



Dave Yost • Auditor of State

PREBLE COUNTY
TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	17
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds	20
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	22
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	26
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) –	
General Fund	27
Motor Vehicle and Gas Tax Fund	28
Human Services Fund.....	29
Community Mental Health Fund	30
Developmental Disabilities Fund.....	31
Statement of Fund Net Position – Enterprise Funds	32
Statement of Revenues, Expenses and Changes in Fund Net Position – Enterprise Funds	33
Statement of Cash Flows – Enterprise Funds	34
Statement of Fiduciary Net Position – Fiduciary Funds.....	35
Statement of Changes in Fiduciary Net Position – Private Purpose Trust Fund	36
Notes to the Basic Financial Statements	37

PREBLE COUNTY
TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Required Supplementary Information:	
Schedule of the County's Proportionate Share of the Net Pension Liability Ohio Public Employees Retirement System – Traditional Plan	79
Schedule of County Contributions Ohio Public Employees Retirement System – Traditional Plan	80
Schedule of Expenditures of Federal Awards.....	81
Notes to the Schedule of Expenditures of Federal Awards	85
Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required By <i>Government Auditing Standards</i>	87
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	89
Schedule of Findings.....	91



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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Motor Vehicle and Gas Tax, Human Services, Community Mental Health, and Developmental Disabilities Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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 is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling 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, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2017, 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 27, 2017

This page intentionally left blank.

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED

The discussion and analysis of Preble County's (the County) financial performance provides an overall review of the County's financial activities for the year ended December 31, 2016. 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 \$23,323.
2. The net position of the County's business-type activities increased by \$1,215,041.

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.

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED

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

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

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

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

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

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

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

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

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

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

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED

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 17 of this report.

Fund Financial Statements

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

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

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

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

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

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED

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

Enterprise funds are used to account for the County's sewer and landfill operations, which are the business-type activities as reported in the government-wide financial statements. The basic proprietary fund financial statement begins on page 32 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 35 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 37 of this report.

Summary

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

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 2016 compared to 2015.

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Assets						
Current and Other						
Assets	\$22,763,020	\$22,195,789	\$6,633,169	\$5,063,573	\$29,396,189	\$27,259,362
Capital Assets	33,064,491	33,201,370	6,036,927	5,537,404	39,101,418	38,738,774
Total Assets	55,827,511	55,397,159	12,670,096	10,600,977	68,497,607	65,998,136
Deferred Outflows of Resources						
Deferred Charge on						
Refunding	0	0	0	18,101	0	18,101
Pension	4,996,940	1,643,933	180,875	47,104	5,177,815	1,691,037
Total Deferred Outflows of Resources	4,996,940	1,643,933	180,875	65,205	5,177,815	1,709,138
Liabilities						
Current Liabilities	1,782,551	2,278,546	1,877,848	746,177	3,660,399	3,024,723
Long-Term Liabilities						
Net Pension Liability	13,009,651	9,260,054	438,528	289,998	13,448,179	9,550,052
Other Amounts	651,974	622,052	7,776,213	8,090,107	8,428,187	8,712,159
Total Liabilities	15,444,176	12,160,652	10,092,589	9,126,282	25,536,765	21,286,934
Deferred Inflows of Resources						
Deferred Charge on						
Refunding	0	234	0	0	0	234
Property Taxes	4,050,940	3,797,872	0	0	4,050,940	3,797,872
Pension	386,420	162,742	8,474	5,033	394,894	167,775
Total Deferred Inflows of Resources	4,437,360	3,960,848	8,474	5,033	4,445,834	3,965,881
Net Position						
Net Investment in						
Capital Assets	32,794,491	32,783,705	2,699,535	2,961,266	35,494,026	35,744,971
Restricted						
Other Purposes	10,081,657	10,246,179	0	0	10,081,657	10,246,179
Debt Service	0	10,688	0	0	0	10,688
Capital Projects	43,514	154,473	0	0	43,514	154,473
Unrestricted (Deficit)	(1,976,747)	(2,275,453)	50,373	(1,426,399)	(1,926,374)	(3,701,852)
Total Net Position	\$40,942,915	\$40,919,592	\$2,749,908	\$1,534,867	\$43,692,823	\$42,454,459

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED

The net pension liability (NPL) is the largest single liability reported by the County at December 31, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." 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.

GASB 68 requires the net pension liability to equal 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.

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED

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.

Government-wide Financial Analysis – Governmental Activities

Total assets of increased \$430,352. Current and other assets increased \$567,231 due to an increase in cash and cash equivalents. The increase in cash and cash equivalents is related to an increase in sales tax revenue due to an increase in the economy. The significant increase in total deferred outflow of resources in 2016 was due to an increase in the difference between projected and actual earnings on investments related to the County's net pension liability for OPERS.

Total liabilities of increased \$3,283,524 mostly due to an increase in the County's net pension liability. The net pension liability increase represents the county's proportionate share of the OPERS traditional plan's unfunded benefits. As indicated above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability. Total governmental activities net position increased \$23,323.

Table 2 shows the changes in Net Position for the years ended December 31, 2016 and 2015.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues:						
Charges for Services	\$4,527,610	\$4,273,499	\$3,598,375	\$3,598,266	\$8,125,985	\$7,871,765
Operating Grants, Contributions, and Interest	11,356,851	10,971,000	42,261	36,080	11,399,112	11,007,080
Capital Grants, Contributions, and Interest	959,603	1,216,560	0	0	959,603	1,216,560
Total Program Revenues	\$16,844,064	\$16,461,059	\$3,640,636	\$3,634,346	\$20,484,700	\$20,095,405

(Continued)

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED

Table 2
Changes in Net Position
(Continued)

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues						
General Revenues:						
Property Taxes	\$4,424,458	\$4,409,476	\$0	\$0	\$4,424,458	\$4,409,476
Permissive Sales Tax	5,862,517	5,579,575	0	0	5,862,517	5,579,575
Grants and Entitlements Not Restricted to Specific Programs	1,189,031	1,532,935	0	0	1,189,031	1,532,935
Unrestricted Investment Earnings	100,465	497,362	4,720	348	105,185	497,710
Other	721,378	627,192	25,437	26,007	746,815	653,199
Total General Revenues	12,297,849	12,646,540	30,157	26,355	12,328,006	12,672,895
Total Revenues	29,141,913	29,107,599	3,670,793	3,660,701	32,812,706	32,768,300
Program Expenses						
General Government						
Legislative and Executive	4,250,727	4,074,242	0	0	4,250,727	4,074,242
Judicial	2,188,240	2,016,632	0	0	2,188,240	2,016,632
Intergovernmental	72,551	72,935	0	0	72,551	72,935
Public Safety	5,472,231	4,642,714	0	0	5,472,231	4,642,714
Public Works	4,902,076	4,791,082	0	0	4,902,076	4,791,082
Health	1,534,901	371,835	0	0	1,534,901	371,835
Human Services	9,978,408	11,658,766	0	0	9,978,408	\$11,658,766
Community and Economic Development	705,309	619,086	0	0	705,309	619,086
Interest and Fiscal Charges	14,147	17,415	0	0	14,147	17,415
Sewer	0	0	145,857	78,583	145,857	78,583
Landfill	0	0	2,309,895	2,446,267	2,309,895	2,446,267
Total Expenses	29,118,590	28,264,707	2,455,752	2,524,850	31,574,342	30,789,557
Change in Net Position	23,323	842,892	1,215,041	1,135,851	1,238,364	1,978,743
Net Position at						
Beginning of Year	40,919,592	40,076,700	1,534,867	399,016	42,454,459	40,475,716
Net Position End of Year	\$40,942,915	\$40,919,592	\$2,749,908	\$1,534,867	\$43,692,823	\$42,454,459

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.

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED

Program revenues increased from the prior year by \$383,005, due to increases in charges for services and operating grants, contributions and interest, while capital grants contributions and interest decreased. Operating grants, contributions and interest increased due to an increase in program specific grants being awarded. General revenues decreased over the prior year by \$348,691, due mainly to a decrease unrestricted investment earnings. Investment earnings decreased due to less cash available to be invested. Permissive sales tax revenue increased due to the overall improvement of the economy.

Overall expenses increased \$853,883. Human services expenditures had a \$1,680,358 decrease due to a reduction in staff levels due to people leaving. This decrease in staffing reduced the services provided to residents of the County. All other expenditure lines for the County experienced an increase due to the cost of doing business and an increase in the pension liability.

Business-type Activities

The County's sewer and landfill system operations constitute the only business-type activities. Revenues increased an immaterial \$10,092 while expenditures decreased \$69,098 for the business-type activities. The decrease in expenditures is due to a reduction in of material and supplies needed for operations.

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 2016, the County's governmental funds reported combined ending fund balances of \$14,945,096. Approximately 55.9 percent of this total amount constitutes restricted fund balance.

The General Fund is the chief operating fund of the County. At the end of the current year, fund balance of the General Fund was \$6,446,191, an increase of \$1,225,361.

The Motor Vehicle and Gas Tax Fund increased by \$28,077 due to transfers to support operations, leaving a balance of \$1,953,375.

The Human Services Fund decreased by \$36,947 leaving a deficit balance of \$1,155. Services provided by County have increased while funding has not kept pace.

The Community Mental Health Fund decreased by \$101,006 to \$1,140,711. Services provided for mental health have increased while funding to support these services has not kept pace.

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED

The Developmental Disabilities Fund expenditures exceeded revenues, decreasing the year-end fund balance by \$66,031. Services provided for the developmentally disabled have increased while funding to support these services has not kept pace.

The Road and Bridge Construction Fund revenues exceeded expenditures, increasing fund balance by \$79,042. This increase 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 \$131,466 in user charges during 2016. Net position increased by \$12,870 during 2016, ending with a fund net position of \$1,240,621.

