



Dave Yost • Auditor of State

**FINANCIAL CONDITION
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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and 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.

Emphasis of Matter

As discussed in Notes 3 to the financial statements, during the year ended December 31, 2015, the County adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

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* and schedules of net pension liabilities and pension contributions 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 Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards is management's responsibility, and derives from and relate 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 Expenditures of Federal Awards 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, 2016, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

September 14, 2016

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**FINANCIAL CONDITION
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
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, 2015. 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 \$842,892. The biggest increase was in net investment in capital assets, which increased \$1,044,544. Unrestricted net position increased by \$996,463.
2. The net position of the County's business-type activities increased by \$1,135,851.

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.

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.

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(Continued)**

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.

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 15 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.

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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 non-major 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 18 of this report.

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

Enterprise funds are used to account for the County's sewer and landfill operations, which are the business-type activities as reported in the government-wide financial statements. The basic proprietary fund financial statements begin on page 30 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 3H 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 3I of this report.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Summary

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

THE COUNTY AS A WHOLE

As stated previously, the Statement of Net Position looks at the County as a whole. Table 1 provides a summary of the County's Net Position for 2015 compared to 2014.

**Table 1
Net Position**

	Governmental Activities		Business-Type Activities		Totals	
		Restated		Restated		Restated
	2015	2014	2015	2014	2015	2014
Assets:						
Current and Other Assets	\$22,195,789	\$22,450,890	\$5,063,573	\$4,820,947	\$27,259,362	\$27,271,837
Capital Assets	33,201,370	32,138,290	5,537,404	4,727,970	38,738,774	36,866,260
Total Assets	55,397,159	54,589,180	10,600,977	9,548,917	65,998,136	64,138,097
Deferred Outflows of Resources:						
Deferred Charge on Refunding Pension	1,643,933	1,135,056	18,101	36,208	18,101	36,208
Total Deferred Outflows of Resources	1,643,933	1,135,056	65,205	67,708	1,709,138	1,202,764
Liabilities:						
Current Liabilities:	2,278,546	2,588,427	746,177	603,910	3,024,723	3,192,337
Long-Term Liabilities:						
Net Pension Liability	9,260,054	9,054,319	289,998	280,030	9,550,052	9,334,349
Other Amounts	622,052	640,118	8,090,107	8,333,669	8,712,159	8,973,787
Total Liabilities	12,160,652	12,282,864	9,126,282	9,217,609	21,286,934	21,500,473
Deferred Inflows of Resources:						
Deferred Charge on Refunding Property Taxes Pension	234	466			234	466
Property Taxes Pension	3,797,872	3,364,206			3,797,872	3,364,206
Total Deferred Inflows of Resources	3,960,848	3,364,672	5,033		3,965,881	3,364,672

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)**

**Table 1
Net Position
(Continued)**

	Governmental Activities		Business-Type Activities		Totals	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
Net Position:						
Net Investment in Capital Assets	32,783,705	31,739,161	2,961,266	2,332,113	35,744,971	34,071,274
Restricted:						
Other Purposes	10,246,179	11,570,859			10,246,179	11,570,859
Debt Service	10,688	7,076			10,688	7,076
Capital Projects	154,473	31,520			154,473	31,520
Unrestricted (Deficit)	(2,275,453)	(3,271,916)	(1,426,399)	(1,933,097)	(3,701,852)	(5,205,013)
Total Net Position	\$40,919,592	\$40,076,700	\$1,534,867	\$399,016	\$42,454,459	\$40,475,716

During 2015, the County adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the County's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the County's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the County is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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(Continued)**

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the County's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the County is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$47,995,963 to \$40,076,700 for governmental activities and \$647,546 to \$399,016 for business-type activities.

Government-wide Financial Analysis

Total governmental activities net position increased \$842,892. The biggest increase was in net investment in capital assets, which increased \$1,044,544 due to additions of assets, especially infrastructure outpacing depreciation expenses as well as loss on assets. The County finished several bridge replacement projects and road resurfacing projects during the year. Capital assets increased \$1,063,080 primarily due to completion of bridge replacement and road projects.

Current and other liabilities decreased \$309,881 primarily due to a decrease in accounts and contracts payable. Deferred inflows of resources for property taxes increased due to an increase in the assessed value throughout the County.

Table 2 shows the changes in Net Position for the years ended December 31, 2015 and 2014.

**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
Revenues						
Program Revenues:						
Charges for Services	\$4,273,499	\$4,170,370	\$3,598,266	\$3,356,869	\$7,871,765	\$7,527,239
Operating Grants, Contributions, and Interest	10,971,000	11,457,740	36,080	45,053	11,007,080	11,502,793
Capital Grants, Contributions, and Interest	1,216,560	1,795,547			1,216,560	1,795,547
Total Program Revenues	\$16,461,059	\$17,423,657	\$3,634,346	\$3,401,922	\$20,095,405	\$20,825,579

(Continued)

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
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(Continued)**

**Table 2
Changed in Net Position
(Continued)**

	Governmental Activities		Business-Type Activities		Totals	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
Revenues:						
General Revenues:						
Property Taxes	\$4,409,476	\$4,036,430			\$4,409,476	\$4,036,430
Permissive Sales Tax	5,579,575	5,190,364			5,579,575	5,190,364
Grants and Entitlements	1,532,935	1,078,231			1,532,935	1,078,231
Unrestricted Investment						
Earnings	497,362	182,123	348	148	497,710	182,271
Other	627,192	488,818	26,007	164,386	653,199	653,204
Total General Revenues	<u>12,646,540</u>	<u>10,975,966</u>	<u>26,355</u>	<u>164,534</u>	<u>12,672,895</u>	<u>11,140,500</u>
Total Revenues	<u>29,107,599</u>	<u>28,399,623</u>	<u>3,660,701</u>	<u>3,566,456</u>	<u>32,768,300</u>	<u>31,966,079</u>
Program Expenses:						
General Government:						
Legislative and Executive	4,074,242	3,638,027			4,074,242	3,638,027
Judicial	2,016,632	2,111,755			2,016,632	2,111,755
Intergovernmental	72,935	79,846			72,935	79,846
Public Safety	4,642,714	5,160,773			4,642,714	5,160,773
Public Works	4,791,082	3,663,374			4,791,082	3,663,374
Health	371,835	1,256,030			371,835	1,256,030
Human Services	11,658,766	9,986,643			11,658,766	\$9,986,643
Community and Economic						
Development	619,086	715,180			619,086	715,180
Interest and Fiscal Charges	17,415	20,603			17,415	20,603
Sewer			78,583	115,353	78,583	115,353
Landfill			2,446,267	2,856,787	2,446,267	2,856,787
Total Expenses	<u>28,264,707</u>	<u>26,632,231</u>	<u>2,524,850</u>	<u>2,972,140</u>	<u>30,789,557</u>	<u>29,604,371</u>
Change in Net Position	<u>842,892</u>	<u>1,767,392</u>	<u>1,135,851</u>	<u>594,316</u>	<u>\$1,978,743</u>	<u>\$2,361,708</u>
Net Position at						
Beginning of Year - Restated	<u>40,076,700</u>	N/A	<u>399,016</u>	N/A		
Net Position End of Year	<u>\$40,919,592</u>	<u>\$40,076,700</u>	<u>\$1,534,867</u>	<u>\$399,016</u>		

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,135,056 for governmental activities and \$31,500 for business-type activities computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,009,258 for governmental activities and \$31,214 for business-type activities. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	\$28,264,707	\$2,524,850	\$30,789,557
Pension expense under GASB 68	(1,009,258)	(31,214)	(1,040,472)
2015 contractually required contribution	1,149,658	31,817	1,181,475
Adjusted 2015 program expenses	28,405,107	2,525,453	30,930,560
Total 2014 program expenses under GASB 27	26,632,231	2,972,140	29,604,371
Change in program expenses not related to pension	\$1,772,876	(\$446,687)	\$1,326,189

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 \$962,598, due to a large decrease in operating and capital grants, contributions and interest. The decrease in the Operating grants, contributions and interest is due to reduced funding and the decrease in the capital grants is due to the County completing bridge projects that were funded through grants. General revenues increased over the prior year by \$1,670,574, mostly due to an increase in property tax and permissive sales tax revenues. Property tax revenue increased due to an increase in the assessed value and sales tax revenue increased due to the overall improvement of the economy.

Overall expenses increased \$1,632,476 due to the implementation of GASB Statement 68.

Business-type Activities

The County's sewer and landfill system operations constitute the only business-type activities. Both revenues and expenditures decreased for the business-type activities. This is most noticeable in landfill operations due to decreases in both trash collection revenues and related operating expenses associated with decreased 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, unrestricted 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 2015, the County's governmental funds reported combined ending fund balances of \$13,787,008. Approximately 62.2 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 \$5,220,830, an increase of \$655,995.

The Motor Vehicle and Gas Tax Fund decreased by \$169,317, leaving a balance of \$1,925,298.

The Human Services Fund decreased by \$79,724 leaving a balance of \$35,792.

**FINANCIAL CONDITION
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED
(Continued)**

The Community Mental Health Fund revenues exceeded expenditures, decreasing the year-end fund balance by \$108,554 to \$1,241,717.

The Developmental Disabilities Fund revenues did not exceed expenditures, decreasing the year-end fund balance by \$1,154,749. 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 \$79,043. This decrease is due to timing differences as to when grant revenue is received compared to work completed on projects.

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 \$153,239 in user charges during 2015. Net position increased by \$95,738 during 2015, ending with a fund balance of \$1,227,751.

