



OHIO AUDITOR OF STATE
KEITH FABER



PREBLE COUNTY
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OHIO AUDITOR OF STATE KEITH FABER



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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, 2018, 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 such 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, 2018, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the County adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit 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 information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information 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 16, 2019, 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 "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

September 16, 2019

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PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED

The discussion and analysis of Preble County's financial performance provides an overall review of the County's financial activities for the year ended December 31, 2018. 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. The County passed an additional 1.9 mil Developmental Disabilities levy during 2017, with collection starting in 2018.
2. The net position of the County's business-type activities increased by \$2,028,672.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

Additionally, these statements are prepared using the economic resources measurement focus and the accrual basis of accounting, similar to financial statements prepared in the private sector. As a result, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the County are accrued, and revenues and expenses are reported in the current year regardless of when the resulting cash flows occur.

The County's financial activities are identified in the government-wide financial statements as governmental activities or business-type activities. Governmental activities constitute the majority of the County's operations and are financed primarily by operating grants, taxes, charges for services, capital grants, and other intergovernmental revenues. The County's governmental activities are accounted for in the governmental funds and are classified in the following major functions:

Legislative and Executive – general government operations including the offices of the commissioners, auditor, treasurer, prosecutor, recorder, budget commission, the data processing department, the rural zoning department, the board of elections, the maintenance department, and the microfilm department.

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

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

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

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

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

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

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

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

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

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

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In the County's Statement of Activities, resources used to fund service activities are identified as either program revenues (resources obtained from outside the County, such as fees, charges for services, grants and restricted interest) or general revenues (all non-program revenues, including taxes). Preble County operations have also been classified into distinct governmental or business-type service activities. These activities are reported in a format that allows the reader to see the extent to which each activity is supported or self-financed by program revenues or draws on the general resources of the County. The Statement of Activities is therefore useful in assessing the level of self-sufficiency of the various governmental or business-type activities versus management established performance benchmarks.

The government-wide financial statements begin on page 19 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, and Developmental Disabilities. The basic governmental fund financial statements begin on page 23 of this report.

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

Enterprise funds are used to account for the County's sewer and landfill operations, which are the business-type activities as reported in the government-wide financial statements. The basic proprietary fund financial statement begins on page 35 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 39 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 41 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 2018 compared to 2017.

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Table 1
Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
Assets						
Current and Other						
Assets	\$31,088,433	\$27,101,275	\$7,081,440	\$7,859,046	\$38,169,873	\$34,960,321
Capital Assets	35,682,263	34,677,915	10,026,927	9,102,378	45,709,190	43,780,293
Total Assets	66,770,696	61,779,190	17,108,367	16,961,424	83,879,063	78,740,614
Deferred Outflows of Resources						
Pension	2,729,668	6,566,631	92,968	228,045	2,822,636	6,794,676
OPEB	599,695	114,164	20,214	3,855	619,909	118,019
Total Deferred Outflows of Resources	3,329,363	6,680,795	113,182	231,900	3,442,545	6,912,695
Liabilities						
Current Liabilities	1,612,165	2,598,401	3,406,237	5,343,548	5,018,402	7,941,949
Long-Term Liabilities						
Net Pension Liability	11,290,532	17,144,065	380,580	577,889	11,671,112	17,721,954
Net OPEB Liability	7,956,016	7,675,965	268,179	258,740	8,224,195	7,934,705
Other Amounts	864,788	728,526	7,903,185	7,905,296	8,767,973	8,633,822
Total Liabilities	21,723,501	28,146,957	11,958,181	14,085,473	33,681,682	42,232,430
Deferred Inflows of Resources						
Property Taxes	5,737,121	4,133,515	0	0	5,737,121	4,133,515
Pension	3,096,180	174,769	104,014	3,440	3,200,194	178,209
OPEB	779,378	0	26,271	0	805,649	0
Total Deferred Inflows of Resources	9,612,679	4,308,284	130,285	3,440	9,742,964	4,311,724
Net Position						
Net Investment in						
Capital Assets	35,512,263	34,457,915	5,116,396	2,325,170	40,628,659	36,783,085
Restricted						
Other Purposes	14,139,221	11,183,854	0	0	14,139,221	11,183,854
Capital Projects	2,100	9,677	0	0	2,100	9,677
Unrestricted (Deficit)	(10,889,705)	(9,646,702)	16,687	779,241	(10,873,018)	(8,867,461)
Total Net Position	\$38,763,879	\$36,004,744	\$5,133,083	\$3,104,411	\$43,896,962	\$39,109,155

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The net pension liability (NPL) is the largest single liability reported by the County at June 30, 2018, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the County adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 requires the net pension liability (asset) and the net OPEB liability to equal the County's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan 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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the County's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability (asset) and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the County is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$46,925,841 to \$39,109,155.

Government-wide Financial Analysis

Total assets increased \$5,138,449. Current and other assets increased \$3,209,552 due to an increase in cash and cash equivalents and property taxes receivable. The increase in cash and cash equivalents is due to revenues exceeding expenses. The increase in property taxes receivable is due to the first full year of collection of the developmental disabilities levy. Total capital assets increased \$1,928,897, due to current year additions exceeded current year deletions and depreciation.

Total liabilities decreased \$8,550,748, mostly due to a decrease in net pension liability of \$6,050,842. This decrease is related to the changes in assumptions for the discount rate made in the prior year. Total governmental activities net position increased \$2,759,135. This increase is mostly related to restricted net position increasing due to revenue exceeding expenses thanks

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to the increase in property tax revenue from the first full year of collections associated with the additional 1.9 mil developmental disabilities levy. Business-type Activities net position increased \$2,028,672. This increase is related to the net investment in capital assets due to the additions exceeding current year depreciation.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2018 and 2017.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for Services	\$4,770,388	\$5,057,774	\$3,851,778	\$3,682,353	\$8,622,166	\$8,740,127
Operating Grants, Contributions, and Interest	10,983,547	11,569,193	31,552	79,106	11,015,099	11,648,299
Capital Grants, Contributions, and Interest	795,508	1,916,270	0	0	795,508	1,916,270
Total Program Revenues	16,549,443	18,543,237	3,883,330	3,761,459	20,432,773	22,304,696
General Revenues:						
Property Taxes	6,497,330	4,936,937	0	0	6,497,330	4,936,937
Permissive Sales Tax	5,683,107	5,731,734	0	0	5,683,107	5,731,734
Grants and Entitlements Not Restricted to Specific Programs	1,363,005	2,647,962	0	0	1,363,005	2,647,962
Unrestricted Investment Earnings	517,148	237,332	11,125	24,594	528,273	261,926
Other	1,712,176	1,011,711	21,865	28,743	1,734,041	1,040,454
Total General Revenues	15,772,766	14,565,676	32,990	53,337	15,805,756	14,619,013
Total Revenues	\$32,322,209	\$33,108,913	\$3,916,320	\$3,814,796	\$36,238,529	\$36,923,709

(continued)

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Table 2
Changes in Net Position
(Continued)

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Program Expenses						
General Government						
Legislative and Executive	\$3,620,216	\$4,755,830	\$0	\$0	\$3,620,216	\$4,755,830
Judicial	2,287,331	2,434,321	0	0	2,287,331	2,434,321
Intergovernmental	68,890	72,432	0	0	68,890	72,432
Public Safety	6,762,384	6,411,475	0	0	6,762,384	6,411,475
Public Works	5,781,546	4,701,766	0	0	5,781,546	4,701,766
Health	1,690,037	2,083,661	0	0	1,690,037	2,083,661
Human Services	8,904,349	9,728,968	0	0	8,904,349	\$9,728,968
Community and Economic Development	438,707	316,293	0	0	438,707	316,293
Interest and Fiscal Charges	9,614	11,819	0	0	9,614	11,819
Sewer	0	0	89,652	133,467	89,652	133,467
Landfill	0	0	1,797,996	3,040,659	1,797,996	3,040,659
Total Expenses	<u>29,563,074</u>	<u>30,516,565</u>	<u>1,887,648</u>	<u>3,174,126</u>	<u>31,450,722</u>	<u>33,690,691</u>
Change in Net Position Before Transfers	2,759,135	2,592,348	2,028,672	640,670	4,787,807	3,233,018
Transfers	0	31,282	0	(31,282)	0	0
Change in Net Position	<u>2,759,135</u>	<u>2,623,630</u>	<u>2,028,672</u>	<u>609,388</u>	<u>4,787,807</u>	<u>3,233,018</u>
Beginning Net Position - Restated See Note 3	<u>36,004,744</u>	<u>N/A</u>	<u>3,104,411</u>	<u>N/A</u>	<u>39,109,155</u>	<u>N/A</u>
Net Position End of Year	<u>\$38,763,879</u>	<u>\$36,004,744</u>	<u>\$5,133,083</u>	<u>\$3,104,411</u>	<u>\$43,896,962</u>	<u>\$39,109,155</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$118,019 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of \$607,943. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

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	Governmental Activities	Business-Type Activities	Total
Total 2018 program expenses under GASB 75	\$29,563,074	\$1,887,648	\$31,450,722
OPEB expense under GASB 75	(588,113)	(19,830)	(607,943)
2018 contractually required contribution	14,215	479	14,694
Adjusted 2018 program expenses	28,989,176	1,868,297	30,857,473
Total 2017 program expenses under GASB 45	30,516,565	3,174,126	33,690,691
Decrease in program expenses not related to OPEB	<u>(\$1,527,389)</u>	<u>(\$1,305,829)</u>	<u>(\$2,833,218)</u>

Governmental Activities

The County's largest revenue source is Property Tax and Sales Tax together. Operating Grants, Contributions and Interest is the second largest revenue stream of the County. 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).

Total program revenues decreased from the prior year by \$1,993,794, the majority of the decrease is related to a reduction in the capital grants, contribution and interest of \$1,120,762. The County received less State assistance for infrastructure improvement projects during 2018. General revenues increased over the prior year by \$1,207,090, due mainly to an increase in Property Taxes due to the first year of collections on the developmental disabilities levy.

Overall expenses decreased \$953,491. The decrease is primarily due to a general decrease in services provided to County residents and Children Services ability to place children with family members instead of foster care.

Business-type Activities

The County's sewer and landfill system operations constitute the only business-type activities. Total revenues increased \$101,524 while expenses decreased \$1,286,478 for the business-type activities. The decrease in expenses is due to the landfill construction project being completed.

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 2018, the County's governmental funds reported combined

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED

ending fund balances of \$21,903,555. Approximately 59 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 \$8,834,446, an increase of \$283,856. Total revenues decreased by \$449,657, while expenditures increased by \$1,132,223. The decrease in revenue is primarily due to a decrease in intergovernmental revenue because of less State funding. Expenditures increase in public safety due to the merger of 911 services and the hiring of additional dispatchers. Despite revenues decreasing during 2018, revenues continued to outpace expenditures.

The Motor Vehicle and Gas Tax Fund decreased by \$130,690, Intergovernmental revenue decreased due to less motor vehicle and gas tax revenue received from the State, leaving a balance of \$1,984,062.

The Human Services Fund decreased by \$47,784 due to a decrease in revenues as less chargeable services were provided, leaving a balance of \$51,982.

The Community Mental Health Fund increased by \$56,014 to \$1,415,644. Intergovernmental revenues increased at a higher rate than the services provided.

The Developmental Disabilities Fund revenues exceeded expenditures, increasing the year-end fund balance by \$2,165,882. The increase is due to property tax increases related to the first year collection on the developmental disabilities levy.

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 \$140,243 in user charges during 2018. Net position increased by \$88,058 during 2018, ending with a fund net position of \$1,330,007.

