i>Total U.S. Department of Justice</i>			63,728
<u>U.S. DEPARTMENT OF FEDERAL HIGHWAY ADMINISTRATION</u>			
<i>Passed Through The Ohio Emergency Management Agency:</i>			
HMEP 19th Year Grant - Training	HM-HMP-0243-11-01-00	20.703	369
HMEP 19th Year Grant - Planning	HM-HMP-0243-11-01-00	20.703	6,434
Total HMEP Grant			6,803
<i>Passed Through The Ohio Department of Transportation:</i>			
Highway Planning and Construction:			
Raised Pavement Markers	PID 92533	20.205	61,889
Ketterman Junction Road Bridge Replacements	PID 83047	20.205	41,268
Camden-College Corner Road Bridge Replacement	PID 82901	20.205	1,468,473
Sign Upgrade	PID 92304	20.205	37,570
Safety Study Agreement	PID 91537	20.205	20,174
LPA Bridge Load Rating Agreement	PID 92742	20.205	18,144
Pavement Markings	PID 92531	20.205	150,000
Sign Upgrade	PID 90508	20.205	18,287
California School and Monebrake Road Bridge Replacements	PID 90412	20.205	5,793
Total Highway Planning and Construction			1,821,598
<i>Total U.S. Department of Federal Highway Administration</i>			1,828,401
<u>U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT ASSISTANCE</u>			
<i>Passed Through Ohio Department of Public Safety:</i>			
State Homeland Security Grant-FY 2011	EMW-2011-SS-00070	97.067	29,529
State Homeland Security Grant-FY 2010	2010-SS-T0-0012	97.067	10,196
State Homeland Security Grant-FY 2009	2009-SS-T9-0089	97.067	34,574
Citizen Corps Program Grant-FY 2009	2009-SS-T9-0089	97.067	5,322
Total State Homeland Security Grants			79,621

(Continued)

PREBLE COUNTY

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
Emergency Management Performance Grant (Tornado Sirens)-FY 2011	EMW-2011-EP-00003-S01	97.042	39,419
Emergency Management Performance Grant-FY 2011	EMW-2011-EP-00003-S01	97.042	47,989
Emergency Management Performance Grant-FY 2012	EMW-2012-EP-00004-S01	97.042	19,462
Total Emergency Management Performance Grants			106,870
Total U.S. Department of Federal Emergency Management Assistance			186,491
U.S. DEPARTMENT OF LABOR			
<i>Passed Through Montgomery County Department of Job & Family Services:</i>			
Workforce Investment Act Cluster:			
Workforce Investment Act - Adult	G-1213-11-0102	17.258	82,495
Workforce Investment Act - Adult Administrative	G-1213-11-0102	17.258	4,605
Total Workforce Investment Act - Adult			87,100
Workforce Investment Act - Youth	G-1213-11-0102	17.259	89,838
Workforce Investment Act - Youth Administrative	G-1213-11-0102	17.259	7,392
Total Workforce Investment Act - Youth			97,230
Workforce Investment Act - Dislocated Worker	G-1213-11-0102	17.278	122,721
Workforce Investment Act - Dislocated Worker Administrative	G-1213-11-0102	17.278	6,093
Total Workforce Investment Act - Dislocated Worker			128,814
Total Workforce Investment Act Cluster			313,144
<i>Passed Through Montgomery County Department of Job & Family Services:</i>			
Employment Service Cluster (One Stop Resource Sharing):			
WIA Employment Service	G-1213-11-0102	17.207	3,971
WIA One Stop Resource Sharing - Local Veterans	G-1213-11-0102	17.801	5,211
Total Employment Service Cluster			9,182
Total U.S. Department of Labor			322,326
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Alcohol & Drug Addiction Services</i>			
Strategic Prevention Framework	N/A	93.243	20,000
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Title XX - Base FY 2012	G-1213-11-0102	93.667	72,358
Title XX - Base FY 2013	G-1213-11-0102	93.667	19,968
			92,326
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Title XX Social Service Block Grant-FY11	N/A	93.667	7,697
Title XX Social Service Block Grant-FY12	N/A	93.667	10,276
			17,973
<i>Passed Through Ohio Department of Mental Health:</i>			
Title XX Social Service Block Grant	N/A	93.667	46,825
Total Title XX Social Service Block Grant			157,124
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Title XIX Medical Assistance Program FY 2012	G-1213-11-0102	93.778	107,432
Title XIX Medical Assistance Program FY 2013	G-1213-11-0102	93.778	40,827
Title XIX Medical Assistance Program - NET FY 2012	G-1213-11-0102	93.778	27,608
Title XIX Medical Assistance Program - NET FY 2013	G-1213-11-0102	93.778	1,509
			177,376
<i>Passed Through Ohio Department of Mental Health:</i>			
Medicaid FMAP and eFMAP	N/A	93.778	1,629
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Title XIX Medical Assistance Program	N/A	93.778	89,506
Total Title XIX Medical Assistance Program			268,511
<i>Passed Through Ohio Department of Mental Health:</i>			
Ohio Department of Mental Health Block Grant	N/A	93.958	29,377
Ohio Suicide Prevention	N/A	93.958	1,000
			30,377
<i>Passed Through Ohio Department of Alcohol & Drug Addiction Services:</i>			
Block Grant-Federal PCN Treatment/Prevention	N/A	93.959	89,251
Youth Led Prevention	N/A	93.959	5,425
			94,676

