



Dave Yost • Auditor of State

**FINANCIAL CONDITION
PREBLE COUNTY**

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PREBLE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Preble County
101 East Main Street
Eaton, Ohio 45320

To the County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Preble County, Ohio (the County), as of and for the year ended December 31, 2014, 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 remaining fund information of Preble County, Ohio, as of December 31, 2014, 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 thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.ohioauditor.gov

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2015, 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

September 14, 2015

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
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, 2014. 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 \$1,767,392. The biggest increase was in net investment in capital assets, which increased \$1,549,872. Unrestricted net position increased by \$620,906.
2. The net position of the County's business-type activities increased by \$594,316.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis introduces you to Preble County's basic financial statements, which are made up of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

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

Additionally, these statements are prepared using the economic resources measurement focus and the accrual basis of accounting, similar to financial statements prepared in the private sector. As a result, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

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

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

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

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

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

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

The Statement of Net Position reports all assets and deferred outflows of resources and liabilities and deferred inflows of resources 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.

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 government-wide financial statements begin on page 13 of this report.

Fund Financial Statements

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

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

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

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

Most of the County's services are reported in governmental funds, the following of which are considered major funds: General, Motor Vehicle and Gas Tax, Human Services, Community Mental Health, Developmental Disabilities and Road and Bridge Construction. The basic governmental fund financial statements begin on page 16 of this report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 35 of this report.

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.

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

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 2014 compared to 2013.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2014	Restated 2013	2014	2013	2014	Restated 2013
Assets						
Current and Other						
Assets	\$22,450,843	\$22,428,884	\$4,820,947	\$4,325,010	\$27,271,790	\$26,753,894
Capital Assets	32,138,290	30,684,133	4,727,970	4,674,249	36,866,260	35,358,382
Total Assets	54,589,133	53,113,017	9,548,917	8,999,259	64,138,050	62,112,276
Deferred Outflows of Resources						
Deferred Charge on Refunding	0	0	36,208	54,315	36,208	54,315
Liabilities						
Long-Term Liabilities	640,118	668,042	8,333,669	8,743,347	8,973,787	9,411,389
Other Liabilities	2,588,427	2,920,737	603,910	256,997	3,192,337	3,177,734
Total Liabilities	3,228,545	3,588,779	8,937,579	9,000,344	12,166,124	12,589,123
Deferred Inflow of Resources						
Deferred Charge on Refunding	466	698	0	0	466	698
Payments in Lieu of Taxes	3,364,206	3,295,016	0	0	3,364,206	3,295,016
Total Deferred Inflow of Resources	3,364,672	3,295,714	0	0	3,364,672	3,295,714
Net Position						
Net Investment in Capital Assets	31,739,161	30,189,289	2,332,113	2,031,988	34,071,274	32,221,277
Restricted						
Other Purposes	11,570,859	11,358,414	0	0	11,570,859	11,358,414
Debt Service	7,076	2,856	0	0	7,076	2,856
Capital Projects	31,520	651,571	0	0	31,520	651,571
Unrestricted (Deficit)	4,647,300	4,026,394	(1,684,567)	(1,978,758)	2,962,733	2,047,636
Total Net Position	\$47,995,916	\$46,228,524	\$647,546	\$53,230	\$48,643,462	\$46,281,754

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
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Government-wide Financial Analysis

Total governmental activities net position increased \$1,767,392. The biggest increase was in net investment in capital assets, which increased \$1,549,872 due to additions of assets, especially Infrastructure. The County finished several bridge replacement projects and road resurfacing projects during the year. Current and other assets increased \$21,959 primarily due to intergovernmental receivables relating to grants. Capital assets increased \$1,454,157 primarily due to completion of bridge replacement and road projects.

Total governmental activities liabilities decreased \$360,234 due primarily to ongoing bridge projects being completed.

The net position of the County's business-type activities increased by \$594,316, due to an increase in cash and cash equivalents. Cash and cash equivalents increased due to operating revenues exceeding operating expenses, particularly in the Landfill fund.

Table 2 normally shows the changes in Net Position for the years ended December 31, 2014 and 2013.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2014	Restated 2013	2014	2013	2014	Restated 2013
Revenues						
Program Revenues:						
Charges for Services	\$4,170,370	\$4,491,960	\$3,356,869	\$3,231,236	\$7,527,239	\$7,723,196
Operating Grants, Contributions, and Interest	11,457,740	11,593,972	45,053	15,404	11,502,793	11,609,376
Capital Grants, Contributions, and Interest	1,795,547	2,674,594	0	0	1,795,547	2,674,594
Total Program Revenues	\$17,423,657	\$18,760,526	\$3,401,922	\$3,246,640	\$20,825,579	\$22,007,166

(continued)

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
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Table 2
Changes in Net Position
(Continued)

	Governmental Activities		Business-Type Activities		Totals	
	Restated		2014	2013	2014	Restated 2013
	2014	2013				
General Revenues:						
Property Taxes	\$4,036,430	\$4,091,424	\$0	\$0	\$4,036,430	\$4,091,424
Permissive Sales Tax	5,190,364	4,870,480	0	0	5,190,364	4,870,480
Grants and Entitlements	1,078,231	1,132,972	0	0	1,078,231	1,132,972
Unrestricted Investment						
Earnings	182,123	83,055	148	146	182,271	83,201
Other	488,818	587,406	164,386	33,126	653,204	620,532
Total General Revenues	10,975,966	10,765,337	164,534	33,272	11,140,500	10,798,609
Total Revenues	28,399,623	29,525,863	3,566,456	3,279,912	31,966,079	32,805,775
Program Expenses						
General Government						
Legislative and Executive	3,638,027	4,139,433	0	0	3,638,027	4,139,433
Judicial	2,111,755	1,998,832	0	0	2,111,755	1,998,832
Intergovernmental	79,846	47,126	0	0	79,846	47,126
Public Safety	5,160,773	4,548,340	0	0	5,160,773	4,548,340
Public Works	3,663,374	2,552,249	0	0	3,663,374	2,552,249
Health	1,256,030	1,502,029	0	0	1,256,030	1,502,029
Human Services	9,986,643	10,247,201	0	0	9,986,643	\$10,247,201
Community and Economic						
Development	715,180	680,574	0	0	715,180	680,574
Interest and Fiscal Charges	20,603	24,669	0	0	20,603	24,669
Sewer	0	0	115,353	67,478	115,353	67,478
Landfill	0	0	2,856,787	2,283,104	2,856,787	2,283,104
Total Expenses	26,632,231	25,740,453	2,972,140	2,350,582	29,604,371	28,091,035
Change in Net Position	1,767,392	3,785,410	594,316	929,330	2,361,708	4,714,740
Net Position (Deficit) at						
Beginning of Year - Restated	46,228,524	42,443,114	53,230	(876,100)	46,281,754	41,567,014
Net Position End of Year	\$47,995,916	\$46,228,524	\$647,546	\$53,230	\$48,643,462	\$46,281,754

Governmental Activities

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

Program revenues decreased from the prior year by \$1,336,869, due to a large decrease in capital grants, contributions and interest. This decrease is due to the County completing bridge projects

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
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that were funded through grants. General revenues increased over the prior year by \$210,629, mostly due to an increase in permissive sales tax revenues.

Expenses saw an increase of \$891,778 due to a large increase in public works programs.

Business-type Activities

The County's sewer and landfill system operations constitute the only business-type activities. Both revenues and expenditures increased for the business-type activities. This is most noticeable in landfill operations due to an increase in both trash collection revenues and related operating expenses associated with increased activity.

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 2014, the County's governmental funds reported combined ending fund balances of \$14,556,054. Approximately 66.9 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 \$4,564,835, an increase of \$136,333.

The Motor Vehicle and Gas Tax Fund increased by \$300,250, leaving a balance of \$2,094,615.

The Human Services Fund increased by \$62,850, leaving a balance of \$115,516.

The Community Mental Health Fund revenues exceeded expenditures, increasing the year-end fund balance by \$45,770 to \$1,350,271.

The Developmental Disabilities Fund revenues did not exceed expenditures, decreasing the year-end fund balance by \$580,628. Services provided for the developmental disabled have increased while funding to support these services has not kept pace.

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

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

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 Sewer and Landfill Enterprise Funds follows.

The sewer operations within the County are small, taking in only \$147,895 in user charges during 2014. Net position increased by \$63,301 during 2014, ending with a fund balance of \$1,132,013.

Net position for the County-owned landfill had an increase of \$531,015, which reduced the deficit fund balance to \$484,467. The increase was mainly due to revenues continuing to exceed operating costs.

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 by 8.6 percent. The County used a conservative approach in budgeting for the year and made changes during the year to reflect what was actually received. This conservative approach is noticeable when you compare actual revenues to final budgeted revenues. The actual revenues exceeded budget revenues by 0.30 percent.

During 2014, there were numerous revisions to the General Fund's budgeted expenditures. The net effect of the revisions was an increase in budgeted disbursements of 2.46 percent. By monitoring expenditures, the County was able to keep actual expenditures below final budgeted expenditure by \$839,755.

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 \$32,138,290 and \$4,727,970, an increase of \$1,454,157 in governmental and an increase of \$53,721 in business type from 2013.