Net position for the County-owned landfill had an increase of \$1,940,614 leading to a fund net position of \$3,803,076. The increase in net position is due to operating expenses decreasing by \$1,278,292, due to the completion of the construction projects.

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

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED

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 11.52 percent. The County used a conservative approach in estimating revenues for the year and made changes during the year to more closely reflect actual receipts. This conservative approach is noticeable when you compare actual revenues to final budgeted revenues. The actual revenues exceeded budget revenues by 12.62 percent. The largest increase in revenue was in permissive sales tax and interest revenue related to an increase in interest rates on investments.

During 2018, there were numerous revisions to the General Fund's budgeted expenditures. The net effect of the revisions was an immaterial decrease in budgeted expenditures of \$101,674. By monitoring expenditures, the County was able to keep actual expenditures below final budgeted expenditures by \$1,247,739.

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 \$35,682,263 and \$10,026,927, respectively. Activity during the year resulted in an increase of \$1,004,348 in governmental and an increase of \$924,549 in business-type compared to 2017. The increase in governmental assets is due to additions exceeding depreciation. The increase in business-type activities is related to the construction project at the landfill.

Table 3
Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$2,252,014	\$2,252,014	\$452,313	\$452,313	\$2,704,327	\$2,704,327
Construction in Progress	0	0	0	3,986,465	0	3,986,465
Buildings, Structures, and Improvements	7,815,386	6,928,940	2,405,896	1,216,399	10,221,282	8,145,339
Furniture, Fixtures, and Equipment	3,118,829	3,055,349	1,650,194	1,915,091	4,769,023	4,970,440
Infrastructure	22,496,034	22,441,612	5,518,524	1,532,110	28,014,558	23,973,722
Totals	<u>\$35,682,263</u>	<u>\$34,677,915</u>	<u>\$10,026,927</u>	<u>\$9,102,378</u>	<u>\$45,709,190</u>	<u>\$43,780,293</u>

See Note 10 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, 2018
UNAUDITED

Debt

At December 31, 2018, Preble County had \$170,000 in governmental activities debt and \$4,910,531 in business-type activities debt. The decrease in business-type activities debt is related to the notes being issued are less than the previous year due to the construction project at the landfill being completed during fiscal year 2018.

Table 4
Outstanding Debt at Year-end

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Loans Payable	\$0	\$0	\$1,640,531	\$1,781,146
General Obligation Bonds	170,000	220,000	0	0
Short-Term Notes	0	0	3,270,000	3,670,000
Totals	<u>\$170,000</u>	<u>\$220,000</u>	<u>\$4,910,531</u>	<u>\$5,451,146</u>

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

CONTACTING THE COUNTY AUDITOR'S OFFICE

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

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Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$20,239,399	\$3,609,632	\$23,849,031
Cash and Cash Equivalents in Segregated Accounts	178,981	3,126,262	3,305,243
Accrued Interest Receivable	113,202	0	113,202
Accounts Receivable	130,424	408,203	538,627
Permissive Sales Tax Receivable	940,487	0	940,487
Due from Other Governments	2,843,299	0	2,843,299
Internal Balances	72,163	(72,163)	0
Prepaid Items	19,773	1,874	21,647
Materials and Supplies Inventory	96,217	2,580	98,797
Property Taxes Receivable	6,142,385	0	6,142,385
Special Assessments Receivable	162,230	0	162,230
Net Pension Asset (See Note 12)	149,873	5,052	154,925
Nondepreciable Capital Assets	2,252,014	452,313	2,704,327
Depreciable Capital Assets, Net	33,430,249	9,574,614	43,004,863
Total Assets	66,770,696	17,108,367	83,879,063
Deferred Outflows of Resources:			
Pension	2,729,668	92,968	2,822,636
OPEB	599,695	20,214	619,909
Total Deferred Outflows of Resources	3,329,363	113,182	3,442,545
Liabilities:			
Accounts Payable	301,543	53,518	355,061
Accrued Salaries Payable	457,948	15,901	473,849
Accrued Vacation Leave Payable	510,449	17,031	527,480
Due to Other Governments	337,247	19,872	357,119
Accrued Interest Payable	4,978	29,915	34,893
Notes Payable	0	3,270,000	3,270,000
Long-Term Liabilities:			
Due Within One Year	95,608	145,603	241,211
Net Pension Liability (See Note 12)	11,290,532	380,580	11,671,112
Net OPEB Liability (See Note 13)	7,956,016	268,179	8,224,195
Other Amounts	769,180	7,757,582	8,526,762
Total Liabilities	21,723,501	11,958,181	33,681,682
Deferred Inflows of Resources:			
Property Taxes	5,737,121	0	5,737,121
Pension	3,096,180	104,014	3,200,194
OPEB	779,378	26,271	805,649
Total Deferred Inflows of Resources	9,612,679	130,285	9,742,964
Net Position:			
Net Investment in Capital Assets	35,512,263	5,116,396	40,628,659
Restricted for:			
Human Services	670,021	0	670,021
Mental Health Services	6,350,519	0	6,350,519
Public Works	354,539	0	354,539
Road Maintenance and Repair	2,615,014	0	2,615,014
Community and Economic Development	652,403	0	652,403
Capital Improvements	2,100	0	2,100
Public Safety	1,662,331	0	1,662,331
Real Estate Assessments	1,794,867	0	1,794,867
Other Health Services	39,527	0	39,527
Unrestricted (Deficit)	(10,889,705)	16,687	(10,873,018)
Total Net Position	\$38,763,879	\$5,133,083	\$43,896,962

See Accompanying Notes to the Basic Financial Statements

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PREBLE COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
Governmental Activities:				
General Government:				
Legislative and Executive	\$3,620,216	\$1,259,363	\$28,682	\$392,000
Judicial	2,287,331	809,571	158,566	0
Intergovernmental	68,890	0	0	0
Public Safety	6,762,384	1,384,709	447,502	0
Public Works	5,781,546	651,473	3,450,706	81,200
Health	1,690,037	351,261	1,160,495	0
Human Services	8,904,349	314,011	5,625,596	0
Community and Economic Development	438,707	0	112,000	322,308
Interest and Fiscal Charges	9,614	0	0	0
	<u>29,563,074</u>	<u>4,770,388</u>	<u>10,983,547</u>	<u>795,508</u>
Business-Type Activities:				
Sewer	89,652	140,243	16,567	0
Landfill	1,797,996	3,711,535	14,985	0
	<u>1,887,648</u>	<u>3,851,778</u>	<u>31,552</u>	<u>0</u>
Total Business-Type Activities				
Total Primary Government	<u>\$31,450,722</u>	<u>\$8,622,166</u>	<u>\$11,015,099</u>	<u>\$795,508</u>

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 - Restated (See Note 3)

Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expenses) Revenues and Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
(\$1,940,171)	\$0	(\$1,940,171)
(1,319,194)	0	(1,319,194)
(68,890)	0	(68,890)
(4,930,173)	0	(4,930,173)
(1,598,167)	0	(1,598,167)
(178,281)	0	(178,281)
(2,964,742)	0	(2,964,742)
(4,399)	0	(4,399)
(9,614)	0	(9,614)
<u>(13,013,631)</u>	<u>0</u>	<u>(13,013,631)</u>
0	67,158	67,158
<u>0</u>	<u>1,928,524</u>	<u>1,928,524</u>
0	1,995,682	1,995,682
<u>(13,013,631)</u>	<u>1,995,682</u>	<u>(11,017,949)</u>
2,150,983	0	2,150,983
232,865	0	232,865
3,354,613	0	3,354,613
79,078	0	79,078
658,764	0	658,764
21,027	0	21,027
5,683,107	0	5,683,107
1,363,005	0	1,363,005
517,148	11,125	528,273
1,712,176	21,865	1,734,041
<u>15,772,766</u>	<u>32,990</u>	<u>15,805,756</u>
2,759,135	2,028,672	4,787,807
<u>36,004,744</u>	<u>3,104,411</u>	<u>39,109,155</u>
<u>\$38,763,879</u>	<u>\$5,133,083</u>	<u>\$43,896,962</u>

PREBLE COUNTY, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General Fund	Motor Vehicle and Gas Tax Fund	Human Services Fund
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$7,207,791	\$1,453,339	\$117,527
Cash and Cash Equivalents in Segregated Accounts	7,687	0	0
Receivables:			
Permissive Sales Tax	940,487	0	0
Property Taxes	2,020,699	0	0
Accounts	79,008	8,007	110
Special Assessments	0	0	0
Accrued Interest	113,202	0	0
Interfund	555,464	0	0
Due From Other Governments	518,559	1,497,245	158,580
Materials and Supplies Inventory	10,178	86,039	0
Prepaid Items	1,765	1,496	16,512
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	279,246	0	0
Total Assets	\$11,734,086	\$3,046,126	\$292,729
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$83,968	\$3,128	\$74,667
Accrued Salaries Payable	229,954	65,122	72,880
Due to Other Governments	163,076	26,433	92,878
Interfund Payable	0	0	0
Total Liabilities	476,998	94,683	240,425
Deferred Inflows of Resources:			
Property Taxes	1,875,851	0	0
Unavailable Revenue	546,791	967,381	322
Total Deferred Inflows of Resources	2,422,642	967,381	322
Fund Balances:			
Nonspendable	291,189	87,535	16,512
Restricted	0	1,896,527	35,470
Assigned	3,414,268	0	0
Unassigned	5,128,989	0	0
Total Fund Balances	8,834,446	1,984,062	51,982
Total Deferred Inflows of Resources, Liabilities and Fund Balances:	\$11,734,086	\$3,046,126	\$292,729

See Accompanying Notes to the Basic Financial Statements

<u>Community Mental Health Fund</u>	<u>Developmental Disabilities Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$1,426,413	\$4,610,966	\$5,144,117	\$19,960,153
0	0	171,294	178,981
0	0	0	940,487
222,130	3,220,705	678,851	6,142,385
530	0	42,769	130,424
0	0	162,230	162,230
0	0	0	113,202
0	0	0	555,464
60,779	182,111	426,025	2,843,299
0	0	0	96,217
0	0	0	19,773
0	0	0	279,246
<u>\$1,709,852</u>	<u>\$8,013,782</u>	<u>\$6,625,286</u>	<u>\$31,421,861</u>
\$3,333	\$27,734	\$108,713	\$301,543
14,122	31,942	43,928	457,948
14,941	21,742	18,177	337,247
0	0	483,301	483,301
<u>32,396</u>	<u>81,418</u>	<u>654,119</u>	<u>1,580,039</u>
205,722	3,017,914	637,634	5,737,121
56,090	357,726	272,836	2,201,146
<u>261,812</u>	<u>3,375,640</u>	<u>910,470</u>	<u>7,938,267</u>
0	0	0	395,236
1,415,644	4,556,724	5,017,531	12,921,896
0	0	43,166	3,457,434
0	0	0	5,128,989
<u>1,415,644</u>	<u>4,556,724</u>	<u>5,060,697</u>	<u>21,903,555</u>
<u>\$1,709,852</u>	<u>\$8,013,782</u>	<u>\$6,625,286</u>	<u>\$31,421,861</u>

PREBLE COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018

Total Governmental Fund Balance \$21,903,555

*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	13,030,300
Furniture, Fixtures, and Equipment	12,222,348
Infrastructure	35,178,551
Accumulated Depreciation	<u>(27,000,950)</u>

Total Capital Assets 35,682,263

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	405,264
Accounts	24,279
Intergovernmental	1,545,707
Special Assessments	162,230
Interest	<u>63,666</u>

Total 2,201,146

In the Statement of Activities interest is accrued on outstanding bonds whereas in governmental funds, an interest expenditure is reported when due. (4,978)