Net position for the County-owned landfill had an increase of \$1,040,113, which eliminated the fund deficit to create a fund balance of \$307,116. The increase was mainly due to revenues exceeding 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 16.6 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 0.37 percent.

During 2015, there were numerous revisions to the General Fund's budgeted expenditures. The net effect of the revisions was a decrease in budgeted disbursements of 2.25 percent. By monitoring expenditures, the County was able to keep actual expenditures below final budgeted expenditure by \$985,157.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Preble County's total investment in capital assets for governmental and business-type activities (net of accumulated depreciation) amounts to \$33,201,370 and \$5,537,404, an increase of \$1,063,080 in governmental and an increase of \$809,434 in business type from 2014.

**FINANCIAL CONDITION
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED
(Continued)**

**Table 3
Capital Assets**

	Governmental Activities		Business-Type Activities		Totals	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
	Land	\$2,252,014	\$2,252,014	\$452,313	\$452,313	\$2,704,327
Construction in Progress	373,413	1,120,767			373,413	1,120,767
Buildings, Structures, and Improvements	7,767,022	7,199,891	1,270,863	1,296,108	9,037,885	8,495,999
Furniture, Fixtures, and Equipment	2,401,925	2,668,945	2,180,816	1,295,486	4,582,741	3,964,431
Infrastructure	20,406,996	18,896,673	1,633,412	1,684,063	22,040,408	20,580,736
Totals	\$33,201,370	\$32,138,290	\$5,537,404	\$4,727,970	\$38,738,774	\$36,866,260

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

Debt

At December 31, 2015, Preble County had \$334,333 and \$2,956,771 in governmental activities and business-type activities, respectively debt outstanding.

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

	Governmental Activities		Business-Type Activities	
	2015	2014	2015	2014
	Loans Payable			\$2,101,138
General Obligation Bonds	\$330,029	\$390,056	380,633	746,265
Short-Term Notes	4,304	8,607	475,000	153,473
Totals	\$334,333	\$398,663	\$2,956,771	\$3,142,122

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.

**FINANCIAL CONDITION
PREBLE COUNTY**

**STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$13,200,733	\$3,128,325	\$16,329,058
Cash and Cash Equivalents in Segregated Accounts	254,734		254,734
Accrued Interest Receivable	207,976		207,976
Accounts Receivable	54,845	455,881	510,726
Permissive Sales Tax Receivable	878,375		878,375
Due from Other Governments	2,986,885		2,986,885
Internal Balances	231,468	(231,468)	
Prepaid Items	923		923
Materials and Supplies Inventory	92,735	1,293	94,028
Property Taxes Receivable	4,135,957		4,135,957
Special Assessments Receivable	151,158		151,158
Restricted Assets - Equity in Pooled Cash and Cash Equivalents		1,709,542	1,709,542
Nondepreciable Capital Assets	2,625,427	452,313	3,077,740
Depreciable Capital Assets, Net	30,575,943	5,085,091	35,661,034
Total Assets	55,397,159	10,600,977	65,998,136
Deferred Outflows of Resources:			
Deferred Charge on Refunding Pension		18,101	18,101
	1,643,933	47,104	1,691,037
Total Deferred Outflows of Resources	1,643,933	65,205	1,709,138
Liabilities:			
Accounts Payable	622,538	143,300	765,838
Accrued Salaries Payable	651,055	28,296	679,351
Accrued Vacation Leave Payable	484,620	20,335	504,955
Contracts Payable	72,362		72,362
Retainage Payable	10,736		10,736
Due to Other Governments	427,343	77,774	505,117
Accrued Interest Payable	5,588	1,472	7,060
Notes Payable	4,304	475,000	479,304
Long-Term Liabilities:			
Due Within One Year	88,299	521,681	609,980
Due in More Than One Year:			
Net Pension Liability (See Note 12)	9,260,054	289,998	9,550,052
Other Amounts	533,753	7,568,426	8,102,179
Total Liabilities	12,160,652	9,126,282	21,286,934
Deferred Inflows of Resources:			
Deferred Charge on Refunding Property Taxes	234		234
	3,797,872		3,797,872
Pension	162,742	5,033	167,775
Total Deferred Inflows of Resources	3,960,848	5,033	3,965,881
Net Position:			
Net Investment in Capital Assets	32,783,705	2,961,266	35,744,971
Restricted for:			
Public Safety	957,881		957,881
Public Works	3,246,875		3,246,875
Mental Health Services	244,239		244,239
Human Services	3,798,452		3,798,452
Community and Economic Development	168,113		168,113
General Government	1,830,619		1,830,619
Debt Service	10,688		10,688
Capital Projects	154,473		154,473
Unrestricted (Deficit)	(2,275,453)	(1,426,399)	(3,701,852)
Total Net Position	\$40,919,592	\$1,534,867	\$42,454,459

See Accompanying Notes to the Basic Financial Statements.
See Accountant's Compilation Report

**FINANCIAL CONDITION
PREBLE COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Capital Grants, Contributions, and Interest</u>
Governmental Activities:				
General Government:				
Legislative and Executive	\$4,074,242	\$1,209,810	\$12,572	\$338,152
Judicial	2,016,632	753,688	211,108	
Intergovernmental	72,935			
Public Safety	4,642,714	1,151,039	336,181	
Public Works	4,791,082	452,203	3,860,757	395,210
Health	371,835	148,071	179,897	
Human Services	11,658,766	558,688	6,370,485	
Community and Economic Development	619,086			483,198
Interest and Fiscal Charges	17,415			
Total Governmental Activities	<u>28,264,707</u>	<u>4,273,499</u>	<u>10,971,000</u>	<u>1,216,560</u>
Business-Type Activities:				
Sewer	78,583	153,239	21,080	
Landfill	2,446,267	3,445,027	15,000	
Total Business-Type Activities	<u>2,524,850</u>	<u>3,598,266</u>	<u>36,080</u>	
Total Primary Government	<u>\$30,789,557</u>	<u>\$7,871,765</u>	<u>\$11,007,080</u>	<u>\$1,216,560</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.
See Accountant's Compilation Report

Net (Expenses) Revenues and Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
(\$2,513,708)		(\$2,513,708)
(1,051,836)		(1,051,836)
(72,935)		(72,935)
(3,155,494)		(3,155,494)
(82,912)		(82,912)
(43,867)		(43,867)
(4,729,593)		(4,729,593)
(135,888)		(135,888)
(17,415)		(17,415)
<u>(11,803,648)</u>		<u>(11,803,648)</u>
	\$95,736	95,736
	1,013,760	1,013,760
	<u>1,109,496</u>	<u>1,109,496</u>
<u>(11,803,648)</u>	<u>1,109,496</u>	<u>(10,694,152)</u>
2,186,837		2,186,837
232,029		232,029
1,601,102		1,601,102
76,064		76,064
313,444		313,444
5,579,575		5,579,575
1,532,935		1,532,935
497,362	348	497,710
627,192	26,007	653,199
<u>12,646,540</u>	<u>26,355</u>	<u>12,672,895</u>
842,892	1,135,851	1,978,743
40,076,700	399,016	40,475,716
<u>\$40,919,592</u>	<u>\$1,534,867</u>	<u>\$42,454,459</u>

**FINANCIAL CONDITION
PREBLE COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	<u>General Fund</u>	<u>Motor Vehicle and Gas Tax Fund</u>	<u>Human Services Fund</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$4,246,803	\$1,418,719	\$261,993
Cash and Cash Equivalents in Segregated Accounts	3		
Receivables:			
Permissive Sales Tax	878,375		
Property Taxes	2,038,687		
Accounts	22,203	154	291
Special Assessments			
Accrued Interest	207,976		
Interfund	705,529		
Due From Other Governments	415,934	1,715,075	73,355
Materials and Supplies Inventory		92,735	
Prepaid Items	159	764	
Total Assets	<u>\$8,515,669</u>	<u>\$3,227,447</u>	<u>\$335,639</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	\$129,700	\$34,679	\$65,808
Contracts Payable		3,518	
Retainage Payable		537	
Accrued Salaries Payable	366,268	33,647	110,061
Due to Other Governments	210,704	33,529	50,623
Interfund Payable			
Notes Payable			
Accrued Interest Payable			
Total Liabilities	<u>706,672</u>	<u>105,910</u>	<u>226,492</u>
Deferred Inflows of Resources:			
Property Taxes	1,872,852		
Unavailable Revenue	715,315	1,196,239	73,355
Total Deferred Inflows of Resources	<u>2,588,167</u>	<u>1,196,239</u>	<u>73,355</u>
Fund Balances:			
Nonspendable	47,988	93,499	
Restricted		1,831,799	35,792
Assigned	2,088,760		
Unassigned (Deficit)	3,084,082		
Total Fund Balances	<u>5,220,830</u>	<u>1,925,298</u>	<u>35,792</u>
Total Deferred Inflows of Resources, Liabilities and Fund Balances	<u>\$8,515,669</u>	<u>\$3,227,447</u>	<u>\$335,639</u>

See Accompanying Notes to the Basic Financial Statements.
See Accountant's Compilation Report