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

Table 3
Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	2014	Restated 2013	2014	2013	2014	Restated 2013
Land	\$2,252,014	\$2,252,014	\$452,313	\$452,313	\$2,704,327	\$2,704,327
Construction in Progress	1,120,767	1,512,459	0	0	1,120,767	1,512,459
Buildings, Structures, and Improvements	7,199,891	7,236,062	1,296,108	1,316,133	8,495,999	8,552,195
Furniture, Fixtures, and Equipment	2,668,945	2,682,125	1,295,486	1,171,089	3,964,431	3,853,214
Infrastructure	18,896,673	17,001,473	1,684,063	1,734,714	20,580,736	18,736,187
Totals	<u>\$32,138,290</u>	<u>\$30,684,133</u>	<u>\$4,727,970</u>	<u>\$4,674,249</u>	<u>\$36,866,260</u>	<u>\$35,358,382</u>

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

Debt

At December 31, 2014, Preble County had \$398,663 and \$3,142,122 in governmental activities and business-type activities, respectively debt outstanding.

Table 4
Outstanding Debt at Year-end

	Governmental Activities		Business-Type Activities	
	2014	2013	2014	2013
Long-Term Notes	\$0	\$0	\$0	\$153,473
Loans Payable	0	0	2,242,384	2,383,630
General Obligation Bonds	390,056	450,083	746,265	1,101,897
Short-Term Notes	8,607	44,063	153,473	51,157
Totals	<u>\$398,663</u>	<u>\$494,146</u>	<u>\$3,142,122</u>	<u>\$3,690,157</u>

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

CONTACTING THE COUNTY AUDITOR'S OFFICE

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

PREBLE COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$13,895,319	\$2,984,288	\$16,879,607
Cash and Cash Equivalents in Segregated Accounts	319,659	0	319,659
Cash and Cash Equivalents with Fiscal Agents	237,825	0	237,825
Cash and Cash Equivalents with Trustee	0	1,709,542	1,709,542
Accrued Interest Receivable	58,476	0	58,476
Accounts Receivable	101,396	456,721	558,117
Permissive Sales Tax Receivable	817,706	0	817,706
Due from Other Governments	2,540,987	0	2,540,987
Internal Balances	331,468	(331,468)	0
Prepaid Items	47,727	0	47,727
Materials and Supplies Inventory	223,959	1,864	225,823
Property Taxes Receivable	3,711,842	0	3,711,842
Special Assessments Receivable	164,479	0	164,479
Nondepreciable Capital Assets	3,372,781	452,313	3,825,094
Depreciable Capital Assets, Net	28,765,509	4,275,657	33,041,166
Total Assets	54,589,133	9,548,917	64,138,050
Deferred Outflow of Resources:			
Deferred Charge on Refunding	0	36,208	36,208
Liabilities:			
Accounts Payable	849,440	331,649	1,181,089
Accrued Salaries Payable	601,372	26,155	627,527
Accrued Vacation Leave Payable	432,688	19,030	451,718
Contracts Payable	274,061	0	274,061
Due to Other Governments	416,428	49,173	465,601
Accrued Interest Payable	5,831	24,430	30,261
Notes Payable	8,607	153,473	162,080
Long-Term Liabilities:			
Due Within One Year	106,389	506,681	613,070
Due in More Than One Year	533,729	7,826,988	8,360,717
Total Liabilities	3,228,545	8,937,579	12,166,124
Deferred Inflows of Resources:			
Deferred Charge on Refunding	466	0	466
Property Taxes	3,364,206	0	3,364,206
Total Deferred Inflows of Resources	3,364,672	0	3,364,672
Net Position:			
Net Investment in Capital Assets	31,739,161	2,332,113	34,071,274
Restricted for:			
Public Safety	979,250	0	979,250
Public Works	3,458,916	0	3,458,916
Health	1,440,912	0	1,440,912
Human Services	3,817,459	0	3,817,459
Community and Economic Development	186,349	0	186,349
General Government	1,687,973	0	1,687,973
Debt Service	7,076	0	7,076
Capital Projects	31,520	0	31,520
Unrestricted (Deficit)	4,647,300	(1,684,567)	2,962,733
Total Net Position	\$47,995,916	\$647,546	\$48,643,462

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
Governmental Activities:				
General Government:				
Legislative and Executive	\$3,638,027	\$1,123,617	\$13,502	\$0
Judicial	2,111,755	781,993	116,642	0
Intergovernmental	79,846	0	0	0
Public Safety	5,160,773	1,177,503	455,320	0
Public Works	3,663,374	432,425	3,954,092	1,066,322
Health	1,256,030	141,550	953,817	0
Human Services	9,986,643	513,282	5,964,367	0
Community and Economic Development	715,180	0	0	729,225
Interest and Fiscal Charges	20,603	0	0	0
Total Governmental Activities	<u>26,632,231</u>	<u>4,170,370</u>	<u>11,457,740</u>	<u>1,795,547</u>
Business-Type Activities:				
Sewer	115,353	147,895	30,743	0
Landfill	2,856,787	3,208,974	14,310	0
Total Business-Type Activities	<u>2,972,140</u>	<u>3,356,869</u>	<u>45,053</u>	<u>0</u>
Total Primary Government	<u>\$29,604,371</u>	<u>\$7,527,239</u>	<u>\$11,502,793</u>	<u>\$1,795,547</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 at Beginning of Year - Restated (See Note 3)

Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expenses) Revenues and Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
(\$2,500,908)	\$0	(\$2,500,908)
(1,213,120)	0	(1,213,120)
(79,846)	0	(79,846)
(3,527,950)	0	(3,527,950)
1,789,465	0	1,789,465
(160,663)	0	(160,663)
(3,508,994)	0	(3,508,994)
14,045	0	14,045
(20,603)	0	(20,603)
<u>(9,208,574)</u>	<u>0</u>	<u>(9,208,574)</u>
0	63,285	63,285
<u>0</u>	<u>366,497</u>	<u>366,497</u>
<u>0</u>	<u>429,782</u>	<u>429,782</u>
<u>(9,208,574)</u>	<u>429,782</u>	<u>(8,778,792)</u>
1,840,339	0	1,840,339
228,752	0	228,752
1,582,193	0	1,582,193
76,168	0	76,168
308,978	0	308,978
5,190,364	0	5,190,364
1,078,231	0	1,078,231
182,123	148	182,271
488,818	164,386	653,204
<u>10,975,966</u>	<u>164,534</u>	<u>11,140,500</u>
1,767,392	594,316	2,361,708
<u>46,228,524</u>	<u>53,230</u>	<u>46,281,754</u>
<u>\$47,995,916</u>	<u>\$647,546</u>	<u>\$48,643,462</u>

PREBLE COUNTY, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General Fund	Motor Vehicle and Gas Tax Fund	Human Services Fund	Community Mental Health Fund
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,936,209	\$1,536,089	\$228,832	\$1,381,090
Cash and Cash Equivalents in Segregated Accounts	3	0	0	0
Cash and Cash Equivalents with Fiscal Agents	0	0	0	0
Receivables:				
Permissive Sales Tax	817,706	0	0	0
Property Taxes	1,725,531	0	0	221,212
Accounts	27,967	14,626	496	631
Special Assessments	0	0	0	0
Accrued Interest	58,476	0	0	0
Interfund	655,529	0	0	0
Due From Other Governments	346,370	1,745,359	87,053	92,633
Materials and Supplies Inventory	1,801	215,876	4,090	0
Prepaid Items	0	708	47,019	0
Total Assets	<u>\$7,569,592</u>	<u>\$3,512,658</u>	<u>\$367,490</u>	<u>\$1,695,566</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$406,475	\$124,953	\$46,677	\$35,186
Contracts Payable	0	0	0	0
Accrued Salaries Payable	328,514	50,494	95,465	21,864
Due to Other Governments	222,818	36,309	45,285	10,800
Interfund Payable	0	0	0	0
Notes Payable	0	0	0	0
Accrued Interest Payable	0	0	0	0
Total Liabilities	<u>957,807</u>	<u>211,756</u>	<u>187,427</u>	<u>67,850</u>
Deferred Inflows of Resources:				
Property Taxes	1,564,126	0	0	200,653
Unavailable Revenue	482,824	1,206,287	64,547	76,792
Total Deferred Inflows of Resources	<u>2,046,950</u>	<u>1,206,287</u>	<u>64,547</u>	<u>277,445</u>
Fund Balances:				
Nonspendable	53,174	216,584	51,109	0
Restricted	0	1,878,031	64,407	1,350,271
Assigned	1,875,761	0	0	0
Unassigned (Deficit)	2,635,900	0	0	0
Total Fund Balances	<u>4,564,835</u>	<u>2,094,615</u>	<u>115,516</u>	<u>1,350,271</u>
Total Liabilities and Fund Balances	<u>\$7,569,592</u>	<u>\$3,512,658</u>	<u>\$367,490</u>	<u>\$1,695,566</u>

See Accompanying Notes to the Basic Financial Statements

Developmental Disabilities Fund	Road and Bridge Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$2,960,225	\$2,441	\$3,850,480	\$13,895,366
0	0	319,656	319,659
237,825	0	0	237,825
0	0	0	817,706
1,447,872	0	317,227	3,711,842
43,343	0	14,333	101,396
0	0	164,479	164,479
0	0	0	58,476
0	0	0	655,529
123,893	0	145,679	2,540,987
0	0	2,192	223,959
0	0	0	47,727
<u>\$4,813,158</u>	<u>\$2,441</u>	<u>\$4,814,046</u>	<u>\$22,774,951</u>
\$33,384	\$0	\$202,765	\$849,440
0	0	274,061	274,061
40,742	0	64,293	601,372
31,488	0	69,728	416,428
0	0	324,061	324,061
0	0	8,607	8,607
0	0	66	66
<u>105,614</u>	<u>0</u>	<u>943,581</u>	<u>2,474,035</u>
1,310,142	0	289,285	3,364,206
261,623	0	288,536	2,380,609
<u>1,571,765</u>	<u>0</u>	<u>577,821</u>	<u>5,744,815</u>
0	0	2,192	323,059
3,135,779	2,441	3,302,341	9,733,270
0	0	8,153	1,883,914
0	0	(20,042)	2,615,858
<u>3,135,779</u>	<u>2,441</u>	<u>3,292,644</u>	<u>14,556,101</u>
<u>\$4,813,158</u>	<u>\$2,441</u>	<u>\$4,814,046</u>	<u>\$22,774,951</u>

