



Mary Taylor, CPA  
Auditor of State



**PREBLE COUNTY**  
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PREBLE COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Preble County  
100 East Main Street  
Eaton, Ohio 45320

To the County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Preble County, Ohio (the County), as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Preble County, Ohio, as of December 31, 2008, and the respective changes in cash 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 Mental Retardation Levy funds for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2008, the County changed its accounting basis from accounting principles generally accepted in the United States of America to the cash accounting basis. The County has revised its financial presentation comparable to the requirements of Governmental Accounting Standard No.34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to form opinions on the financial statements that collectively comprise the County's basic financial statements. U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* requires presenting a federal awards expenditure schedule and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

October 19, 2009

PREBLE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED

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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, 2008. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers should also review the transmittal letter, and the basic financial statements to enhance their understanding.

**FINANCIAL HIGHLIGHTS**

1. The County had net assets in governmental funds of \$33,833,190, a less than one percent increase from 2007, and net assets in business-type activities of \$2,548,840, a 12.15 percent increase from 2007.
2. The County generated \$20,494,785 in governmental program receipts that cover 66.37 percent of governmental disbursements.
3. The General Fund decreased by \$163,692, a 10.13 percent decrease from 2007.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the County's modified cash basis of accounting.

Report Components

The Statement of Net Assets and the Statement of Activities provide information about the cash activities of the County as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the County as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The Notes to the Basic Financial Statements are an integral part of the government-wide and fund financial statements and provide expanded explanations and details regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determines when financial events are recorded. The County has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the County's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

PREBLE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED

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As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

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 receipts. The County's governmental activities are accounted for in the governmental funds and are classified in the following major functions:

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

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

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

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

*Health* – activities related to serving the public health, including activities provided by the dog warden, the Board of Mental Retardation and 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.



PREBLE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED

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The Statement of Net Assets and the Statement of Activities reflect how the County did financially during 2008, within the limitations of modified cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental and business-type activities of the County at year-end. The Statement of Activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the County's general receipts.

These statements report the County's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the County's financial health. Over time, increases or decreases in the County's cash position is one indicator of whether the County's financial health is improving or deteriorating. When evaluating the County's financial condition, you should also consider other nonfinancial factors as well such as the County's property tax base, the condition of the County's capital assets and infrastructure, the extent of the County's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local receipts sources such as property and permissive sales taxes.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two types of activities:

Governmental activities - Most of the County's basic services are reported here. State and federal grants, charges for services, and permissive sales and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities - The County has two business-type activities, sewer and landfill services. Business-type activities are financed by a fee charged to the customers receiving the service.

The financial activities of L & M Products, Inc., a component unit of the County, are presented in a separate column on the Statement of Net Assets, and as a separately identified activity on the Statement of Activities. While the County provides a significant amount of services and resources to L & M Products, Inc., this discrete presentation is made in order to emphasize that it is a legally separate organization from Preble County. However, the focus of the government-wide financial statements remains clearly on Preble County as the primary government.

PREBLE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED

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Fund Financial Statements

Fund financial statements provide detailed information about the County's major funds – not the County as a whole. The County establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the County are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the County's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the County's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the County's programs. The County's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The County's major governmental funds are the General, Motor Vehicle and Gas Tax, Human Services, Community Mental Health and Mental Retardation Levy Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Proprietary Funds - When the County charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The County has two enterprise funds that account for the activity for sewer and landfill operations. When the services are provided to other departments of the County, the service is reported as an internal service fund. The County has one internal service fund to account for employee health-care claims. This fund was closed out during 2008.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the County's programs.

**THE COUNTY AS A WHOLE**

As stated previously, the Statement of Net Assets looks at the County as a whole. Table 1 provides a summary of the County's net assets for 2008 compared to 2007.

PREBLE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	Restated		Restated		Restated	
	2008	2007	2008	2007	2008	2007
<b>Assets</b>						
Current and Other						
Assets	\$8,121,991	\$9,293,906	\$3,372,294	\$3,276,006	\$11,494,285	\$12,569,912
Capital Assets, Net	27,811,842	26,976,068	3,005,503	2,904,362	30,817,345	29,880,430
Total Assets	35,933,833	36,269,974	6,377,797	6,180,368	42,311,630	42,450,342
<b>Liabilities</b>						
Other Liabilities	448,643	415,946	54,000	0	502,643	415,946
Long-Term Liabilities	1,652,000	2,347,642	3,774,957	3,907,713	5,426,957	6,255,355
Total Liabilities	2,100,643	2,763,588	3,828,957	3,907,713	5,929,600	6,671,301
<b>Net Assets</b>						
Invested in Capital						
Assets, Net of						
Related Debt	25,711,199	24,212,480	1,876,546	1,991,649	27,587,745	26,204,129
Restricted	6,669,487	7,677,710	0	0	6,669,487	7,677,710
Unrestricted	1,452,504	1,616,196	672,294	281,006	2,124,798	1,897,202
Total Net Assets	\$33,833,190	\$33,506,386	\$2,548,840	\$2,272,655	\$36,382,030	\$35,779,041

Government-wide Financial Analysis

Total net assets of the County's governmental activities increased \$326,804, although restricted and unrestricted net assets both decreased. The increase in total net assets was caused by the purchase of capital assets during the year accompanied with the payment of debt associated with capital assets.