Community Mental Health Fund	Developmental Disabilities Fund	Road and Bridge Construction Fund	Non-major Governmental Funds	Total Governmental Funds
\$1,298,978	\$2,093,349	\$2,441	\$3,878,450 254,731	\$13,200,733 254,734
				878,375
222,521	1,556,437		318,312	4,135,957
950	16,182		15,065	54,845
			151,158	151,158
				207,976
				705,529
29,919	198,908	119,411	434,283	2,986,885
				92,735
				923
<u>\$1,552,368</u>	<u>\$3,864,876</u>	<u>\$121,852</u>	<u>\$5,051,999</u>	<u>\$22,669,850</u>
\$31,973	\$37,996	\$0 68,844 10,199	\$322,382	\$622,538 72,362 10,736
25,645	46,987		68,447	651,055
12,971	52,756		66,760	427,343
			474,061	474,061
			4,304	4,304
			41	41
<u>70,589</u>	<u>137,739</u>	<u>79,043</u>	<u>935,995</u>	<u>2,262,440</u>
203,200	1,429,867		291,953	3,797,872
36,862	316,240	119,411	365,108	2,822,530
<u>240,062</u>	<u>1,746,107</u>	<u>119,411</u>	<u>657,061</u>	<u>6,620,402</u>
				141,487
1,241,717	1,981,030	40,368	3,450,790 8,153	8,581,496 2,096,913
		(116,970)		2,967,112
<u>1,241,717</u>	<u>1,981,030</u>	<u>(76,602)</u>	<u>3,458,943</u>	<u>13,787,008</u>
<u>\$1,552,368</u>	<u>\$3,864,876</u>	<u>\$121,852</u>	<u>\$5,051,999</u>	<u>\$22,669,850</u>

**FINANCIAL CONDITION
PREBLE COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015**

Total Governmental Fund Balance \$13,787,008

**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	373,413	
Buildings, Structures, and Improvements	12,629,961	
Furniture, Fixtures, and Equipment	10,414,905	
Infrastructure	30,666,636	
Accumulated Depreciation	<u>(23,135,559)</u>	
Total Capital Assets		33,201,370

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	338,085	
Intergovernmental	2,125,311	
Special Assessments	151,158	
Interest	<u>207,976</u>	
Total		2,822,530

Deferred Inflows of Resources represents deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds. (234)

In the Statement of Activities interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (5,547)

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:

Deferred Outflows - Pension	1,643,933	
Deferred Inflows - Pension	(162,742)	
Net Pension Liability	<u>(9,260,054)</u>	
Total		(7,778,863)

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	(330,000)	
Premium on Debt Issued	(29)	
Vacation Leave Payable	(484,620)	
Compensated Absences	<u>(292,023)</u>	
Total		<u>(1,106,672)</u>

Net Position of Governmental Activities \$40,919,592

See Accompanying Notes to the Basic Financial Statements.
See Accountant's Compilation Report

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**FINANCIAL CONDITION
PREBLE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General Fund</u>	<u>Motor Vehicle and Gas Tax Fund</u>	<u>Human Services Fund</u>	<u>Community Mental Health Fund</u>
Revenues:				
Property Taxes	\$2,182,407			\$233,267
Permissive Sales Tax	5,579,575			
Charges for Services	1,865,655	\$264,299	\$253,416	85,133
Licenses and Permits	2,238			
Fines and Forfeitures	35,584	25,839		
Intergovernmental	1,281,423	3,869,020	2,087,887	1,169,406
Special Assessments				
Interest	336,813	1,785		
Gifts and Donations				
Other	207,307	1,183	1,490	149
Total Receipts	<u>11,491,002</u>	<u>4,162,126</u>	<u>2,342,793</u>	<u>1,487,955</u>
Expenditures:				
Current:				
General Government:				
Legislative and Executive	3,389,089			
Judicial	1,669,382			
Intergovernmental	72,935			
Public Safety	4,325,336			
Public Works		4,378,755		
Health	79,810			252,646
Human Services	384,345		3,043,842	1,342,528
Community and Economic Development	118,000			
Capital Outlay		4,055		1,648
Debt Service:				
Principal Retirement				
Interest and Fiscal Charges				
Total Disbursements	<u>10,038,897</u>	<u>4,382,810</u>	<u>3,043,842</u>	<u>1,596,822</u>
Excess of Revenues Over (Under) Expenditures	<u>1,452,105</u>	<u>(220,684)</u>	<u>(701,049)</u>	<u>(108,867)</u>
Other Financing Sources (Uses):				
Transfers - In		51,367	682,345	313
Transfers - Out	(796,110)		(61,020)	
Total Other Financing Sources (Uses)	<u>(796,110)</u>	<u>51,367</u>	<u>621,325</u>	<u>313</u>
Net Change in Fund Balances	655,995	(169,317)	(79,724)	(108,554)
Fund Balances at Beginning of Year	<u>4,564,835</u>	<u>2,094,615</u>	<u>115,516</u>	<u>1,350,271</u>
Fund Balances at End of Year	<u>\$5,220,830</u>	<u>\$1,925,298</u>	<u>\$35,792</u>	<u>\$1,241,717</u>

See Accompanying Notes to the Basic Financial Statements.
See Accountant's Compilation Report

Developmental Disabilities Fund	Road and Bridge Construction Fund	Non-major Governmental Funds	Total Governmental Funds
\$1,612,262		\$391,091	\$4,419,027
			5,579,575
16,200		1,437,825	3,922,528
		96,064	98,302
		29,181	90,604
1,228,439	459,799	3,314,511	13,410,485
		175,386	175,386
			338,598
		3,981	3,981
295,854		121,209	627,192
<u>3,152,755</u>	<u>459,799</u>	<u>5,569,248</u>	<u>28,665,678</u>
		627,935	4,017,024
		336,624	2,006,006
			72,935
		886,990	5,212,326
		165,868	4,544,623
		76,208	408,664
4,307,504		2,515,031	11,593,250
		501,355	619,355
	538,842	338,151	882,696
		60,000	60,000
		17,892	17,892
<u>4,307,504</u>	<u>538,842</u>	<u>5,526,054</u>	<u>29,434,771</u>
<u>(1,154,749)</u>	<u>(79,043)</u>	<u>43,194</u>	<u>(769,093)</u>
		749,310	1,483,335
		(626,205)	(1,483,335)
		123,105	
(1,154,749)	(79,043)	166,299	(769,093)
3,135,779	2,441	3,292,644	14,556,101
<u>\$1,981,030</u>	<u>(\$76,602)</u>	<u>\$3,458,943</u>	<u>\$13,787,008</u>

**FINANCIAL CONDITION
PREBLE COUNTY**

**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, 2015**

Net Change in Fund Balances - Total Governmental Funds		(\$769,093)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
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	\$2,557,020	
Depreciation	<u>(1,436,315)</u>	
Excess of Capital Outlay over Depreciation Expense		1,120,705
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		(57,625)
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
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	218	
Amortization of Deferred Charge of Refunding	232	
Amortization of Premium on Debt	<u>27</u>	
Total		477
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	(9,551)	
Intergovernmental	304,244	
Special Assessments	(13,321)	
Interest	<u>160,549</u>	
Total		441,921
Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.		
		1,149,658
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities.		
		(1,009,258)
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. activities consist of:		
Increase in Compensated Absences	(41,961)	
Increase in Accrued Vacation Leave	<u>(51,932)</u>	
Total		<u>(93,893)</u>
Change in Net Position of Governmental Activities		<u><u>\$842,892</u></u>

See Accompanying Notes to the Basic Financial Statements.
See Accountant's Compilation Report

**FINANCIAL CONDITION
PREBLE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property Taxes	\$1,864,779	\$2,182,957	\$2,182,957	
Permissive Sales Tax	4,714,494	5,518,906	5,518,906	
Charges for Services	1,362,545	1,556,318	1,595,030	\$38,712
Licenses and Permits	1,812	2,188	2,238	50
Fines and Forfeitures	32,771	38,362	38,362	
Intergovernmental	1,092,895	1,278,009	1,279,371	1,362
Interest	181,453	212,414	212,414	
Other	151,829	177,119	177,985	866
Total Revenues	<u>9,402,578</u>	<u>10,966,273</u>	<u>11,007,263</u>	<u>40,990</u>
Expenditures:				
Current:				
General Government:				
Legislative and Executive	3,745,423	3,943,887	3,486,483	457,404
Judicial	1,932,562	1,981,016	1,631,739	349,277
Public Safety	4,594,919	4,710,124	4,665,304	44,820
Health	78,962	80,942	79,810	1,132
Human Services	1,071,027	415,100	380,353	34,747
Community and Economic Development	115,114	118,000	118,000	
Intergovernmental	166,537	170,712	72,935	97,777
Total Expenditures	<u>11,704,544</u>	<u>11,419,781</u>	<u>10,434,624</u>	<u>985,157</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,301,966)</u>	<u>(453,508)</u>	<u>572,639</u>	<u>1,026,147</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	214	250		(250)
Advances - In	(42,712)	(50,000)	150,000	200,000
Advances - Out			(200,000)	(200,000)
Transfers - In	8,758			
Transfers - Out	(260,810)	(835,319)	(796,110)	39,209
Total Other Financing Sources (Uses)	<u>(294,550)</u>	<u>(885,069)</u>	<u>(846,110)</u>	<u>38,959</u>
Net Change in Fund Balance	(2,596,516)	(1,338,577)	(273,471)	1,065,106
Fund Balance at Beginning of Year	3,255,565	3,255,565	3,255,565	
Prior Year Encumbrances Appropriated	589,342	589,342	589,342	
Fund Balance at End of Year	<u>\$1,248,391</u>	<u>\$2,506,330</u>	<u>\$3,571,436</u>	<u>\$1,065,106</u>

See Accompanying Notes to the Basic Financial Statements.
See Accountant's Compilation Report