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

Net Pension Asset	149,873
Deferred Outflows - Pension	2,729,668
Deferred Outflows - OPEB	599,695
Deferred Inflows - Pension	(3,096,180)
Deferred Inflows - OPEB	(779,378)
Net Pension Liability	(11,290,532)
Net OPEB Liability	<u>(7,956,016)</u>

Total (19,642,870)

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	(170,000)
Vacation Leave Payable	(510,449)
Compensated Absences	<u>(694,788)</u>

Total (1,375,237)

Net Position of Governmental Activities \$38,763,879

See Accompanying Notes to the Basic Financial Statement:

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PREBLE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Motor Vehicle and Gas Tax Fund	Human Services Fund	Community Mental Health Fund
Revenues:				
Property Taxes	\$2,166,656	\$0	\$0	\$234,926
Permissive Sales Tax	5,683,107	0	0	0
Charges for Services	2,159,103	464,297	28,195	302,461
Licenses and Permits	2,290	0	0	0
Fines and Forfeitures	33,115	24,430	0	0
Intergovernmental	1,378,809	3,676,193	2,017,606	1,590,598
Special Assessments	0	0	0	0
Interest	469,785	36,801	0	0
Gifts and Donations	0	0	0	0
Other	899,166	7,905	254,386	1,633
Total Receipts	<u>12,792,031</u>	<u>4,209,626</u>	<u>2,300,187</u>	<u>2,129,618</u>
Expenditures:				
Current:				
General Government:				
Legislative and Executive	3,749,675	0	0	0
Judicial	1,812,813	0	0	0
Intergovernmental	68,890	0	0	0
Public Safety	5,401,078	0	0	0
Public Works	0	4,404,135	0	0
Health	93,104	0	0	1,508,768
Human Services	414,899	0	3,063,839	566,312
Community and Economic Development	88,000	0	0	0
Capital Outlay	330,222	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Disbursements	<u>11,958,681</u>	<u>4,404,135</u>	<u>3,063,839</u>	<u>2,075,080</u>
Excess of Revenues Over (Under) Expenditures	<u>833,350</u>	<u>(194,509)</u>	<u>(763,652)</u>	<u>54,538</u>
Other Financing Sources (Uses):				
Transfers - In	853	64,107	775,771	1,481
Transfers - Out	(550,347)	(288)	(59,903)	(5)
Total Other Financing Sources (Uses)	<u>(549,494)</u>	<u>63,819</u>	<u>715,868</u>	<u>1,476</u>
Net Change in Fund Balances	283,856	(130,690)	(47,784)	56,014
Fund Balances at Beginning of Year	<u>8,550,590</u>	<u>2,114,752</u>	<u>99,766</u>	<u>1,359,630</u>
Fund Balances at End of Year	<u><u>\$8,834,446</u></u>	<u><u>\$1,984,062</u></u>	<u><u>\$51,982</u></u>	<u><u>\$1,415,644</u></u>

See Accompanying Notes to the Basic Financial Statements

Developmental Disabilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$3,273,293	\$763,762	\$6,438,637
0	0	5,683,107
0	1,454,647	4,408,703
0	102,721	105,011
0	79,054	136,599
1,115,172	3,609,027	13,387,405
0	131,142	131,142
0	8	506,594
0	3,532	3,532
43,928	509,595	1,716,613
<u>4,432,393</u>	<u>6,653,488</u>	<u>32,517,343</u>
0	527,436	4,277,111
0	272,522	2,085,335
0	0	68,890
0	1,030,696	6,431,774
0	113,386	4,517,521
0	81,362	1,683,234
2,266,411	2,172,970	8,484,431
0	350,707	438,707
0	695,390	1,025,612
0	50,000	50,000
0	9,790	9,790
<u>2,266,411</u>	<u>5,304,259</u>	<u>29,072,405</u>
<u>2,165,982</u>	<u>1,349,229</u>	<u>3,444,938</u>
0	469,015	1,311,227
(100)	(700,584)	(1,311,227)
<u>(100)</u>	<u>(231,569)</u>	<u>0</u>
2,165,882	1,117,660	3,444,938
<u>2,390,842</u>	<u>3,943,037</u>	<u>18,458,617</u>
<u>\$4,556,724</u>	<u>\$5,060,697</u>	<u>\$21,903,555</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, 2018

Net Change in Fund Balances - Total Governmental Funds		\$3,444,938
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Outlay	2,594,513	
Depreciation	<u>(1,544,217)</u>	
Excess of Capital Outlay over Depreciation Expense		1,050,296
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal.		
Loss on Disposal of Capital Assets		(45,948)
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		50,000
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		176
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	58,693	
Charges for Services	(44,726)	
Intergovernmental	(285,678)	
Special Assessments	33,659	
Interest	47,355	
Other	<u>(4,437)</u>	
Total		(195,134)
Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.		
Pension	1,397,167	
OPEB	<u>14,215</u>	
Total		1,411,382
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability (asset) are reported as pension expense in the Statement of Activities.		
Pension	(2,152,135)	
OPEB	<u>(588,113)</u>	
Total		(2,740,248)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. activities consist of:		
Increase in Compensated Absences	(186,262)	
Increase in Accrued Vacation Leave	<u>(30,065)</u>	
Total		<u>(216,327)</u>
<i>Change in Net Position of Governmental Activities</i>		<u><u>\$2,759,135</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, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$2,200,000	\$2,302,768	\$2,190,711	(\$112,057)
Permissive Sales Tax	4,612,770	5,228,811	5,619,346	390,535
Charges for Services	1,391,822	1,577,703	1,813,679	235,976
Licenses and Permits	2,163	2,452	2,290	(162)
Fines and Forfeitures	26,892	30,484	35,831	5,347
Intergovernmental	1,733,398	1,964,895	2,054,319	89,424
Interest	267,861	303,634	509,433	205,799
Other	172,706	195,725	845,603	649,878
Total Revenues	10,407,612	11,606,472	13,071,212	1,464,740
Expenditures:				
Current:				
General Government:				
Legislative and Executive	4,351,318	4,318,515	3,760,701	557,814
Judicial	2,077,560	2,061,460	1,666,137	395,323
Public Safety	5,726,879	5,682,499	5,459,598	222,901
Health	94,487	93,755	93,104	651
Human Services	470,598	466,951	422,486	44,465
Community and Economic Development	110,859	110,000	88,000	22,000
Capital Outlay	333,149	330,567	330,222	345
Intergovernmental	73,701	73,130	68,890	4,240
Total Expenditures	13,238,551	13,136,877	11,889,138	1,247,739
Excess of Revenues Over (Under) Expenditures	(2,830,939)	(1,530,405)	1,182,074	2,712,479
Other Financing Sources (Uses):				
Advances - In	331,843	359,700	0	(359,700)
Advances - Out	0	0	(239,281)	(239,281)
Transfers - In	0	0	853	853
Transfers - Out	(593,584)	(587,499)	(550,347)	37,152
Total Other Financing Sources (Uses)	(261,741)	(227,799)	(788,775)	(560,976)
Net Change in Fund Balance	(3,092,680)	(1,758,204)	393,299	2,151,503
Fund Balance at Beginning of Year	5,969,377	5,969,377	5,969,377	0
Prior Year Encumbrances Appropriated	557,767	557,767	557,767	0
Fund Balance at End of Year	\$3,434,464	\$4,768,940	\$6,920,443	\$2,151,503

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, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$250,000	\$266,028	\$475,821	\$209,793
Fines and Forfeitures	20,000	21,282	24,430	3,148
Intergovernmental	3,915,876	4,166,934	3,951,153	(215,781)
Interest	0	0	35,549	35,549
Other	0	0	14,216	14,216
Total Revenues	<u>4,185,876</u>	<u>4,454,244</u>	<u>4,501,169</u>	<u>46,925</u>
Expenditures:				
Current:				
Public Works	<u>5,367,803</u>	<u>5,353,646</u>	<u>4,416,144</u>	<u>937,502</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,181,927)</u>	<u>(899,402)</u>	<u>85,025</u>	<u>984,427</u>
Other Financing Sources (Uses):				
Transfers - In	50,000	50,000	64,107	14,107
Transfers - Out	0	0	(288)	(288)
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>50,000</u>	<u>63,819</u>	<u>13,819</u>
Net Change in Fund Balance	(1,131,927)	(849,402)	148,844	998,246
Fund Balance at Beginning of Year	1,209,397	1,209,397	1,209,397	0
Prior Year Encumbrances Appropriated	<u>57,302</u>	<u>57,302</u>	<u>57,302</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$134,772</u></u>	<u><u>\$417,297</u></u>	<u><u>\$1,415,543</u></u>	<u><u>\$998,246</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)
HUMAN SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$47,000	\$32,848	\$28,445	(\$4,403)
Intergovernmental	2,954,979	1,969,890	1,959,761	(10,129)
Other	311,000	184,432	254,403	69,971
Total Revenues	3,312,979	2,187,170	2,242,609	55,439
Expenditures:				
Current:				
Human Services	3,774,561	3,074,172	3,009,366	64,806
Excess of Revenues Under Expenditures	(461,582)	(887,002)	(766,757)	120,245
Other Financing Sources (Uses):				
Transfers - In	826,262	826,262	775,771	(50,491)
Transfers - Out	(83,828)	(64,510)	(59,903)	4,607
Total Other Financing Sources (Uses)	742,434	761,752	715,868	(45,884)
Net Change in Fund Balance	280,852	(125,250)	(50,889)	74,361
Fund Balance at Beginning of Year	52,293	52,293	52,293	0
Prior Year Encumbrances Appropriated	116,123	116,123	116,123	0
Fund Balance at End of Year	\$449,268	\$43,166	\$117,527	\$74,361

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, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$232,300	\$229,948	\$240,510	\$10,562
Charges for Services	261,781	252,431	310,336	57,905
Intergovernmental	1,703,355	1,642,513	1,642,582	69
Other	0	0	1,633	1,633
Total Revenues	<u>2,197,436</u>	<u>2,124,892</u>	<u>2,195,061</u>	<u>70,169</u>
Expenditures:				
Current:				
Health	472,003	1,738,938	1,507,656	231,282
Human Services	167,496	617,084	559,849	57,235
Total Expenditures	<u>639,499</u>	<u>2,356,022</u>	<u>2,067,505</u>	<u>288,517</u>
Excess of Revenues Over (Under) Expenditures	<u>1,557,937</u>	<u>(231,130)</u>	<u>127,556</u>	<u>358,686</u>
Other Financing Sources (Uses):				
Transfers - In	891	900	1,481	581
Transfers - Out	0	0	(5)	(5)
Total Other Financing Sources (Uses)	<u>891</u>	<u>900</u>	<u>1,476</u>	<u>576</u>
Net Change in Fund Balance	1,558,828	(230,230)	129,032	359,262
Fund Balance at Beginning of Year	1,217,004	1,217,004	1,217,004	0
Prior Year Encumbrances Appropriated	<u>70,120</u>	<u>70,120</u>	<u>70,120</u>	<u>0</u>
Fund Balance at End of Year	<u>\$2,845,952</u>	<u>\$1,056,894</u>	<u>\$1,416,156</u>	<u>\$359,262</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, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$1,599,028	\$2,789,438	\$3,288,156	\$498,718
Intergovernmental	936,183	1,627,621	1,117,653	(509,968)
Other	1,694	2,944	48,618	45,674
Total Revenues	2,536,905	4,420,003	4,454,427	34,424
Expenditures:				
Current:				
Human Services	4,054,201	3,356,996	2,293,370	1,063,626
Total Expenditures	4,054,201	3,356,996	2,293,370	1,063,626
Excess of Revenues Over (Under) Expenditures	(1,517,296)	1,063,007	2,161,057	1,098,050
Other Financing Uses:				
Transfers - Out	0	0	(100)	(100)
Net Change in Fund Balance	(1,517,296)	1,063,007	2,160,957	1,097,950
Fund Balance at Beginning of Year	1,582,400	1,582,400	1,582,400	0
Prior Year Encumbrances Appropriated	697,205	697,205	697,205	0
Fund Balance at End of Year	<u>\$762,309</u>	<u>\$3,342,612</u>	<u>\$4,440,562</u>	<u>\$1,097,950</u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF FUND NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2018