The decrease in both unrestricted and restricted net assets was caused by lower than anticipated receipts due to the current economy. During 2008, permissive sales tax, the County's largest own-source receipt remained constant with the prior year, and property tax and funding from the State of Ohio decreased. This, accompanied with increases in disbursements (mainly salary and benefits increases), caused unrestricted and restricted net assets to decrease.

Net assets of the County's business-type activities increased \$276,185 during 2008. Several years ago, the County began charging a landfill user's fee on all properties within the County. This fee, as well as expansion of the landfill, has caused net assets to continually increase to the current amount of \$2,548,840.

PREBLE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
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Table 2 shows the changes in net assets for 2008. Since this is the first year the County has prepared financial statements following GASB Statement No. 34 under the modified cash basis, receipt and disbursement comparisons to 2007 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2  
Changes in Net Assets

	Governmental Activities	Business-Type Activities	Totals
	2008	2008	2008
<b>Receipts</b>			
Program Receipts:			
Charges for Services	\$3,867,296	\$2,784,495	\$6,651,791
Operating Grants, Contributions, and Interest	14,951,823	0	14,951,823
Capital Grants, Contributions, and Interest	1,675,666	0	1,675,666
<b>Total Program Receipts</b>	<b>20,494,785</b>	<b>2,784,495</b>	<b>23,279,280</b>
General Receipts and Transfers			
Property Taxes	3,605,978	0	3,605,978
Permissive Sales Tax	4,383,566	0	4,383,566
Unrestricted Grants and Entitlements	1,270,258	0	1,270,258
Unrestricted Investment			
Earnings	706,499	17,906	724,405
Other	496,419	0	496,419
Advances	87,384	(87,384)	0
Transfers	(26,652)	26,652	0
<b>Total General Receipts and Transfers</b>	<b>10,523,452</b>	<b>(42,826)</b>	<b>10,480,626</b>
<b>Total Receipts and Transfers</b>	<b>31,018,237</b>	<b>2,741,669</b>	<b>33,759,906</b>
<b>Program Disbursements</b>			
General Government			
Legislative and Executive	4,360,093	0	4,360,093
Judicial	2,090,155	0	2,090,155
Public Safety	5,615,665	0	5,615,665
Public Works	4,627,871	0	4,627,871
Health	2,680,496	0	2,680,496
Human Services	\$10,118,268	\$0	\$10,118,268

(continued)

PREBLE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED

Table 2  
Changes in Net Assets  
(Continued)

	Governmental Activities	Business-Type Activities	Totals
	2008	2008	2008
Community and Economic Development	\$991,425	\$0	\$991,425
Intergovernmental	116,156	0	116,156
Interest and Fiscal Charges	91,304	0	91,304
Sewer	0	61,518	61,518
Landfill	0	2,403,966	2,403,966
Total Program Disbursements	<u>30,691,433</u>	<u>2,465,484</u>	<u>33,156,917</u>
Change in Net Assets	326,804	276,185	602,989
Net Assets at Beginning of Year	<u>33,506,386</u>	<u>2,272,655</u>	<u>35,779,041</u>
Net Assets at End of Year	<u>\$33,833,190</u>	<u>\$2,548,840</u>	<u>\$36,382,030</u>

**Governmental Activities**

The County's governmental activities disbursements exceeded program receipts in 2008 by \$10,196,648 and, with an infusion of \$10,523,452 of general receipts, resulted in a \$326,804 increase to net assets. Total net assets used in governmental activities have now increased to \$33,833,190.

**Business-type Activities**

The County's sewer and landfill system operations constitute the only business-type activities. Net assets of the business-type activities increased \$276,185 in 2008, a 12.15 percent increase over 2007. Net assets have been steadily increasing since 2004, when the County began charging the user charge on each residential dwelling and commercial and industrial property located within the County, and this increase continued in 2008.

**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.

PREBLE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED

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The General Fund is the chief operating fund of the County. At the end of the current year, unreserved fund balance of the General Fund was \$1,244,520, while the total fund balance decreased by \$163,692 to \$1,452,504. The decrease was primarily due to an increase in transfers-out to supplement other funds as well as increases in disbursements, mainly for personal services. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 11.95 percent of total General Fund disbursements, while total fund balance represents 13.95 percent of that same amount.

The Motor Vehicle and Gas Tax Fund increased \$536,113, leaving a balance of \$391,170. The increase in fund balance was mainly due to a decrease in public works disbursements for County road and bridge repair and improvement programs compared to 2007, as less receipts were available.

The Human Services Fund increased \$179,017, leaving a fund balance of \$343,364. Again, in prior years the County did not report on a modified cash basis of accounting, comparisons to prior year receipts and disbursements are unavailable.

The Community Mental Health Fund disbursements exceeded receipts, decreasing the year-end fund balance by \$264,980 to \$1,079,286. Under the modified cash basis, timing of when receipts are received is not taken into consideration and this could affect increases and decreases in fund balance.