**FINANCIAL CONDITION
PREBLE COUNTY**

**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, 2015**

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for Services	\$273,063	\$278,771	\$278,771	
Fines and Forfeitures	25,310	25,839	25,839	
Intergovernmental	3,809,277	3,756,316	3,888,895	\$132,579
Interest	1,583	1,616	1,616	
Other	1,159	1,183	1,183	
Total Revenues	<u>4,110,392</u>	<u>4,063,725</u>	<u>4,196,304</u>	<u>132,579</u>
Expenditures:				
Current:				
Public Works	5,674,090	5,628,475	4,538,946	1,089,529
Excess of Receipts Under Disbursements	(1,563,698)	(1,564,750)	(342,642)	1,222,108
Other Financing Sources:				
Transfers - In	50,315	51,367	51,367	
Net Change in Fund Balance	(1,513,383)	(1,513,383)	(291,275)	1,222,108
Fund Balance at Beginning of Year	1,139,250	1,139,250	1,139,250	
Prior Year Encumbrances Appropriated	374,133	374,133	374,133	
Fund Balance at End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$1,222,108</u>	<u>\$1,222,108</u>

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

**FINANCIAL CONDITION
PREBLE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
HUMAN SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services	\$267,062	\$253,443	\$253,912	\$469
Intergovernmental	2,268,277	2,106,153	2,110,393	4,240
Other	1,261	1,199	1,199	
Total Revenues	<u>2,536,600</u>	<u>2,360,795</u>	<u>2,365,504</u>	<u>4,709</u>
Expenditures:				
Current:				
Human Services	2,949,501	3,175,147	3,074,459	100,688
Excess of Revenues Under Expenditures	<u>(412,901)</u>	<u>(814,352)</u>	<u>(708,955)</u>	<u>105,397</u>
Other Financing Sources (Uses):				
Transfers - In	717,683	662,562	682,345	19,783
Transfers - Out	<u>(99,768)</u>	<u>(61,203)</u>	<u>(61,020)</u>	183
Total Other Financing Sources (Uses)	<u>617,915</u>	<u>601,359</u>	<u>621,325</u>	<u>19,966</u>
Net Change in Fund Balance	205,014	(212,993)	(87,630)	125,363
Fund Balance at Beginning of Year	169,274	169,274	169,274	
Prior Year Encumbrances Appropriated	<u>59,558</u>	<u>59,558</u>	<u>59,558</u>	
Fund Balance at End of Year	<u><u>\$433,846</u></u>	<u><u>\$15,839</u></u>	<u><u>\$141,202</u></u>	<u><u>\$125,363</u></u>

See Accompanying Notes to the Basic Financial Statements.
See Accountant's Compilation Report

**FINANCIAL CONDITION
PREBLE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
COMMUNITY MENTAL HEALTH FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property Taxes	\$267,765	\$233,395	\$233,395	
Charges for Services	97,187	82,871	84,713	\$1,842
Intergovernmental	1,369,172	1,193,428	1,193,428	
Other	287	250	250	
Total Revenues	<u>1,734,411</u>	<u>1,509,944</u>	<u>1,511,786</u>	<u>1,842</u>
Expenditures:				
Current:				
Health	111,929	296,714	266,018	30,696
Human Services	620,255	1,644,235	1,411,586	232,649
Total Expenditures	<u>732,184</u>	<u>1,940,949</u>	<u>1,677,604</u>	<u>263,345</u>
Excess of Revenues Over (Under) Expenditures	1,002,227	(431,005)	(165,818)	265,187
Other Financing Sources:				
Transfers - In	359	313	313	
Net Change in Fund Balance	1,002,586	(430,692)	(165,505)	265,187
Fund Balance at Beginning of Year	1,219,114	1,219,114	1,219,114	
Prior Year Encumbrances Appropriated	150,402	150,402	150,402	
Fund Balance at End of Year	<u>\$2,372,102</u>	<u>\$938,824</u>	<u>\$1,204,011</u>	<u>\$265,187</u>

See *Accompanying Notes to the Basic Financial Statements*.
See Accountant's Compilation Report

**FINANCIAL CONDITION
PREBLE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
DEVELOPMENTAL DISABILITIES FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$1,433,655	\$1,612,602	\$1,612,602	
Charges for Services	16	18	18	
Intergovernmental	875,603	961,463	984,895	23,432
Other	263,468	293,091	296,354	3,263
Total Revenues	<u>2,572,742</u>	<u>2,867,174</u>	<u>2,893,869</u>	<u>26,695</u>
Expenditures:				
Current:				
Human Services	3,306,452	4,106,452	3,763,675	342,777
Net Change in Fund Balance	(733,710)	(1,239,278)	(869,806)	369,472
Fund Balance at Beginning of Year	<u>2,929,422</u>	<u>2,929,422</u>	<u>2,929,422</u>	
Fund Balance at End of Year	<u><u>\$2,195,712</u></u>	<u><u>\$1,690,144</u></u>	<u><u>\$2,059,616</u></u>	<u><u>\$369,472</u></u>

See *Accompanying Notes to the Basic Financial Statements*.
See Accountant's Compilation Report

**FINANCIAL CONDITION
PREBLE COUNTY**

**STATEMENT OF FUND NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2015**

	<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
Assets:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$324,042	\$2,804,283	\$3,128,325
Materials and Supplies		1,293	1,293
Accounts Receivable	130,820	325,061	455,881
Total Current Assets	<u>454,862</u>	<u>3,130,637</u>	<u>3,585,499</u>
Non-current Assets:			
Restricted Assets:			
Cash and Cash Equivalents with Trustee		1,709,542	1,709,542
Nondepreciable Capital Assets		452,313	452,313
Depreciable Capital Assets, Net	1,600,819	3,484,272	5,085,091
Total Non-current Assets	<u>1,600,819</u>	<u>5,646,127</u>	<u>7,246,946</u>
Total Assets	<u>2,055,681</u>	<u>8,776,764</u>	<u>10,832,445</u>
Deferred Outflows of Resources:			
Deferred Charge on Refunding		18,101	18,101
Pension		47,104	47,104
Total Deferred Outflows of Resources		<u>65,205</u>	<u>65,205</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	1,750	141,550	143,300
Compensated Absences Payable		435	435
Accrued Salaries Payable		28,296	28,296
Accrued Vacation Leave Payable		20,335	20,335
Due to Other Governments	42	77,732	77,774
Interfund Payable		231,468	231,468
Accrued Interest Payable		1,472	1,472
Notes Payable		475,000	475,000
General Obligation Bonds Payable		380,000	380,000
OWDA Loans Payable	40,498		40,498
OPWC Loans Payable	25,748	75,000	100,748
Total Current Liabilities	<u>68,038</u>	<u>1,431,288</u>	<u>1,499,326</u>
Long-Term Liabilities:			
General Obligation Bonds Payable		633	633
OWDA Loans Payable	364,477		364,477
OPWC Loans Payable	395,415	1,200,000	1,595,415
Landfill Closure and Postclosure Costs		5,607,901	5,607,901
Net Pension Liability		289,998	289,998
Total Long-Term Liabilities	<u>759,892</u>	<u>7,098,532</u>	<u>7,858,424</u>
Total Liabilities	<u>827,930</u>	<u>8,529,820</u>	<u>9,357,750</u>
Deferred Inflows of Resources:			
Pension		5,033	5,033
Net Position:			
Net Investment in Capital Assets	774,681	2,186,585	2,961,266
Unrestricted (Deficit)	453,070	(1,879,469)	(1,426,399)
Total Net Position	<u>\$1,227,751</u>	<u>\$307,116</u>	<u>\$1,534,867</u>

See Accompanying Notes to the Basic Financial Statements.
See Accountant's Compilation Report

**FINANCIAL CONDITION
PREBLE COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for Services	\$153,239	\$3,445,027	\$3,598,266
Other	2	26,005	26,007
Total Operating Revenues	<u>153,241</u>	<u>3,471,032</u>	<u>3,624,273</u>
Operating Expenses:			
Personal Services	4,071	538,002	542,073
Materials and Supplies	4,450	246,972	251,422
Charges and Services	46,030	1,132,517	1,178,547
Depreciation	19,732	156,828	176,560
Closure and Postclosure Costs		263,316	263,316
Other	4,300	83,754	88,054
Total Operating Expenses	<u>78,583</u>	<u>2,421,389</u>	<u>2,499,972</u>
Operating Income	<u>74,658</u>	<u>1,049,643</u>	<u>1,124,301</u>
Non-Operating Revenues (Expenses):			
Interest		348	348
Grants	21,080	15,000	36,080
Interest and Fiscal Charges		(24,878)	(24,878)
Total Non-Operating Revenues (Expenses)	<u>21,080</u>	<u>(9,530)</u>	<u>11,550</u>
Change in Net Position	95,738	1,040,113	1,135,851
Net Position (Deficit) at Beginning of Year	<u>1,132,013</u>	<u>(732,997)</u>	<u>399,016</u>
Net Position at End of Year	<u>\$1,227,751</u>	<u>\$307,116</u>	<u>\$1,534,867</u>

See *Accompanying Notes to the Basic Financial Statements*.
See Accountant's Compilation Report