	<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
Assets:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$394,525	\$3,215,107	\$3,609,632
Materials and Supplies	0	2,580	2,580
Accounts Receivable	85,752	322,451	408,203
Prepaid Items	0	1,874	1,874
Total Current Assets	<u>480,277</u>	<u>3,542,012</u>	<u>4,022,289</u>
Non-current Assets:			
Restricted Assets:			
Cash and Cash Equivalents with Trustee	0	3,126,262	3,126,262
Net Pension Asset	0	5,052	5,052
Nondepreciable Capital Assets	0	452,313	452,313
Depreciable Capital Assets, Net	1,554,673	8,019,941	9,574,614
Total Non-current Assets	<u>1,554,673</u>	<u>11,603,568</u>	<u>13,158,241</u>
Total Assets	<u>2,034,950</u>	<u>15,145,580</u>	<u>17,180,530</u>
Deferred Outflows of Resources:			
Pension	0	92,968	92,968
OPEB	0	20,214	20,214
Total Deferred Outflows of Resources	<u>0</u>	<u>113,182</u>	<u>113,182</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	2,923	50,595	53,518
Compensated Absences Payable	0	4,041	4,041
Accrued Salaries Payable	0	15,901	15,901
Accrued Vacation Leave Payable	0	17,031	17,031
Due to Other Governments	1,826	18,046	19,872
Interfund Payable	72,163	0	72,163
Accrued Interest Payable	0	29,915	29,915
Notes Payable	0	3,270,000	3,270,000
OWDA Loans Payable	40,498	0	40,498
OPWC Loans Payable	26,064	75,000	101,064
Total Current Liabilities	<u>143,474</u>	<u>3,480,529</u>	<u>3,624,003</u>
Long-Term Liabilities:			
OWDA Loans Payable	242,983	0	242,983
OPWC Loans Payable	318,486	937,500	1,255,986
Compensated Absences Payable	0	9,299	9,299
Landfill Closure and Postclosure Costs	0	6,249,314	6,249,314
Net Pension Liability	0	380,580	380,580
Net OPEB Liability	0	268,179	268,179
Total Long-Term Liabilities	<u>561,469</u>	<u>7,844,872</u>	<u>8,406,341</u>
Total Liabilities	<u>704,943</u>	<u>11,325,401</u>	<u>12,030,344</u>
Deferred Inflows of Resources:			
Pension	0	104,014	104,014
OPEB	0	26,271	26,271
Total Deferred Inflows of Resources	<u>0</u>	<u>130,285</u>	<u>130,285</u>
Net Position:			
Net Investment in Capital Assets	926,642	4,189,754	5,116,396
Unrestricted (Deficit)	403,365	(386,678)	16,687
Total Net Position	<u>\$1,330,007</u>	<u>\$3,803,076</u>	<u>\$5,133,083</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, 2018

	<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for Services	\$140,243	\$3,711,535	\$3,851,778
Other	20	21,845	21,865
	<u>140,263</u>	<u>3,733,380</u>	<u>3,873,643</u>
Operating Expenses:			
Personal Services	20,895	621,113	642,008
Materials and Supplies	5,922	116,680	122,602
Contractual Services	36,015	500,038	536,053
Depreciation	22,342	266,302	288,644
Closure and Postclosure Costs	0	129,752	129,752
Other	4,478	75,544	80,022
	<u>89,652</u>	<u>1,709,429</u>	<u>1,799,081</u>
Total Operating Expenses	<u>89,652</u>	<u>1,709,429</u>	<u>1,799,081</u>
Operating Income	<u>50,611</u>	<u>2,023,951</u>	<u>2,074,562</u>
Non-Operating Revenues (Expenses):			
Interest	0	11,125	11,125
Grants	16,567	14,985	31,552
Interest and Fiscal Charges	0	(88,567)	(88,567)
	<u>16,567</u>	<u>(62,457)</u>	<u>(45,890)</u>
Total Non-Operating Revenues (Expenses)	<u>16,567</u>	<u>(62,457)</u>	<u>(45,890)</u>
Income Before Transfers	<u>67,178</u>	<u>1,961,494</u>	<u>2,028,672</u>
Transfers - In	20,880	0	20,880
Transfers - Out	0	(20,880)	(20,880)
	<u>88,058</u>	<u>1,940,614</u>	<u>2,028,672</u>
Change in Net Position	<u>88,058</u>	<u>1,940,614</u>	<u>2,028,672</u>
Net Position at Beginning of Year - Restated (See Note 3)	<u>1,241,949</u>	<u>1,862,462</u>	<u>3,104,411</u>
Net Position at End of Year	<u>\$1,330,007</u>	<u>\$3,803,076</u>	<u>\$5,133,083</u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received From Customers	\$141,724	\$3,695,162	\$3,836,886
Cash Received From Other Operating Revenues	20	21,845	21,865
Cash Payments for Employee Services and Benefits	(20,895)	(564,386)	(585,281)
Cash Payments to Suppliers	(38,658)	(2,186,316)	(2,224,974)
Cash Payments for Other Operating Expenses	<u>(4,478)</u>	<u>(75,544)</u>	<u>(80,022)</u>
Net Cash Provided by Operating Activities	<u>77,713</u>	<u>890,761</u>	<u>968,474</u>
Cash Flows from Noncapital Financing Activities:			
Advances - In	<u>39,281</u>	<u>0</u>	<u>39,281</u>
Cash Flows from Capital and Related Financing Activities:			
Grants	16,567	14,985	31,552
Acquisition of Capital Assets	0	(1,213,193)	(1,213,193)
Bond Anticipation Notes Proceeds	0	3,270,000	3,270,000
Loan Principal Payments	(65,615)	(75,000)	(140,615)
Bond Anticipation Note Payments	0	(3,670,000)	(3,670,000)
Bond Anticipation Note Interest Payments	<u>0</u>	<u>(58,652)</u>	<u>(58,652)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(49,048)</u>	<u>(1,731,860)</u>	<u>(1,780,908)</u>
Cash Flows from Investing Activities:			
Interest	<u>0</u>	<u>11,125</u>	<u>11,125</u>
Net Increase (Decrease) in Cash and Cash Equivalents	67,946	(829,974)	(762,028)
Cash and Cash Equivalents at Beginning of Year	<u>326,579</u>	<u>7,171,343</u>	<u>7,497,922</u>
Cash and Cash Equivalents at End of Year	<u>\$394,525</u>	<u>\$6,341,369</u>	<u>\$6,735,894</u>

(continued)

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

	Enterprise Funds		
	Sewer Fund	Landfill Fund	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$50,611	\$2,023,951	\$2,074,562
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	22,342	266,302	288,644
Landfill Closure and Postclosure Costs	0	129,752	129,752
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	1,481	(16,373)	(14,892)
Increase in Materials and Supplies Inventory	0	(1,885)	(1,885)
Increase in Prepaid Items	0	(1,874)	(1,874)
Increase (Decrease) in Accounts Payable	2,923	(240,879)	(237,956)
Decrease in Accrued Salaries Payable	0	(2,129)	(2,129)
Increase (Decrease) in Due to Other Governments	356	(2,115)	(1,759)
Increase in Contracts Payable	0	(1,177,742)	(1,177,742)
Increase in Retainage Payable	0	(148,320)	(148,320)
Increase in Compensated Absences Payable	0	8,752	8,752
Decrease in Accrued Vacation Leave Payable	0	680	680
Decrease in Deferred Outflows - Pension	0	77,253	77,253
Decrease in Deferred Outflows - OPEB	0	12,811	12,811
Decrease in Deferred Inflows - Pension	0	(49,363)	(49,363)
Increase in Deferred Inflows - OPEB	0	(8,003)	(8,003)
Increase in Net Pension Liability	0	5,400	5,400
Decrease in Net OPEB Liability	0	14,543	14,543
Net Cash Provided by Operating Activities	\$77,713	\$890,761	\$968,474

Noncash Capital Financing Activities

During 2018, there was an asset donated from the Landfill Fund to the Sewer Fund in the amount of \$26,100 with \$5,220 of accumulated depreciation.

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2018

	Private Purpose Trust Fund	
	Scholarship and Trust Fund	Agency Fund
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$39,028	\$1,656,387
Cash and Cash Equivalents in Segregated Accounts	0	761,271
Receivables:		
Property Taxes	0	34,451,286
Accounts	0	124,311
Special Assessments	0	342,207
Due from Other Governments	0	1,954,502
 Total Assets	 39,028	 39,289,964
Liabilities:		
Accounts Payable	0	6,020
Accrued Salaries Payable	0	121,124
Due to Other Governments	0	2,277,131
Undistributed Monies	0	1,558,103
Deposits Held and Due to Others	0	35,327,586
 Total Liabilities	 0	 \$39,289,964
Net Position:		
Held in Trust for Scholarships	\$39,028	

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, 2018

	Scholarship and Trust Fund
Additions:	
Interest	\$421
Deductions:	
	0
Change in Net Position	421
Net Position at Beginning of Year	38,607
Net Position at End of Year	\$39,028

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 19, 20, 21, 22, and 23 of the basic financial statements. These organizations are:

Related Organizations:

Preble County Library Board
Preble Metropolitan Housing Authority

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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
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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.

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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.

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

Proprietary Funds

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

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

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

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

Fiduciary Funds

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

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of

PREBLE COUNTY, OHIO
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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.

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

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accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 6) Revenue from permissive sales tax is recognized in the period in which the sales occur. (See Note 8) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: permissive sales tax, charges for services, 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 are reported on the government-wide statement of net position for pension and OPEB. Deferred outflows are also presented on the enterprise Statement of Net Position. The deferred outflows of resources related to pension and OPEB plans are explained in Note 12 and 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent a deferred charge on refunding, an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the County, unavailable revenue includes delinquent property taxes, accounts, 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 25. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 12 and 13).

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Cash and Cash Equivalents

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

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

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

During 2018, the County invested in STAR Ohio, Money Markets, Commercial Paper, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal Farm Credit Bureau Notes, Federal National Mortgage Association Notes, and Negotiable Certificates of Deposits. Investments are reported at fair 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 County 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. Investments are reported at market value which is based on quoted market prices.

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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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 2018 amounted to \$469,785 which includes \$366,579 assigned from other County funds.

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

Interfund Balances

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

Materials and Supplies Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2018, 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.

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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 not.

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

Description	Estimated Lives
Buildings, Structures and Improvements	10-50 years
Furniture, Fixtures, and Equipment	5-20 years
Infrastructure, Sewer Lines, Manholes, Landfill Lines, and Landfill Improvements	10-50 years

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

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.

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Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Pensions/Other Postemployment Benefits (OPEB)

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

Fund Balance

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

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

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

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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 2019 appropriations that exceed estimated resources. State statute authorizes the county auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The County has not adopted a formal fund balance policy.

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

PREBLE COUNTY, OHIO
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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
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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.