The Mental Retardation Levy Fund had a fund balance of \$1,928,549 at the end of 2008, down \$132,828 from the prior year.

*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 \$130,825 in user charges during 2008. Net assets did increase by \$69,307 during 2008.

Operating results for the County-owned landfill were favorable in 2008, largely due to support by user charges. After many public meetings were held and options were taken into account, in general, it was determined that most County residents were in favor of using the landfill only for Preble County waste. The charge for all parcels with either residences or businesses has been increased to ensure financial stability. Each year the County will review and determine the charge to users. The County strives to control operating expenses for business-type activities in order to maintain stability in charges for services.

PREBLE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED

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**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, charges and services, capital purchases, and other). Before the budget is adopted, the County Commissioners review detailed budget worksheets of each function within the General Fund and then adopt the budget on an object level basis.

The General Fund's original budgeted receipts were \$9,831,139. The final budgeted amount was \$9,888,323, an insignificant increase. Actual receipts increased \$97,673 overall from final budgeted receipts. One of the primary reasons for the increase can be contributed to the County receiving more interest from investments and local government monies from the State than was expected.

During 2008, there were numerous revisions to the General Fund's budgeted disbursements. The net effect of the revisions was an increase in budgeted disbursements of \$231,104 a 2.17 percent change. Actual disbursements, however, showed a decrease of \$307,768 from final appropriations as the County continued to strive to reduce costs.

**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) were \$27,811,842 and \$3,005,503, respectively. Governmental capital assets increased 835,774, mainly the result of an increase in infrastructure for four bridge projects that were done during 2008. Business-type activities increased by \$101,141 during 2008, primarily due to the Landfill Fund purchasing a new compactor. See Note 9 of the notes to the basic financial statements for more detailed information.

Debt

At December 31, 2008, Preble County had \$1,652,000 in governmental activities long-term debt outstanding, a decrease of 695,642 from 2007, as payments on the debt continued. The County issued a new note during 2008 for the purpose of installing a new HVAC system at the County Jail.

Business-type activities long-term debt decreased by only \$132,756 as debt payments continued on outstanding debt, but was offset by a new note that was issued during 2008 for the purpose of purchasing a landfill compactor.

See Note 15 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, 2008  
UNAUDITED

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**CONTACTING THE COUNTY AUDITOR'S OFFICE**

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Preble County Auditor, 101 East Main Street, Eaton, Ohio 45320.



PREBLE COUNTY, OHIO  
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2008

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		L & M Products
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$7,052,983	\$1,813,872	\$8,866,855	\$0
Cash and Cash Equivalents in Segregated Accounts	219,248	0	219,248	157,520
Cash and Cash Equivalents with Fiscal Agents	849,760	0	849,760	0
Cash and Cash Equivalents with Trustee	0	1,558,422	1,558,422	0
Accounts Receivable	0	0	0	11,379
Prepaid Items	0	0	0	968
Restricted Cash - Custodial Funds	0	0	0	2,851
Restricted Cash - Consumer Funds	0	0	0	1,836
Advance Deposits	0	0	0	186
Nondepreciable Capital Assets	2,245,414	452,313	2,697,727	0
Depreciable Capital Assets, Net	25,566,428	2,553,190	28,119,618	75,636
<b>Total Assets</b>	<b>35,933,833</b>	<b>6,377,797</b>	<b>42,311,630</b>	<b>250,376</b>
<b>Liabilities:</b>				
Accounts Payable	0	0	0	66
Accrued Salaries Payable	0	0	0	1,169
Payroll Taxes and Withholdings	0	0	0	1,735
Custodial Funds	0	0	0	2,851
Consumer Funds	0	0	0	1,836
Deferred Revenue	0	0	0	2,189
Notes Payable	448,643	54,000	502,643	0
Long-Term Liabilities:				
Due Within One Year	460,000	353,756	813,756	0
Due in More Than One Year	1,192,000	3,421,201	4,613,201	0
<b>Total Liabilities</b>	<b>2,100,643</b>	<b>3,828,957</b>	<b>5,929,600</b>	<b>9,846</b>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	25,711,199	1,876,546	27,587,745	0
Restricted for:				
Public Safety	774,237	0	774,237	0
Public Works	740,590	0	740,590	0
Health	1,092,425	0	1,092,425	0
Human Services	2,712,127	0	2,712,127	0
Community and Economic Development	120,050	0	120,050	0
General Government	846,550	0	846,550	0
Debt Service	300,771	0	300,771	0
Capital Projects	82,737	0	82,737	0
Unrestricted	1,452,504	672,294	2,124,798	240,530
<b>Total Net Assets</b>	<b>\$33,833,190</b>	<b>\$2,548,840</b>	<b>\$36,382,030</b>	<b>\$240,530</b>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Receipts			
	Cash Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
<b>Governmental Activities:</b>				
General Government:				
Legislative and Executive	\$4,360,093	\$1,450,687	\$0	\$0
Judicial	2,090,155	697,691	9,985	0
Public Safety	5,615,665	537,094	481,953	80
Public Works	4,627,871	450,977	4,116,873	1,675,586
Health	2,680,496	142,878	2,542,542	0
Human Services	10,118,268	587,969	6,814,757	0
Community and Economic Development	991,425	0	985,713	0
Intergovernmental	116,156	0	0	0
Interest and Fiscal Charges	91,304	0	0	0
<b>Total Governmental Activities</b>	<u>30,691,433</u>	<u>3,867,296</u>	<u>14,951,823</u>	<u>1,675,666</u>
<b>Business-Type Activities:</b>				
Sewer	61,518	130,825	0	0
Landfill	2,403,966	2,653,670	0	0
<b>Total Business-Type Activities</b>	<u>2,465,484</u>	<u>2,784,495</u>	<u>0</u>	<u>0</u>
<b>Total Primary Government</b>	<u>\$33,156,917</u>	<u>\$6,651,791</u>	<u>\$14,951,823</u>	<u>\$1,675,666</u>
<b>Component Unit:</b>				
L & M Products	<u>\$1,799,651</u>	<u>\$293,392</u>	<u>\$1,548,252</u>	<u>\$0</u>