**FINANCIAL CONDITION
PREBLE COUNTY**

**STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<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	\$135,083	\$3,464,023	\$3,599,106
Cash Received From Other Operating Revenues	2	26,005	26,007
Cash Payments for Employee Services and Benefits	(4,072)	(534,884)	(538,956)
Cash Payments to Suppliers	(71,560)	(1,517,860)	(1,589,420)
Cash Payments for Other Operating Expenses	(4,300)	(83,754)	(88,054)
Net Cash Provided by Operating Activities	<u>55,153</u>	<u>1,353,530</u>	<u>1,408,683</u>
Cash Flows from Capital and Related Financing Activities:			
Grants	21,080	15,000	36,080
Acquisition of Capital Assets		(985,994)	(985,994)
Note Proceeds		475,000	475,000
Loan Principal Payments	(66,246)	(593,473)	(659,719)
General Obligation Bond Interest Payments		(30,361)	(30,361)
Short-Term Loan from Other Funds		(100,000)	(100,000)
Net Cash Used for Capital and Related Financing Activities	<u>(45,166)</u>	<u>(1,219,828)</u>	<u>(1,264,994)</u>
Cash Flows from Investing Activities:			
Interest		348	348
Net Increase in Cash and Cash Equivalents	9,987	134,050	144,037
Cash and Cash Equivalents at Beginning of Year	<u>314,055</u>	<u>4,379,775</u>	<u>4,693,830</u>
Cash and Cash Equivalents at End of Year	<u>\$324,042</u>	<u>\$4,513,825</u>	<u>\$4,837,867</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$74,658	\$1,049,643	\$1,124,301
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	19,732	156,828	176,560
Landfill Closure and Postclosure Costs		263,316	263,316
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(18,156)	18,996	840
Decrease in Materials and Supplies Inventory		571	571
Decrease in Accounts Payable	(21,080)	(167,269)	(188,349)
Increase in Accrued Salaries Payable		2,141	2,141
Increase (Decrease) in Due to Other Governments	(1)	28,602	28,601
Increase in Accrued Vacation Leave Payable		1,305	1,305
Decrease in Deferred Outflows - Pension		(15,604)	(15,604)
Increase in Deferred Inflows - Pension		5,033	5,033
Increase in Net Pension Liability		9,968	9,968
Net Cash Provided by Operating Activities	<u>\$55,153</u>	<u>\$1,353,530</u>	<u>\$1,408,683</u>

See Accompanying Notes to the Basic Financial Statements.
See Accountant's Compilation Report

**FINANCIAL CONDITION
PREBLE COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2015**

	Private Purpose Trust Fund	
	Scholarship and Trust Fund	Agency Fund
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$38,395	\$1,830,674
Cash and Cash Equivalents in Segregated Accounts		402,692
Receivables:		
Property Taxes		32,706,025
Accounts		36,273
Special Assessments		426,829
Due from Other Governments		2,085,734
Total Assets	38,395	\$37,488,227
Liabilities:		
Accounts Payable		\$6,798
Accrued Salaries Payable		68,547
Due to Other Governments		34,999,183
Undistributed Monies		1,519,076
Deposits Held and Due to Others		894,623
Total Liabilities		\$37,488,227
Net Position:		
Held in Trust for Scholarships	\$38,395	

See Accompanying Notes to the Basic Financial Statements.

See Accountant's Compilation Report

**FINANCIAL CONDITION
PREBLE COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Scholarship and Trust Fund</u>
Additions:	
Interest	\$13
Deductions:	
Payments in Accordance with Trust Agreements	<u>540</u>
Change in Net Position	(527)
Net Position at Beginning of Year	<u>38,922</u>
Net Position at End of Year	<u><u>\$38,395</u></u>

See Accompanying Notes to the Basic Financial Statements.
See Accountant's Compilation Report

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County. The County has no component units.

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

Related Organizations:

Preble County Library Board
Preble Metropolitan Housing Authority

Joint Venture:

Preble County Emergency Management Agency

Jointly Governed Organization:

West Central Ohio Network

Risk Sharing Pool:

County Risk Sharing Authority, Inc.

Group Purchasing Pool:

County Commissioners' Association of Ohio Service Corporation

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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.

A. 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.

1. 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.

2. 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. 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.

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. 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 reports 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.

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

2. 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:

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. 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.

C. Measurement Focus

1. 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.

2. 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.

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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.

1. Revenues – Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales tax, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 7) Revenue from permissive sales tax is recognized in the period in which the sales occur. (See Note 8) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

2. 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 and pension reported in the government-wide Statement of Net Position for business-type activities. Deferred outflows are also presented on the enterprise Statement of Net Position. The deferred outflows of resources related to pension are explained in Note 12. 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.

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent a deferred charge on refunding, 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, deferred charge on refunding, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance fiscal year 2016 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, inter-governmental grants, special assessments, and interest. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12)

3. 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.

4. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

E. 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 in a trustee capacity for financial assurance of the landfill closure and post-closure care liabilities are recorded on the financial statements as "Restricted Assets: Cash and Cash Equivalents with Trustee."

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During 2015, the County invested in Federal Farm Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, Municipal Bonds, money market, negotiable certificate of deposits 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, 2015.

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 2015 amounted to \$336,813, which includes \$266,017 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.

F. 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."

G. 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.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2015, 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.

I. 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.

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets

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

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

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

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

The County's infrastructure system consists of guardrails, ditches, roads, bridges, sewer lines, manholes and landfill improvements. 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.

K. 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.

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and net pension liability 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.

M. 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:

Non-spendable – The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. The non-spendable fund balances for the County include 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.

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 20FĪ 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.

N. 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.

O. Internal Activity

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

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

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

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. 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.

Q. 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.

R. 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.

S. 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.

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. 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.

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For 2015, the County implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

	Governmental Activities	Business -Type Activities
Net position December 31, 2014	\$47,995,963	\$647,546
Adjustments:		
Net Pension Liability	(9,054,319)	(280,030)
Deferred Outflow - Payments Subsequent to Measurement Date	1,135,056	31,500
Restated Net Position December 31, 2014	\$40,076,700	\$399,016

	Sewer Fund	Landfill Fund	Total Enterprise
Net position December 31, 2014	\$1,132,013	(\$484,467)	\$647,546
Adjustments:			
Net Pension Liability		(280,030)	(280,030)
Deferred Outflow - Payments Subsequent to Measurement Date		31,500	31,500
Restated Net Position December 31, 2014	\$1,132,013	(\$732,997)	\$399,016

Other than employer contributions subsequent to the measurement date, the County made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

4. ACCOUNTABILITY

The Road and Bridge Construction Fund has a fund balance net position deficit at December 31, 2015 of \$76,602. The General Fund is liable for the deficit in the Road and Bridge Construction Fund and will provide transfers when cash is required.

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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. Investments are reported at fair value (GAAP basis) rather than at cost (budget basis).
7. Budgetary revenues and expenditures of the Certificate of Title Administration Revenue Fund are classified to the General Fund for GAAP Reporting.

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

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

	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	\$655,995	(\$169,317)	(\$79,724)	(\$108,554)	(\$1,154,749)
Revenue Accruals	(479,682)	34,708	22,711	23,703	(243,670)
Expenditure Accruals	(145,766)	17,239	90,174	2,739	562,654
Encumbrances	(350,000)	(173,375)	(120,791)	(83,521)	(18,824)
Advances	(50,000)				
Unrecorded Cash - 2015	(204)	(256)			
Unrecorded Cash - 2014	338	87			
WestCON Activity					(15,556)
Agency Fund Cash					
Allocation - 2015	(50,714)	(22,980)		(11,446)	(30,465)
Agency Fund Cash					
Allocation - 2014	51,372	22,619		11,574	30,805
Decrease in Fair Value of Cash Equivalents - 2015	(2,964)				
Increase in Fair Value of Cash Equivalents - 2014	(1,885)				
Excess of revenues under expenditures for Title Administration Fund	100,039				
Budget Basis	<u>(\$273,471)</u>	<u>(\$291,275)</u>	<u>(\$87,630)</u>	<u>(\$165,505)</u>	<u>(\$869,805)</u>

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;
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;

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
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 and repurchase agreements secured by such obligations, provided that these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously 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 classification 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
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.

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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. Other than corporate notes, commercial paper, and bankers acceptances, an investment 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. Payments for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Investments

As of December 31, 2015, the County had the following investments:

	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		<u>Moody's & S&P Ratings</u>	<u>Percent of Total Investments</u>
		<u>Less than 1</u>	<u>2-5</u>		
Federal Home Loan Bank Notes	\$500,000	\$500,000		Aaa	N/A
Federal Home Loan Mortgage Corporation Notes	4,875,000		\$4,875,000	Aaa	28.42%
Federal National Mortgage Association Notes	2,250,000		2,250,000	Aaa	13.12%
Municipal Bonds	500,000	500,000		Aa	N/A
First American Government Money Market	64,436	64,436		Aaa	N/A
Negotiable Certificates of Deposit	8,182,000	2,979,000	5,203,000	Aaa	47.70%
STAROhio	780,830	780,830		AAAm	N/A
Total Investments	<u>\$17,152,266</u>	<u>\$4,824,266</u>	<u>\$12,328,000</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.

7. PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2015 for real and public utility property taxes represents collections of 2014 taxes. 2015 real property taxes were levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

7. PROPERTY TAXES (Continued)

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. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2015, was \$8.78 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2015 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Real Property		
Residential/Agricultural	\$795,682,000	87%
Commercial/Industrial/Public Utility	82,301,000	9
Public Utility Personal	38,010,000	4
Totals	<u>\$915,993,000</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, 2015, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2015 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.

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.

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

9. RECEIVABLES

Receivables at December 31, 2015, 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 \$536,578 of delinquent special assessments at December 31, 2015.