Operating Revenues and Expenses

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

Estimates

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

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

For fiscal year 2018, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For 2018, the County also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the County's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and

PREBLE COUNTY, OHIO
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other postemployment benefits (OPEB)). These changes were incorporated in the County's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the County's 2018 financial statements; however, there was no effect on beginning net position.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2017:

	Governmental Activities	Business - Type Activities
Net Position December 31, 2017	\$43,566,545	\$3,359,296
Adjustments:		
Net OPEB Liability	(7,675,965)	(258,740)
Deferred Outflow - Payments Subsequent to Measurement Date	114,164	3,855
Restated Net Position December 31, 2017	\$36,004,744	\$3,104,411

	Sewer	Landfill	Total Enterprise
Net Position December 31, 2017	\$1,241,949	\$2,117,347	\$3,359,296
Adjustments:			
Net OPEB Liability	0	(258,740)	(258,740)
Deferred Outflow - Payments Subsequent to Measurement Date	0	3,855	3,855
Restated Net Position December 31, 2017	\$1,241,949	\$1,862,462	\$3,104,411

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

Note 4 – 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:

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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. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.
5. Investments are reported at fair value (GAAP basis) rather than at cost (budget basis).
6. 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	\$283,856	(\$130,690)	(\$47,784)	\$56,014	\$2,165,882
Revenue Accruals	210,663	304,801	(57,578)	59,859	(135,933)
Expenditure Accruals	(90,209)	(12,009)	54,473	7,575	(26,959)
Advances	(239,281)	0	0	0	0
Unrecorded Cash - 2018	(24,867)	(3,030)	0	0	0
Unrecorded Cash - 2017	13,204	1,778	0	0	0
WestCON Activity	0	0	0	0	143,104
Agency Fund Cash Allocation - 2018	(46,626)	(34,766)	0	(10,257)	(27,300)
Agency Fund Cash Allocation - 2017	69,676	22,760	0	15,841	42,163
Segregated Accounts From Cash Off Books - 2018	(7,687)	0	0	0	0
Segregated Accounts From Cash Off Books - 2017	3	0	0	0	0
Decrease in Fair Value of Cash Equivalents - 2018	147,017	0	0	0	0
Decrease in Fair Value of Cash Equivalents - 2017	(82,202)	0	0	0	0
Excess of revenues over expenditures for Title Administration Fund	159,752	0	0	0	0
Budget Basis	<u>\$393,299</u>	<u>\$148,844</u>	<u>(\$50,889)</u>	<u>\$129,032</u>	<u>\$2,160,957</u>

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Note 5 - Deposits and Investments

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

Monies held by the County which are not considered active are classified as inactive. Inactive monies may be deposited or invested with certain limitations in the following securities provided the County has filed a written investment policy 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 and 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 security 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 the securities listed above provided 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of this state or the political subdivisions of this state, provided the bonds or other obligations of political subdivisions mature within ten years from the date of settlement;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts, in eligible institutions pursuant to ORC sections 135.32;
6. 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 or consisting exclusively of obligations described in (1) or (2) above; commercial paper as described in ORC section 135.143 (6); and repurchase agreements secured by such obligations, provided these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities or cash, equal value for equal value, within certain limitations;
9. Up to forty percent of the County's average portfolio, if training requirements have been met in either of the following:
 - a. Commercial paper notes in entities incorporated under the laws of Ohio, or any other State, that have assets exceeding five hundred million dollars, which are rated in the highest classification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation, which mature within 270 days after purchase, and the investment in commercial paper notes of a single issuer shall not exceed the aggregate five percent of interim monies available for investment at the time of purchase.
 - b. Bankers acceptances of banks that are insured by the federal deposit insurance corporation and that mature not later than 180 days after purchase.
10. Up to fifteen percent of the County's average portfolio in notes issued by U.S. corporations or by depository institutions doing business under authority granted by the U.S. or any state provided the notes are rated in the three highest categories by at least two nationally recognized standard rating services at the time of purchase and the notes mature not later than three years after purchase;
11. A current unpaid or delinquent tax line of credit, provided certain conditions are met related to a County land reutilization corporation organized under ORC Chapter 1724; and,
12. Up to two 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, subject to certain limitations. All interest and principal shall be denominated and payable in United States funds.

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. Except as noted above, an investment must mature within five years from the date of settlement, unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Investments may only be made through specified dealers and institutions. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2018, \$251,050 of the County’s bank balance of \$3,554,216 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution’s agent, but not in the County’s name.

The County has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the County and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of December 31, 2018, the County had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Moody's Ratings	Percent of Total Investments
Net Asset Value Per Share:				
STAROhio	\$6,820,584	Less than one year	AAAm	N/A
Fair Value - Level One Inputs:				
Money Markets	286,214	Less than one year	Aaa-mf	N/A
Fair Value - Level Two Inputs:				
Commercial Paper	4,144,127	Less than one year	A-1 - A-1+	17.42%
Federal Home Loan Bank Notes	1,082,273	Less than five years	Aaa	N/A
Federal Home Loan Mortgage Corporation Notes	4,362,518	Less than four years	Aaa	18.34%
Federal Farm Credit Bureau Notes	2,404,189	Less than five years	Aaa	10.10%
Federal National Mortgage Association Notes	978,501	Less than two years	Aaa	N/A
Negotiable Certificates of Deposit	3,714,011	Less than five years	N/A-Aaa	15.61%
Total Fair Value - Level Two Inputs	<u>16,685,619</u>			
Total Investments	<u>\$23,792,417</u>			

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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, 2018. 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.

Note 6 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2018 for real and public utility property taxes represents collections of 2017 taxes. 2018 real property taxes were levied after October 1, 2018, on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

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. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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The full tax rate for all County operations for the year ended December 31, 2018, was \$11.68 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2018 property tax receipts were based are as follows:

Category	Assessed Value	Percent
Real Property		
Residential/Agricultural	\$784,544,000	85 %
Commercial/Industrial/Public Utility	88,644,000	10
Public Personal	45,195,000	5
Totals	\$918,383,000	100 %

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds. Property taxes receivable represents real and public utility taxes and outstanding delinquencies which were measurable as of December 31, 2018, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2018 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Note 7 – Tax Abatements

As of December 31, 2018, the County's property taxes were reduced by a Community Reinvestment Area enacted by the Village of Lewisburg. The amount of taxes abated for 2018 was \$162,933.

Note 8 – Permissive Sales Tax

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

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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Note 9 – Receivables

Receivables at December 31, 2018, 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 \$7,944 of delinquent special assessments at December 31, 2018.

A summary of intergovernmental receivables follows:

Governmental Activities:	Amount
Local Government	\$203,932
Homestead and Rollback	376,217
Gasoline Cents Per Gallon	348,768
Gasoline Excise Tax	736,691
Auto License	411,786
Human Services Grant	176,157
Children Services Grant	69,326
Disaster Services Grant	20,470
FEMA Grant	5,775
CDBG Grant	102,000
Other Government Entities	392,177
Total Governmental Activities	\$2,843,299

Note 10 - Capital Assets

Capital assets activity for the year ended December 31, 2018, was as follows:

	Balance at 12/31/2017	Additions	Deletions	Balance at 12/31/2018
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$2,252,014	\$0	\$0	\$2,252,014
Depreciable Capital Assets:				
Buildings, Structures, and Improvements	12,025,823	1,004,477	0	13,030,300
Furniture, Fixtures, and Equipment	11,707,524	521,769	(6,945)	12,222,348
Infrastructure	34,314,686	1,068,267	(204,402)	35,178,551
Total Depreciable Capital Assets	\$58,048,033	\$2,594,513	(\$211,347)	\$60,431,199

continued

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Balance at 12/31/2017	Additions	Deletions	Balance at 12/31/2018
<u>Governmental Activities:</u>				
Less Accumulated Depreciation:				
Buildings, Structures, and Improvements	(\$5,096,883)	(\$118,031)	\$0	(\$5,214,914)
Furniture, Fixtures, and Equipment	(8,652,175)	(458,289)	6,945	(9,103,519)
Infrastructure	(11,873,074)	(967,897)	158,454	(12,682,517)
Total Accumulated Depreciation	<u>(25,622,132)</u>	<u>(1,544,217) *</u>	<u>165,399</u>	<u>(27,000,950)</u>
Depreciable Capital Assets, Net	<u>32,425,901</u>	<u>1,050,296</u>	<u>(45,948)</u>	<u>33,430,249</u>
Governmental Activities Capital Assets, Net	<u>\$34,677,915</u>	<u>\$1,050,296</u>	<u>(\$45,948)</u>	<u>\$35,682,263</u>

* Depreciation expense was charged to governmental programs as follows:

General Government:	
Legislative and Executive	\$111,152
Judicial	9,465
Public Safety	144,951
Public Works	1,214,905
Health	13,366
Human Services	50,378
Total Depreciation Expense	<u>\$1,544,217</u>

Capital assets activity of the business-type activities for the year ended December 31, 2018, was as follows:

	Balance at 12/31/2017	Additions	Deletions	Balance at 12/31/2018
<u>Business-Type Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$452,313	\$0	\$0	\$452,313
Construction in Progress	3,986,465	0	(3,986,465)	0
Total Capital Assets, Not Being Depreciated	<u>4,438,778</u>	<u>0</u>	<u>(3,986,465)</u>	<u>452,313</u>
Depreciable Capital Assets:				
Buildings, Structures, and Improvements	2,194,079	1,162,592	0	3,356,671
Furniture, Fixtures, and Equipment	3,608,643	0	0	3,608,643
Sewer Lines and Manholes	650,933	0	0	650,933
Landfill Lines	372,499	0	0	372,499
Landfill Improvements	808,342	4,037,066	0	4,845,408
Total Depreciable Capital Assets	<u>7,634,496</u>	<u>5,199,658</u>	<u>0</u>	<u>12,834,154</u>
Less Accumulated Depreciation:				
Buildings, Structures, and Improvements	(923,159)	(27,616)	0	(950,775)
Furniture, Fixtures, and Equipment	(1,748,073)	(210,376)	0	(1,958,449)
Sewer Lines and Manholes	(78,954)	(6,509)	0	(85,463)
Landfill Lines	(18,625)	(3,725)	0	(22,350)
Landfill Improvements	(202,085)	(40,418)	0	(242,503)
Total Accumulated Depreciation	<u>(2,970,896)</u>	<u>(288,644)</u>	<u>0</u>	<u>(3,259,540)</u>
Depreciable Capital Assets, Net	<u>4,663,600</u>	<u>4,911,014</u>	<u>0</u>	<u>9,574,614</u>
Business-Type Activities Capital Assets, Net	<u>\$9,102,378</u>	<u>\$4,911,014</u>	<u>(\$3,986,465)</u>	<u>\$10,026,927</u>

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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During 2018, the County transferred an asset from the Landfill Fund to the Sewer Fund. The asset had a cost of \$26,100 and accumulated depreciation of \$5,220 resulting in a book value of \$20,880 being transferred between the two funds.

Note 11 - Risk Management

Insurance

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

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

Workers' Compensation

For 2018, the County participated in the County Commissioners' Association of Ohio Service Corporation (the Plan), a group purchasing pool (See Note 23). The plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than the individual rate.