PREBLE COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014

Total Governmental Fund Balance \$14,556,054

*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	1,120,767
Buildings, Structures, and Improvements	11,948,659
Furniture, Fixtures, and Equipment	10,301,848
Infrastructure	28,397,475
Accumulated Depreciation	<u>(21,882,473)</u>

Total Capital Assets 32,138,290

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	347,636
Intergovernmental	1,821,067
Special Assessments	164,479
Interest	<u>47,427</u>

Total 2,380,609

Deferred Inflows of Resources represents deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds. (466)

In the Statement of Activities interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (5,765)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

General Obligation Bonds	(390,000)
Premium on Debt Issued	(56)
Vacation Leave Payable	(432,688)
Compensated Absences	<u>(250,062)</u>

Total (1,072,806)

Net Position of Governmental Activities \$47,995,916

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, 2014

	General Fund	Motor Vehicle and Gas Tax Fund	Human Services Fund	Community Mental Health Fund
Revenues:				
Property Taxes	\$1,841,593	\$0	\$0	\$229,402
Permissive Sales Tax	5,190,364	0	0	0
Charges for Services	1,791,168	241,370	195,374	73,268
Licenses and Permits	2,778	0	0	0
Fines and Forfeitures	42,854	24,687	0	0
Intergovernmental	1,223,738	3,880,783	1,930,048	1,189,564
Special Assessments	0	0	0	0
Interest	148,010	531	0	0
Other	306,586	11,240	9,718	0
Total Receipts	<u>10,547,091</u>	<u>4,158,611</u>	<u>2,135,140</u>	<u>1,492,234</u>
Expenditures:				
Current:				
General Government:				
Legislative and Executive	3,063,663	0	0	0
Judicial	1,862,163	0	0	0
Intergovernmental	79,846	0	0	0
Public Safety	4,186,340	0	0	0
Public Works	0	3,905,524	0	0
Health	80,260	0	0	1,118,098
Human Services	438,625	0	2,699,625	328,998
Community and Economic Development	98,000	0	0	0
Capital Outlay	0	0	0	519
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Disbursements	<u>9,808,897</u>	<u>3,905,524</u>	<u>2,699,625</u>	<u>1,447,615</u>
Excess of Revenues Over (Under) Expenditures	<u>738,194</u>	<u>253,087</u>	<u>(564,485)</u>	<u>44,619</u>
Other Financing Sources (Uses):				
Transfers - In	0	47,163	690,358	1,151
Transfers - Out	<u>(601,861)</u>	<u>0</u>	<u>(63,023)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(601,861)</u>	<u>47,163</u>	<u>627,335</u>	<u>1,151</u>
Net Change in Fund Balances	136,333	300,250	62,850	45,770
Fund Balances at Beginning of Year	<u>4,428,502</u>	<u>1,794,365</u>	<u>52,666</u>	<u>1,304,501</u>
Fund Balances at End of Year	<u><u>\$4,564,835</u></u>	<u><u>\$2,094,615</u></u>	<u><u>\$115,516</u></u>	<u><u>\$1,350,271</u></u>

See Accompanying Notes to the Basic Financial Statements

Developmental Disabilities Fund	Road and Bridge Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$1,584,611	\$0	\$385,961	\$4,041,567
0	0	0	5,190,364
43,688	0	1,312,174	3,657,042
0	0	110,672	113,450
0	0	167,504	235,045
1,767,702	1,208,242	3,055,960	14,256,037
0	0	208,099	208,099
0	0	0	148,541
56,301	0	104,973	488,818
<u>3,452,302</u>	<u>1,208,242</u>	<u>5,345,343</u>	<u>28,338,963</u>
0	0	487,203	3,550,866
0	0	260,943	2,123,106
0	0	0	79,846
0	0	943,011	5,129,351
0	0	115,260	4,020,784
0	0	81,729	1,280,087
4,032,930	0	2,461,648	9,961,826
0	0	617,180	715,180
0	1,208,251	0	1,208,770
0	0	60,000	60,000
0	0	21,026	21,026
<u>4,032,930</u>	<u>1,208,251</u>	<u>5,048,000</u>	<u>28,150,842</u>
<u>(580,628)</u>	<u>(9)</u>	<u>297,343</u>	<u>188,121</u>
0	0	537,470	1,276,142
0	0	(611,258)	(1,276,142)
<u>0</u>	<u>0</u>	<u>(73,788)</u>	<u>0</u>
(580,628)	(9)	223,555	188,121
<u>3,716,407</u>	<u>2,450</u>	<u>3,069,089</u>	<u>14,367,980</u>
<u>\$3,135,779</u>	<u>\$2,441</u>	<u>\$3,292,644</u>	<u>\$14,556,101</u>

PREBLE COUNTY, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Net Change in Fund Balances - Total Governmental Funds \$188,074

*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	2,858,399	
Depreciation	<u>(1,367,901)</u>	
Excess of Capital Outlay over Depreciation Expense		1,490,498

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

Loss on Disposal of Capital Assets		(36,341)
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Repayment of long-term obligations is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these consist of:

General Obligation Bonds		60,000
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Amortization of bond premiums and the deferred charge on the refunding of debt, as well as accrued interest payable on the bonds are not reported in the funds, but are allocated as expenses over the life of the debt in the Statement of Activities:

Decrease in Accrued Interest	211	
Amortization of Deferred Charge of Refunding	232	
Amortization of Premium on Debt	<u>27</u>	
Total		470

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

Property Taxes	(5,137)	
Charges for Services	(1,535)	
Intergovernmental	75,037	
Special Assessments	(41,731)	
Interest	<u>34,026</u>	
Total		60,660

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.

Increase in Compensated Absences	(32,103)	
Decrease in Accrued Vacation Leave	<u>36,134</u>	
Total		<u>4,031</u>

Change in Net Position of Governmental Activities \$1,767,392

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$1,691,466	\$1,842,430	\$1,842,430	\$0
Permissive Sales Tax	4,745,176	5,168,686	5,168,686	0
Charges for Services	1,381,292	1,477,908	1,504,573	26,665
Licenses and Permits	2,550	2,753	2,778	25
Fines and Forfeitures	33,770	36,784	36,784	0
Intergovernmental	1,133,173	1,233,904	1,234,309	405
Interest	125,249	135,491	136,428	937
Other	253,939	274,443	276,603	2,160
Total Revenues	<u>9,366,615</u>	<u>10,172,399</u>	<u>10,202,591</u>	<u>30,192</u>
Expenditures:				
Current:				
General Government:				
Legislative and Executive	3,377,228	3,523,981	3,190,809	333,172
Judicial	1,855,927	1,884,397	1,568,373	316,024
Public Safety	4,321,831	4,388,128	4,315,393	72,735
Health	79,988	81,215	80,260	955
Human Services	404,017	410,215	386,600	23,615
Community and Economic Development	96,519	98,000	98,000	0
Intergovernmental	170,485	173,100	79,846	93,254
Total Expenditures	<u>10,305,995</u>	<u>10,559,036</u>	<u>9,719,281</u>	<u>839,755</u>
Excess of Revenues Over (Under) Expenditures	<u>(939,380)</u>	<u>(386,637)</u>	<u>483,310</u>	<u>869,947</u>
Other Financing Sources (Uses):				
Advances - In	(205,702)	(224,061)	155,135	379,196
Advances - Out	0	0	(379,196)	(379,196)
Transfers - In	17,402	0	0	0
Transfers - Out	(762,636)	(660,434)	(601,861)	58,573
Total Other Financing Sources (Uses)	<u>(950,936)</u>	<u>(884,495)</u>	<u>(825,922)</u>	<u>58,573</u>
Net Change in Fund Balance	<u>(1,890,316)</u>	<u>(1,271,132)</u>	<u>(342,612)</u>	<u>928,520</u>
Fund Balance at Beginning of Year	3,159,278	3,159,278	3,159,278	0
Prior Year Encumbrances Appropriated	438,899	438,899	438,899	0
Fund Balance at End of Year	<u>\$1,707,861</u>	<u>\$2,327,045</u>	<u>\$3,255,565</u>	<u>\$928,520</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services	\$273,023	\$273,276	\$276,212	\$2,936
Fines and Forfeitures	24,402	24,687	24,687	0
Intergovernmental	3,800,386	3,710,312	3,844,782	134,470
Interest	461	466	466	0
Other	11,110	11,240	11,240	0
Total Revenues	4,109,382	4,019,981	4,157,387	137,406
Expenditures:				
Current:				
Public Works	4,861,083	4,861,083	4,273,982	587,101
Excess of Receipts Under Disbursements	(751,701)	(841,102)	(116,595)	724,507
Other Financing Sources:				
Transfers - In	46,618	47,163	47,163	0
Net Change in Fund Balance	(705,083)	(793,939)	(69,432)	724,507
Fund Balance at Beginning of Year	1,023,421	1,023,421	1,023,421	0
Prior Year Encumbrances Appropriated	185,261	185,261	185,261	0
Fund Balance at End of Year	<u>\$503,599</u>	<u>\$414,743</u>	<u>\$1,139,250</u>	<u>\$724,507</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, 2014