A summary of intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amount</u>
Local Government	\$208,660
Homestead and Rollback	429,001
Gasoline Cents Per Gallon	418,102
Gasoline Excise Tax	738,891
Auto License	558,082
Human Services Grant	81,860
Children Services Grant	67,030
LGIF Grant	20,042
Agricultural Capital Improvements Grant	168,164
PRE-CR 45 Bridge Replacement Grant	119,411
Community & Economic Development Grant	135,625
Emergency Management Grants	20,015
Miscellaneous	22,002
Total Governmental Activities	<u>\$2,986,885</u>

10. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2015, was as follows:

	<u>Balance at 12/31/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/2015</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$2,252,014			\$2,252,014
Construction in Progress	1,120,767	\$432,401	(\$1,179,755)	373,413
Total Capital Assets, Not Being Depreciated	<u>3,372,781</u>	<u>432,401</u>	<u>(1,179,755)</u>	<u>2,625,427</u>
Depreciable Capital Assets:				
Buildings, Structures, and Improvements	11,948,659	681,302		12,629,961
Furniture, Fixtures, and Equipment	10,301,848	150,590	(37,533)	10,414,905
Infrastructure	28,397,475	2,472,482	(203,321)	30,666,636
Total Depreciable Capital Assets	<u>50,647,982</u>	<u>3,304,374</u>	<u>(240,854)</u>	<u>53,711,502</u>
Less Accumulated Depreciation:				
Buildings, Structures, and Improvements	(4,748,768)	(114,171)		(4,862,939)
Furniture, Fixtures, and Equipment	(7,632,903)	(403,397)	23,320	(8,012,980)
Infrastructure	(9,500,802)	(918,747)	159,909	(10,259,640)
Total Accumulated Depreciation	<u>(21,882,473)</u>	<u>(1,436,315)</u>	<u>183,229</u>	<u>(23,135,559)</u>
Depreciable Capital Assets, Net	<u>28,765,509</u>	<u>1,868,059</u>	<u>(57,625)</u>	<u>30,575,943</u>
Governmental Activities Capital Assets, Net	<u>\$32,138,290</u>	<u>\$2,300,460</u>	<u>(\$1,237,380)</u>	<u>\$33,201,370</u>

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

10. CAPITAL ASSETS (Continued)

* Depreciation expense was charged to governmental programs as follows:

General Government:

Legislative and Executive	\$104,540
Judicial	15,620
Public Safety	121,417
Public Works	1,123,891
Health	5,747
Human Services	65,100
Total Depreciation Expense	\$1,436,315

Capital assets activity of the business-type activities for the year ended December 31, 2015, was as follows:

	Balance at 12/31/2014	Additions	Deletions	Balance at 12/31/2015
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$452,313			\$452,313
Depreciable Capital Assets:				
Buildings, Structures, and Improvements	2,139,558			2,139,558
Furniture, Fixtures, and Equipment	2,679,026	\$985,994		3,665,020
Sewer Lines and Manholes	650,933			650,933
Landfill Lines	372,499			372,499
Landfill Improvements	808,342			808,342
Total Depreciable Capital Assets	6,650,358	985,994		7,636,352
Less Accumulated Depreciation:				
Buildings, Structures, and Improvements	(843,450)	(25,245)		(868,695)
Furniture, Fixtures, and Equipment	(1,383,540)	(100,664)		(1,484,204)
Sewer Lines and Manholes	(59,427)	(6,509)		(65,936)
Landfill Lines	(7,450)	(3,725)		(11,175)
Landfill Improvements	(80,834)	(40,417)		(121,251)
Total Accumulated Depreciation	(2,374,701)	(176,560)		(2,551,261)
Depreciable Capital Assets, Net	4,275,657	809,434		5,085,091
Business-Type Activities Capital Assets, Net	\$4,727,970	\$809,434	\$0	\$5,537,404

11. RISK MANAGEMENT

A. 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.

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

11. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For 2015, 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.

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.

12. DEFINED BENEFIT PENSION PLAN

A. Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the County's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the County's obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which pensions are financed; however, the County does receive the benefit of employees' services in exchange for compensation including pension.

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

12. DEFINED BENEFIT PENSION PLAN (Continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

B. Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - County employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

12. DEFINED BENEFIT PENSION PLAN (Continued)

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

12. DEFINED BENEFIT PENSION PLAN (Continued)

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2015 Statutory Maximum Contribution Rates:			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2015 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0	2.0
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

*This rate is determined by OPERS' Board and has no maximum rate established by ORC.

**This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent Greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The County's contractually required contribution was \$1,181,475 for 2015. Of this amount, \$172,966 is reported as an intergovernmental payable.

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>
Proportionate Share of the Net Pension Liability	\$9,550,052
Proportion of the Net Pension Liability	0.0791805%
Pension Expense	\$1,040,472

At December 31, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>
Deferred Outflows of Resources:	
Net difference between projected and actual earnings on pension plan investments	\$509,562
County contributions subsequent to the measurement date	1,181,475
Total Deferred Outflows of Resources	<u>\$1,691,037</u>
Deferred Inflows of Resources:	
Differences between expected and actual experience	<u>\$167,775</u>

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

12. DEFINED BENEFIT PENSION PLAN (Continued)

\$1,181,475 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ending December 31:</u>	<u>OPERS</u>
2016	\$49,978
2017	49,978
2018	114,439
2019	127,392
Total	<u>\$341,787</u>

D. Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

12. DEFINED BENEFIT PENSION PLAN (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate - The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's proportionate share of the net pension liability	\$17,569,361	\$9,550,052	\$2,795,863

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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 two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a health reimbursement arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml> by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided.

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

13. POST-EMPLOYMENT BENEFITS (Continued)

Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

Substantially all of the County's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2015, 2014, and 2013 was \$221,170, \$431,524, and \$437,957, respectively. For 2015, 85.07 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

14. OTHER EMPLOYEE BENEFITS

A. 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.

B. 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.

15. SHORT-TERM OBLIGATIONS

Changes in the short-term obligations during 2015 were as follows:

<u>Fund Type/Fund/Issue</u>	<u>Interest Rate</u>	<u>Balance at 12/31/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 12/31/2015</u>
Governmental:					
Ditch and Guardrail Construction					
Gates Joint Ditch	2.25%	\$8,607	\$4,304	\$8,607	\$4,304
Business-Type Activities:					
Landfill Compactor Note	3.00%		475,000		475,000
Landfill Loader Note	2.75%	153,473		153,473	
Total Business-Type Funds		<u>\$153,473</u>	<u>\$475,000</u>	<u>\$153,473</u>	<u>\$475,000</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 Non-major Fund. The Landfill Compactor Note will be paid through the Landfill Fund. The notes are issued in anticipation of long-term bond financing, and the County intends to refinance the notes until such bonds are issued. The liability for the notes is presented in the funds that received the note proceeds. The Landfill Loader Note was paid off from the Landfill Fund.

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

16. LONG-TERM OBLIGATIONS

The schedule of changes in long-term obligations of the governmental activities of the County during 2015 follows:

<u>Types / Issues</u>	<u>Restated Balance at 12/31/2014</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at 12/31/2015</u>	<u>Due Within One Year</u>
General Obligations Bonds:					
2002 2.00 to 3.50% Various Purpose Bonds – Un-voted \$1,440,000	\$360,000		\$45,000	\$315,000	\$45,000
2005 County Fairgrounds Refunding Bonds - Un-voted 3.00 to 3.60% - Current Interest Bonds \$125,000	30,000		15,000	15,000	15,000
Premium on Debt Issue	56		27	29	
Total General Obligation Bonds Payable	<u>390,056</u>		<u>60,027</u>	<u>330,029</u>	<u>60,000</u>
Net Pension Liability:					
OPERS	9,054,319	205,735		9,260,054	
Other Long-Term Obligations:					
Compensated Absences Payable	<u>250,062</u>	<u>65,195</u>	<u>23,234</u>	<u>292,023</u>	<u>28,299</u>
Total - General Long-Term Obligations	<u>\$9,694,437</u>	<u>\$270,930</u>	<u>\$83,261</u>	<u>\$9,882,106</u>	<u>\$88,299</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 Health, Other Human Services and Landfill Funds. For additional information related to the net pension liability see note 12.

Changes in the long-term obligations reported for business-type activities during 2015 were as follows:

<u>Types/Issues</u>	<u>Balance at 12/31/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 12/31/2015</u>	<u>Due Within One Year</u>
Loans Payable:					
0.00% - 2004 OWDA Loan \$820,238	\$445,473		\$40,498	\$404,975	\$40,498
0.00% - 2010 OPWC Loan \$1,500,000	1,350,000		75,000	1,275,000	75,000
0.00% - 2012 OPWC Loan \$374,698	355,963		12,490	343,473	12,490
0.00% - 2006 OPWC Loan \$38,000	22,800		1,900	20,900	1,900
0.00% - 2000 OPWC Loan \$227,160	68,148		11,358	56,790	11,358
Total Loans Payable	<u>2,242,384</u>		<u>141,246</u>	<u>2,101,138</u>	<u>141,246</u>

(Continued)

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

<u>Type/Issues</u>	<u>Restated Balance at 12/31/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 12/31/2015</u>	<u>Due Within One Year</u>
General Obligation Bonds Payable:					
3.00 to 3.60% - 2005 Landfill Improvement					
Refunding Bonds \$3,445,000	745,000		365,000	380,000	380,000
Premium on Debt Issue	1,265		632	633	
Total General Obligation Bonds Payable	<u>746,265</u>		<u>365,632</u>	<u>380,633</u>	<u>380,000</u>
Net Pension Liability:					
OPERS	280,030	9,968		289,998	
Other Long-Term Obligations:					
Compensated Absences Payable	435			435	435
Landfill Closure and Post-closure	5,344,585	263,316		5,607,901	
Total Other Long-Term Obligations	<u>5,345,020</u>	<u>263,316</u>		<u>5,608,336</u>	<u>435</u>
Total - Business-Type Activities	<u>\$8,613,699</u>	<u>\$273,284</u>	<u>\$506,878</u>	<u>\$8,380,105</u>	<u>\$521,681</u>

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 \$153,241, respectively. The total principal remaining to be paid on the loans is \$404,975.