**General Receipts, Advances, and Transfers:**

Property Taxes Levied for:  
    General Purposes  
    Community Mental Health  
    Children Services  
    Mental Retardation  
    Other Legislative and Executive  
    Retirement of Debt  
Permissive Sales Tax Levied for General Purposes  
Grants and Entitlements not Restricted to Specific Programs  
Unrestricted Investment Earnings  
Other  
Advances  
Transfers

Total General Receipts, Advances, and Transfers

Change in Net Assets

Net Assets at Beginning of Year - Restated (See Note 3)

Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Primary Government		Component Unit
	Business-Type Activities	Total	L & M Products
(\$2,909,406)	\$0	(\$2,909,406)	\$0
(1,382,479)	0	(1,382,479)	0
(4,596,538)	0	(4,596,538)	0
1,615,565	0	1,615,565	0
4,924	0	4,924	0
(2,715,542)	0	(2,715,542)	0
(5,712)	0	(5,712)	0
(116,156)	0	(116,156)	0
(91,304)	0	(91,304)	0
<u>(10,196,648)</u>	<u>0</u>	<u>(10,196,648)</u>	<u>0</u>
0	69,307	69,307	0
<u>0</u>	<u>249,704</u>	<u>249,704</u>	<u>0</u>
0	319,011	319,011	0
<u>(10,196,648)</u>	<u>319,011</u>	<u>(9,877,637)</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>41,993</u>
1,816,511	0	1,816,511	0
234,711	0	234,711	0
308,187	0	308,187	0
947,490	0	947,490	0
72,084	0	72,084	0
226,995	0	226,995	0
4,383,566	0	4,383,566	0
1,270,258	0	1,270,258	0
706,499	17,906	724,405	0
496,419	0	496,419	0
87,384	(87,384)	0	0
(26,652)	26,652	0	0
<u>10,523,452</u>	<u>(42,826)</u>	<u>10,480,626</u>	<u>0</u>
326,804	276,185	602,989	41,993
<u>33,506,386</u>	<u>2,272,655</u>	<u>35,779,041</u>	<u>198,537</u>
<u>\$33,833,190</u>	<u>\$2,548,840</u>	<u>\$36,382,030</u>	<u>\$240,530</u>

PREBLE COUNTY, OHIO  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2008

	General	Motor Vehicle and Gas Tax	Human Services
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,448,461	\$691,170	\$384,364
Cash and Cash Equivalents in Segregated Accounts	4,043	0	0
Cash and Cash Equivalents with Fiscal Agents	0	0	0
Total Assets	<u>\$1,452,504</u>	<u>\$691,170</u>	<u>\$384,364</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Notes Payable	<u>\$0</u>	<u>\$300,000</u>	<u>\$41,000</u>
<b>Fund Balances:</b>			
Reserved for Encumbrances	207,984	159,570	109,650
Unreserved			
Undesignated (Deficit), Reported in:			
General Fund	1,244,520	0	0
Special Revenue Funds	0	231,600	233,714
Debt Service Fund	0	0	0
Capital Projects Funds	0	0	0
Total Fund Balances	<u>1,452,504</u>	<u>391,170</u>	<u>343,364</u>
Total Liabilities and Fund Balances	<u>\$1,452,504</u>	<u>\$691,170</u>	<u>\$384,364</u>

See Accompanying Notes to the Basic Financial Statements

<u>Community Mental Health</u>	<u>Mental Retardation Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$1,079,286	\$1,078,789	\$2,370,913	\$7,052,983
0	0	215,205	219,248
0	849,760	0	849,760
<u>\$1,079,286</u>	<u>\$1,928,549</u>	<u>\$2,586,118</u>	<u>\$8,121,991</u>
<u>\$0</u>	<u>\$0</u>	<u>\$107,643</u>	<u>\$448,643</u>
102,327	157	316,009	895,697
0	0	0	1,244,520
976,959	1,928,392	1,870,684	5,241,349
0	0	300,771	300,771
0	0	(8,989)	(8,989)
<u>1,079,286</u>	<u>1,928,549</u>	<u>2,478,475</u>	<u>7,673,348</u>
<u>\$1,079,286</u>	<u>\$1,928,549</u>	<u>\$2,586,118</u>	<u>\$8,121,991</u>