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$222,367	\$194,902	\$195,548	\$646
Intergovernmental	2,302,774	1,918,003	1,918,329	326
Other	12,255	10,777	10,777	0
Total Revenues	2,537,396	2,123,682	2,124,654	972
Expenditures:				
Current:				
Human Services	2,746,690	2,863,290	2,714,828	148,462
Excess of Revenues Under Expenditures	(209,294)	(739,608)	(590,174)	149,434
Other Financing Sources (Uses):				
Transfers - In	785,038	690,358	690,358	0
Transfers - Out	(176,216)	(76,979)	(63,023)	13,956
Total Other Financing Sources (Uses)	608,822	613,379	627,335	13,956
Net Change in Fund Balance	399,528	(126,229)	37,161	163,390
Fund Balance at Beginning of Year	110,287	110,287	110,287	0
Prior Year Encumbrances Appropriated	21,826	21,826	21,826	0
Fund Balance at End of Year	<u>\$531,641</u>	<u>\$5,884</u>	<u>\$169,274</u>	<u>\$163,390</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$293,268	\$229,597	\$229,597	\$0
Charges for Services	93,587	73,268	73,268	0
Intergovernmental	1,513,947	1,184,636	1,185,254	618
Other	1,787	1,399	1,399	0
Total Revenues	<u>1,902,589</u>	<u>1,488,900</u>	<u>1,489,518</u>	<u>618</u>
Expenditures:				
Current:				
Health	1,668,645	1,685,280	1,288,519	396,761
Human Services	359,309	362,891	327,748	35,143
Total Expenditures	<u>2,027,954</u>	<u>2,048,171</u>	<u>1,616,267</u>	<u>431,904</u>
Excess of Revenues Under Expenditures	(125,365)	(559,271)	(126,749)	432,522
Other Financing Sources:				
Transfers - In	1,470	1,151	1,151	0
Net Change in Fund Balance	(123,895)	(558,120)	(125,598)	432,522
Fund Balance at Beginning of Year	1,210,148	1,210,148	1,210,148	0
Prior Year Encumbrances Appropriated	<u>134,564</u>	<u>134,564</u>	<u>134,564</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$1,220,817</u></u>	<u><u>\$786,592</u></u>	<u><u>\$1,219,114</u></u>	<u><u>\$432,522</u></u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
DEVELOPMENTAL DISABILITIES FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$1,394,089	\$1,585,128	\$1,585,128	\$0
Charges for Services	303	345	345	0
Intergovernmental	1,441,576	1,638,797	1,639,122	325
Other	56,157	63,852	63,852	0
Total Revenues	2,892,125	3,288,122	3,288,447	325
Expenditures:				
Current:				
Human Services	3,927,308	4,227,308	3,815,464	411,844
Net Change in Fund Balance	(1,035,183)	(939,186)	(527,017)	412,169
Fund Balance at Beginning of Year	3,357,517	3,357,517	3,357,517	0
Prior Year Encumbrances Appropriated	98,922	98,922	98,922	0
Fund Balance at End of Year	<u>\$2,421,256</u>	<u>\$2,517,253</u>	<u>\$2,929,422</u>	<u>\$412,169</u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF FUND NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2014

	<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
Assets:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$314,055	\$2,670,233	\$2,984,288
Materials and Supplies	0	1,864	1,864
Accounts Receivable	112,664	344,057	456,721
Total Current Assets	<u>426,719</u>	<u>3,016,154</u>	<u>3,442,873</u>
Non-current Assets:			
Restricted Assets:			
Cash and Cash Equivalents with Trustee	0	1,709,542	1,709,542
Nondepreciable Capital Assets	0	452,313	452,313
Depreciable Capital Assets, Net	1,620,551	2,655,106	4,275,657
Total Non-current Assets	<u>1,620,551</u>	<u>4,816,961</u>	<u>6,437,512</u>
Total Assets	<u>2,047,270</u>	<u>7,833,115</u>	<u>9,880,385</u>
Deferred Outflows of Resources:			
Deferred Charge on Refunding	0	36,208	36,208
Liabilities:			
Current Liabilities:			
Accounts Payable	22,830	308,819	331,649
Compensated Absences Payable	0	435	435
Accrued Salaries Payable	0	26,155	26,155
Accrued Vacation Leave Payable	0	19,030	19,030
Due to Other Governments	43	49,130	49,173
Interfund Payable	0	331,468	331,468
Accrued Interest Payable	0	24,430	24,430
Notes Payable	0	153,473	153,473
General Obligation Bonds Payable	0	365,000	365,000
OWDA Loans Payable	40,498	0	40,498
OPWC Loans Payable	25,748	75,000	100,748
Total Current Liabilities	<u>89,119</u>	<u>1,352,940</u>	<u>1,442,059</u>
Long-Term Liabilities:			
General Obligation Bonds Payable	0	381,265	381,265
OWDA Loans Payable	404,975	0	404,975
OPWC Loans Payable	421,163	1,275,000	1,696,163
Landfill Closure and Postclosure Costs	0	5,344,585	5,344,585
Total Long-Term Liabilities	<u>826,138</u>	<u>7,000,850</u>	<u>7,826,988</u>
Total Liabilities	<u>915,257</u>	<u>8,353,790</u>	<u>9,269,047</u>
Net Position:			
Net Investment in Capital Assets	728,167	1,603,946	2,332,113
Unrestricted (Deficit)	403,846	(2,088,413)	(1,684,567)
Total Net Position (Deficit)	<u>\$1,132,013</u>	<u>(\$484,467)</u>	<u>\$647,546</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, 2014

	<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for Services	\$147,895	\$3,208,974	\$3,356,869
Other	16	164,370	164,386
	<u>147,911</u>	<u>3,373,344</u>	<u>3,521,255</u>
Total Operating Revenues			
Operating Expenses:			
Personal Services	6,582	402,984	409,566
Materials and Supplies	28,487	458,643	487,130
Charges and Services	57,284	1,494,935	1,552,219
Depreciation	19,732	139,819	159,551
Closure and Postclosure Costs	0	240,238	240,238
Miscellaneous	3,268	60,814	64,082
	<u>115,353</u>	<u>2,797,433</u>	<u>2,912,786</u>
Total Operating Expenses			
Operating Income	<u>32,558</u>	<u>575,911</u>	<u>608,469</u>
Non-Operating Revenues (Expenses):			
Interest	0	148	148
Intergovernmental	30,743	14,310	45,053
Interest and Fiscal Charges	0	(59,354)	(59,354)
	<u>30,743</u>	<u>(44,896)</u>	<u>(14,153)</u>
Total Non-Operating Revenues (Expenses)			
Change in Net Position	63,301	531,015	594,316
Net Position (Deficit) at Beginning of Year	<u>1,068,712</u>	<u>(1,015,482)</u>	<u>53,230</u>
Net Position (Deficit) at End of Year	<u>\$1,132,013</u>	<u>(\$484,467)</u>	<u>\$647,546</u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received From Customers	\$141,623	\$3,276,739	\$3,418,362
Cash Received From Other Operating Revenues	16	50,343	50,359
Cash Payments for Employee Services and Benefits	(6,698)	(391,090)	(397,788)
Cash Payments to Suppliers	(67,304)	(1,737,641)	(1,804,945)
Cash Payments for Other Operating Expenses	<u>(3,268)</u>	<u>(59,644)</u>	<u>(62,912)</u>
Net Cash Provided by Operating Activities	<u>64,369</u>	<u>1,138,707</u>	<u>1,203,076</u>
Cash Flows from Capital and Related Financing Activities:			
Grants	30,743	14,310	45,053
Acquisition of Capital Assets	0	(213,272)	(213,272)
Note Proceeds	0	153,473	153,473
Loan Principal Payments	(66,246)	(75,000)	(141,246)
General Obligation Bond Principal Payments	0	(355,000)	(355,000)
General Obligation Bond Interest Payments	0	(40,679)	(40,679)
Notes Payable Principal Payments	0	(204,631)	(204,631)
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>(35,503)</u>	<u>(820,799)</u>	<u>(856,302)</u>
Cash Flows from Investing Activities:			
Interest	<u>0</u>	<u>148</u>	<u>148</u>
Net Increase in Cash and Cash Equivalents	28,866	318,056	346,922
Cash and Cash Equivalents at Beginning of Year	<u>285,189</u>	<u>4,061,719</u>	<u>4,346,908</u>
Cash and Cash Equivalents at End of Year	<u>\$314,055</u>	<u>\$4,379,775</u>	<u>\$4,693,830</u>

(continued)

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

	Enterprise Funds		
	Sewer Fund	Landfill Fund	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$32,558	\$575,911	\$608,469
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	19,732	139,819	159,551
Landfill Closure and Postclosure Costs	0	240,238	240,238
Changes in Assets and Liabilities:			
(Increase) in Accounts Receivable	(6,272)	(45,092)	(51,364)
Decrease in Materials and Supplies Inventory	0	2,349	2,349
Increase in Accounts Payable	21,879	227,378	249,257
Increase (Decrease) in Accrued Salaries Payable	(102)	3,352	3,250
Decrease in Contracts Payable	0	(21,507)	(21,507)
Increase (Decrease) in Due to Other Governments	(3,426)	9,949	6,523
Increase in Compensated Absences Payable	0	435	435
Increase in Accrued Vacation Leave Payable	0	5,875	5,875
Net Cash Provided by Operating Activities	\$64,369	\$1,138,707	\$1,203,076

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014

	Private Purpose Trust		Scholarship and Trust Fund	Agency
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$38,922			\$1,714,183
Cash and Cash Equivalents in Segregated Accounts	0			455,444
Receivables:				
Property Taxes	0			33,226,296
Accounts	0			43,896
Special Assessments	0			599,873
Due from Other Governments	0			1,944,575
Total Assets	38,922			\$37,984,267
Liabilities:				
Accounts Payable	0			\$18,683
Accrued Salaries Payable	0			62,731
Due to Other Governments	0			35,534,899
Undistributed Monies	0			1,386,478
Deposits Held and Due to Others	0			981,476
Total Liabilities	0			\$37,984,267
Net Position:				
Held in Trust for Scholarships			\$38,922	

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, 2014

	<u>Scholarship and Trust</u>
Additions:	
Interest	\$19
Deductions:	
	<u>0</u>
Change in Net Position	19
Net Position at Beginning of Year	<u>38,903</u>
Net Position at End of Year	<u><u>\$38,922</u></u>

See Accompanying Notes to the Basic Financial Statements

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PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

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.