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

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

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and 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, 2015, are an overall legal debt margin of \$21,084.825 and an unvoted legal debt margin of \$8,844,930.

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

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

Governmental Activities			
General Obligation Serial Bonds			
Year	Principal	Interest	
2016	\$60,000	\$14,940	
2017	50,000	12,015	
2018	50,000	9,790	
2019	55,000	7,565	
2020	55,000	5,118	
2021-2022	60,000	2,670	
Totals	\$330,000	\$52,098	

Business-Type Activities			
Loans Payable General Obligation Bonds			
Year	Principal	Principal	Interest
2016	\$141,246	\$380,000	\$13,680
2017	141,246		
2018	141,246		
2019	141,246		
2020	141,246		
2021-2025	649,435		
2026-2030	439,350		
2031-2035	212,450		
2036-2040	62,450		
2041-2043	31,223		
Totals	\$2,101,138	\$380,000	\$13,680

17. LANDFILL CLOSURE AND POST-CLOSURE COSTS

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

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

The \$5,607,901 reported as a landfill closure and post-closure care liability at December 31, 2015, represents the cumulative amount reported to date based on the use of 44.81 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of the closure and post-closure care of \$6,908,175 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 2015. 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.

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

17. LANDFILL CLOSURE AND POST-CLOSURE COSTS (Continued)

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

18. INTERFUND ACTIVITY

Interfund balances at December 31, 2015, 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 Payable	Interfund Receivable General Fund
Non-major Governmental Funds	\$474,061
Landfill Enterprise Fund	231,468
Total	\$705,529

Interfund transfers for the year ended December 31, 2015 consisted of the following:

Transfers From	Transfers To				Totals
	Motor Vehicle and Gas Tax Fund	Human Services Fund	Community Mental Health Fund	Non-major Governmental Funds	
General Fund	\$51,367	\$56,140	\$313	\$688,290	\$796,110
Human Services Fund				61,020	61,020
Non-major Governmental Funds		626,205			626,205
Total	\$51,367	\$682,345	\$313	\$749,310	\$1,483,335

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.

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

19. RELATED ORGANIZATIONS

A. 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 2015, 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.

B. 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 2015, 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.

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 2015. 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 Dave Anderson, Director of the EMA located at 6818 US 127 North, Eaton, Ohio 45320.

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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 2015, the County did not make any significant financial contributions to WestCON.

22. RISK SHARING POOL

County Risk Sharing Authority, Inc.

The County Risk Sharing Authority, Inc. (CORSAs) 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.

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.

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

24. FUND BALANCES

Fund balance is classified as non-spendable, 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:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Motor Vehicle and Gas Tax Fund</u>	<u>Human Services Fund</u>	<u>Community Mental Health Fund</u>
Non-spendable:				
Unclaimed Monies	\$47,829			
Materials And Supplies Inventory		\$92,735		
Prepays	159	764		
Total Non-spendable	<u>47,988</u>	<u>93,499</u>		
Restricted For:				
Human Services			\$35,792	
Mental Health Services				\$1,241,717
Public Social Services				
Road Maintenance And Repair		1,831,799		
Debt Service				
Public Safety				
Real Estate Assessments				
Other Health Services				
Total Restricted		<u>1,831,799</u>	<u>35,792</u>	<u>1,241,717</u>
Assigned To:				
Purchases On Order	185,417			
Future Appropriations	1,903,343			
Building Construction				
Total Assigned	<u>2,088,760</u>			
Unassigned (Deficit)	3,084,082			
Total Fund Balances (Deficit)	<u>\$5,220,830</u>	<u>\$1,925,298</u>	<u>\$35,792</u>	<u>\$1,241,717</u>

<u>Fund Balances</u>	<u>Developmental Disabilities Fund</u>	<u>Road and Bridge Construction Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
Non-spendable:				
Unclaimed Monies				\$47,829
Materials And Supplies Inventory				92,735
Prepays				923
Total Non-spendable				<u>141,487</u>

(Continued)

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

24. FUND BALANCES (Continued)

<u>Fund Balances</u>	<u>Developmental Disabilities Fund</u>	<u>Road and Bridge Construction Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
Restricted For:				
Human Services				35,792
Mental Health Services	\$1,981,030			3,222,747
Public Social Services			\$496,463	496,463
Road Maintenance And Repair		\$40,368	23,376	1,895,543
Debt Service			16,276	16,276
Public Safety			1,418,627	1,418,627
Real Estate Assessments			1,442,756	1,442,756
Other Health Services			53,292	53,292
Total Restricted	<u>1,981,030</u>	<u>40,368</u>	<u>3,450,790</u>	<u>8,581,496</u>
Assigned To:				
Purchases On Order				185,417
Future Appropriations				1,903,343
Building Construction			8,153	8,153
Total Assigned			<u>8,153</u>	<u>2,096,913</u>
Unassigned (Deficit)		<u>(116,970)</u>		<u>2,967,112</u>
Total Fund Balances (Deficit)	<u>\$1,981,030</u>	<u>(\$76,602)</u>	<u>\$3,458,943</u>	<u>\$13,787,008</u>

25. SIGNIFICANT COMMITMENTS

A. Contractual Commitments

As of December 31, 2015, the County had the following contractual purchases commitments for various projects:

<u>Project</u>	<u>Contract Amount</u>
Paint Creek Four Mile Rd. Bridge	<u>\$416,010</u>

B. 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:

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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Governmental Funds:	
General	\$350,000
Motor Vehicle and Gas Tax	173,375
Human Services	120,791
Community Mental Health	83,521
Mental Health - 169	18,825
Non-major Governmental Funds	496,836
Total Governmental Funds	<u>1,243,348</u>
Proprietary Funds:	
Sewer	11,925
Landfill	495,236
Total Proprietary Funds	<u>507,161</u>
Total	<u><u>\$1,750,509</u></u>

26. CONTINGENT LIABILITIES

A. Litigation

The County is not involved in any major claims and lawsuits, as of December 31, 2015, which may be classified as routine litigation in which minimal non-material damages are being sought.

B. 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, 2015, 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.

**FINANCIAL CONDITION
PREBLE COUNTY**

**SCHEDULE OF EXPENDITURES CONTINUED: 989F5 @5K5F8G
FOR THE YEAR ENDED DECEMBER 31, 2015**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Sub-recipients	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Shelter Plus Care - Direct	14.238	N/A		\$144,468
<i>Passed Through Ohio Department Of Development:</i>				
Community Development Block Grant FY 2013	14.228	B-F-13-1CK-1		147,428
Community Development Block Grant FY 2014	14.228	B-F-14-1CK-1		40,966
Community Development Block Grant - CHIP	14.228	B-C-13-1CK-1		33,449
Total Community Development Block Grant				<u>221,843</u>
Community Housing Improvement Program	14.239	B-C-13-1CK-2		81,338
Total CHIP				<u>81,338</u>
Total Passed Through Ohio Department of Development				<u>303,181</u>
Total U.S. Department of Housing and Urban Development				<u>447,649</u>
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department Of Job & Family Services :</i>				
Food Assistance Employment & Training (FAET) Participation FY 2015	10.561	G-1415-11-5417		5,471
Food Assistance Employment & Training (FAET) FY 2015	10.561	G-1415-11-5417		12,639
Food Assistance Employment & Training (FAET) FY 2016	10.561	G-1617-11-5570		11,943
Food Assistance FY 2015	10.561	G-1415-11-5417		151,122
Food Assistance FY 2016	10.561	G-1617-11-5570		30,916
Total Food Assistance				<u>212,091</u>
Total U.S. Department of Agriculture				<u>212,091</u>
U.S. DEPARTMENT OF JUSTICE				
Bulletproof Vest Partnership Program	16.607	N/A		8,505
<i>Passed Through Ohio Attorney General's Office:</i>				
Victims of Crime Act	16.575	2014 VAGENE 199		15,757
Victims of Crime Act	16.575	2013 VAGENE 199		47,173
Total Victims of Crime Act				<u>62,930</u>
Total U.S. Department of Justice				<u>71,435</u>
U.S. DEPARTMENT OF FEDERAL HIGHWAY ADMINISTRATION				
<i>Passed Through The Ohio Department of Transportation:</i>				
Highway Planning and Construction:				
PRE-CR 56-7.15 Lexington Salem Road	20.205	PID 96752		9,866
County Sign Upgrade	20.205	PID 97062		20,000
Total Highway Planning and Construction				<u>29,866</u>
Total U.S. Department of Federal Highway Administration				<u>29,866</u>
U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT ASSISTANCE				
<i>Passed Through Ohio Department of Public Safety:</i>				
Emergency Management Performance Grant-FY 2014	97.042	EMW-2014-EP-00064		4,837
Emergency Management Performance Grant-FY 2014	97.042	EMW-2014-EP-00064		19,706
Emergency Management Performance Grant-FY 2015	97.042	EMW-2015-EP-00034-S01		19,799
Total Emergency Management Performance Grants				<u>44,342</u>
Total U.S. Department of Federal Emergency Management Assistance				<u>44,342</u>
U.S. DEPARTMENT OF LABOR				
<i>Passed Through Montgomery County Department of Job & Family Services:</i>				
Workforce Investment Act - OMJ Resource Sharing	17.207	G-1415-11-5417		14,597
Workforce Investment Act - OMJ Resource Sharing	17.207	G-1617-11-5570		7,299
Total Workforce Investment Act - OMJ Resource Sharing				<u>21,896</u>