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

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

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

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Note 12 - Defined Benefit Pension Plan

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability (Asset)/Net OPEB Liability

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

The net pension/OPEB liability (asset) represent the County's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) 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 these estimates 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 and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a net pension/OPEB asset or a long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

included in intergovernmental payable on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - County employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the tradition and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

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Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan 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	Traditional Plan 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	Traditional Plan 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
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35
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
Law Enforcement	Law Enforcement	Law Enforcement
Traditional Plan 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	Traditional Plan 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	Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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

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

When a traditional plan 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. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. 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.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	State and Local	Law Enforcement
2018 Statutory Maximum Contribution Rates:		
Employer	14.0%	18.1%
Employee *	10.0%	**
2018 Actual Contribution Rates:		
Employer:		
Pension ***	14.0%	18.1%
Post-employment Health Care Benefits ***	0.0%	0.0%
Total Employer	14.0%	18.1%
Employee	10.0%	13.0%

- * Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.
- ** This rate is determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.
- *** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

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For 2018, The County's contractually required contribution was \$1,330,543 for the traditional plan, \$53,128 for the combined plan and \$55,902 for the member-directed plan. Of these amounts, \$175,606 is reported as an intergovernmental payable for the traditional plan, \$5,324 for the combined plan, and \$5,157 for the member-directed plan.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability (asset) 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 of the County's defined benefit pension plans:

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>	<u>Total</u>
Proportion of the Net Pension Liability/Asset:			
Current Measurement Date	0.07439488%	0.11380400%	
Prior Measurement Date	<u>0.07804176%</u>	<u>0.11039816%</u>	
Change in Proportionate Share	<u>(0.00364688%)</u>	<u>0.00340584%</u>	
Proportionate Share of the:			
Net Pension Asset	\$0	\$154,925	\$154,925
Net Pension Liability	11,671,112	0	11,671,112
Pension Expense	2,268,145	(96,216)	2,171,929

2018 pension expense for the member-directed defined contribution plan was \$55,902.

At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>	<u>Total</u>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$11,918	\$0	\$11,918
Changes of assumptions	1,394,774	13,539	1,408,313
Changes in proportion and differences between County contributions and proportionate share of contributions	18,734	0	18,734
County contributions subsequent to the measurement date	<u>1,330,543</u>	<u>53,128</u>	<u>1,383,671</u>
Total Deferred Outflows of Resources	<u>\$2,755,969</u>	<u>\$66,667</u>	<u>\$2,822,636</u>

continued

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	OPERS <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>	<u>Total</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$230,000	\$46,153	\$276,153
Net difference between projected and actual earnings on pension plan investments	2,505,634	24,443	2,530,077
Changes in proportion and differences between County contributions and proportionate share of contributions	<u>392,312</u>	<u>1,652</u>	<u>393,964</u>
Total Deferred Inflows of Resources	<u>\$3,127,946</u>	<u>\$72,248</u>	<u>\$3,200,194</u>

\$1,383,671 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 or increase to the net pension asset in 2019. 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 <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>	<u>Total</u>
Year Ending December 31:			
2019	\$856,944	(\$7,970)	\$848,974
2020	(426,513)	(8,638)	(435,151)
2021	(1,103,349)	(14,114)	(1,117,463)
2022	(1,029,602)	(13,535)	(1,043,137)
2023	0	(4,953)	(4,953)
Thereafter	<u>0</u>	<u>(9,499)</u>	<u>(9,499)</u>
Total	<u>(\$1,702,520)</u>	<u>(\$58,709)</u>	<u>(\$1,761,229)</u>

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.

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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, 2017, 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 valuation, reflecting experience study results, prepared as of December 31, 2017, are presented below.

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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

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rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017.

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 2017 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00%	2.20%
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	<u>100.00%</u>	<u>5.66%</u>

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. 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 (Asset) to Changes in the Discount Rate The following table presents the County’s proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.5 percent, as well as what the County’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

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	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	\$20,724,926	\$11,671,112	\$4,122,964
OPERS Combined Plan	(84,215)	(154,925)	(203,709)

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the County's net pension liability is not known.

Note 13 – Defined Benefit OPEB Plans

See Note 12 for a description of the net OPEB liability

Plan Description – Ohio Public Employees Retirement System (OPERS)

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 maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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 75. 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.

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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. When funding is approved by OPERS Board of Trustees, 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 2018, 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.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS 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 employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The County's contractually required contribution was \$14,694 for 2018. Of this amount, \$1,473 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The County's proportion of the net OPEB liability was based on the County's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

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	OPERS
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.075734%
Prior Measurement Date	0.078559%
Change in Proportionate Share	(0.0028244%)
Proportionate Share of the Net OPEB Liability	\$8,224,195
OPEB Expense	\$607,943

At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources:	
Differences between expected and actual experience	\$6,407
Changes of assumptions	598,808
County contributions subsequent to the measurement date	14,694
Total Deferred Outflows of Resources	\$619,909

	OPERS
Deferred Inflows of Resources:	
Net difference between projected and actual earnings on OPEB plan investments	\$612,649
Changes in proportion and differences between County contributions and proportionate share of contributions	193,000
Total Deferred Inflows of Resources	\$805,649

\$14,694 reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS
Year Ending December 31:	
2019	\$43,921
2020	43,921
2021	(135,110)
2022	(153,166)
Total	(\$200,434)

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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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are

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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.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 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	34.00%	1.88%
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	<u>100.00%</u>	<u>4.98%</u>

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to

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determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the County's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the County's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
County's proportionate share of the net OPEB liability	\$10,926,202	\$8,224,195	\$6,038,304

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
County's proportionate share of the net OPEB liability	\$7,868,804	\$8,224,195	\$8,591,310

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Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City’s net OPEB liability is not known.

Note 14 - Other Employee Benefits

Deferred Compensation Plan

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

Insurance

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

Note 15 - Short-Term Obligations

Changes in the short-term obligations during 2018 were as follows:

Fund Type/Fund/Issue	Interest Rate	Balance at 12/31/2017	Increases	Decreases	Balance at 12/31/2018
<u>Business-Type Activities:</u>					
Landfill Bond Anticipation Note 2017	1.20%	\$3,670,000	\$0	\$3,670,000	\$0
Landfill Bond Anticipation Note 2018	3.00%	0	3,270,000	0	3,270,000
Total Business-Type Funds		<u>\$3,670,000</u>	<u>\$3,270,000</u>	<u>\$3,670,000</u>	<u>\$3,270,000</u>

All of the notes are backed by the full faith and credit of the County and matured within one year. The Landfill Bond Anticipation Note 2017 was paid off with the issuance of the Landfill Bond Anticipation Note 2018. 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.

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Note 16 - Long-Term Obligations

The schedule of changes in long-term obligations of the governmental activities of the County during 2018 follows:

Types / Issues	Restated Balance at 12/31/2017	Issued	Retired	Balance at 12/31/2018	Due Within One Year
<u>General Obligations Bonds:</u>					
2002 2.00 to 3.50% Various Purpose Bonds - Unvoted \$1,440,000	\$220,000	\$0	\$50,000	\$170,000	\$55,000
<u>Other Long-Term Obligations:</u>					
Net Pension Liability - OPERS	17,144,065	0	5,853,533	11,290,532	0
Net OPEB Liability - OPERS	7,675,965	280,051	0	7,956,016	0
Compensated Absences Payable	508,526	209,486	23,224	694,788	40,608
Total - General Long-Term Obligations	<u>\$25,548,556</u>	<u>\$489,537</u>	<u>\$5,926,757</u>	<u>\$20,111,336</u>	<u>\$95,608</u>

The 2002 Various Purpose General Obligation Bonds were issued to refund original bonds issued on July 1, 1989 for the purpose of constructing a human services building and the expansion and improvement of the Job and Family Services facility. The bonds will be paid from general revenues, including transfers from the General Fund.

Compensated absences will be paid from the General Fund, the Motor Vehicle License and Gas Tax, Human Services, Community Mental Health, Developmental Disabilities, Other Legislative and Executive, Other Health, Other Human Services, Youth Service Subsidiary, Other Judicial Service, Disaster Services EMA and Landfill Funds. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General Fund, the Motor Vehicle License and Gas Tax, Human Services, Community Mental Health, Developmental Disabilities, Other Legislative and Executive, Other Health, Other Human Services, Youth Service Subsidiary, Other Judicial Service, Disaster Services EMA and Landfill Funds. For additional information related to the net pension/OPEB liability (asset), see Notes 12 and 13.

Changes in the long-term obligations reported for business-type activities during 2018 were as follows:

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Types/Issues	Restated Balance at 12/31/2017	Increases	Decreases	Balance at 12/31/2018	Within One Year
<u>Loans Payable:</u>					
0.00% - 2004 OWDA Loan \$820,238	\$323,979	\$0	\$40,498	\$283,481	\$40,498
0.00% - 2010 OPWC Loan \$1,500,000	1,087,500	0	75,000	1,012,500	75,000
0.00% - 2012 OPWC Loan \$374,698	318,493	0	12,490	306,003	12,490
0.00% - 2006 OPWC Loan \$38,000	17,100	0	1,900	15,200	1,900
0.00% - 2000 OPWC Loan \$227,160	34,074	0	10,727	23,347	11,674
Total Loans Payable	<u>1,781,146</u>	<u>0</u>	<u>140,615</u>	<u>1,640,531</u>	<u>141,562</u>
<u>Other Long-Term Obligations:</u>					
Net Pension Liability - OPERS	577,889	0	197,309	380,580	0
Net OPEB Liability - OPEB	258,740	9,439	0	268,179	0
Compensated Absences Payable	4,588	9,069	317	13,340	4,041
Landfill Closure and Postclosure	6,119,562	129,752	0	6,249,314	0
Total Other Long-Term Obligations	<u>6,960,779</u>	<u>148,260</u>	<u>197,626</u>	<u>6,911,413</u>	<u>4,041</u>
Total - Business-Type Activities	<u>\$8,741,925</u>	<u>\$148,260</u>	<u>\$338,241</u>	<u>\$8,551,944</u>	<u>\$145,603</u>

The County has pledged future sewer customer receipts, net of specified operating disbursements, to repay the \$820,238 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 \$89,520 respectively. The total principal remaining to be paid on the loans is \$283,481.

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 Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000.

There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the Landfill fund. For additional information related to the pension/OPEB liability (asset) see Notes 12 and 13.

The effects of the debt limitations at December 31, 2018, are an overall legal debt margin of \$21,289,575 and an unvoted legal debt margin of \$9,013,830.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Governmental Activities		
General Obligation		
Serial Bonds		
Year	Principal	Interest
2019	\$55,000	\$7,565
2020	55,000	5,118
2021	60,000	2,670
Totals	<u>\$170,000</u>	<u>\$15,353</u>

Loans Payable	
Year	Principal
2019	\$141,562
2020	141,562
2021	129,888
2022	129,888
2023	129,888
2024-2028	524,140
2029-2033	324,950
2034-2038	62,450
2039-2043	56,203
Totals	<u>\$1,640,531</u>

Note 17 – Landfill Closure And Post-Closure Costs

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

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 \$6,249,314 reported as a landfill closure and post-closure care liability at December 31, 2018, represents the cumulative amount reported to date based on the use of 49.39 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of the closure and post-closure care of \$6,402,899 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 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County expects to close the landfill in the year 2044.

The County is required by State and federal laws and regulations to prove financial assurance to finance closure and post-closure care. The Ohio Environmental Protection Agency has established certain rules applicable to the County, requiring that the permittee of a Solid Waste

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

Disposal Facility ensure adequate funds will be available when needed for final closure/or post-closure care of the facility. The County has elected to provide a letter from the Chief Financial Officer, as specified in paragraph (F) of Rule 3745-27-15 or in paragraph (F) of Rule 3745-27-16 of the Ohio Administrative Code as the mechanism to demonstrate the County's Financial Assurance as specified in Chapter 3745-27 of the Ohio Administrative Code.

Note 18 - Interfund Activity

Interfund balances at December 31, 2018, consisted of the following amounts and result from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be paid within one year.