PREBLE COUNTY, OHIO  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS  
DECEMBER 31, 2008

**Total Governmental Fund Balance** \$7,673,348

*Amounts reported for governmental activities in the  
Statement of Net Assets 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	2,245,414	
Buildings, Structures, and Improvements	11,574,746	
Furniture, Fixtures, and Equipment	8,407,882	
Infrastructure	19,709,611	
Accumulated Depreciation	<u>(14,125,811)</u>	
Total Capital Assets		27,811,842

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

Notes Payable	(297,000)	
General Obligation Bonds	<u>(1,355,000)</u>	
		<u>(1,652,000)</u>

*Net assets of Governmental Activities* \$33,833,190

See Accompanying Notes to the Basic Financial Statements

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PREBLE COUNTY, OHIO  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	General	Motor Vehicle and Gas Tax	Human Services
<b>Receipts:</b>			
Property Taxes	\$1,816,511	\$0	\$0
Permissive Sales Tax	4,383,566	0	0
Charges for Services	1,447,517	247,004	248,326
Licenses and Permits	2,606	0	0
Fines and Forfeitures	12,609	40,583	0
Intergovernmental	1,302,535	4,082,719	3,443,588
Special Assessments	0	0	0
Interest	706,499	11,477	0
Other	440,693	6,416	21
<b>Total Receipts</b>	<b>10,112,536</b>	<b>4,388,199</b>	<b>3,691,935</b>
<b>Disbursements:</b>			
Current:			
General Government:			
Legislative and Executive	3,582,456	0	0
Judicial	1,731,321	0	0
Public Safety	4,509,282	0	0
Public Works	49,680	3,617,637	0
Health	79,590	0	0
Human Services	346,108	0	4,102,685
Community and Economic Development	0	0	0
Capital Outlay	0	0	0
Intergovernmental	116,156	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	25,000	6,996
Current Refunding	0	300,000	41,000
<b>Total Disbursements</b>	<b>10,414,593</b>	<b>3,942,637</b>	<b>4,150,681</b>
Excess of Revenues Over (Under) Expenditures	(302,057)	445,562	(458,746)
<b>Other Financing Sources (Uses):</b>			
Current Refunding	0	0	(81,000)
Notes Issued	116,000	0	81,000
Advances - In	132,699	0	0
Advances - Out	(17,736)	0	0
Transfers - In	651,011	90,551	799,763
Transfers - Out	(743,609)	0	(162,000)
<b>Total Other Financing Sources (Uses)</b>	<b>138,365</b>	<b>90,551</b>	<b>637,763</b>
Net Change in Fund Balances	(163,692)	536,113	179,017
Fund Balances (Deficit) at Beginning of Year - Restated Note 3	1,616,196	(144,943)	164,347
Fund Balances at End of Year	<u>\$1,452,504</u>	<u>\$391,170</u>	<u>\$343,364</u>

See Accompanying Notes to the Basic Financial Statements



Community Mental Health	Mental Retardation Levy	Other Governmental Funds	Total Governmental Funds
\$234,711	\$947,490	\$607,266	\$3,605,978
0	0	0	4,383,566
61,634	817	1,478,512	3,483,810
0	0	117,514	120,120
0	0	84,360	137,552
2,542,542	1,599,032	4,911,398	17,881,814
0	0	125,814	125,814
0	0	4,456	722,432
16,962	6,348	25,979	496,419
<u>2,855,849</u>	<u>2,553,687</u>	<u>7,355,299</u>	<u>30,957,505</u>
0	0	694,373	4,276,829
0	0	371,132	2,102,453
0	0	1,039,628	5,548,910
0	0	192,127	3,859,444
2,484,950	0	111,522	2,676,062
266,641	2,686,515	2,609,088	10,011,037
0	0	991,425	991,425
0	0	1,852,800	1,852,800
0	0	0	116,156
0	0	450,000	450,000
0	0	59,308	91,304
0	0	20,642	361,642
<u>2,751,591</u>	<u>2,686,515</u>	<u>8,392,045</u>	<u>32,338,062</u>
<u>104,258</u>	<u>(132,828)</u>	<u>(1,036,746)</u>	<u>(1,380,557)</u>
0	0	(100,000)	(181,000)
0	0	100,000	297,000
0	0	17,736	150,435
0	0	(45,315)	(63,051)
19,673	0	522,090	2,083,088
(388,911)	0	(182,537)	(1,477,057)
<u>(369,238)</u>	<u>0</u>	<u>311,974</u>	<u>809,415</u>
(264,980)	(132,828)	(724,772)	(571,142)
<u>1,344,266</u>	<u>2,061,377</u>	<u>3,203,247</u>	<u>8,244,490</u>
<u>\$1,079,286</u>	<u>\$1,928,549</u>	<u>\$2,478,475</u>	<u>\$7,673,348</u>

PREBLE COUNTY, OHIO  
RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT  
OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**Net Change in Fund Balances - Total Governmental Funds** (\$571,142)

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

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

Capital Outlay	2,096,843	
Depreciation Disbursement	(1,199,868)	
Excess of Capital Outlay under Depreciation Disbursement		896,975

The cost of disposed capital assets is removed from the capital assets  
account on the Statement of Net Assets resulting in a loss on disposal  
of capital assets on the Statement of Activities.