Net position for the County-owned landfill had an increase of \$1,202,171 leading to a fund net position of \$1,509,287. The increase in net position is due to operating revenue increasing \$21,314 while operating expenses decreased \$152,879.

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 16.3 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 1.16 percent.

During 2016, there were numerous revisions to the General Fund's budgeted expenditures. The net effect of the revisions was an increase in budgeted disbursements of 0.93 percent. By monitoring expenditures, the County was able to keep actual expenditures below final budgeted expenditure by \$1,324,378.

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED

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 \$33,064,491 and \$6,036,927, respectively. Activity during the year resulted in a decrease of \$136,879 in governmental and an increase of \$499,523 in business-type compared to 2015.

Table 3
Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$2,252,014	\$2,252,014	\$452,313	\$452,313	\$2,704,327	\$2,704,327
Construction in Progress	0	373,413	781,661	0	781,661	373,413
Buildings, Structures, and Improvements	7,048,713	7,085,720	1,243,631	1,270,863	8,292,344	8,356,583
Furniture, Fixtures, and Equipment	3,058,926	3,083,227	1,976,561	2,180,816	5,035,487	5,264,043
Infrastructure	20,704,838	20,406,996	1,582,761	1,633,412	22,287,599	22,040,408
Totals	<u>\$33,064,491</u>	<u>\$33,201,370</u>	<u>\$6,036,927</u>	<u>\$5,537,404</u>	<u>\$39,101,418</u>	<u>\$38,738,774</u>

See Note 11 of the notes to the basic financial statements for more detailed information.

Debt

At December 31, 2016, Preble County had \$270,000 and \$3,337,392 in governmental activities and business-type activities, respectively debt outstanding.

Table 4
Outstanding Debt at Year-end

	Governmental Activities		Business-Type Activities	
	2016	2015	2016	2015
Loans Payable	\$0	\$0	\$1,922,392	\$2,101,138
General Obligation Bonds	270,000	330,029	0	380,633
Short-Term Notes	0	4,304	1,415,000	475,000
Totals	<u>\$270,000</u>	<u>\$334,333</u>	<u>\$3,337,392</u>	<u>\$2,956,771</u>

See Notes 16 and 17 of the notes to the basic financial statements for more detailed information.

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED

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, 101 East Main Street, Eaton, Ohio 45320.

PREBLE COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$13,759,405	\$3,599,593	\$17,358,998
Cash and Cash Equivalents in Segregated Accounts	224,044	0	224,044
Cash and Cash Equivalents with Trustee	0	2,760,764	2,760,764
Accrued Interest Receivable	28,147	0	28,147
Accounts Receivable	126,782	435,647	562,429
Permissive Sales Tax Receivable	971,356	0	971,356
Due from Other Governments	2,768,129	0	2,768,129
Internal Balances	164,168	(164,168)	0
Prepaid Items	49,559	0	49,559
Materials and Supplies Inventory	129,002	1,333	130,335
Property Taxes Receivable	4,413,926	0	4,413,926
Special Assessments Receivable	128,502	0	128,502
Nondepreciable Capital Assets	2,252,014	1,233,974	3,485,988
Depreciable Capital Assets, Net	30,812,477	4,802,953	35,615,430
Total Assets	55,827,511	12,670,096	68,497,607
Deferred Outflows of Resources:			
Pension	4,996,940	180,875	5,177,815
Liabilities:			
Accounts Payable	548,631	196,221	744,852
Accrued Salaries Payable	385,089	18,424	403,513
Accrued Vacation Leave Payable	516,609	16,847	533,456
Contracts Payable	0	143,618	143,618
Retainage Payable	0	39,144	39,144
Due to Other Governments	326,878	43,990	370,868
Accrued Interest Payable	5,344	4,604	9,948
Notes Payable	0	1,415,000	1,415,000
Long-Term Liabilities:			
Due Within One Year	90,759	141,681	232,440
Net Pension Liability (See Note 13)	13,009,651	438,528	13,448,179
Other Amounts	561,215	7,634,532	8,195,747
Total Liabilities	15,444,176	10,092,589	25,536,765
Deferred Inflows of Resources:			
Property Taxes	4,050,940	0	4,050,940
Pension	386,420	8,474	394,894
Total Deferred Inflows of Resources	4,437,360	8,474	4,445,834
Net Position:			
Net Investment in Capital Assets	32,794,491	2,699,535	35,494,026
Restricted for:			
Public Safety	1,075,263	0	1,075,263
Public Works	3,444,347	0	3,444,347
Mental Health Services	1,209,713	0	1,209,713
Human Services	2,513,223	0	2,513,223
General Government	1,839,111	0	1,839,111
Capital Projects	43,514	0	43,514
Unrestricted (Deficit)	(1,976,747)	50,373	(1,926,374)
Total Net Position	\$40,942,915	\$2,749,908	\$43,692,823

See Accompanying Notes to the Basic Financial Statements.

PREBLE COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
Governmental Activities:				
General Government:				
Legislative and Executive	\$4,250,727	\$1,200,164	\$24,653	\$529,348
Judicial	2,188,240	803,569	153,823	0
Intergovernmental	72,551	0	0	0
Public Safety	5,472,231	1,231,473	420,342	0
Public Works	4,902,076	378,076	4,120,185	0
Health	1,534,901	319,941	946,887	0
Human Services	9,978,408	594,387	5,690,961	0
Community and Economic Development	705,309	0	0	430,255
Interest and Fiscal Charges	14,147	0	0	0
Total Governmental Activities	29,118,590	4,527,610	11,356,851	959,603
Business-Type Activities:				
Sewer	145,857	131,466	27,261	0
Landfill	2,309,895	3,466,909	15,000	0
Total Business-Type Activities	2,455,752	3,598,375	42,261	0
Total Primary Government	\$31,574,342	\$8,125,985	\$11,399,112	\$959,603

General Revenues:

Property Taxes Levied for:
 General Purposes
 Community Mental Health
 Developmental Disabilities
 Other Legislative and Executive
 Children Services
 Disaster 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

Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expenses) Revenues and Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
(\$2,496,562)	\$0	(\$2,496,562)
(1,230,848)	0	(1,230,848)
(72,551)	0	(72,551)
(3,820,416)	0	(3,820,416)
(403,815)	0	(403,815)
(268,073)	0	(268,073)
(3,693,060)	0	(3,693,060)
(275,054)	0	(275,054)
(14,147)	0	(14,147)
(12,274,526)	0	(12,274,526)
0	12,870	12,870
0	1,172,014	1,172,014
0	1,184,884	1,184,884
(12,274,526)	1,184,884	(11,089,642)
2,176,800	0	2,176,800
233,481	0	233,481
1,609,708	0	1,609,708
70,548	0	70,548
312,894	0	312,894
21,027	0	21,027
5,862,517	0	5,862,517
1,189,031	0	1,189,031
100,465	4,720	105,185
721,378	25,437	746,815
12,297,849	30,157	12,328,006
23,323	1,215,041	1,238,364
40,919,592	1,534,867	42,454,459
\$40,942,915	\$2,749,908	\$43,692,823

PREBLE COUNTY, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General Fund	Motor Vehicle and Gas Tax Fund
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$5,292,937	\$1,354,239
Cash and Cash Equivalents in Segregated Accounts	3	0
Receivables:		
Permissive Sales Tax	971,356	0
Property Taxes	2,017,472	0
Accounts	54,597	547
Special Assessments	0	0
Accrued Interest	28,147	0
Interfund	438,229	0
Due From Other Governments	354,570	1,930,953
Materials and Supplies Inventory	3,496	118,974
Prepaid Items	1,867	1,496
Restricted Assets:		
Equity in Pooled Cash and Cash Equivalents	68,311	0
Total Assets	<u>\$9,230,985</u>	<u>\$3,406,209</u>
 Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	\$94,722	\$28,079
Accrued Salaries Payable	224,750	16,968
Due to Other Governments	171,599	25,478
Interfund Payable	0	0
Total Liabilities	<u>491,071</u>	<u>70,525</u>
 Deferred Inflows of Resources:		
Property Taxes	1,839,815	0
Unavailable Revenue	453,908	1,382,309
Total Deferred Inflows of Resources	<u>2,293,723</u>	<u>1,382,309</u>
 Fund Balances:		
Nonspendable	73,674	120,470
Restricted	0	1,832,905
Assigned	2,082,287	0
Unassigned (Deficit)	4,290,230	0
Total Fund Balances (Deficit)	<u>6,446,191</u>	<u>1,953,375</u>
 Total Deferred Inflows of Resources, Liabilities and Fund Balances	 <u>\$9,230,985</u>	 <u>\$3,406,209</u>

See Accompanying Notes to the Basic Financial Statements

Human Services Fund	Community Mental Health Fund	Developmental Disabilities Fund	Road and Bridge Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$54,898	\$1,201,329	\$1,903,124	\$2,440	\$3,882,127	\$13,691,094
0	0	0	0	224,041	224,044
0	0	0	0	0	971,356
0	226,200	1,558,306	0	611,948	4,413,926
679	3,834	27,291	0	39,834	126,782
0	0	0	0	128,502	128,502
0	0	0	0	0	28,147
0	0	0	0	0	438,229
138,119	63,583	172,056	0	108,848	2,768,129
6,532	0	0	0	0	129,002
45,780	0	0	0	416	49,559
0	0	0	0	0	68,311
<u>\$246,008</u>	<u>\$1,494,946</u>	<u>\$3,660,777</u>	<u>\$2,440</u>	<u>\$4,995,716</u>	<u>\$23,037,081</u>
\$9,333	\$62,146	\$18,784	\$0	\$335,567	\$548,631
60,293	12,649	29,642	0	40,787	385,089
39,418	6,873	20,928	0	62,582	326,878
0	0	0	0	274,061	274,061
<u>109,044</u>	<u>81,668</u>	<u>69,354</u>	<u>0</u>	<u>712,997</u>	<u>1,534,659</u>
0	205,314	1,422,406	0	583,405	4,050,940
138,119	67,253	254,018	0	210,779	2,506,386
<u>138,119</u>	<u>272,567</u>	<u>1,676,424</u>	<u>0</u>	<u>794,184</u>	<u>6,557,326</u>
52,312	0	0	0	416	246,872
0	1,140,711	1,914,999	2,440	3,458,945	8,350,000
0	0	0	0	47,076	2,129,363
(53,467)	0	0	0	(17,902)	4,218,861
<u>(1,155)</u>	<u>1,140,711</u>	<u>1,914,999</u>	<u>2,440</u>	<u>3,488,535</u>	<u>14,945,096</u>
<u>\$246,008</u>	<u>\$1,494,946</u>	<u>\$3,660,777</u>	<u>\$2,440</u>	<u>\$4,995,716</u>	<u>\$23,037,081</u>