PREBLE COUNTY

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

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>			
Child Support Enforcement-2012	G-1213-11-0102	93.563	214,162
Child Support Enforcement-2013	G-1213-11-0102	93.563	60,880
Child Support Enforcement Incentives	G-1213-11-0102	93.563	<u>70,351</u>
			345,393
<i>Passed Through Ohio Department of Job & Family Services:</i>			
ESAA Preservation FY 2012	G-1213-11-0102	93.556	9,027
ESAA Preservation FY 2013	G-1213-11-0102	93.556	932
ESAA Reunification FY 2012	G-1213-11-0102	93.556	10,098
ESAA Reunification FY 2013	G-1213-11-0102	93.556	<u>3,710</u>
			23,767
<i>Passed Through Ohio Department of Mental Health:</i>			
Family Centered Services and Supports FY 2012	5-AU-12-100-22-069	93.556	20,352
Family Centered Services and Supports FY 2013	5-AU-13-100-22-089	93.556	<u>5,884</u>
			26,236
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Chaffee Foster Care Independent Living FY2012	G-1213-11-0102	93.674	10,616
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Child Welfare Services-State Grants (IV-B) FY 2012	G-1213-11-0102	93.645	22,175
Child Welfare Services-State Grants (IV-B) FY 2013	G-1213-11-0102	93.645	<u>11,765</u>
			33,940
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Adoption Assistance Administration	G-1213-11-0102	93.659	117,298
Non-Recurring Adoption Assistance FY2012	G-1213-11-0102	93.659	<u>1,486</u>
			118,784
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Temporary Assistance for Needy Families-Administration FY 2012	G-1213-11-0102	93.558	271,645
Temporary Assistance for Needy Families-Administration FY 2013	G-1213-11-0102	93.558	40,824
Temporary Assistance for Needy Families-Regular FY 2012	G-1213-11-0102	93.558	118,677
Temporary Assistance for Needy Families-Regular FY 2013	G-1213-11-0102	93.558	57,453
Temporary Assistance for Needy Families- Earn/Collection FY 2012	G-1213-11-0102	93.558	1,778
Title XX Transfer FY 2012	G-1213-11-0102	93.558	115,618
Title XX Transfer FY 2013	G-1213-11-0102	93.558	39,315
Temporary Assistance for Needy Families Independent Living FY 2012	G-1213-11-0102	93.558	<u>202</u>
			645,512
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Foster Care Administration	G-1213-11-0102	93.658	78,363
Foster Care Services	G-1213-11-0102	93.658	<u>524,799</u>
			603,162
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Child Care - Administration FY 2012	G-1213-11-0102	93.575	19,308
Child Care - Administration FY 2013	G-1213-11-0102	93.575	2,400
Child Care - Non-Administrative FY 2012	G-1213-11-0102	93.575	26,549
Child Care - Non-Administrative FY 2013	G-1213-11-0102	93.575	<u>12,006</u>
			60,263
<i>Passed Through Ohio Department of Health:</i>			
ARRA - Early Head Start (Help Me Grow) 2012	06810021HG0312	93.709	18,289
ARRA - Early Head Start (Help Me Grow) 2013	06810021HG0413	93.709	<u>7,512</u>
			25,801
Total U.S. Department of Health and Human Services			<u>2,464,162</u>
Total			<u>\$5,771,854</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, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

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

NOTE C - COMMUNITY HOME IMPROVEMENT PROGRAM

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

These loans are collateralized by mortgages on the property. At December 31, 2012, the gross amount of loans outstanding under the CDBG CHIP program was \$119,129. At December 31, 2012, the gross amount of loans outstanding under the HOME CHIP program was \$179,045.

The County has established a CHIP Revolving Loan Fund, which had a balance of \$22,757 as of December 31, 2012. The balance is from program income received when CDBG CHIP and HOME CHIP mortgages are paid back. Loans repaid are used to make additional loans or as a grant to assist low-income homeowners through other CHIP approved activities. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

NOTE D - MATCHING REQUIREMENTS

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

NOTE E – ADJUSTMENTS TO MEDICAID MAC AND WAC

During the calendar year, the County Board of Developmental Disabilities received a settlement for the 2007 Cost Report from the Ohio Department of Developmental Disabilities (DODD) for the Medicaid Program (CFDA #93.778) in the amount of \$6,759. The cost report settlement was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This revenue is not listed on the County's Schedule of Expenditures of Federal Award since the underlying expenses occurred in prior reporting periods.



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, 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, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 21, 2013, wherein we noted the County adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53," Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62.

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.

Preble County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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.



Dave Yost
Auditor of State

Columbus, Ohio

August 21, 2013



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, Ohio (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, 2012. 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, 2012.

Preble County
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
Page 2

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

Columbus, Ohio

August 21, 2013

PREBLE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012

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)?	No
(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 & Construction CFDA#14.239 – Community Housing Improvement Program CFDA#93.778 – Title XIX Medical Assistance Program CFDA#93.558 – Temporary Assistance for Needy Families
(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**

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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PREBLE COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Material weakness for not properly reporting landfill accounts receivable	Yes	

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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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 19, 2013