Loss on Disposal of Capital Assets	(61,201)
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The internal service fund used by management to charge the cost of  
issuance to individual funds is reported in the entity-wide Statement  
of Activities

(633,470)

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

Notes Payable	(297,000)
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Repayment of long-term debt is reported as a disbursement  
in governmental funds, but the repayment reduces long-term  
liabilities in the Statement of Net Assets.

Notes Payable	542,642	
General Obligation Bonds Payable	450,000	
	992,642	992,642

*Change in Net Assets of Governmental Activities*

\$326,804

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Receipts:</b>				
Property Taxes	\$1,738,010	\$1,738,010	\$1,822,422	\$84,412
Permissive Sales Tax	4,395,000	4,395,000	4,383,566	(11,434)
Charges for Services	1,644,380	1,668,094	1,447,329	(220,765)
Licenses and Permits	3,550	3,550	2,606	(944)
Fines and Forfeitures	71,245	66,500	63,517	(2,983)
Intergovernmental	1,156,000	1,156,000	1,302,535	146,535
Interest	456,000	456,000	586,700	130,700
Other	366,954	405,169	377,321	(27,848)
<b>Total Receipts</b>	<u>9,831,139</u>	<u>9,888,323</u>	<u>9,985,996</u>	<u>97,673</u>
<b>Disbursements:</b>				
Current:				
General Government:				
Legislative and Executive	3,472,008	3,780,015	3,579,216	200,799
Judicial	2,001,005	1,835,126	1,784,931	50,195
Public Safety	4,375,826	4,593,463	4,554,102	39,361
Public Works	49,680	49,680	49,680	0
Health	81,965	81,965	79,590	2,375
Human Services	345,918	370,802	356,283	14,519
Intergovernmental	307,445	153,900	153,381	519
<b>Total Disbursements</b>	<u>10,633,847</u>	<u>10,864,951</u>	<u>10,557,183</u>	<u>307,768</u>
Excess of Receipts Over (Under) Disbursements	<u>(802,708)</u>	<u>(976,628)</u>	<u>(571,187)</u>	<u>405,441</u>
<b>Other Financing Sources (Uses):</b>				
Notes Issued	0	116,000	116,000	0
Advances - In	100,000	100,000	132,699	32,699
Advances - Out	(5,709)	(5,709)	(17,736)	(12,027)
Transfers - In	0	650,000	651,011	1,011
Transfers - Out	(336,540)	(761,310)	(743,609)	17,701
<b>Total Other Financing Sources (Uses)</b>	<u>(242,249)</u>	<u>98,981</u>	<u>138,365</u>	<u>39,384</u>
<b>Net Change in Fund Balance</b>	<u>(1,044,957)</u>	<u>(877,647)</u>	<u>(432,822)</u>	<u>444,825</u>
Fund Balance at Beginning of Year	1,095,263	1,095,263	1,095,263	0
Prior Year Encumbrances Appropriated	325,587	325,587	325,587	0
<b>Fund Balance at End of Year</b>	<u><u>\$375,893</u></u>	<u><u>\$543,203</u></u>	<u><u>\$988,028</u></u>	<u><u>\$444,825</u></u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
MOTOR VEHICLE AND GAS TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Receipts:</b>				
Charges for Services	\$270,000	\$232,237	\$247,004	\$14,767
Fines and Forfeitures	40,000	35,000	40,583	5,583
Intergovernmental	4,461,683	4,096,683	4,105,396	8,713
Interest	40,000	15,000	11,416	(3,584)
Other	500	500	6,416	5,916
<b>Total Receipts</b>	<b>4,812,183</b>	<b>4,379,420</b>	<b>4,410,815</b>	<b>31,395</b>
<b>Disbursements:</b>				
Current:				
Public Works	4,618,197	4,143,197	3,777,207	365,990
Debt Service:				
Principal Retirement	600,000	600,000	600,000	0
Interest and Fiscal Charges	25,000	25,000	25,000	0
<b>Total Disbursements</b>	<b>5,243,197</b>	<b>4,768,197</b>	<b>4,402,207</b>	<b>365,990</b>
Excess of Receipts Over (Under) Disbursements	(431,014)	(388,777)	8,608	397,385
<b>Other Financing Sources:</b>				
Notes Issued	300,000	300,000	300,000	0
Transfers - In	0	90,551	90,551	0
<b>Total Other Financing Sources</b>	<b>300,000</b>	<b>390,551</b>	<b>390,551</b>	<b>0</b>
Net Change in Fund Balance	(131,014)	1,774	399,159	397,385
Fund Balance at Beginning of Year	0	0	0	0