L&M Products

In July of 2014, L&M Products privatized and is no longer a component unit for the County.

The County participates in six organizations, two of which are defined as related organizations, one is a joint venture, one is a jointly governed organization, one is a risk sharing pool, and one is a group purchasing pool. These organizations are presented in Notes 19, 20, 21, 22, and 23 of the basic financial statements. These organizations are:

Related Organizations:

Preble County Library Board
Preble Metropolitan Housing Authority

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

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.

Basis of Presentation

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

Government-Wide Financial Statements

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

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

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources 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 monies received from a County-wide property tax levy and federal and State grants that are expended primarily to pay the cost of contracts with local mental health agencies that provide services to the public.

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

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

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

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

Proprietary Funds

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

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

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

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

Fiduciary Funds

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

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources 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, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(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 deferred outflows of resources and all liabilities and deferred inflows of resources 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 7) Revenue from permissive sales tax is recognized in the period in which the sales occur. (See Note 8) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

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

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, 2014, but which were levied to finance fiscal year 2015 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, charges for service, intergovernmental grants, special assessments, and interest. 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.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

Cash and Cash Equivalents

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

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

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

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

During 2014, the County invested in Federal Farm Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal Farm Credit Bureau Notes, Federal National Mortgage Association 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, 2014.

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 2014 amounted to \$148,010, which includes \$119,019 assigned from other County funds.

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

Interfund Balances

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

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

Materials and Supplies Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014, 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.

Restricted Assets

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

Capital Assets

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

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

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

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (Continued)

<u>Description</u>	<u>Estimated Lives</u>
Buildings, Structures, Improvements and Landfill Lines	20-100 years
Furniture, Fixtures, and Equipment	5-40 years
Infrastructure	10-50 years

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

Compensated Absences

Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probably that the County will compensate the employees for the benefits through paid time off or some other means. The County records a liability for accumulated unused vacation and compensatory time when earned for all employees with more than one year of service. These amounts are recorded in the account “Accrued Vacation Leave Payable” in the funds from which the employees will be paid.

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

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

Accrued Liabilities and Long-Term Obligations

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

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

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. Short-term notes, long-term notes and bonds are recognized as liabilities on the governmental fund financial statements when due.

Fund Balance

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

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. The nonspendable fund balances for the County include unclaimed monies, materials and supplies inventory and prepaids.

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

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

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

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

Assigned – Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned amounts represent intended uses established by the County Commissioners or a County Official delegated that authority by resolution or State Statute. The future appropriations amount assigned in the General Fund represents 2015 appropriations that exceed estimated resources. State statute authorizes the county auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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.

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.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

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.

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, contractual services, capital purchases, and other) within each department and fund. Budgetary modifications may only be made by resolution of the County Commissioners.

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

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

Bond Premiums

Bond premiums for government-wide statements and proprietary fund statements are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as reduction/increase to the face amount of bonds.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

Deferred Charge on Refunding

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

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.

Estimates

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

Note 3 – Correction of an Error

Correction of an Error

This correction is due to construction in progress being overstated for work not yet completed and infrastructure being overstated for projects not yet completed.

	<i>Governmental</i>
	<i>Activities</i>
	<hr/>
Net Position December 31, 2013, as Previously Reported	\$48,690,754
Restatement of Capital Assets	(2,462,230)
	<hr/>
Net Position December 31, 2013, as Restated	<u>\$46,228,524</u>

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

Note 4 - Accountability

The Countywide Public Safety Fund and Landfill Enterprise Fund had a fund balance net position deficit at December 31, 2014 of \$20,042 and \$484,467, respectively. The General Fund is liable for the deficit in the Countywide Public Safety Special Revenue Fund and Landfill Enterprise Fund and will provide transfers when cash is required, not when accruals occur. The County is monitoring charges to finance landfill operations.

Note 5 – Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed or assigned fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. 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.
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. Investments are reported at fair value (GAAP basis) rather than at cost (budget basis).
8. Budgetary revenues and expenditures of the Certificate of Title Administration Revenue Fund are classified to the General Fund for GAAP Reporting.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

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

	Net Change in Fund Balance				
	General Fund	Motor Vehicle and Gas Tax Fund	Human Services Fund	Community Mental Health Fund	Developmental Disabilities Fund
GAAP Basis	\$136,333	\$300,250	\$62,850	\$45,770	(\$580,628)
Revenue Accruals	(335,908)	523	(10,486)	(2,911)	73,451
Expenditure Accruals	720,438	5,675	44,355	(18,250)	217,466
Encumbrances	(587,617)	(374,133)	(59,558)	(150,402)	0
Advances	(224,061)	0	0	0	0
Unrecorded Cash - 2014	(338)	(87)	0	0	0
Unrecorded Cash - 2013	66	22	0	0	0
WestCON Activity	0	0	0	0	(237,823)
Agency Fund Cash Allocation - 2014	(51,372)	(22,619)	0	(11,574)	(30,805)
Agency Fund Cash Allocation - 2013	54,471	20,937	0	11,769	31,322
Decrease in Fair Value of Cash Equivalents - 2014	1,885	0	0	0	0
Increase in Fair Value of Cash Equivalents - 2013	(13,304)	0	0	0	0
Excess of revenues under expenditures for Title Administration Fund	(43,205)	0	0	0	0
Budget Basis	<u>(\$342,612)</u>	<u>(\$69,432)</u>	<u>\$37,161</u>	<u>(\$125,598)</u>	<u>(\$527,017)</u>

Note 6 - Deposits and Investments

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal or interest by the United States, or any book entry, zero coupon United States treasury security that is a direct obligation of the United States;

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange similar securities, or cash, equal value for equal value;
9. Up to 25 percent of the County's average portfolio in either of the following:
 - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding \$500 million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed 10 percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase;
 - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within 180 days after purchase;
10. Up to 15 percent of the County's average portfolio in notes issued by United States corporations or by depository institutions that are doing business under authority granted by the United States provided the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
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

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

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, 2014, 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 Home Loan Bank Notes	\$2,999,375	\$2,000,720	\$998,655	Aaa	26%
Federal Home Loan Mortgage Corporation Notes	499,150	0	499,150	Aaa	4%
Federal Farm Credit Bureau Notes	2,787,128	0	2,787,128	Aaa	24%
Federal National Mortgage Association Notes	1,757,755	0	1,757,755	Aaa	15%
Municipal Bonds	499,050	0	499,050	Aa	4%
STAROhio	2,990,826	2,990,826	0	Aaam	n/a
Total Investments	<u>\$11,533,284</u>	<u>\$4,991,546</u>	<u>\$6,541,738</u>		

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

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

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

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (Continued)

Note 7 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2014 for real and public utility property taxes represents collections of 2013 taxes. 2014 real property taxes were levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2014, was \$8.78 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

Category	Assessed Value	Percent
Real Property		
Residential/Agricultural	\$677,263,000	85%
Commercial/Industrial/Public Utility	81,237,000	10
Public Utility Personal	36,979,000	5
Totals	<u>\$795,479,000</u>	<u>100%</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds. Property taxes receivable represents real and public utility taxes and outstanding delinquencies which were measurable as of December 31, 2014, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2014 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (Continued)

Note 8 – Permissive Sales Tax

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

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

Note 9 - Receivables

Receivables at December 31, 2014, consisted of taxes, accounts (billings for user charged services), special assessments, interest on investments, interfund amounts, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible and will be received within one year with the exception of property taxes. Sewer charges receivable, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

The County had \$560,991 of delinquent special assessments at December 31, 2014.