PREBLE COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016

Total Governmental Fund Balance \$14,945,096

*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
Buildings, Structures, and Improvements	12,025,823
Furniture, Fixtures, and Equipment	11,122,953
Infrastructure	31,781,551
Accumulated Depreciation	<u>(24,117,850)</u>

Total Capital Assets 33,064,491

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	362,986
Accounts	28,096
Intergovernmental	1,982,423
Special Assessments	128,502
Interest	<u>4,379</u>

Total 2,506,386

In the Statement of Activities interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (5,344)

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	4,996,940
Deferred Inflows - Pension	(386,420)
Net Pension Liability	<u>(13,009,651)</u>

Total (8,399,131)

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	(270,000)
Premium on Debt Issued	0
Vacation Leave Payable	(516,609)
Compensated Absences	<u>(381,974)</u>

Total (1,168,583)

Net Position of Governmental Activities \$40,942,915

See Accompanying Notes to the Basic Financial Statements

This page intentionally left blank.

PREBLE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Motor Vehicle and Gas Tax Fund	Human Services Fund	Community Mental Health Fund
Revenues:				
Property Taxes	\$2,164,978	\$0	\$0	\$231,916
Permissive Sales Tax	5,862,517	0	0	0
Charges for Services	1,927,709	210,821	263,458	258,045
Licenses and Permits	2,571	0	0	0
Fines and Forfeitures	27,429	22,768	0	0
Intergovernmental	1,278,706	3,925,563	2,045,696	1,283,936
Special Assessments	0	0	0	0
Interest	304,052	8,552	0	0
Gifts and Donations	0	0	0	0
Other	333,114	0	0	1,000
Total Receipts	<u>11,901,076</u>	<u>4,167,704</u>	<u>2,309,154</u>	<u>1,774,897</u>
Expenditures:				
Current:				
General Government:				
Legislative and Executive	3,298,237	0	0	0
Judicial	1,804,323	0	0	0
Intergovernmental	72,551	0	0	0
Public Safety	4,338,371	0	0	0
Public Works	0	4,200,836	0	0
Health	91,884	0	0	1,294,914
Human Services	376,592	0	2,890,603	583,328
Community and Economic Development	88,000	0	0	0
Capital Outlay	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Disbursements	<u>10,069,958</u>	<u>4,200,836</u>	<u>2,890,603</u>	<u>1,878,242</u>
Excess of Revenues Over (Under) Expenditures	<u>1,831,118</u>	<u>(33,132)</u>	<u>(581,449)</u>	<u>(103,345)</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	1,343	0	0	0
Transfers - In	0	61,209	603,520	2,339
Transfers - Out	(607,100)	0	(59,018)	0
Total Other Financing Sources (Uses)	<u>(605,757)</u>	<u>61,209</u>	<u>544,502</u>	<u>2,339</u>
Net Change in Fund Balances	1,225,361	28,077	(36,947)	(101,006)
Fund Balances at Beginning of Year	<u>5,220,830</u>	<u>1,925,298</u>	<u>35,792</u>	<u>1,241,717</u>
Fund Balances at End of Year	<u>\$6,446,191</u>	<u>\$1,953,375</u>	<u>(\$1,155)</u>	<u>\$1,140,711</u>

See Accompanying Notes to the Basic Financial Statements

Developmental Disabilities Fund	Road and Bridge Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$1,600,378	\$0	\$402,285	\$4,399,557
0	0	0	5,862,517
3,731	0	1,496,764	4,160,528
0	0	117,929	120,500
0	0	35,091	85,288
1,317,806	119,410	3,650,594	13,621,711
0	0	155,854	155,854
0	0	10	312,614
0	0	18,110	18,110
310,880	0	76,384	721,378
<u>3,232,795</u>	<u>119,410</u>	<u>5,953,021</u>	<u>29,458,057</u>
0	0	768,270	4,066,507
0	0	279,784	2,084,107
0	0	0	72,551
0	0	857,866	5,196,237
0	0	131,338	4,332,174
0	0	111,199	1,497,997
3,298,826	0	2,553,790	9,703,139
0	0	616,270	704,270
0	40,368	529,349	569,717
0	0	60,000	60,000
0	0	14,613	14,613
<u>3,298,826</u>	<u>40,368</u>	<u>5,922,479</u>	<u>28,301,312</u>
<u>(66,031)</u>	<u>79,042</u>	<u>30,542</u>	<u>1,156,745</u>
0	0	0	1,343
0	0	567,124	1,234,192
0	0	(568,074)	(1,234,192)
0	0	(950)	1,343
<u>(66,031)</u>	<u>79,042</u>	<u>29,592</u>	<u>1,158,088</u>
<u>1,981,030</u>	<u>(76,602)</u>	<u>3,458,943</u>	<u>13,787,008</u>
<u>\$1,914,999</u>	<u>\$2,440</u>	<u>\$3,488,535</u>	<u>\$14,945,096</u>

PREBLE COUNTY, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Net Change in Fund Balances - Total Governmental Funds		\$1,158,088
<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	1,441,439	
Depreciation	<u>(1,490,168)</u>	
Excess of Depreciation over Capital Outlay Expense		(48,729)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal.		
Proceeds from Sale of Capital Assets	(1,343)	
Loss on Disposal of Capital Assets	<u>(86,807)</u>	
		(88,150)
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	203	
Amortization of Deferred Charge of Refunding	234	
Amortization of Premium on Debt	<u>29</u>	
Total		466
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	24,901	
Charges for Services	28,096	
Intergovernmental	(142,888)	
Special Assessments	(22,656)	
Interest	<u>(203,597)</u>	
Total		(316,144) 0
Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.		
		1,172,916
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities.		
		(1,793,184)
Some expenses reported in the Statement of Activities do not require the use of current financial activities consist of:		
Increase in Compensated Absences	(89,951)	
Increase in Accrued Vacation Leave	<u>(31,989)</u>	
Total		<u>(121,940)</u>
<i>Change in Net Position of Governmental Activities</i>		<u><u>\$23,323</u></u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property Taxes	\$1,863,031	\$2,166,027	\$2,166,027	\$0
Permissive Sales Tax	4,890,482	5,685,850	5,769,536	83,686
Charges for Services	1,333,899	1,550,839	1,597,206	46,367
Licenses and Permits	2,168	2,521	2,571	50
Fines and Forfeitures	27,428	31,889	31,889	0
Intergovernmental	1,092,722	1,270,438	1,270,438	0
Interest	237,707	276,366	276,366	0
Other	256,171	297,834	298,250	416
Total Revenues	9,703,608	11,281,764	11,412,283	130,519
Expenditures:				
Current:				
General Government:				
Legislative and Executive	4,103,145	4,211,014	3,506,602	704,412
Judicial	2,059,113	2,059,196	1,732,465	326,731
Public Safety	4,669,863	4,670,051	4,526,243	143,808
Health	92,569	92,573	91,884	689
Human Services	468,320	468,339	432,483	35,856
Community and Economic Development	87,997	88,000	88,000	0
Intergovernmental	185,426	185,433	72,551	112,882
Total Expenditures	11,666,433	11,774,606	10,450,228	1,324,378
Excess of Revenues Over (Under) Expenditures	(1,962,825)	(492,842)	962,055	1,454,897
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	1,155	1,343	1,343	0
Advances - In	215,975	251,100	300,000	48,900
Advances - Out	0	0	(32,700)	(32,700)
Transfers - Out	(761,754)	(652,668)	(607,100)	45,568
Total Other Financing Sources (Uses)	(544,624)	(400,225)	(338,457)	61,768
Net Change in Fund Balance	(2,507,449)	(893,067)	623,598	1,516,665
Fund Balance at Beginning of Year	3,571,436	3,571,436	3,571,436	0
Prior Year Encumbrances Appropriated	350,000	350,000	350,000	0
Fund Balance at End of Year	\$1,413,987	\$3,028,369	\$4,545,034	\$1,516,665