Prior Year Encumbrances Appropriated	131,595	131,595	131,595	0
<b>Fund Balance at End of Year</b>	<b>\$581</b>	<b>\$133,369</b>	<b>\$530,754</b>	<b>\$397,385</b>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
HUMAN SERVICES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Receipts:</b>				
Charges for Services	\$324,500	\$248,034	\$248,326	\$292
Intergovernmental	3,862,233	3,436,606	3,443,588	6,982
Other	0	21	21	0
<b>Total Receipts</b>	<u>4,186,733</u>	<u>3,684,661</u>	<u>3,691,935</u>	<u>7,274</u>
<b>Disbursements:</b>				
Current:				
Human Services	4,664,604	4,498,560	4,212,335	286,225
Debt Service:				
Principal Retirement	165,000	165,004	165,000	4
Interest and Fiscal Charges	6,996	6,996	6,996	0
<b>Total Disbursements</b>	<u>4,836,600</u>	<u>4,670,560</u>	<u>4,384,331</u>	<u>286,229</u>
Excess of Revenues Over (Under) Expenditures	<u>(649,867)</u>	<u>(985,899)</u>	<u>(692,396)</u>	<u>293,503</u>
<b>Other Financing Sources (Uses):</b>				
Notes Issued	122,000	122,000	122,000	0
Transfers - In	772,437	722,512	799,763	77,251
Transfers - Out	(58,760)	(58,760)	(162,000)	(103,240)
<b>Total Other Financing Sources (Uses)</b>	<u>835,677</u>	<u>785,752</u>	<u>759,763</u>	<u>(25,989)</u>
Net Change in Fund Balance	185,810	(200,147)	67,367	267,514
Fund Balance at Beginning of Year	32,089	32,089	32,089	0
Prior Year Encumbrances Appropriated	<u>175,258</u>	<u>175,258</u>	<u>175,258</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$393,157</u></u>	<u><u>\$7,200</u></u>	<u><u>\$274,714</u></u>	<u><u>\$267,514</u></u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
COMMUNITY MENTAL HEALTH FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Receipts:</b>				
Property Taxes	\$240,500	\$240,500	\$236,082	(\$4,418)
Charges for Services	44,944	44,944	61,634	16,690
Intergovernmental	2,718,519	2,718,519	2,542,542	(175,977)
Other	0	0	16,962	16,962
<b>Total Receipts</b>	<u>3,003,963</u>	<u>3,003,963</u>	<u>2,857,220</u>	<u>(146,743)</u>
<b>Disbursements:</b>				
Current:				
Health	2,986,203	2,898,717	2,587,270	311,447
Human Services	282,935	286,935	266,648	20,287
<b>Total Disbursements</b>	<u>3,269,138</u>	<u>3,185,652</u>	<u>2,853,918</u>	<u>331,734</u>
Excess of Receipts Over (Under) Disbursements	<u>(265,175)</u>	<u>(181,689)</u>	<u>3,302</u>	<u>184,991</u>
<b>Other Financing Sources (Uses):</b>				
Transfers - In	0	0	19,673	19,673
Transfers - Out	0	(388,911)	(388,911)	0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>(388,911)</u>	<u>(369,238)</u>	<u>19,673</u>
Net Change in Fund Balance	(265,175)	(570,600)	(365,936)	204,664
Fund Balance at Beginning of Year	1,068,772	1,068,772	1,068,772	0
Prior Year Encumbrances Appropriated	264,632	264,632	264,632	0
<b>Fund Balance at End of Year</b>	<u><u>\$1,068,229</u></u>	<u><u>\$762,804</u></u>	<u><u>\$967,468</u></u>	<u><u>\$204,664</u></u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
MENTAL RETARDATION LEVY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts:</b>				
Property Taxes	\$1,024,896	\$1,024,896	\$951,139	(\$73,757)
Charges for Services	2,003	2,003	817	(1,186)
Intergovernmental	938,302	938,302	1,236,373	298,071
Other	680	680	6,348	5,668
	<u>1,965,881</u>	<u>1,965,881</u>	<u>2,194,677</u>	<u>228,796</u>
<b>Disbursements:</b>				
Current:				
Human Services	2,428,032	2,628,032	2,507,169	120,863
Net Change in Fund Balance	(462,151)	(662,151)	(312,492)	349,659
Fund Balance at Beginning of Year	1,358,731	1,358,731	1,358,731	0
Prior Year Encumbrances Appropriated	7,134	7,134	7,134	0
Fund Balance at End of Year	<u><u>\$903,714</u></u>	<u><u>\$703,714</u></u>	<u><u>\$1,053,373</u></u>	<u><u>\$349,659</u></u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY  
STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS  
ENTERPRISE FUNDS  
DECEMBER 31, 2008