A summary of intergovernmental receivables follows:

Governmental Activities:	Amount
Local Government	\$186,588
Homestead and Rollback	321,560
Gasoline Cents Per Gallon	397,559
Gasoline Excise Tax	786,184
Auto License	560,730
Human Services Grant	87,053
ODADAS Grant	13,012
Shelter Plus Care Grant	\$ 18,331
	(continued)

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

<u>Governmental Activities:</u>	<u>Amount</u>
Community Innovations Grant	\$38,000
Children Services Grant	13,611
Child Support Grant	25,989
Reclaim Ohio Youth Services Grant	84,229
Miscellaneous	8,141
Total Governmental Activities	<u>\$2,540,987</u>

Note 10 - Capital Assets

Capital assets activity for the year ended December 31, 2014, was as follows:

	Restated Assets 12/31/2013	Additions	Deletions	Balance at 12/31/2014
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$2,252,014	\$0	\$0	\$2,252,014
Construction in Progress	1,512,459	1,673,138	(2,064,830)	1,120,767
Total Capital Assets, Not Being Depreciated	<u>3,764,473</u>	<u>1,673,138</u>	<u>(2,064,830)</u>	<u>3,372,781</u>
Depreciable Capital Assets:				
Buildings, Structures, and Improvements	11,863,289	85,370	0	11,948,659
Furniture, Fixtures, and Equipment	10,004,229	382,332	(84,713)	10,301,848
Infrastructure	25,775,433	2,782,389	(160,347)	28,397,475
Total Depreciable Capital Assets	<u>47,642,951</u>	<u>3,250,091</u>	<u>(245,060)</u>	<u>50,647,982</u>
Less Accumulated Depreciation:				
Buildings, Structures, and Improvements	(4,627,227)	(121,541)	0	(4,748,768)
Furniture, Fixtures, and Equipment	(7,322,104)	(395,512)	84,713	(7,632,903)
Infrastructure	(8,773,960)	(850,848)	124,006	(9,500,802)
Total Accumulated Depreciation	<u>(20,723,291)</u>	<u>(1,367,901)*</u>	<u>208,719</u>	<u>(21,882,473)</u>
Depreciable Capital Assets, Net	<u>26,919,660</u>	<u>1,882,190</u>	<u>(36,341)</u>	<u>28,765,509</u>
Governmental Activities Capital Assets, Net	<u>\$30,684,133</u>	<u>\$3,555,328</u>	<u>(\$2,101,171)</u>	<u>\$32,138,290</u>

* Depreciation expense was charged to governmental programs as follows:

General Government:	
Legislative and Executive	\$107,939
Judicial	18,270
Public Safety	116,412
Public Works	1,041,070
Health	4,102
Human Services	80,108
Total Depreciation Expense	<u>\$1,367,901</u>

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

Capital assets activity of the business-type activities for the year ended December 31, 2014, was as follows:

	Balance at 12/31/2013	Additions	Deletions	Balance at 12/31/2014
<u>Business-Type Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$452,313	\$0	\$0	\$452,313
Total Capital Assets, Not Being Depreciated	452,313	0	0	452,313
Depreciable Capital Assets:				
Buildings, Structures, and Improvements	2,139,558	0	0	2,139,558
Furniture, Fixtures, and Equipment	2,465,754	213,272	0	2,679,026
Sewer Lines and Manholes	650,933	0	0	650,933
Landfill Lines	372,499	0	0	372,499
Landfill Improvements	808,342	0	0	808,342
Total Depreciable Capital Assets	6,437,086	213,272	0	6,650,358
Less Accumulated Depreciation:				
Buildings, Structures, and Improvements	(823,425)	(20,025)	0	(843,450)
Furniture, Fixtures, and Equipment	(1,294,665)	(88,875)	0	(1,383,540)
Sewer Lines and Manholes	(52,918)	(6,509)	0	(59,427)
Landfill Lines	(3,725)	(3,725)	0	(7,450)
Landfill Improvements	(40,417)	(40,417)	0	(80,834)
Total Accumulated Depreciation	(2,215,150)	(159,551)	0	(2,374,701)
Depreciable Capital Assets, Net	4,221,936	53,721	0	4,275,657
Business-Type Activities Capital Assets, Net	<u>\$4,674,249</u>	<u>\$53,721</u>	<u>\$0</u>	<u>\$4,727,970</u>

Note 11 - Risk Management

Insurance

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County maintains comprehensive insurance coverage with the County Risk Sharing Authority, Inc. (CORSA), a risk sharing pool (see Note 22), for liability, property, auto, and crime insurance.

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

Workers' Compensation

For 2014, the County participated in the County Commissioners' Association of Ohio Service Corporation (the Plan), a group purchasing pool (See Note 23). The plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than the individual rate.

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

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

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

Note 12 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Plan Description - The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 plan benefit. Member contributions, the investment of which is self-directed by the member, 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 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 that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

PREBLE COUNTY, OHIO
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(Continued)

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. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in the State and local classifications. For the year ended December 31, 2014, members in State and local classifications contributed 10 percent of covered payroll. For 2014, member and employer contribution rates were consistent across all three plans.

The County's 2014 contribution rate was 14 percent. The portion of the County's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the County's contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent. Employer contribution rates are actuarially determined.

The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$1,078,811, \$1,094,893, and \$1,113,022, respectively. For 2014, 85.67 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012. Contributions to the Member-Directed Plan for 2014 were \$31,842 made by the County and \$22,745 made by plan members.

Note 13 - Post-Employment Benefits

Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

In order to qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide healthcare benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

PREBLE COUNTY, OHIO
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(Continued)

Disclosures for the healthcare 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 the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, State and local employers contributed 14 percent of covered payroll. 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 postemployment healthcare benefits. The portion of the employer contribution allocated to healthcare for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to healthcare remained at 2 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 healthcare benefits provided by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment healthcare plan.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$431,524, \$437,957, and \$445,209, respectively. For 2014, 85.67 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Changes to the healthcare plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the passage of pension legislation under SB 343 and the approved healthcare changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the healthcare fund after the end of the transition period.

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (Continued)

Note 14 - Other Employee Benefits

Deferred Compensation Plan

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

Insurance

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

Note 15 - Short-Term Obligations

Changes in the short-term obligations during 2014 were as follows:

<u>Fund Type/Fund/Issue</u>	<u>Interest Rate</u>	<u>Balance at 12/31/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 12/31/2014</u>
<u>Governmental:</u>					
Ditch and Guardrail Construction					
Gates Joint Ditch	1.98%	\$17,214	\$8,607	\$17,214	\$8,607
Ditch and Guardrail Construction					
Brock Ditch	1.99%	6,849	0	6,849	0
Other Judicial					
Court Computer Software	2.55%	20,000	0	20,000	0
Total Governmental Funds		<u>\$44,063</u>	<u>\$8,607</u>	<u>\$44,063</u>	<u>\$8,607</u>
<u>Business-Type Activities:</u>					
Landfill Loader Note	2.75%	<u>\$51,158</u>	<u>\$153,473</u>	<u>\$51,158</u>	<u>\$153,473</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 will be paid from the Ditch and Guardrail Construction Nonmajor Fund. The 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. The Brock Ditch Note was paid off from the Ditch and Guardrail Construction Fund and the Court Computer Software Note was paid off from the Other Judicial Fund.

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (Continued)

Note 16 - Long-Term Obligations

The schedule of changes in long-term obligations of the governmental activities of the County during 2014 follows:

Types / Issues	Balance at 12/31/2013	Issued	Retired	Balance at 12/31/2014	Due Within One Year
<u>General Obligations Bonds:</u>					
2002 2.00 to 3.50% Various Purpose Bonds - Unvoted \$1,440,000	\$405,000	\$0	\$45,000	\$360,000	\$45,000
2005 County Fairgrounds Refunding Bonds - Unvoted 3.00 to 3.60% - Current Interest Bonds \$125,000	45,000	0	15,000	30,000	15,000
Premium on Debt Issue	83	0	27	56	0
Total General Obligation Bonds Payable	<u>450,083</u>	<u>0</u>	<u>60,027</u>	<u>390,056</u>	<u>60,000</u>
<u>Other Long-Term Obligations:</u>					
Compensated Absences Payable	217,959	134,648	102,545	250,062	46,389
Total - General Long-Term Obligations	<u>\$668,042</u>	<u>\$134,648</u>	<u>\$162,572</u>	<u>\$640,118</u>	<u>\$106,389</u>

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 2014 were as follows:

Types/Issues	Balance at 12/31/2013	Increases	Decreases	Balance at 12/31/2014	Due Within One Year
<u>Notes Payable:</u>					
2.75% Landfill Loader \$255,788	\$153,473	\$0	\$153,473	\$0	\$0
<u>Loans Payable:</u>					
0.00% - 2004 OWDA Loan \$820,238	485,971	0	40,498	445,473	40,498
0.00% - 2010 OPWC Loan \$1,500,000	1,425,000	0	75,000	1,350,000	75,000
0.00% - 2012 OPWC Loan \$374,698	368,453	0	12,490	355,963	12,490
0.00% - 2006 OPWC Loan \$38,000	24,700	0	1,900	22,800	1,900
0.00% - 2000 OPWC Loan \$227,160	79,506	0	11,358	68,148	11,358
Total Loans Payable	<u>\$2,383,630</u>	<u>\$0</u>	<u>\$141,246</u>	<u>\$2,242,384</u>	<u>\$141,246</u>

(continued)

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (Continued)

Types/Issues	Balance at 12/31/2013	Increases	Decreases	Balance at 12/31/2014	Due Within One Year
<u>General Obligation Bonds Payable:</u>					
3.00 to 3.60% - 2005 Landfill Improvement					
Refunding Bonds \$3,445,000	\$1,100,000	\$0	\$355,000	\$745,000	\$365,000
Premium on Debt Issue	1,897	0	632	1,265	0
Total General Obligation Bonds Payable	<u>1,101,897</u>	<u>0</u>	<u>355,632</u>	<u>746,265</u>	<u>365,000</u>
<u>Other Long-Term Obligations:</u>					
Compensated Absences Payable	0	435	0	435	435
Landfill Closure and Postclosure	5,104,347	240,238	0	5,344,585	0
Total Other Long-Term Obligations	<u>5,104,347</u>	<u>240,673</u>	<u>0</u>	<u>5,345,020</u>	<u>435</u>
Total - Business-Type Activities	<u>\$8,743,347</u>	<u>\$240,673</u>	<u>\$650,351</u>	<u>\$8,333,669</u>	<u>\$506,681</u>

The 2013 Landfill Loader Bond Anticipation Note was issued on January 30, 2013, in the amount of \$204,631 for the purchase of a landfill loader. This note was refinanced prior to the issuance of the 2013 statements for \$51,158. Therefore, the \$204,631 liability outstanding at December 31, 2013 is split with \$153,631 presented as a long-term liability and \$51,158 presented as a fund liability in the financial statements. The 2014 Landfill Loader Bond Anticipation Note was issued on January 30, 2013, in the amount of \$153,473 for the purchase of a landfill loader. This note was paid off prior to the issuance of the 2014 statements for \$153,473. Therefore, the \$153,473 liability outstanding at December 31, 2014 is presented as a fund liability in the financial statements. The note was paid off through the Landfill Fund.