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
MOTOR VEHICLE AND GAS TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<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	\$215,536	\$203,408	\$210,428	\$7,020
Fines and Forfeitures	24,126	22,768	22,768	0
Intergovernmental	3,801,105	3,587,212	3,896,139	308,927
Interest	8,374	7,903	7,903	0
Total Revenues	<u>4,049,141</u>	<u>3,821,291</u>	<u>4,137,238</u>	<u>315,947</u>
Expenditures:				
Current:				
Public Works	5,133,394	5,133,393	4,373,500	759,893
Excess of Receipts Under Disbursements	(1,084,253)	(1,312,102)	(236,262)	1,075,840
Other Financing Sources:				
Transfers - In	64,859	61,209	61,209	0
Net Change in Fund Balance	(1,019,394)	(1,250,893)	(175,053)	1,075,840
Fund Balance at Beginning of Year	1,222,108	1,222,108	1,222,108	0
Prior Year Encumbrances Appropriated	173,375	173,375	173,375	0
Fund Balance at End of Year	<u>\$376,089</u>	<u>\$144,590</u>	<u>\$1,220,430</u>	<u>\$1,075,840</u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
HUMAN SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$287,168	\$261,872	\$262,779	\$907
Intergovernmental	2,251,189	2,045,987	2,045,987	0
Other	68,152	62,149	0	(62,149)
Total Revenues	<u>2,606,509</u>	<u>2,370,008</u>	<u>2,308,766</u>	<u>(61,242)</u>
Expenditures:				
Current:				
Human Services	3,307,677	3,127,122	3,063,830	63,292
Excess of Revenues Under Expenditures	<u>(701,168)</u>	<u>(757,114)</u>	<u>(755,064)</u>	<u>2,050</u>
Other Financing Sources (Uses):				
Transfers - In	661,817	603,520	603,520	0
Transfers - Out	(66,950)	(59,018)	(59,018)	0
Total Other Financing Sources (Uses)	<u>594,867</u>	<u>544,502</u>	<u>544,502</u>	<u>0</u>
Net Change in Fund Balance	(106,301)	(212,612)	(210,562)	2,050
Fund Balance at Beginning of Year	141,202	141,202	141,202	0
Prior Year Encumbrances Appropriated	<u>120,791</u>	<u>120,791</u>	<u>120,791</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$155,692</u></u>	<u><u>\$49,381</u></u>	<u><u>\$51,431</u></u>	<u><u>\$2,050</u></u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
COMMUNITY MENTAL HEALTH FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$331,991	\$232,159	\$232,159	\$0
Charges for Services	306,991	214,677	255,161	40,484
Intergovernmental	1,828,407	1,278,593	1,279,098	505
Other	1,430	1,000	1,000	0
Total Revenues	<u>2,468,819</u>	<u>1,726,429</u>	<u>1,767,418</u>	<u>40,989</u>
Expenditures:				
Current:				
Health	530,910	1,908,490	1,380,381	528,109
Human Services	183,284	658,860	608,363	50,497
Total Expenditures	<u>714,194</u>	<u>2,567,350</u>	<u>1,988,744</u>	<u>578,606</u>
Excess of Revenues Over (Under) Expenditures	1,754,625	(840,921)	(221,326)	619,595
Other Financing Sources:				
Transfers - In	<u>3,345</u>	<u>2,339</u>	<u>2,339</u>	<u>0</u>
Net Change in Fund Balance	1,757,970	(838,582)	(218,987)	619,595
Fund Balance at Beginning of Year	1,204,011	1,204,011	1,204,011	0
Prior Year Encumbrances Appropriated	<u>83,521</u>	<u>83,521</u>	<u>83,521</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$3,045,502</u></u>	<u><u>\$448,950</u></u>	<u><u>\$1,068,545</u></u>	<u><u>\$619,595</u></u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
DEVELOPMENTAL DISABILITIES FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$1,441,691	\$1,601,026	\$1,601,026	\$0
Charges for Services	8,491	9,429	9,429	0
Intergovernmental	920,398	1,022,120	1,022,120	0
Other	279,828	310,755	310,880	125
Total Revenues	2,650,408	2,943,330	2,943,455	125
Expenditures:				
Current:				
Human Services	3,556,726	3,556,726	3,283,826	272,900
Net Change in Fund Balance	(906,318)	(613,396)	(340,371)	273,025
Fund Balance at Beginning of Year	2,059,616	2,059,616	2,059,616	0
Prior Year Encumbrances Appropriated	18,825	18,825	18,825	0
Fund Balance at End of Year	\$1,172,123	\$1,465,045	\$1,738,070	\$273,025

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF FUND NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2016

	<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
Assets:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$337,898	\$3,261,695	\$3,599,593
Materials and Supplies	0	1,333	1,333
Accounts Receivable	123,415	312,232	435,647
Total Current Assets	<u>461,313</u>	<u>3,575,260</u>	<u>4,036,573</u>
Non-current Assets:			
Restricted Assets:			
Cash and Cash Equivalents with Trustee	0	2,760,764	2,760,764
Nondepreciable Capital Assets	0	1,233,974	1,233,974
Depreciable Capital Assets, Net	1,578,477	3,224,476	4,802,953
Total Non-current Assets	<u>1,578,477</u>	<u>7,219,214</u>	<u>8,797,691</u>
Total Assets	<u>2,039,790</u>	<u>10,794,474</u>	<u>12,834,264</u>
Deferred Outflows of Resources:			
Pension	<u>0</u>	<u>180,875</u>	<u>180,875</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	4,074	192,147	196,221
Contracts Payable	0	143,618	143,618
Compensated Absenses Payable	0	435	435
Accrued Salaries Payable	0	18,424	18,424
Accrued Vacation Leave Payable	0	16,847	16,847
Retainage Payable	0	39,144	39,144
Due to Other Governments	2,503	41,487	43,990
Interfund Payable	32,700	131,468	164,168
Accrued Interest Payable	0	4,604	4,604
Notes Payable	0	1,415,000	1,415,000
OWDA Loans Payable	40,498	0	40,498
OPWC Loans Payable	25,748	75,000	100,748
Total Current Liabilities	<u>105,523</u>	<u>2,078,174</u>	<u>2,183,697</u>
Long-Term Liabilities:			
OWDA Loans Payable	323,979	0	323,979
OPWC Loans Payable	369,667	1,087,500	1,457,167
Compensated Absences Payable	0	860	860
Landfill Closure and Postclosure Costs	0	5,852,526	5,852,526
Net Pension Liability	0	438,528	438,528
Total Long-Term Liabilities	<u>693,646</u>	<u>7,379,414</u>	<u>8,073,060</u>
Total Liabilities	<u>799,169</u>	<u>9,457,588</u>	<u>10,256,757</u>
Deferred Inflows of Resources:			
Pension	<u>0</u>	<u>8,474</u>	<u>8,474</u>
Net Position:			
Net Investment in Capital Assets	818,585	1,880,950	2,699,535
Unrestricted (Deficit)	422,036	(371,663)	50,373
Total Net Position	<u>\$1,240,621</u>	<u>\$1,509,287</u>	<u>\$2,749,908</u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for Services	\$131,466	\$3,466,909	\$3,598,375
Other	0	25,437	25,437
Total Operating Revenues	<u>131,466</u>	<u>3,492,346</u>	<u>3,623,812</u>
Operating Expenses:			
Personal Services	9,294	556,101	565,395
Materials and Supplies	4,311	89,313	93,624
Charges and Services	107,539	1,070,820	1,178,359
Depreciation	22,342	259,796	282,138
Closure and Postclosure Costs	0	244,625	244,625
Other	2,371	47,855	50,226
Total Operating Expenses	<u>145,857</u>	<u>2,268,510</u>	<u>2,414,367</u>
Operating Income (Loss)	<u>(14,391)</u>	<u>1,223,836</u>	<u>1,209,445</u>
Non-Operating Revenues (Expenses):			
Interest	0	4,720	4,720
Grants	27,261	15,000	42,261
Interest and Fiscal Charges	0	(41,385)	(41,385)
Total Non-Operating Revenues (Expenses)	<u>27,261</u>	<u>(21,665)</u>	<u>5,596</u>
Change in Net Position	12,870	1,202,171	1,215,041
Net Position at Beginning of Year	<u>1,227,751</u>	<u>307,116</u>	<u>1,534,867</u>
Net Position at End of Year	<u>\$1,240,621</u>	<u>\$1,509,287</u>	<u>\$2,749,908</u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<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	\$138,871	\$3,479,738	\$3,618,609
Cash Received From Other Operating Revenues	0	25,437	25,437
Cash Payments for Employee Services and Benefits	(9,314)	(553,078)	(562,392)
Cash Payments to Suppliers	(107,045)	(960,382)	(1,067,427)
Cash Payments for Other Operating Expenses	(2,371)	(47,855)	(50,226)
Net Cash Provided by Operating Activities	<u>20,141</u>	<u>1,943,860</u>	<u>1,964,001</u>
Cash Flows from Noncapital Financing Activities:			
Advances - In	<u>32,700</u>	<u>0</u>	<u>32,700</u>
Cash Flows from Capital and Related Financing Activities:			
Grants	27,261	15,000	42,261
Acquisition of Capital Assets	0	(781,661)	(781,661)
Bond Anticipation Notes Proceeds	0	1,415,000	1,415,000
Loan Principal Payments	(66,246)	(967,500)	(1,033,746)
General Obligation Bond Interest Payments	0	(20,785)	(20,785)
Short-Term Loan from Other Funds	0	(100,000)	(100,000)
Net Cash Used for Capital and Related Financing Activities	<u>(38,985)</u>	<u>(439,946)</u>	<u>(478,931)</u>
Cash Flows from Investing Activities:			
Interest	<u>0</u>	<u>4,720</u>	<u>4,720</u>
Net Increase in Cash and Cash Equivalents	13,856	1,508,634	1,522,490
Cash and Cash Equivalents at Beginning of Year	<u>324,042</u>	<u>4,513,825</u>	<u>4,837,867</u>
Cash and Cash Equivalents at End of Year	<u>\$337,898</u>	<u>\$6,022,459</u>	<u>\$6,360,357</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	(\$14,391)	\$1,223,836	\$1,209,445
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	22,342	259,796	282,138
Landfill Closure and Postclosure Costs	0	244,625	244,625
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	7,405	12,829	20,234
(Increase) in Materials and Supplies Inventory	0	(40)	(40)
Increase in Accounts Payable	2,324	50,597	52,921
(Decrease) in Accrued Salaries Payable	0	(9,872)	(9,872)
Increase (Decrease) in Due to Other Governments	2,461	(36,245)	(33,784)
Increase in Contracts Payable	0	143,618	143,618
Increase in Retainage Payable	0	39,144	39,144
Increase in Compensated Absences Payable	0	860	860
(Decrease) in Accrued Vacation Leave Payable	0	(3,488)	(3,488)
Increase in Deferred Outflows - Pension	0	31,264	31,264
Decrease in Deferred Inflows - Pension	0	(5,052)	(5,052)
Decrease in Net Pension Liability	0	(8,012)	(8,012)
Net Cash Provided by Operating Activities	<u>\$20,141</u>	<u>\$1,943,860</u>	<u>\$1,964,001</u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016