	<u>Interfund Receivable</u>
<u>Interfund Payable</u>	<u>General Fund</u>
Nonmajor Governmental Funds	\$483,301
Sewer Enterprise Fund	72,163
Total	<u>\$555,464</u>

Interfund transfers for the year ended December 31, 2018, consisted of the following:

	<u>Transfers To</u>		
	<u>General Fund</u>	<u>Motor Vehicle and Gas Tax Fund</u>	<u>Human Services Fund</u>
Transfers From			
General Fund	\$0	\$64,107	\$75,534
Motor Vehicle Gas Tax Fund	288	0	0
Human Services Fund	113	0	0
Community Health Fund	5	0	0
Mental Health Fund	100	0	0
Nonmajor Governmental Funds	347	0	700,237
Total	<u>\$853</u>	<u>\$64,107</u>	<u>\$775,771</u>

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

Transfers From	Transfers To		Totals
	Community Health Fund	Nonmajor Governmental Funds	
General Fund	\$1,481	\$409,225	\$550,347
Motor Vehicle Gas Tax Fund	0	0	288
Human Services Fund	0	59,790	59,903
Community Health Fund	0	0	5
Mental Health Fund	0	0	100
Nonmajor Governmental Funds	0	0	700,584
Total	\$1,481	\$469,015	\$1,311,227

Transfers are used to move revenues from the fund that State statute or the County’s budget requires to collect them to the fund that is required to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. The transfers from Nonmajor Governmental Funds to the Human Services Fund were used to support the human services activities. The transfers from the Human Services Fund to Nonmajor Governmental Funds were for debt payments.

Note 19 - Related Organizations

Preble County Library Board

The Preble County Library Board is a related organization of the County. The County Officials (the Commissioners, the Probate Court and the Common Pleas Court) are responsible for appointing the trustees of the Library Board; however, the County Officials cannot influence the Library’s operation nor does the Library represent a potential financial benefit or burden to the County. Although the County does serve as the taxing authority and may issue tax related debt on behalf of the Library Board, its role is limited to a ministerial function. Once the Library Board determines to present a levy to the voters, including the determination of the rate and duration, the County must place the levy on the ballot. The Library may issue debt and determines its own budget. During 2018, the County did not make any significant financial contributions to the operation of the Library. Financial information for the Library may be obtained by writing to the Treasurer of the Preble County Library Board, 450 S. Barron Street, Eaton, Ohio 45320.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 2018, 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 20 - Joint Venture

Preble County Emergency Management Agency

The Preble County Emergency Management Agency (EMA) is a joint venture between the County, the City of Eaton, and townships and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is composed of the following seven members: one County Commissioner representing the Board of County Commissioners; five chief executives representing the municipal corporations and townships entering into the agreement; and one non-elected representative. The County contributed \$21,027 for the operation of the EMA during 2018. 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.

Note 21 - Jointly Governed Organization

West Central Ohio Network

The West Central Ohio Network (WestCON) is a jointly governed organization among Auglaize, Darke, Logan, Mercer, Miami, Preble, Shelby, and Union Counties. WestCON was formed to administer supported living services for persons with developmental disabilities in these counties. The executive committee consists of eight members that are the Superintendents of each local county board of developmental disabilities which is a WestCON member. The Committee exercises total control over operations including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the Committee. During 2018, the County did not make any significant financial contributions to WestCON.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 22 - Risk Sharing Pool

County Risk Sharing Authority, Inc.

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

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

Note 23 - Group Purchasing Pool

County Commissioners' Association of Ohio Service Corporation

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

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

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 24 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Motor Vehicle and Gas Tax Fund	Human Services Fund	Community Mental Health Fund
<i>Nonspendable:</i>				
Unclaimed Monies	\$279,246	\$0	\$0	\$0
Materials And Supplies Inventory	10,178	86,039	0	0
Prepays	1,765	1,496	16,512	0
<i>Total Nonspendable</i>	291,189	87,535	16,512	0
<i>Restricted For:</i>				
Human Services	0	0	35,470	0
Mental Health Services	0	0	0	1,415,644
Public Works	0	0	0	0
Road Maintenance and Repair	0	1,896,527	0	0
Community and Economic Development	0	0	0	0
Capital Improvements	0	0	0	0
Public Safety	0	0	0	0
Real Estate Assessments	0	0	0	0
Other Health Services	0	0	0	0
<i>Total Restricted</i>	0	1,896,527	35,470	1,415,644
<i>Assigned To:</i>				
Future Appropriations	3,414,268	0	0	0
Permanent Improvement	0	0	0	0
<i>Total Assigned</i>	3,414,268	0	0	0
<i>Unassigned</i>	5,128,989	0	0	0
<i>Total Fund Balances</i>	\$8,834,446	\$1,984,062	\$51,982	\$1,415,644

(continued)

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Fund Balances	Developmental Disabilities Fund	Nonmajor Governmental Funds	Total
<i>Nonspendable:</i>			
Unclaimed Monies	\$0	\$0	\$279,246
Materials And Supplies Inventory	0	0	96,217
Prepays	0	0	19,773
<i>Total Nonspendable</i>	<u>0</u>	<u>0</u>	<u>395,236</u>
<i>Restricted For:</i>			
Human Services	0	592,985	628,455
Mental Health Services	4,556,724	0	5,972,368
Public Works	0	192,309	192,309
Road Maintenance And Repair	0	2,800	1,899,327
Community and Economic Development	0	652,403	652,403
Capital Improvements	0	2,100	2,100
Public Safety	0	1,688,139	1,688,139
Real Estate Assessments	0	1,821,557	1,821,557
Other Health Services	0	65,238	65,238
<i>Total Restricted</i>	<u>4,556,724</u>	<u>5,017,531</u>	<u>12,921,896</u>
<i>Assigned To:</i>			
Future Appropriations	0	0	3,414,268
Permanent Improvement	0	43,166	43,166
<i>Total Assigned</i>	<u>0</u>	<u>43,166</u>	<u>3,457,434</u>
<i>Unassigned</i>	<u>0</u>	<u>0</u>	<u>5,128,989</u>
<i>Total Fund Balances</i>	<u>\$4,556,724</u>	<u>\$5,060,697</u>	<u>\$21,903,555</u>

Note 25 - Contingent Liabilities

Litigation

The County is not involved in any major claims and lawsuits, as of December 31, 2018.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018, 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 26 – Subsequent Event

In September 2019, the County issued \$2,870,000 in Landfill Bond Anticipation Notes, Series 2019, for the purpose of paying off the 2018 Landfill Bond Anticipation Notes. 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.

Preble County
Required Supplementary Information

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 FIVE YEARS (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's Proportion of the Net Pension Liability	0.07439488%	0.07804176%	0.07763972%	0.07918050%	0.07918050%
County's Proportionate Share of the Net Pension Liability	\$11,671,112	\$17,721,954	\$13,448,179	\$9,550,052	\$9,334,349
County's Covered Payroll	\$9,586,495	\$9,589,066	\$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	121.71%	180.75%	140.24%	100.80%	98.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	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 for each year were determined as of the County's measurement date, which is the prior year end.

See Accompanying Notes to the Required Supplementary Information

PREBLE COUNTY, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM - COMBINED PLAN
 2018 (1)

	2018
County's Proportion of the Net Pension Liability	0.11380400%
County's Proportionate Share of the Net Pension Asset	\$154,925
County's Covered Payroll	\$466,085
County's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-33.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	137.28%

(1) Amounts for the combined plan are not presented prior to 2018 as the County's participation in this plan was considered immaterial in previous years.

Amounts presented for each year were determined as of the County's measurement date, which is the prior year end.

See Accompanying Notes to the Required Supplementary Information

PREBLE COUNTY, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE
 NET OPEB LIABILITY
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM - OPEB PLAN
 LAST TWO YEARS (1)

	<u>2018</u>	<u>2017</u>
County's Proportion of the Net OPEB Liability	0.0757344%	0.0785588%
County's Proportionate Share of the Net OPEB Liability	\$8,224,195	\$7,934,705
County's Covered Payroll	\$10,489,930	\$10,064,570
County's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	78.40%	78.84%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented for each year were determined as of the County's measurement date, which is the prior year end.

See Accompanying Notes to the Required Supplementary Information

PREBLE COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COUNTY CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SIX YEARS (1) (2)

	2018	2017	2016
Net Pension Liability - Traditional Plan			
Contractually Required Contribution	\$1,330,543	\$1,279,686	\$1,212,452
Contributions in Relation to the Contractually Required Contribution	<u>(1,330,543)</u>	<u>(1,279,686)</u>	<u>(1,212,452)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered Payroll	\$9,243,511	\$9,586,495	\$9,589,066
Contributions as a Percentage of Covered Payroll	14.39%	13.35%	12.64%
Net Pension Liability - Combined Plan			
Contractually Required Contribution	\$53,128	\$60,591	\$51,568
Contributions in Relation to the Contractually Required Contribution	<u>(53,128)</u>	<u>(60,591)</u>	<u>(51,568)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered Payroll	\$379,486	\$466,085	\$429,733
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>
Net OPEB Liability - OPEB Plan			
Contractually Required Contribution	\$14,694	\$118,019	\$206,490
Contributions in Relation to the Contractually Required Contribution	<u>(14,694)</u>	<u>(118,019)</u>	<u>(206,490)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered Payroll (3)	\$9,990,347	\$10,489,930	\$10,064,570
OPEB Contributions as a Percentage of Covered Payroll	<u>0.15%</u>	<u>1.13%</u>	<u>2.05%</u>

- (1) Information prior to 2013 is not available for the traditional and combined plans.
(2) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
(3) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See Accompanying Notes to the Required Supplementary Information

2015	2014	2013
\$1,181,475	\$1,166,556	\$1,253,341
<u>(1,181,475)</u>	<u>(1,166,556)</u>	<u>(1,253,341)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$9,804,644	\$9,473,916	\$9,430,498
12.05%	12.31%	13.29%
\$52,636	\$4,100	\$7,520
<u>(52,636)</u>	<u>(4,100)</u>	<u>(7,520)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$438,633	\$34,167	\$57,846
<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>

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PREBLE COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

Changes in Assumptions - OPERS

Amounts reported beginning in 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

	2017	2016 and prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates 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.