**FINANCIAL CONDITION
PREBLE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Sub-recipients	Disbursements
<i>Passed Through Montgomery County Department of Job & Family Services:</i>				
Workforce Investment Act Cluster:				
Workforce Investment Act - Adult	17.258	G-1415-11-5417		80,611
Workforce Investment Act - Adult Administrative	17.258	G-1415-11-5417		2,525
Total Workforce Investment Act - Adult				<u>83,136</u>
Workforce Investment Act - Youth Administrative	17.259	G-1415-11-5417		5,614
Workforce Investment Act - Youth Administrative	17.259	G-1617-11-5570		440
Workforce Investment Act - Youth	17.259	G-1415-11-5417		50,971
Workforce Investment Act - Youth	17.259	G-1617-11-5570		5,769
Total Workforce Investment Act - Youth				<u>62,794</u>
Workforce Investment Act - Dislocated Worker Administrative	17.278	G-1415-11-5417		3,435
Workforce Investment Act - Dislocated Worker	17.278	G-1415-11-5417		44,581
Total Workforce Investment Act - Dislocated Worker				<u>48,016</u>
Total Workforce Investment Act Cluster				<u>193,946</u>
Total U.S. Department of Labor				<u>215,842</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed Through Ohio Department of Job & Family Services:</i>				
Title XX - Base FY 2015	93.667	G-1415-11-5417		63,414
Title XX - Base FY 2016	93.667	G-1617-11-5570		12,216
Title XX Transfer FY 2015	93.667	G-1415-11-5417		160,704
Title XX Transfer FY 2016	93.667	G-1617-11-5570		68,625
				<u>304,959</u>
<i>Passed Through Ohio Department of Developmental Disabilities:</i>				
Title XX Social Service Block Grant-FY15	93.667	N/A		13,954
				<u>13,954</u>
<i>Passed Through Ohio Department of Mental Health:</i>				
Title XX Social Service Block Grant	93.667	N/A	22,567	22,567
Total Title XX Social Service Block Grant				<u>341,480</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>				
Title XIX Medical Assistance Program FY 2015	93.778	G-1415-11-5417		100,621
Title XIX Medical Assistance Program FY 2016	93.778	G-1617-11-5570		18,167
Title XIX Medical Assistance Child Welfare Program FY 2015	93.778	G-1415-11-5417		558
Title XIX Medical Assistance Enhanced Program FY 2015	93.778	G-1415-11-5417		67,805
Title XIX Medical Assistance Enhanced Program FY 2016	93.778	G-1617-11-5570		43,769
Title XIX Medical Assistance Program - NET FY 2015	93.778	G-1415-11-5417		62,057
Title XIX Medical Assistance Program - NET FY 2016	93.778	G-1617-11-5570		18,809
				<u>311,786</u>
<i>Passed Through Ohio Department of Developmental Disabilities:</i>				
Title XIX Medical Assistance Program	93.778	N/A		106,007
Total Title XIX Medical Assistance Program				417,793
<i>Passed Through Ohio Department of Mental Health:</i>				
Ohio Department of Mental Health Block Grant	93.958	N/A	24,157	24,157
			<u>24,157</u>	<u>24,157</u>
<i>Passed Through Ohio Mental Health & Addiction Services:</i>				
Block Grant-Federal PCN Treatment/Prevention	93.959	N/A	242,069	242,069
			<u>242,069</u>	<u>242,069</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>				
Child Support Training - 2015	93.563	G-1617-11-5570		1,075
Child Support Enforcement Incentives - 2015	93.563	G-1617-11-5570		52,286
Child Support Enforcement-2015	93.563	G-1415-11-5417		249,718
Child Support Enforcement-2016	93.563	G-1617-11-5570		75,182
				<u>378,261</u>

**FINANCIAL CONDITION
PREBLE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Sub-recipients	Disbursements
<i>Passed Through Ohio Department of Job & Family Services:</i>				
ESAA Preservation FY 2015	93.556	G-1415-11-5417		11,073
ESAA Preservation FY 2016	93.556	G-1617-11-5570		2,961
ESAA Reunification FY 2015	93.556	G-1415-11-5417		7,097
ESAA Reunification FY 2016	93.556	G-1617-11-5570		536
				<u>21,667</u>
<i>Passed Through Ohio Department of Mental Health:</i>				
Family Centered Services and Supports FY 2015	93.556	5-AU-16-100-22-068		4,143
Family Centered Services and Supports FY 2014	93.556	5-AU-15-100-22-068		16,076
				<u>20,219</u>
Total Promoting Safe and Stable Families				<u>41,886</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>				
Chaffee Foster Care Independent Living FY2015	93.674	G-1415-11-5417		12,656
Chaffee Foster Care Independent Living FY2016	93.674	G-1617-11-5570		11,925
				<u>24,581</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>				
Child Welfare Services-State Grants (IV-B) FY 2015	93.645	G-1415-11-5417		21,339
Child Welfare Services-State Grants (IV-B) FY 2016	93.645	G-1617-11-5570		11,863
				<u>33,202</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>				
Adoption Assistance Administration FY2015	93.659	G-1415-11-5417		76,115
Adoption Assistance Administration FY2016	93.659	G-1617-11-5570		27,986
Adoption Assistance - IV-E Contracts	93.659	G-1415-11-5417		5,678
Non-Recurring Adoption Assistance FY2015	93.659	G-1415-11-5417		679
				<u>110,458</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>				
Temporary Assistance for Needy Families-Administration FY 2015	93.558	G-1415-11-5417		328,422
Temporary Assistance for Needy Families-Administration FY 2016	93.558	G-1617-11-5570		82,581
Temporary Assistance for Needy Families-Regular FY 2015	93.558	G-1415-11-5417		263,460
Temporary Assistance for Needy Families-Regular FY 2016	93.558	G-1617-11-5570		34,735
Temporary Assistance for Needy Families- Earn/Collection FY 2015	93.558	G-1415-11-5417		1,651
Temporary Assistance for Needy Families-Summer Youth - FY15	93.558	G-1415-11-5417		66,371
				<u>777,220</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>				
Foster Care Administration FY 2015	93.658	G-1415-11-5417		68,877
Foster Care Administration FY 2016	93.658	G-1617-11-5570		23,684
				<u>92,561</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>				
Child Care - Administration FY 2015	93.575	G-1415-11-5417		8,604
Child Care - Non-Administrative FY 2015	93.575	G-1415-11-5417		16,763
Child Care - Non-Administrative FY 2016	93.575	G-1617-11-5570		3,302
				<u>28,669</u>
Total U.S. Department of Health and Human Services				<u>2,512,337</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Health:</i>				
Early Head Start (Help Me Grow) 2014	84.181	06810021HG0615	46,057	46,057
				<u>46,057</u>
Total U.S. Department of Education				46,057
Total				<u>\$3,579,619</u>

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

**FINANCIAL CONDITION
PREBLE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Preble County (the County's) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

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

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

NOTE D –COMMUNITY HOME IMPROVEMENT PROGRAM (CHIP) REVOLVING LOAN PROGRAMS WITHOUT CONTINUING COMPLIANCE REQUIREMENTS

The County has a revolving loan fund (RLF) 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 federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Development Services Agency. The initial loan of this money is recorded as a disbursement on the accompanying schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property.

NOTE E - 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.

Preble County, Ohio
 Required Supplementary Information
 Schedule of the County's Proportionate Share of the Net Pension Liability
 Ohio Public Employees Retirement System - Traditional Plan
 Last Two Years (1)

	2014	2013
County's Proportion of the Net Pension Liability	0.0791805%	0.0791805%
County's Proportionate Share of the Net Pension Liability	\$9,550,052	\$9,334,349
County's Covered-Employee Payroll	\$9,473,916	\$9,430,498
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	100.80%	98.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amounts presented as of the County's measurement date which is the prior year end.

Preble County, Ohio
 Required Supplementary Information
 Schedule of County Contributions
 Ohio Public Employees Retirement System - Traditional Plan
 Last Three Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,181,475	\$1,166,556	\$1,253,341
Contributions in Relation to the Contractually Required Contribution	<u>(1,181,475)</u>	<u>(1,166,556)</u>	<u>(1,253,341)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered-Employee Payroll	\$9,589,066	\$9,473,916	\$9,430,498
Contributions as a Percentage of Covered-Employee Payroll	12.32%	12.31%	13.29%

(1) Information prior to 2013 is not available.



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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, 2015, 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, 2016. We also noted the County adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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.

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

Dave Yost
Auditor of State
Columbus, Ohio

September 14, 2016



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 THE UNIFORM GUIDANCE

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) *Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 each of 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, 2015.

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 the Uniform Guidance, 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 Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

September 14, 2016

**FINANCIAL CONDITION
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control 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 weaknesses in internal control 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	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA# 93.558 – Temporary Assistance for Needy Families (TANF) CFDA# 14.228 – Community Development Block Grant (CDBG)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	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.

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PREBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 6, 2016