	Private Purpose Trust Fund	
	Scholarship and Trust Fund	Agency Fund
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$38,395	\$1,751,417
Cash and Cash Equivalents in Segregated Accounts	0	576,699
Receivables:		
Property Taxes	0	33,350,003
Accounts	0	102,948
Special Assessments	0	508,061
Due from Other Governments	0	2,175,678
Total Assets	38,395	\$38,464,806
Liabilities:		
Accounts Payable	0	\$2,315
Accrued Salaries Payable	0	34,440
Due to Other Governments	0	35,790,685
Undistributed Monies	0	1,520,701
Deposits Held and Due to Others	0	1,116,665
Total Liabilities	0	\$38,464,806
Net Position:		
Held in Trust for Scholarships	\$38,395	

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Scholarship and Trust Fund
Additions:	\$0
Deductions:	0
Change in Net Position	0
Net Position at Beginning of Year	38,395
Net Position at End of Year	\$38,395

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1 – Description of the County and Reporting Entity

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

Reporting Entity

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

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization’s governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization’s resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves their budget, the issuance of their debt or the levying of their taxes. 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 20, 21, 22, 23, and 24 of the basic financial statements. These organizations are:

- Related Organizations:
- Preble County Library Board
 - Preble Metropolitan Housing Authority

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Joint Venture:

Preble County Emergency Management Agency

Jointly Governed Organization:

West Central Ohio Network

Risk Sharing Pool:

County Risk Sharing Authority, Inc.

Group Purchasing Pool:

County Commissioners' Association of Ohio Service Corporation

Note 2 – Summary of Significant Accounting Policies

The financial statements of Preble County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

Basis of Presentation

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

Government-Wide Financial Statements

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

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

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

General Fund – This fund accounts for and 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.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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.

Proprietary Funds

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

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

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

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

Fiduciary Funds

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

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

Basis of Accounting

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

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 9) 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, federal and State subsidies and grants, and State-levied locally shared taxes.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the County, deferred outflows of resources includes 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 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance fiscal year 2017 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.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

For the County, unavailable revenue includes delinquent property taxes, charges, intergovernmental grants, special assessments, and interest. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 22. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 13).

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.

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.

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."

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

During 2016, the County invested in State Treasury Asset Reserve of Ohio (STAROhio), Money Markets, Commercial Paper, Corporate Note, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal Farm Credit Bureau Notes, Federal National Mortgage Association Notes, and Negotiable Certificate of Deposits. Investments are reported at market value which is based on quoted market prices.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

The County's commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase of less than one year.

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 2016 amounted to \$304,052, which includes \$230,022 assigned from other County funds.

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

Interfund Balances

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

Materials and Supplies Inventory

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

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Restricted Assets

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement costs back to the year of acquisition) and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition 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 and Improvements	10-50 years
Furniture, Fixtures, and Equipment	5-20 years
Infrastructure, Sewer Lines, Manhold, Landfill, Lines, and Landfill Improvements	10-50 years

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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.

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.

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.

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 pre-pays.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned amounts represent intended uses established by the County Commissioners or a County Official delegated that authority by resolution or State Statute. The future appropriations amount assigned in the General Fund represents 2017 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.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. The net investment in capital assets component of net position, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Internal Activity

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

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

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

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.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

Bond Premiums

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

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

Operating Revenues and Expenses

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

Estimates

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

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 3 – Change in Accounting Principle and Restatement of Net Position

For 2016, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application” and GASB Statement No. 77, “Tax Abatement Disclosures.”

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the County’s 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the County’s 2016 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 – Accountability

The Human Services and Other Community and Economic Development (CDBG) Special Revenue Funds have fund balance net position deficits at December 31, 2016 of \$1,155 and \$17,902, respectively. The General Fund is liable for the deficits in the Human Services and Other Community and Economic Development (CDBG) Funds and will provide transfers when cash is required.

Note 5 – Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed or assigned fund balance (GAAP basis).

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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:

	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	\$1,225,361	\$28,077	(\$36,947)	(\$101,006)	(\$66,031)
Revenue Accruals	(476,543)	(30,201)	(388)	(7,722)	(440,781)
Expenditure Accruals	(119,633)	(62,356)	(169,760)	11,078	15,000
Encumbrances	(385,410)	(110,308)	(3,467)	(121,580)	0
Advances	267,300	0	0	0	0
Unrecorded Cash - 2016	(10,419)	(905)	0	0	0
Unrecorded Cash - 2015	204	256	0	0	0
WestCON Activity	0	0	0	0	150,793
Agency Fund Cash Allocation - 2016	(49,750)	(22,596)	0	(11,203)	(29,817)
Agency Fund Cash Allocation - 2015	50,714	22,980	0	11,446	30,465
Decrease in Fair Value of Cash Equivalents - 2016	(5,963)	0	0	0	0
Increase in Fair Value of Cash Equivalents - 2015	2,964	0	0	0	0
Excess of revenues under expenditures for Title Administration Fund	124,773	0	0	0	0
Budget Basis	<u>\$623,598</u>	<u>(\$175,053)</u>	<u>(\$210,562)</u>	<u>(\$218,987)</u>	<u>(\$340,371)</u>

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 6 – Deposits and Investments

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal or interest by the United States, or any book entry, zero coupon United States treasury security that is a direct obligation of the United States;
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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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:

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

- 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.

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.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Investments

As of December 31, 2016, the County had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Moody's & S&P Ratings	Percent of Total Investments
Net Asset Value Per Share				
STAROhio	<u>\$3,532,291</u>	Less than one year	AAAm	17.57%
Fair Value - Level One Inputs				
Money Markets	<u>\$13,415</u>	Less than one year	N/A	N/A
Fair Value - Level Two Inputs				
Commercial Paper	\$5,098,932	Less than one year	A1	25.36%
Corporate Note	267,839	Less than two years	Aaa	N/A
Federal Home Loan Bank Notes	1,388,978	Less than five years	Aaa	6.91%
Federal Home Loan Mortgage Corporation Notes	2,745,639	Less than four years	Aaa	13.66%
Federal Farm Credit Bureau Notes	838,953	Less than five years	Aaa	N/A
Federal National Mortgage Association Notes	1,727,623	Less than four years	Aaa	8.59%
Negotiable Certificates of Deposit	<u>4,491,026</u>	Less than four years	Aaa	22.34%
Total Fair Value - Level Two Inputs	<u>16,558,990</u>			
Total Investments	<u>\$20,104,696</u>			

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the County's recurring fair value measurements as of December 31, 2016. The Money Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). The County's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

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

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

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

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016

Note 7 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes. 2016 real property taxes were levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2016, was \$8.78 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2016 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Real Property		
Residential/Agricultural	\$795,816,000	87 %
Commercial/Industrial/Public Utility	83,311,000	9
Public Personal	38,431,000	4
Totals	<u>\$917,558,000</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, 2016, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2016 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 8 – Tax Abatements

For 2016, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 77, “Tax Abatement Disclosures.” This GASB pronouncement requires disclosure of information about the nature and magnitude of tax abatements. As of December 31, 2016, the County property taxes were reduced by a Community Reinvestment Area enacted by the Village of Lewisburg. The amount of taxes abated for 2016 was \$183,383.

Note 9 – 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 twenty-third day of the month following collection. The State Tax Commissioner certifies to the Office of Budget and Management the amount of the tax to be returned to the County. The Tax Commissioner’s certification must be made within 45 days after the end of each month. The Tax Commissioner shall then, on or before the twentieth day of the month in which certification is made, provide for payment to the County.

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

Note 10 – Receivables

Receivables at December 31, 2016, 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 \$6,910 of delinquent special assessments at December 31, 2016.

A summary of intergovernmental receivables follows:

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Governmental Activities:	Amount
Local Government	\$193,317
Homestead and Rollback	283,887
Gasoline Cents Per Gallon	427,563
Gasoline Excise Tax	795,411
Auto License	707,649
Human Services Grant	138,119
Children Services Grant	57,757
Victim Witness Grant	22,430
Disaster Services Grant	10,798
Miscellaneous	131,198
Total Governmental Activities	\$2,768,129

Note 11 – Capital Assets

Capital assets activity for the year ended December 31, 2016, was as follows:

	Balance at 12/31/2015	Additions	Deletions	Balance at 12/31/2016
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$2,252,014	\$0	\$0	\$2,252,014
Construction in Progress	373,413	42,597	(416,010)	0
Total Capital Assets, Not Being Depreciated	2,625,427	42,597	(416,010)	2,252,014
Depreciable Capital Assets:				
Buildings, Structures, and Improvements	\$11,948,659	\$77,164	\$0	\$12,025,823
Furniture, Fixtures, and Equipment	11,096,207	467,358	(440,612)	11,122,953
Infrastructure	30,666,636	1,270,330	(155,415)	31,781,551
Total Depreciable Capital Assets	53,711,502	1,814,852	(596,027)	54,930,327
Less Accumulated Depreciation:				
Buildings, Structures, and Improvements	(4,862,939)	(114,171)	0	(4,977,110)
Furniture, Fixtures, and Equipment	(8,012,980)	(433,697)	382,650	(8,064,027)
Infrastructure	(10,259,640)	(942,300)	125,227	(11,076,713)
Total Accumulated Depreciation	(23,135,559)	(1,490,168) *	507,877	(24,117,850)
Depreciable Capital Assets, Net	30,575,943	324,684	(88,150)	30,812,477
Governmental Activities Capital Assets, Net	\$33,201,370	\$367,281	(\$504,160)	\$33,064,491