The County has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$526,469 in sewer system OWDA loans issued in 2004 with an interest rate of zero percent. Proceeds from these loans provided financing for the construction of the West Elkton sewer system and to refund the County's three outstanding OWDA Loans at December 31, 2003. The loans are payable solely from sewer customer net receipts and are payable through January 1, 2026. Principal paid for the current year and total customer net revenues were \$40,498 and \$147,911, respectively. The total principal remaining to be paid on the loans is \$445,473.

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

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

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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 (Continued)

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 un-voted 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, 2014, are an overall legal debt margin of \$17,996,975 and an un-voted legal debt margin of \$7,564,790.

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

Governmental Activities		
General Obligation		
Serial Bonds		
Year	Principal	Interest
2015	\$60,000	\$17,865
2016	60,000	14,940
2017	50,000	12,015
2018	50,000	9,790
2019	55,000	7,565
2020-2022	115,000	7,788
Totals	<u>\$390,000</u>	<u>\$69,963</u>

Year	Loans Payable	General Obligation Bonds	
	Principal	Principal	Interest
2015	\$141,246	\$365,000	\$27,368
2016	141,246	380,000	13,680
2017	141,246	0	0
2018	141,246	0	0
2019	141,246	0	0
2020-2024	660,798	0	0
2025-2029	481,743	0	0
2030-2034	287,450	0	0
2035-3039	62,450	0	0
2040-2043	43,713	0	0
Totals	<u>\$2,242,384</u>	<u>\$745,000</u>	<u>\$41,048</u>

Note 17 – Landfill Closure And Post-Closure Costs

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

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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 (Continued)

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

The \$5,344,585 reported as a landfill closure and post-closure care liability at December 31, 2014, 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 \$6,998,685 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 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County expects to close the landfill in the year 2044.

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

Note 18 - Interfund Activity

Interfund balances at December 31, 2014, 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.

	Interfund Receivable
Interfund Payable	General Fund
Nonmajor Governmental Funds	\$324,061
Landfill Enterprise Fund	331,468
Total	\$655,529

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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 (Continued)

Interfund transfers for the year ended December 31, 2014 consisted of the following:

Transfers From	Transfers To				Totals
	Motor Vehicle and Gas Tax Fund	Human Services Fund	Community Mental Health Fund	Nonmajor Governmental Funds	
General	\$47,163	\$79,100	\$1,151	\$474,447	\$601,861
Human Services	0	0	0	63,023	63,023
Nonmajor Governmental	0	611,258	0	0	611,258
Total	\$47,163	\$690,358	\$1,151	\$537,470	\$1,276,142

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

Note 19 - Related Organizations

Preble County Library Board

The Preble County Library Board is a related organization of the County. The County Officials (the Commissioners, the Probate Court and the Common Pleas Court) are responsible for appointing the trustees of the Library Board; however, the County Officials cannot influence the Library’s operation nor does the Library represent a potential financial benefit or burden to the County. Although the County does serve as the taxing authority and may issue tax related debt on behalf of the Library Board, its role is limited to a ministerial function. Once the Library Board determines to present a levy to the voters, including the determination of the rate and duration, the County must place the levy on the ballot. The Library may issue debt and determines its own budget. During 2014, 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, OHIO
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(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 2014, the County did not make any significant financial contributions to the operation of the PMHA. Financial information may be obtained by writing to Rita Daily, Director of the Preble Metropolitan Housing Authority, 2080 US Route 127 North, Eaton, Ohio 45320.

Note 20 - Joint Venture

Preble County Emergency Management Agency

The Preble County Emergency Management Agency (EMA) is a joint venture between the County, the City of Eaton, and townships and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is composed of the following seven members: one County Commissioner representing the Board of County Commissioners; five chief executives representing the municipal corporations and townships entering into the agreement; and one non-elected representative. The County contributed \$21,027 for the operation of the EMA during 2014. 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 21 - Jointly Governed Organization

West Central Ohio Network

The West Central Ohio Network (WestCON) is a jointly governed organization among Auglaize, Darke, Logan, Mercer, Miami, Preble, Shelby, and Union Counties. WestCON was formed to administer supported living services for persons with developmental disabilities in these counties. The executive committee consists of eight members that are the Superintendents of each local county board of developmental disabilities which is a WestCON member. The Committee exercises total control over operations including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the Committee. During 2014, the County did not make any significant financial contributions to WestCON.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

Note 22 - Risk Sharing Pool

County Risk Sharing Authority, Inc.

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

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

Note 23 - Group Purchasing Pool

County Commissioners' Association of Ohio Service Corporation

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

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.

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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 (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 Fund	Motor Vehicle and Gas Tax Fund	Human Services Fund	Community Mental Health Fund
<i>Nonspendable</i>				
Unclaimed Monies	\$51,373	\$0	\$0	\$0
Materials And Supplies Inventory	1,801	215,876	4,090	0
Prepays	0	708	47,019	0
<i>Total Nonspendable</i>	53,174	216,584	51,109	0
<i>Restricted For</i>				
Human Services	0	0	64,407	0
Mental Health Services	0	0	0	1,350,271
Public Social Services	0	0	0	0
Road Maintenance And Repair	0	1,878,031	0	0
Debt Service	0	0	0	0
Public Safety	0	0	0	0
Real Estate Assessments	0	0	0	0
Other Health Services	0	0	0	0
<i>Total Restricted</i>	0	1,878,031	64,407	1,350,271
<i>Assigned To</i>				
Purchases On Order	136,008	0	0	0
Future Appropriations	1,739,753	0	0	0
Building Construction	0	0	0	0
<i>Total Assigned</i>	1,875,761	0	0	0
<i>Unassigned</i>	2,635,900	0	0	0
<i>Total Fund Balances</i>	\$4,564,835	\$2,094,615	\$115,516	\$1,350,271

(continued)

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (Continued)

Fund Balances	Developmental Disabilities Fund	Road and Bridge Construction Fund	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>				
Unclaimed Monies	\$0	\$0	\$0	\$51,373
Materials And Supplies Inventory	0	0	2,192	223,959
Prepays	0	0	0	47,727
<i>Total Nonspendable</i>	0	0	2,192	323,059
<i>Restricted For</i>				
Human Services	0	0	0	64,407
Mental Health Services	3,135,779	0	0	4,486,050
Public Social Services	0	0	520,852	520,852
Road Maintenance And Repair	0	2,441	15,329	1,895,801
Debt Service	0	0	12,907	12,907
Public Safety	0	0	1,361,962	1,361,962
Real Estate Assessments	0	0	1,339,711	1,339,711
Other Health Services	0	0	51,533	51,533
<i>Total Restricted</i>	3,135,779	2,441	3,302,294	9,733,223
<i>Assigned To</i>				
Purchases On Order	0	0	0	136,008
Future Appropriations	0	0	0	1,739,753
Building Construction	0	0	8,153	8,153
<i>Total Assigned</i>	0	0	8,153	1,883,914
<i>Unassigned</i>	0	0	(20,042)	2,615,858
<i>Total Fund Balances</i>	\$3,135,779	\$2,441	\$3,292,597	\$14,556,054

Note 25 – Significant Commitments

Contractual Commitments

As of December 31, 2014, the County had the following contractual purchases commitments for various projects:

Project	Contract Amount
West Manchester - Main Street	\$88,499

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

Encumbrances

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

Governmental Funds:	
General	\$590,759
Motor Vehicle and Gas Tax	374,133
Human Services	59,558
Community Mental Health	150,402
Nonmajor Governmental Funds	<u>755,158</u>
Total Governmental Funds	<u>1,930,010</u>
Proprietary Funds:	
Sewer	12,262
Landfill	<u>620,485</u>
Total Proprietary Funds	<u>632,747</u>
Total	<u><u>\$2,562,757</u></u>

Note 26 - Contingent Liabilities

Litigation

The County is involved in a number of claims and lawsuits, as of December 31, 2014, 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, 2014, 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.