Changes in Assumptions – OPERS OPEB

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

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PREBLE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Direct</i>				
Shelter Plus Care	14.238	N/A		\$157,717
Total Shelter Plus Care				157,717
<i>Passed Through Ohio Development Services Agency:</i>				
Community Development Block Grant/States Program - FY 2016	14.228	B-F-16-1CK-1		482,744
Community Development Block Grant/States Program - FY 2018	14.228	B-X-17-1CK-1		1,739
Community Development Block Grant/States Program - FY 2018	14.228	B-X-17-1CK-2		1,730
Total Community Development Block Grant/States Program				486,213
<i>Total Passed Through Ohio Development Services Agency</i>				486,213
Total U.S. Department of Housing and Urban Development				643,930
U.S. ELECTION ASSISTANCE COMMISSION				
<i>Passed Through Ohio Secretary of State:</i>				
2018 HAVA Election Security Grants	90.404	N/A		6,000
Total U.S. Election Assistance Commission				6,000
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) Participation FY 2018	10.561	G-1819-11-5796		9,577
Food Assistance Employment & Training (FAET) FY 2018	10.561	G-1819-11-5796		7,932
Food Assistance Employment & Training (FAET) FY 2019	10.561	G-1819-11-5796		1,289
Food Assistance FY 2018	10.561	G-1819-11-5796		157,386
Food Assistance FY 2019	10.561	G-1819-11-5796		67,075
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program / SNAP Cluster				243,259
Total U.S. Department of Agriculture				243,259
U.S. DEPARTMENT OF JUSTICE				
<i>Passed Through Ohio Department of Public Safety:</i>				
Edward Byrne Memorial Justice Assistance Grant	16.738	2014-JG-A02-V6012		16,995
<i>Passed Through Ohio Attorney General's Office:</i>				
Crime Victim Assistance - 2018	16.575	2018-VOCA-109310283		66,659
Crime Victim Assistance - 2019	16.575	2019-VOCA-132136473		26,737
Total Crime Victim Assistance				93,396
Total U.S. Department of Justice				110,391
U.S. DEPARTMENT OF TRANSPORTATION				
<i>Passed Through The Ohio Department of Transportation:</i>				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	PID 106951		15,500
Total Highway Planning and Construction / Highway Planning and Construction Cluster				15,500
Total U.S. Department of Transportation				15,500

PREBLE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY				
<i>Passed Through Ohio Department of Public Safety:</i>				
Emergency Management Performance Grant-FY 2017	97.042	EMC-2017-EP-00006-S01		29,984
Emergency Management Performance Grant - FY 2018	97.042	EMC-2018-EP-00008-S01		20,470
Total Emergency Management Performance Grants				<u>50,454</u>
Pre-Disaster Migration - 2017	97.047	EMC-2017-PC-0001		20,016
Total Pre-Disaster Migration				<u>20,016</u>
Total U.S. Department of Homeland Security				<u>70,470</u>
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'18	17.207	G-1819-11-5796		11,732
Total Employment Service/Wagner Peyser Funded Activities				<u>11,732</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>				
Trade Adjustment Assistance	17.245	G-1819-11-5796		2,180
Total Trade Adjustment Assistance				<u>2,180</u>
<i>Passed Through Area 7 Workforce Investment Board:</i>				
WIOA Cluster:				
OMJ Center Resource Sharing - FY18	17.258	G-1819-11-5796		1,713
WIOA - Adult Program	17.258	G-1819-11-5796		33,643
Total WIOA - Adult Program				<u>35,356</u>
WIOA - Youth Activities PY'17	17.259	G-1819-11-5796	38,255	38,255
WIOA - Youth Activities PY'18	17.259	G-1819-11-5796	10,341	10,341
Total WIOA - Youth Activities			<u>48,596</u>	<u>48,596</u>
WIOA - Dislocated Worker Formula Grants PY'18	17.278	G-1819-11-5796		8,492
OMJ Center Resource Sharing - FY18	17.278	G-1819-11-5796		2,389
Total WIOA Dislocated Worker Formula Grants				<u>10,881</u>
Total WIOA Cluster				<u>94,833</u>
Total U.S. Department of Labor				<u>108,745</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 2018	93.667	G-1819-11-5796		34,396
Social Services Block Grant - Base FY 2019	93.667	G-1819-11-5796		16,833
Social Services Block Grant - Transfer FY 2018	93.667	G-1819-11-5796		132,713
Social Services Block Grant - Transfer FY 2019	93.667	G-1819-11-5796		37,574
<i>Passed Through Ohio Department of Developmental Disabilities:</i>				
Social Services Block Grant - FY16	93.667	1801OHSOSR		10,269
<i>Passed Through Ohio Department of Mental Health & Addiction Services:</i>				
Social Services Block Grant	93.667	N/A	17,896	17,896
Total Social Services Block Grant				<u>249,681</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>				
Children's Health Insurance Program-FY17	93.767	G-1819-11-5796		118,182
Children's Health Insurance Program-FY19	93.767	G-1819-11-5796		32,587
Total Children's Health Insurance Program				<u>150,769</u>

PREBLE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<i>Medicaid Cluster:</i>				
<i>Passed Through Ohio Department of Job & Family Services:</i>				
Medical Assistance Program - FY 2019	93.778	G-1819-11-5796		5,159
Medical Assistance Program - FY 2018	93.778	G-1819-11-5796		4,069
Medical Assistance Program - Child Welfare Program FY 2018	93.778	G-1819-11-5796		463
Medical Assistance Program - Child Welfare Program FY 2019	93.778	G-1819-11-5796		992
Medical Assistance Program - Enhanced Program FY 2018	93.778	G-1819-11-5796		252,640
Medical Assistance Program - Enhanced Program FY 2019	93.778	G-1819-11-5796		83,198
Medical Assistance Program - NET FY 2018	93.778	G-1819-11-5796		100,971
Medical Assistance Program - NET FY 2019	93.778	G-1819-11-5796		19,456
				<u>466,948</u>
<i>Passed Through Ohio Department of Developmental Disabilities:</i>				
Medical Assistance Program	93.778	1805OH5ADM/1905OH5ADM		<u>123,306</u>
Total Medical Assistance Program / Medicaid Cluster				<u>590,254</u>
<i>Passed Through Ohio Department of Mental Health & Addiction Services:</i>				
Block Grants for Community Mental Health Services	93.958	N/A	24,158	24,158
Total Block Grants for Community Mental Health Services			<u>24,158</u>	<u>24,158</u>
<i>Passed Through Ohio Department of Mental Health & Addiction Services:</i>				
Opioid STR Program	93.788	N/A	29,712	29,712
Total Opioid STR Program			<u>29,712</u>	<u>29,712</u>
<i>Passed Through Ohio Department of Mental Health & Addiction Services:</i>				
Block Grants for Prevention and Treatment of Substance Abuse - Juvenile TASC FY17	93.959	1800292		86,443
Block Grants for Prevention and Treatment of Substance Abuse - Juvenile TASC FY18	93.959	1900267		95,446
Federal Treatment and Prevention	93.959	N/A	140,130	140,130
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>140,130</u>	<u>322,019</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>				
Child Support Enforcement - Training - 2018	93.563	G-1819-11-5796		1,000
Child Support Enforcement - Incentives - 2018	93.563	G-1819-11-5796		103,392
Child Support Enforcement-2018	93.563	G-1819-11-5796		207,960
Child Support Enforcement-2019	93.563	G-1819-11-5796		82,112
Total Child Support Enforcement				<u>394,464</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>				
Promoting Safe and Stable Families - ESAA Preservation FY 2018	93.556	G-1819-11-5796		8,552
Promoting Safe and Stable Families - ESAA Preservation FY 2019	93.556	G-1819-11-5796		4,922
Promoting Safe and Stable Families - ESAA Reunification FY 2018	93.556	G-1819-11-5796		8,749
Promoting Safe and Stable Families - ESAA Reunification FY 2019	93.556	G-1819-11-5796		1,512
Family Centered Services and Supports SFY 18	93.556	5AU-18-C0067		3,945
Total Promoting Safe and Stable Families				<u>27,680</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>				
Chaffee Foster Care Independent Living FY2018	93.674	G-1819-11-5796		1,019
Chaffee Foster Care Independent Living FY2019	93.674	G-1819-11-5796		439
Total Chaffee Foster Care Independence Program				<u>1,458</u>
<i>Passed Through Ohio Department of Job & Family Services:</i>				
Stephanie Tubbs Jones Child Welfare Services Program-State Grants (IV-B) FY	93.645	G-1819-11-5796		35,912
Stephanie Tubbs Jones Child Welfare Services Program-State Grants (IV-B) FY	93.645	G-1819-11-5796		11,476
Family Centered Services and Supports SFY 2018	93.645	5AU-18-C0067		488
Total Stephanie Tubbs Jones Child Welfare Services Program				<u>47,876</u>

PREBLE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<i>Passed Through Ohio Department of Job & Family Services:</i>				
Adoption Assistance - IV-E Admin/Training Adoption Assistance FY2018	93.659	G-1819-11-5796		104,641
Adoption Assistance - IV-E Admin/Training Adoption Assistance FY2019	93.659	G-1819-11-5796		<u>37,766</u>
Total Adoption Assistance				142,407
<i>Passed Through Ohio Department of Job & Family Services:</i>				
TANF Cluster				
Temporary Assistance for Needy Families-Fraud Awareness FY 2018	93.558	G-1819-11-5796		1,792
Temporary Assistance for Needy Families-Administration FY 2019	93.558	G-1819-11-5796		43,853
Temporary Assistance for Needy Families-Administration FY 2018	93.558	G-1819-11-5796		104,084
Temporary Assistance for Needy Families-Independent Living FY19	93.558	G-1819-11-5796		380
Temporary Assistance for Needy Families-Regular FY 2019	93.558	G-1819-11-5796		134,238
Temporary Assistance for Needy Families-Regular FY 2018	93.558	G-1819-11-5796		372,355
Temporary Assistance for Needy Families-Regular FY 2017	93.558	G-1819-11-5796	71,334	71,334
Temporary Assistance for Needy Families-CCMEP Administration FY2017	93.558	G-1819-11-5796	4,469	4,469
Temporary Assistance for Needy Families-CCMEP Regular FY2019	93.558	G-1819-11-5796	<u>4,957</u>	<u>4,957</u>
Total Temporary Assistance for Needy Families / TANF Cluster			80,760	737,462
<i>Passed Through Ohio Department of Job & Family Services:</i>				
Foster Care Contract Services Payment FY 2018	93.658	G-1819-11-5796		52,774
Foster Care Administration/Training FY 2019	93.658	G-1819-11-5796		<u>12,219</u>
Total Foster Care - Title IV-E				64,993
<i>Passed Through Ohio Department of Job & Family Services:</i>				
CCDF Cluster				
Child Care and Development Block Grant - Administrative FY 2018	93.575	G-1819-11-5796		3,167
Child Care and Development Block Grant - Non-Administrative FY 2018	93.575	G-1819-11-5796		5,625
Child Care and Development Block Grant - Non-Administrative FY 2019	93.575	G-1819-11-5796		<u>5,159</u>
Total Child Care and Development Block Grant / CCDF Cluster				13,951
Total U.S. Department of Health and Human Services				<u>2,796,884</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Developmental Disabilities:</i>				
Special Education-Grants for Infants and Families - Early Head Start (Help Me Grow) 2019	84.181	N/A		27,658
Special Education-Grants for Infants and Families - Early Head Start (Help Me Grow) 2019	84.181	N/A		<u>13,953</u>
Total Special Education-Grants for Infants and Families - Early Head Start (Help Me Grow)				41,611
Total U.S. Department of Education				<u>41,611</u>
Total Expenditures of Federal Awards			<u>\$341,252</u>	<u>\$4,036,790</u>

N/A - No agency pass-through or other identifying number was available for this program.

The accompanying notes 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, 2018**

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, 2018. 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 the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – SUB-RECIPIENTS

The County passes certain federal awards received from the Ohio Department of Job and Family Services, Area 7 Workforce Investment Board, and Ohio Department of Mental Health and Addiction Services to other governments or not-for-profit agencies (sub-recipients). As Note B describes, the County reports expenditures of Federal awards to sub-recipients when paid in cash.

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

NOTE E – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) and HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GRANT PROGRAMS with REVOLVING LOAN CASH BALANCE

The balance of CDBG CHIP funds was \$31,392.87 and the balance of HOME CHIP funds was \$7,396 in the CHIP Revolving Loan Fund on December 31, 2018.

NOTE F – MATCHING REQUIREMENTS

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

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OHIO AUDITOR OF STATE KEITH FABER



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

Preble County
101 East Main Street
Eaton, Ohio 45320

To the County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Preble County, (the County) as of and for the year ended December 31, 2018, 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 16, 2019, wherein we noted the County adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

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*.

Efficient • Effective • Transparent

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 report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

September 16, 2019

OHIO AUDITOR OF STATE KEITH FABER



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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 Preble County's major federal programs for the year ended December 31, 2018. 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, 2018.

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.



Keith Faber
Auditor of State
Columbus, Ohio

September 16, 2019

PREBLE COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant/States Program - CFDA #14.228 TANF Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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OHIO AUDITOR OF STATE
KEITH FABER



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
SEPTEMBER 26, 2019**