* Depreciation expense was charged to governmental programs as follows:

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

General Government:	
Legislative and Executive	\$110,099
Judicial	11,465
Public Safety	161,796
Public Works	1,133,272
Health	9,863
Human Services	63,673
Total Depreciation Expense	<u>\$1,490,168</u>

Capital assets activity of the business-type activities for the year ended December 31, 2016, was as follows:

	Balance at 12/31/2015	Additions	Deletions	Balance at 12/31/2016
<u>Business-Type Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$452,313	\$0	\$0	\$452,313
Construction in Progress	0	781,661	0	781,661
Total Capital Assets, Not Being Depreciated	<u>452,313</u>	<u>781,661</u>	<u>0</u>	<u>1,233,974</u>
Depreciable Capital Assets:				
Buildings, Structures, and Improvements	\$2,139,558	\$0	\$0	\$2,139,558
Furniture, Fixtures, and Equipment	3,665,020	0	0	3,665,020
Sewer Lines and Manholes	650,933	0	0	650,933
Landfill Lines	372,499	0	0	372,499
Landfill Improvements	808,342	0	0	808,342
Total Depreciable Capital Assets	<u>7,636,352</u>	<u>0</u>	<u>0</u>	<u>7,636,352</u>
Less Accumulated Depreciation:				
Buildings, Structures, and Improvements	(868,695)	(27,232)	0	(895,927)
Furniture, Fixtures, and Equipment	(1,484,204)	(204,255)	0	(1,688,459)
Sewer Lines and Manholes	(65,936)	(6,509)	0	(72,445)
Landfill Lines	(11,175)	(3,725)	0	(14,900)
Landfill Improvements	(121,251)	(40,417)	0	(161,668)
Total Accumulated Depreciation	<u>(2,551,261)</u>	<u>(282,138)</u>	<u>0</u>	<u>(2,833,399)</u>
Depreciable Capital Assets, Net	<u>5,085,091</u>	<u>(282,138)</u>	<u>0</u>	<u>4,802,953</u>
Business-Type Activities Capital Assets, Net	<u>\$5,537,404</u>	<u>\$499,523</u>	<u>\$0</u>	<u>\$6,036,927</u>

Note 12 – Risk Management

Insurance

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County maintains comprehensive insurance coverage with the County Risk Sharing Authority, Inc. (CORSA), a risk sharing pool (see Note 23), for liability, property, auto, and crime insurance.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

Workers' Compensation

For 2016, the County participated in the County Commissioners' Association of Ohio Service Corporation (the Plan), a group purchasing pool (See Note 24). The plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than the individual rate.

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

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

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

Note 13 – Defined Benefit Pension Plan

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.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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.

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.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – County employees, other than full-time police and firefighters, 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.

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016

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, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	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.

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016

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:

	State and Local	Law Enforcement
2016 Statutory Maximum Contribution Rates		
Employer	14.0 %	18.1 %
Employee	10.0 %	**
 2016 Actual Contribution Rates		
Employer:		
Pension	12.0 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0
 Total Employer	 14.0 %	 18.1 %
 Employee	 10.0 %	 13.0 %

** 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 \$1,212,452 for 2016. Of this amount, \$199,046 is reported as an intergovernmental payable.

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, 2015, 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:

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	OPERS
Proportion of the Net Pension Liability:	
Current Measurement Date	0.08439100%
Prior Measurement Date	0.08483230%
Change in Proportionate Share	-0.00044130%
Proportionate Share of the Net Pension Liability	\$13,448,179
Pension Expense	\$1,850,920

At December 31, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$3,952,924
Changes in proportion and differences between County contributions and proportionate share of contributions	12,439
County contributions subsequent to the measurement date	1,212,452
Total Deferred Outflows of Resources	\$5,177,815
Deferred Inflows of Resources	
Differences between expected and actual experience	\$259,845
Changes in proportion and differences between County contributions and proportionate share of contributions	135,049
Total Deferred Inflows of Resources	\$394,894

\$1,212,452 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS
Year Ending December 31:	
2017	\$807,970
2018	871,176
2019	996,776
2020	894,547
Total	\$3,570,469

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016

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 was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below.

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA:	4.25 to 10.05 percent including wage inflation
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.8 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.

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 0.4 percent for 2015.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 2015 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	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

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 contractually required rates, as actuarially determined. 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	\$21,426,234	\$13,448,179	\$6,718,941

Changes between Measurement Date and Report Date In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the County’s net pension liability is expected to be significant.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 14 – Postemployment Benefits

Ohio Public Employees Retirement System

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

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded 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 the 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 2016, 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.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. 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. 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 the Traditional Pension and Combined 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. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

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, 2016, 2015, and 2014 was \$227,544, \$221,170, and \$431,524, respectively. For 2016, 84.42 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

Note 15 – Other Employee Benefits

Deferred Compensation Plan

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

Insurance

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

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 16 – Short-Term Obligations

Changes in the short-term obligations during 2016 were as follows:

Fund Type/Fund/Issue	Interest Rate	Balance at 12/31/2015	Increases	Decreases	Balance at 12/31/2016
<u>Governmental:</u>					
Ditch and Guardrail Construction					
Gates Joint Ditch	2.25%	\$4,304	\$0	\$4,304	\$0
<u>Business-Type Activities:</u>					
Landfill Compactor Note	3.00%	\$475,000	\$0	\$475,000	\$0
Landfill Bond Anticipation Note	1.25%	0	1,415,000	0	1,415,000
Total Business-Type Funds		\$475,000	\$1,415,000	\$475,000	\$1,415,000

All of the notes are backed by the full faith and credit of the County and matured within one year. The Gates Joint Ditch Note was paid from the Ditch and Guardrail Construction Non-major Fund. The Landfill Compactor Note was paid off with the issuance of the Landfill Bond Anticipation Note. The bond anticipation note is issued in anticipation of long-term bond financing, and the County intends to refinance the note until such bonds are issued. The liability for the note is presented in the funds that received the note proceeds.

Note 17 – Long-Term Obligations

The schedule of changes in long-term obligations of the governmental activities of the County during 2016 follows:

Types / Issues	Balance at 12/31/2015	Issued	Retired	Balance at 12/31/2016	Due Within One Year
<u>General Obligations Bonds:</u>					
2002 2.00 to 3.50% Various Purpose					
Bonds - Unvoted \$1,440,000	\$315,000	\$0	\$45,000	\$270,000	\$50,000
2005 County Fairgrounds Refunding Bonds -					
Unvoted 3.00 to 3.60% - Current Interest					
Bonds \$125,000	15,000	0	15,000	0	0
Premium on Debt Issue	29	0	29	0	0
Total General Obligation Bonds Payable	330,029	0	60,029	270,000	50,000
<u>Net Pension Liability:</u>					
OPERS	9,260,054	3,749,597	0	13,009,651	0
<u>Other Long-Term Obligations:</u>					
Compensated Absences Payable	292,023	105,472	15,521	381,974	40,759
Total - General Long-Term Obligations	\$9,882,106	\$3,855,069	\$75,550	\$13,661,625	\$90,759

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 were paid from general revenues, including transfers from the General Fund and monies received from the Preble County Agricultural Society. The bonds were retired during 2016.

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. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General, Motor Vehicle License and Gas Tax, Human Services, Community Mental Health, Developmental Disabilities, Health, Soil and Water, Disaster Services, Undivided General Tax, Other Legislative and Executive, Other Health, Other Human Services, Other Public Safety, Other Judicial, and Other Community and Economic Development. For additional information related to the net pension liability see Note 13.

Changes in the long-term obligations reported for business-type activities during 2016 were as follows:

Types/Issues	Balance at 12/31/2015	Increases	Decreases	Balance at 12/31/2016	Within One Year
<u>Loans Payable:</u>					
0.00% - 2004 OWDA Loan \$820,238	\$404,975	\$0	\$40,498	\$364,477	\$40,498
0.00% - 2010 OPWC Loan \$1,500,000	1,275,000	0	112,500	1,162,500	75,000
0.00% - 2012 OPWC Loan \$374,698	343,473	0	12,490	330,983	12,490
0.00% - 2006 OPWC Loan \$38,000	20,900	0	1,900	19,000	1,900
0.00% - 2000 OPWC Loan \$227,160	56,790	0	11,358	45,432	11,358
Total Loans Payable	2,101,138	0	178,746	1,922,392	141,246
<u>General Obligation Bonds Payable:</u>					
3.00 to 3.60% - 2005 Landfill Improvement					
Refunding Bonds \$3,445,000	380,000	0	380,000	0	0
Premium on Debt Issue	633	0	633	0	0
Total General Obligation Bonds Payable	380,633	0	380,633	0	0
<u>Net Pension Liability:</u>					
OPERS	289,998	148,530	0	438,528	0
<u>Other Long-Term Obligations:</u>					
Compensated Absences Payable	435	860	0	1,295	435
Landfill Closure and Postclosure	5,607,901	244,625	0	5,852,526	0
Total Other Long-Term Obligations	5,608,336	245,485	0	5,853,821	435
Total - Business-Type Activities	\$8,380,105	\$394,015	\$559,379	\$8,214,741	\$141,681

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 \$131,466, respectively. The total principal remaining to be paid on the loans is \$364,477.

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 bonds were retired during 2016.

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.

There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: Landfill and Sewer. For additional information related to the pension liability see Note 13.

The effects of the debt limitations at December 31, 2016, are an overall legal debt margin of \$21,347,675 and an un-voted legal debt margin of \$8,977,070.