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PREBLE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Shelter Plus Care - Direct	N/A	14.238	104,623
<i>Passed Through Ohio Department Of Development:</i>			
Community Development Block Grant	B-F-14-1CK-1	14.228	256,571
Community Development Block Grant	B-F-13-1CK-1	14.228	2,453
Community Development Block Grant - CHIP	B-C-13-1CK-1	14.228	146,551
Total Community Development Block Grant			<u>405,575</u>
Community Housing Improvement Program	B-C-13-1CK-2	14.239	136,753
Total CHIP			<u>136,753</u>
Total U.S. Department of Housing and Urban Development			<u>646,951</u>
U.S. ELECTION ASSISTANCE COMMISSION			
<i>Passed Through Ohio Secretary of State:</i>			
Help America Vote Act (HAVA) - Pollworker Training Reimbursement	N/A	90.401	1,037
Total U.S. Election Assistance Commission			<u>1,037</u>
U.S. DEPARTMENT OF AGRICULTURE			
Rural Development Multi-Family Housing - Direct	N/A	10.448	1,590
<i>Passed Through Ohio Department Of Job & Family Services :</i>			
Food Assistance Employment & Training (FAET) Shared Services FY 2014	G-1415-11-5417	10.561	50,252
Food Assistance Employment & Training (FAET) Participation FY 2014	G-1415-11-5417	10.561	8,657
Food Assistance Employment & Training (FAET) FY 2014	G-1415-11-5417	10.561	(13,358)
Food Assistance Employment & Training (FAET) FY 2015	G-1415-11-5417	10.561	11,484
Food Assistance FY 2014	G-1415-11-5417	10.561	142,576
Food Assistance FY 2015	G-1415-11-5417	10.561	58,678
Total Food Assistance			<u>258,289</u>
Total U.S. Department of Agriculture			<u>259,879</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through Ohio Attorney General's Office:</i>			
Victims of Crime Act	2014 VAGENE 199	16.575	15,822
Victims of Crime Act	2013 VAGENE 199	16.575	42,283
Total Victims of Crime Act			<u>58,105</u>
Total U.S. Department of Justice			<u>58,105</u>
U.S. DEPARTMENT OF FEDERAL HIGHWAY ADMINISTRATION			
<i>Passed Through The Ohio Emergency Management Agency:</i>			
HMEP 20th Year Grant - Training	HM-HMP-0355-13-01-00	20.703	1,977
<i>Passed Through The Ohio Department of Transportation:</i>			
Highway Planning and Construction:			
Concord Fairhaven Rd. Bridge Replacement	PID 90962	20.205	212,517
Seven Mile Road Bridge Replacement	PID 82981	20.205	1,138,455
Barnetts Road Bridge Replacement	PID 90413	20.205	7,467
California School and Monebrake Road Bridge Replacements	PID 90412	20.205	117,955
Total Highway Planning and Construction			<u>1,476,394</u>
Total U.S. Department of Federal Highway Administration			<u>1,478,371</u>
U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT ASSISTANCE			
<i>Passed Through Ohio Department of Public Safety:</i>			
Emergency Management Performance Grant-FY 2013	EMW-2013-EP-00060-S01	97.042	48,029
Emergency Management Performance Grant-FY 2014	EMW-2014-EP-00064	97.042	9,073
Total Emergency Management Performance Grants			<u>57,102</u>
Total U.S. Department of Federal Emergency Management Assistance			<u>57,102</u>

PREBLE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF LABOR			
<i>Passed Through Montgomery County Department of Job & Family Services:</i>			
Workforce Investment Act - OMJ Resource Sharing	G-1415-11-5417	17.207	7,299
<i>Passed Through Montgomery County Department of Job & Family Services:</i>			
Workforce Investment Act Cluster:			
Workforce Investment Act - OMJ Branding	G-1415-11-5417	17.258	6,342
Workforce Investment Act - Adult	G-1415-11-5417	17.258	69,878
Workforce Investment Act - Adult Administrative	G-1415-11-5417	17.258	0
Total Workforce Investment Act - Adult			<u>76,220</u>
Workforce Investment Act - Youth	G-1415-11-5417	17.259	77,552
Workforce Investment Act - Youth Administrative	G-1415-11-5417	17.259	10,405
Total Workforce Investment Act - Youth			<u>87,957</u>
Rapid Response	G-1415-11-5417	17.278	35,242
Workforce Investment Act - Dislocated Worker	G-1415-11-5417	17.278	62,873
Workforce Investment Act - Dislocated Worker Administrative	G-1415-11-5417	17.278	924
Total Workforce Investment Act - Dislocated Worker			<u>99,039</u>
Total Workforce Investment Act Cluster			<u>263,216</u>
Total U.S. Department of Labor			<u>270,515</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Community Based Child Abuse Prevention Grants	G-1415-11-5417	93.590	1,862
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Title XX - Base FY 2014	G-1415-11-5417	93.667	42,818
Title XX - Base FY 2015	G-1415-11-5417	93.667	11,087
Title XX Transfer FY 2014	G-1415-11-5417	93.667	101,802
Title XX Transfer FY 2015	G-1415-11-5417	93.667	32,469
			<u>188,176</u>
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Title XX Social Service Block Grant-FY14	N/A	93.667	20,284
			<u>20,284</u>
<i>Passed Through Ohio Department of Mental Health:</i>			
Title XX Social Service Block Grant	N/A	93.667	17,180
Total Title XX Social Service Block Grant			<u>225,640</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Title XIX Medical Assistance Program FY 2014	G-1415-11-5417	93.778	94,439
Title XIX Medical Assistance Program FY 2015	G-1415-11-5417	93.778	30,246
Title XIX Medical Assistance Enhanced Program FY 2014	G-1415-11-5417	93.778	96,199
Title XIX Medical Assistance Enhanced Program FY 2015	G-1415-11-5417	93.778	22,687
Title XIX Medical Assistance Program - NET FY 2014	G-1415-11-5417	93.778	13,839
Title XIX Medical Assistance Program - NET FY 2015	G-1415-11-5417	93.778	6,058
			<u>263,468</u>
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Title XIX Medical Assistance Program	N/A	93.778	108,828
Total Title XIX Medical Assistance Program			<u>372,296</u>
<i>Passed Through Ohio Department of Mental Health:</i>			
Ohio Department of Mental Health Block Grant	N/A	93.958	21,957
Ohio Suicide Prevention	N/A	93.958	1,000
			<u>22,957</u>
<i>Passed Through Ohio Department of Alcohol & Drug Addiction Services:</i>			
Block Grant-Federal PCN Treatment/Prevention	N/A	93.959	43,527
			<u>43,527</u>

PREBLE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014

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 Training - 2014	G-1415-11-5417	93.563	1,000
Child Support Enforcement Incentives - 2014	G-1415-11-5417	93.563	76,993
Child Support Enforcement-2014	G-1415-11-5417	93.563	217,211
Child Support Enforcement-2015	G-1415-11-5417	93.563	82,262
			<u>377,466</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>			
ESAA Preservation FY 2014	G-1415-11-5417	93.556	14,734
ESAA Preservation FY 2015	G-1415-11-5417	93.556	4,253
ESAA Reunification FY 2014	G-1415-11-5417	93.556	12,434
			<u>31,421</u>
<i>Passed Through Ohio Department of Mental Health:</i>			
Family Centered Services and Supports FY 2015	5-AU-15-100-22-068	93.556	6,577
Family Centered Services and Supports FY 2014	5-AU-14-100-22-068	93.556	13,717
			<u>20,294</u>
Total Promoting Safe and Stable Families			<u>51,715</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Chaffee Foster Care Independent Living FY2014	G-1415-11-5417	93.674	2,186
			<u>2,186</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Child Welfare Services-State Grants (IV-B) FY 2014	G-1415-11-5417	93.645	26,118
Child Welfare Services-State Grants (IV-B) FY 2015	G-1415-11-5417	93.645	8,002
			<u>34,120</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Adoption Assistance Administration FY2014	G-1415-11-5417	93.659	21,434
Adoption Assistance Administration FY2015	G-1415-11-5417	93.659	78,564
Non-Recurring Adoption Assistance FY2014	G-1415-11-5417	93.659	3,285
			<u>103,283</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Workforce Investment Act - Startup Funding	G-1415-11-5417	93.558	11,841
Temporary Assistance for Needy Families-Administration FY 2014	G-1415-11-5417	93.558	183,937
Temporary Assistance for Needy Families-Administration FY 2015	G-1415-11-5417	93.558	38,092
Temporary Assistance for Needy Families-Regular FY 2014	G-1415-11-5417	93.558	196,972
Temporary Assistance for Needy Families-Regular FY 2015	G-1415-11-5417	93.558	74,857
Temporary Assistance for Needy Families- Earn/Collection FY 2014	G-1415-11-5417	93.558	490
Temporary Assistance for Needy Families-Summer Youth - FY13	G-1415-11-5417	93.558	25,310
			<u>531,499</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Foster Care Administration FY 2014	G-1415-11-5417	93.658	71,850
Foster Care Administration FY 2015	G-1415-11-5417	93.658	17,715
			<u>89,565</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Child Care - Administration FY 2014	G-1415-11-5417	93.575	18,880
Child Care - Non-Administrative FY 2014	G-1415-11-5417	93.575	14,338
Child Care - Non-Administrative FY 2015	G-1415-11-5417	93.575	11,205
			<u>44,423</u>
Total U.S. Department of Health and Human Services			<u>1,900,539</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Health:</i>			
Early Head Start (Help Me Grow) 2014	06810021HG0514	84.181	45,431
			<u>45,431</u>
Total U.S. Department of Education			<u>45,431</u>
Total			<u>\$4,717,930</u>

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

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**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – SUB-RECIPIENTS

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

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

NOTE C - COMMUNITY HOME IMPROVEMENT PROGRAM

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

These loans are collateralized by mortgages on the property. At December 31, 2014, the gross amount of loans outstanding under the CDBG CHIP program was \$92,104. At December 31, 2014, the gross amount of loans outstanding under the HOME CHIP program was \$148,015.

The County has established a CHIP Revolving Loan Fund, which had a balance of \$56,716 as of December 31, 2014. 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.

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Dave Yost • Auditor of State

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

Preble County
101 East Main Street
Eaton, Ohio 45320

To the County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Preble County, Ohio (the County) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 14, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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

September 14, 2015



Dave Yost • Auditor of State

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

Preble County
101 East Main Street
Eaton, Ohio 45320

To the County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Preble County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

Management's Responsibility

The County's Management is responsible for complying with 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, 2014.

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 over 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

September 14, 2015

**FINANCIAL CONDITION
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA# 10.561 - Food Assistance Program (Food Assistance Employment and Training) CFDA# 20.205 – Highway Planning and Construction
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**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.

FINANCIAL CONDITION
PREBLE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Incorrectly recorded transfers in financial statements	Yes	