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

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Governmental Activities		
General Obligation Serial Bonds		
Year	Principal	Interest
2017	\$50,000	\$12,015
2018	50,000	9,790
2019	55,000	7,565
2020	55,000	5,118
2021	60,000	2,670
Totals	\$270,000	\$37,158

Business-Type Activities	
Loans Payable	
Year	Principal
2017	\$141,246
2018	141,246
2019	141,246
2020	141,246
2021	129,888
2022-2026	608,937
2027-2031	437,450
2032-2036	99,950
2037-2041	62,450
2042-2043	18,733
Totals	\$1,922,392

Note 18 – 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 \$5,852,526 reported as a landfill closure and post-closure care liability at December 31, 2016, represents the cumulative amount reported to date based on the use of 46.3 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of the closure and post-closure care of \$6,788,710 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 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County expects to close the landfill in the year 2044.

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016

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

Note 19 – Interfund Activity

Interfund balances at December 31, 2016, consisted of the following amounts and result from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be paid within one year.

	Interfund Receivable
Interfund Payable	General Fund
Nonmajor Governmental Funds	\$274,061
Sewer Enterprise Fund	32,700
Landfill Enterprise Fund	131,468
Total	\$438,229

Interfund transfers for the year ended December 31, 2016 consisted of the following:

	Transfers To				
	Motor Vehicle and Gas Tax Fund	Human Services Fund	Community Mental Health Fund	Nonmajor Governmental Funds	
General Fund	\$61,209	\$35,446	\$2,339	\$508,106	\$607,100
Human Services Fund	0	0	0	59,018	59,018
Nonmajor Governmental Funds	0	568,074	0	0	568,074
Total	\$61,209	\$603,520	\$2,339	\$567,124	\$1,234,192

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.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 20 – Related Organizations

Preble County Library Board

The Preble County Library Board is a related organization of the County. The County Officials (the Commissioners, the Probate Court and the Common Pleas Court) are responsible for appointing the trustees of the Library Board; however, the County Officials cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden to the County. Although the County does serve as the taxing authority and may issue tax related debt on behalf of the Library Board, its role is limited to a ministerial function. Once the Library Board determines to present a levy to the voters, including the determination of the rate and duration, the County must place the levy on the ballot. The Library may issue debt and determines its own budget. During 2016, the County did not make any significant financial contributions to the operation of the Library. Financial information for the Library may be obtained by writing to the Treasurer of the Preble County Library Board, 450 S. Barron Street, Eaton, Ohio 45320.

Preble Metropolitan Housing Authority

The Preble Metropolitan Housing Authority (PMHA) is a related organization to the County. The general purpose of the PMHA is to provide decent, safe, and sanitary housing for qualified persons within the County. The ability to influence operations depends on the County's representation on the Board. The PMHA Board is composed of five representatives: one member appointed by the County Common Pleas Court Judge; one member appointed by the County Commissioners; one member appointed by the County Probate Court Judge; and two members appointed by the Mayor of Eaton. During 2016, 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, 304 Eaton-Lewisburg Road, Eaton, Ohio 45320.

Note 21 – 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 2016. 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.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 22 – 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 2016, the County did not make any significant financial contributions to WestCON.

Note 23 – Risk Sharing Pool

County Risk Sharing Authority, Inc.

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

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

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 24 – Group Purchasing Pool

County Commissioners’ Association of Ohio Service Corporation

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

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

Note 25 – 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:

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Fund Balances	General Fund	Motor Vehicle and Gas Tax Fund	Human Services Fund	Community Mental Health Fund
<i>Nonspendable:</i>				
Unclaimed Monies	\$68,311	\$0	\$0	\$0
Materials And Supplies Inventory	3,496	118,974	6,532	0
Prepays	1,867	1,496	45,780	0
<i>Total Nonspendable</i>	<u>73,674</u>	<u>120,470</u>	<u>52,312</u>	<u>0</u>
<i>Restricted For:</i>				
Mental Health Services	0	0	0	1,140,711
Public Social Services	0	0	0	0
Road Maintenance And Repair	0	1,832,905	0	0
Public Safety	0	0	0	0
Real Estate Assessments	0	0	0	0
Other Health Services	0	0	0	0
<i>Total Restricted</i>	<u>0</u>	<u>1,832,905</u>	<u>0</u>	<u>1,140,711</u>
<i>Assigned To:</i>				
Purchases On Order	253,443	0	0	0
Future Appropriations	1,828,844	0	0	0
Debt Service	0	0	0	0
Permanent Improvement	0	0	0	0
<i>Total Assigned</i>	<u>2,082,287</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Unassigned (Deficit)</i>	<u>4,290,230</u>	<u>0</u>	<u>(53,467)</u>	<u>0</u>
<i>Total Fund Balances (Deficit)</i>	<u>\$6,446,191</u>	<u>\$1,953,375</u>	<u>(\$1,155)</u>	<u>\$1,140,711</u>

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Fund Balances	Developmental Disabilities Fund	Road and Bridge Construction Fund	Nonmajor Governmental Funds	Total
<i>Nonspendable:</i>				
Unclaimed Monies	\$0	\$0	\$0	\$68,311
Materials And Supplies Inventory	0	0	0	129,002
Prepays	0	0	416	49,559
<i>Total Nonspendable</i>	<u>0</u>	<u>0</u>	<u>416</u>	<u>246,872</u>
<i>Restricted For:</i>				
Mental Health Services	1,914,999	0	0	3,055,710
Public Social Services	0	0	337,679	337,679
Road Maintenance And Repair	0	2,440	29,478	1,864,823
Public Safety	0	0	1,619,768	1,619,768
Real Estate Assessments	0	0	1,416,554	1,416,554
Other Health Services	0	0	55,466	55,466
<i>Total Restricted</i>	<u>1,914,999</u>	<u>2,440</u>	<u>3,458,945</u>	<u>8,350,000</u>
<i>Assigned To:</i>				
Purchases On Order	0	0	0	253,443
Future Appropriations	0	0	0	1,828,844
Debt Service	0	0	3,921	3,921
Permanent Improvements	0	0	43,155	43,155
<i>Total Assigned</i>	<u>0</u>	<u>0</u>	<u>47,076</u>	<u>2,129,363</u>
<i>Unassigned (Deficit)</i>	<u>0</u>	<u>0</u>	<u>(17,902)</u>	<u>4,218,861</u>
<i>Total Fund Balances (Deficit)</i>	<u>\$1,914,999</u>	<u>\$2,440</u>	<u>\$3,488,535</u>	<u>\$14,945,096</u>

Note 26 – Significant Commitments

Contractual Commitments

As of December 31, 2016, the County had the following contractual purchases commitments for various projects:

Project	Contract Amount
Landfill Building Construction	\$1,250,753

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Encumbrances

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

Governmental Funds:	
General	\$385,410
Motor Vehicle and Gas Tax	110,308
Human Services	3,467
Community Mental Health	121,580
Nonmajor Governmental Funds	<u>405,146</u>
Total Governmental Funds	<u>1,025,911</u>
Proprietary Funds:	
Sewer	11,082
Landfill	<u>968,423</u>
Total Proprietary Funds	<u>979,505</u>
Total	<u><u>\$2,005,416</u></u>

Note 27 – Contingent Liabilities

Litigation

The County is not involved in any major claims and lawsuits, as of December 31, 2016, which may be classified as routine litigation in which minimal non-material damages are being sought.

Federal and State Grants

The County participates in a number of Federal and State assisted grant programs. The major programs are: Community Development Block Grant and Ohio Department of Human Services. These programs are subject to financial and compliance audits by grantors or representatives. At December 31, 2016, 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.

Note 28 – Subsequent Event

During May of 2017, the County issued \$2,670,000 in Bond Anticipation Notes that matured in September of 2017. These notes will finance a construction project at the Landfill.

During August of 2017, the County issued \$3,670,000 in Bond Anticipation Notes that will mature in September 2018. These notes will finance a construction project at the Landfill.

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 Three Years (1)

	2016	2015	2014
County's Proportion of the Net Pension Liability	0.00084391%	0.07918050%	0.07918050%
County's Proportionate Share of the Net Pension Liability	\$13,448,179	\$9,550,052	\$9,334,349
County's Covered Payroll	\$9,804,644	\$9,473,916	\$9,430,498
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	137.16%	100.80%	98.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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 Four Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,212,452	\$1,181,475	\$1,166,556	\$1,253,341
Contributions in Relation to the Contractually Required Contribution	<u>(1,212,452)</u>	<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>	<u>\$0</u>
County Covered Payroll	\$9,804,644	\$9,589,066	\$9,473,916	\$9,430,498
Contributions as a Percentage of Covered Payroll	12.37%	12.32%	12.31%	13.29%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available. An additional column will be added each year.

PREBLE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Shelter Plus Care - Direct	N/A	14.238	\$147,937
Total Shelter Plus Care - Direct			147,937
<i>Passed Through Ohio Development Services Agency:</i>			
Community Development Block Grants/States Program - FY 2014	B-F-14-1CK-1	14.228	358,034
Community Development Block Grants/States Program - FY 2015	B-F-15-1CK-1	14.228	291,730
Total Community Development Block Grants/States Program			649,764
<i>Total Passed Through Ohio Development Services Agency</i>			649,764
Total U.S. Department of Housing and Urban Development			797,701
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department Of Job & Family Services :</i>			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program:			
Food Assistance Employment & Training (FAET) SNAP FY2016	G-1617-11-5570	10.561	8,790
Food Assistance Employment & Training (FAET) Participation FY 2016	G-1617-11-5570	10.561	7,534
Food Assistance Employment & Training (FAET) FY 2016	G-1617-11-5570	10.561	787
Food Assistance Employment & Training (FAET) FY 2017	G-1617-11-5570	10.561	12,234
Food Assistance FY 2016	G-1617-11-5570	10.561	168,921
Food Assistance FY 2017	G-1617-11-5570	10.561	42,821
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program/ SNAP Cluster			241,087
Total U.S. Department of Agriculture			241,087
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through Ohio Attorney General's Office:</i>			
Crime Victim Assistance - 2017	2017-VOCA-43556443	16.575	22,430
Crime Victim Assistance - 2016	2016-VOCA-19811719	16.575	58,608
Total Crime Victim Assistance			81,038
Total U.S. Department of Justice			81,038
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through The Ohio Department of Transportation:</i>			
Highway Planning and Construction Cluster			
Highway Planning and Construction:			
PRE - 2016 Curve Sign Upgrade	PID 101610	20.205	10,278
Total Highway Planning and Construction / Highway Planning and Construction Cluster			10,278
<i>Passed Through The Ohio Department of Public Safety:</i>			
Interagency Hazardous Materials Public Sector Training and Planning Grants	HM-HMP-0429-14-01-00	20.703	621
Total U.S. Department of Transportation			10,899
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through Ohio Department of Public Safety:</i>			
Emergency Management Performance Grants - FY 2015	EMW-2015-EP-00034-S01	97.042	17,906
Emergency Management Performance Grants - FY 2016	EMC-2016-EP-00003-S01	97.042	9,872
Total Emergency Management Performance Grants			27,778
Total U.S. Department of Homeland Security			27,778

PREBLE COUNTY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF LABOR			
<i>Passed Through Montgomery County Department of Job & Family Services:</i>			
Employment Service Cluster			
Employment Service/Wagner Peyser Funded Activities - SFY'17	G-1617-11-5570	17.207	6,550
Employment Service/Wagner Peyser Funded Activities - SFY'16	G-1617-11-5570	17.207	<u>22,095</u>
Total Employment Service/Wagner Peyser Funded Activities			28,645
<i>Passed Through Area 7 Workforce Investment Board</i>			
Workforce Investment Act Cluster:			
WIOA - Adult Program	G-1617-11-5570	17.258	12,533
WIOA - Adult Program	G-1617-11-5570	17.258	91,499
WIOA - Adult Program Administrative	G-1617-11-5570	17.258	<u>2,243</u>
Total WIOA - Adult Program			106,275
WIOA - Youth Activities Administrative	G-1617-11-5570	17.259	4,531
WIOA - Youth Activities	G-1617-11-5570	17.259	53,148
WIOA - Youth Activities	G-1617-11-5570	17.259	<u>16,096</u>
Total WIOA - Youth Activities			73,775
WIOA - Dislocated Worker Formula Grants Administrative	G-1617-11-5570	17.278	2,116
WIOA - Dislocated Worker Formula Grants PY'15	G-1617-11-5570	17.278	58,396
WIOA - Dislocated Worker Formula Grants FY'15	G-1617-11-5570	17.278	<u>18,070</u>
Total WIOA - Dislocated Worker Formula Grants			78,582
Total Workforce Investment Act Cluster			<u>258,632</u>
Total U.S. Department of Labor			<u>287,277</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Social Services Block Grant - Base FY 2016	G-1617-11-5570	93.667	73,156
Social Services Block Grant - Base FY 2017	G-1617-11-5570	93.667	12,971
Social Services Block Grant - Transfer FY 2016	G-1617-11-5570	93.667	175,229
Social Services Block Grant - Transfer FY 2017	G-1617-11-5570	93.667	27,613
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Social Services Block Grant-FY15	N/A	93.667	13,127
<i>Passed Through Ohio Department of Mental Health & Addiction Services:</i>			
Social Services Block Grant	N/A	93.667	<u>4,364</u>
Total Social Services Block Grant			<u>306,460</u>
Medicaid Cluster:			
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Medical Assistance Program - FY 2016	G-1617-11-5570	93.778	72,834
Medical Assistance Program - FY 2017	G-1617-11-5570	93.778	1,529
Medical Assistance Program - Child Welfare Program FY 2017	G-1617-11-5570	93.778	983
Medical Assistance Program - Enhanced Program FY 2016	G-1617-11-5570	93.778	221,653
Medical Assistance Program - Enhanced Program FY 2017	G-1617-11-5570	93.778	107,816
Medical Assistance Program - NET FY 2016	G-1617-11-5570	93.778	53,280
Medical Assistance Program - NET FY 2017	G-1617-11-5570	93.778	<u>37,035</u>
			495,130

PREBLE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Medical Assistance Program	N/A	93.778	131,150
Total Medical Assistance Program / Medicaid Cluster			626,280
<i>Passed Through Ohio Department of Mental Health & Addiction Services:</i>			
Block Grants for Community Mental Health Services	N/A	93.958	16,900
Total Block Grants for Community Mental Health Services			16,900
<i>Passed Through Ohio Department of Mental Health & Addiction Services:</i>			
Block Grants for the Prevention and Treatment of Substance Abuse - Juvenile TASC	1700077	93.959	170,897
Block Grants for the Prevention and Treatment of Substance Abuse	N/A	93.959	186,046
Total Block Grants for the Prevention and Treatment of Substance Abuse			356,943
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Child Support Enforcement - Training - 2016	G-1617-11-5570	93.563	906
Child Support Enforcement - Incentives - 2016	G-1617-11-5570	93.563	96,149
Child Support Enforcement-2016	G-1617-11-5570	93.563	226,653
Child Support Enforcement-2017	G-1617-11-5570	93.563	75,938
Total Child Support Enforcement			399,646
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Promoting Safe and Stable Families - ESAA Preservation FY 2016	G-1617-11-5570	93.556	7,606
Promoting Safe and Stable Families - ESAA Preservation FY 2017	G-1617-11-5570	93.556	4,300
Promoting Safe and Stable Families - ESAA Reunification FY 2016	G-1617-11-5570	93.556	4,358
Promoting Safe and Stable Families - ESAA Reunification FY 2017	G-1617-11-5570	93.556	3,109
			19,373
<i>Passed Through Ohio Department of Mental Health & Addiction Services:</i>			
Promoting Safe and Stable Families - SFY 2016	5-AU-16-100-22-068	93.556	12,110
Promoting Safe and Stable Families - SFY 2017	5AU-17-C0068	93.556	6,400
			18,510
Total Promoting Safe and Stable Families			37,883
<i>Passed Through Ohio Department of Mental Health & Addiction Services:</i>			
Substance Abuse and Mental Health Services - ENGAGE	N/A	93.243	20,000
Total Substance Abuse and Mental Health Services_Projects of Regional and National Significance			20,000
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Chaffee Foster Care Independent Living FY2016	G-1617-11-5570	93.674	15,436
Chaffee Foster Care Independent Living FY2017	G-1617-11-5570	93.674	254
Total Chaffee Foster Care Independence Program			15,690
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Stephanie Tubbs Jones Child Welfare Services Program-State Grants (IV-B) FY 2016	G-1617-11-5570	93.645	35,590
Stephanie Tubbs Jones Child Welfare Services Program-State Grants (IV-B) FY 2017	G-1617-11-5570	93.645	12,008
Total Stephanie Tubbs Jones Child Welfare Services Program			47,598
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Adoption Assistance Administration FY2016	G-1617-11-5570	93.659	98,513
Adoption Assistance Administration FY2017	G-1617-11-5570	93.659	18,746
Adoption Assistance - IV-E Contracts	G-1617-11-5570	93.659	2,794
Total Adoption Assistance			120,053

PREBLE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<i>Passed Through Ohio Department of Job & Family Services:</i>			
TANF Cluster			
Temporary Assistance for Needy Families-Fraud Awareness FY 2016	G-1617-11-5570	93.558	1,820
Temporary Assistance for Needy Families-Administration FY 2016	G-1617-11-5570	93.558	85,247
Temporary Assistance for Needy Families-Administration FY 2017	G-1617-11-5570	93.558	68,826
Temporary Assistance for Needy Families-Regular FY 2016	G-1617-11-5570	93.558	95,537
Temporary Assistance for Needy Families-Regular FY 2017	G-1617-11-5570	93.558	109,402
Temporary Assistance for Needy Families-Earn/Collection FY 2016	G-1617-11-5570	93.558	523
Temporary Assistance for Needy Families-Summer Youth FY2016	G-1617-11-5570	93.558	<u>96,901</u>
Total Temporary Assistance for Needy Families / TANF Cluster			458,256
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Foster Care Administration FY 2016	G-1617-11-5570	93.658	82,376
Foster Care Administration FY 2017	G-1617-11-5570	93.658	<u>15,355</u>
Total Foster Care_Title IV-E			97,731
<i>Passed Through Ohio Department of Job & Family Services:</i>			
CCDF Cluster			
Child Care and Development Block Grant - Non-Administrative FY 2016	G-1617-11-5570	93.575	16,102
Child Care and Development Block Grant - Non-Administrative FY 2017	G-1617-11-5570	93.575	<u>4,587</u>
Total Child Care and Development Block Grant / CCDF Cluster			20,689
Total U.S. Department of Health and Human Services			<u>2,524,129</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Health:</i>			
Special Education-Grants for Infants and Families - Early Head Start (Help Me Grow) 2017	06810021HG0817	84.181	5,576
Special Education-Grants for Infants and Families - Early Head Start (Help Me Grow) 2016	06810021HG0716	84.181	<u>40,824</u>
Total Special Education-Grants for Infants and Families			46,400
Total U.S. Department of Education			<u>46,400</u>
Total Federal Awards Expenditures			<u><u>\$4,016,309</u></u>

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

PREBLE COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 2 CFR 200.510(b)(6) FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016. 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 position, 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 did not provide funds to subrecipients during the audit period.

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 United States 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.

This page intentionally left blank.



Dave Yost • Auditor of State

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

Preble County
101 East Main Street
Eaton, Ohio 45320

To the County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Preble County, (the County) as of and for the year ended December 31, 2016, 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 27, 2017.

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 initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

September 27, 2017



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, 2016. 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, 2016.

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 27, 2017

PREBLE COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2016

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):	Community Development Block Grants/States Program (CFDA #14.228) Medicaid Cluster
<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

This page intentionally left blank.



Dave Yost • Auditor of State

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 10, 2017