	<u>Sewer</u>	<u>Landfill</u>	<u>Total</u>
<b>Assets:</b>			
Current Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$166,376</u>	<u>\$1,647,496</u>	<u>\$1,813,872</u>
Non-current Assets			
Restricted Assets:			
Cash and Cash Equivalents with Trustee	0	1,558,422	1,558,422
Nondepreciable Capital Assets	0	452,313	452,313
Depreciable Capital Assets, Net	<u>1,346,891</u>	<u>1,206,299</u>	<u>2,553,190</u>
Total Non-current Assets	<u>1,346,891</u>	<u>3,217,034</u>	<u>4,563,925</u>
Total Assets	<u>1,513,267</u>	<u>4,864,530</u>	<u>6,377,797</u>
<b>Liabilities:</b>			
Current Liabilities			
Notes Payable	0	54,000	54,000
OPWC Loans Payable	13,258	0	13,258
OWDA Loans Payable	40,498	0	40,498
General Obligation Bonds Payable	<u>0</u>	<u>300,000</u>	<u>300,000</u>
Total Current Liabilities	<u>53,756</u>	<u>354,000</u>	<u>407,756</u>
Long-Term Liabilities:			
Notes Payable	0	216,000	216,000
OPWC Loans Payable	157,238	0	157,238
OWDA Loans Payable	647,963	0	647,963
General Obligation Bonds Payable	<u>0</u>	<u>2,400,000</u>	<u>2,400,000</u>
Total Long-Term Liabilities	<u>805,201</u>	<u>2,616,000</u>	<u>3,421,201</u>
Total Liabilities	<u>858,957</u>	<u>2,970,000</u>	<u>3,828,957</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	487,934	1,388,612	1,876,546
Unrestricted	<u>166,376</u>	<u>505,918</u>	<u>672,294</u>
Total Net Assets	<u><u>\$654,310</u></u>	<u><u>\$1,894,530</u></u>	<u><u>\$2,548,840</u></u>

See Accompanying Notes to the Basic Financial Statements



PREBLE COUNTY, OHIO  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Enterprise Funds			Internal Service Fund
	Sewer	Landfill	Total	Employees Health Insurance
<b>Operating Receipts:</b>				
Charges for Services	\$130,825	\$2,653,670	\$2,784,495	\$2,379
<b>Operating Disbursements:</b>				
Personal Services	3,811	523,120	526,931	0
Materials and Supplies	6,279	215,313	221,592	0
Charges and Services	26,340	1,228,640	1,254,980	3,166
Depreciation	15,963	87,696	103,659	0
Miscellaneous	9,125	0	9,125	0
Total Operating Disbursements	61,518	2,054,769	2,116,287	3,166
Operating Income (Loss)	69,307	598,901	668,208	(787)
<b>Non-Operating Receipts (Disbursements):</b>				
Interest Revenue	0	17,906	17,906	0
Interest and Fiscal Charges	0	(101,650)	(101,650)	0
Loss on Disposal of Capital Assets	0	(247,547)	(247,547)	0
Total Non-Operating Receipts (Disbursements)	0	(331,291)	(331,291)	0
Income (Loss) Before Advances and Transfers	69,307	267,610	336,917	(787)
Advances - Out	0	(87,384)	(87,384)	0
Transfers - In	0	26,652	26,652	18,328
Transfers - Out	0	0	0	(651,011)
Change in Net Assets	69,307	206,878	276,185	(633,470)
Net Assets at Beginning of Year - Restated (See Note 3)	585,003	1,687,652	2,272,655	633,470
Net Assets at End of Year	\$654,310	\$1,894,530	\$2,548,840	\$0

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Enterprise Funds			Internal Service Fund
	Sewer	Landfill	Total	Employees Health Insurance
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities:</b>				
Cash Received From Customers	\$130,825	\$2,653,670	\$2,784,495	\$0
Cash Received From Interfund Services Provided	0	0	0	2,379
Cash Payments for Employee Services and Benefits	(3,811)	(523,120)	(526,931)	0
Cash Payments to Suppliers	(32,619)	(1,443,953)	(1,476,572)	(3,166)
Cash Payments for Other Operating Expenses	(9,125)	0	(9,125)	0
Net Cash Provided by (Used for) Operating Activities	85,270	686,597	771,867	(787)
<b>Cash Flows from Noncapital Financing Activities:</b>				
Advances - Out	0	(87,384)	(87,384)	0
Transfers - In	0	26,652	26,652	18,328
Transfers - Out	0	0	0	(651,011)
Net Cash Provided by Used for Noncapital Financing Activities	0	(60,732)	(60,732)	(632,683)
<b>Cash Flows Used for Capital and Related Financing Activities:</b>				
Acquisition of Capital Assets	0	(452,347)	(452,347)	0
Note Proceeds	0	270,000	270,000	0
Loans Payable Principal Payments	(53,756)	0	(53,756)	0
General Obligation Bond Principal Payments	0	(295,000)	(295,000)	0
General Obligation Bond Interest Payments	0	(101,650)	(101,650)	0
Net Cash Provided by (Used for) Capital and Related Financing Activities	(53,756)	(578,997)	(632,753)	0
<b>Cash Flows from Investing Activities:</b>				
Interest	0	17,906	17,906	0
Net Increase (Decrease) in Cash and Cash Equivalents	31,514	64,774	96,288	(633,470)
Cash and Cash Equivalents at Beginning of Year	134,862	3,141,144	3,276,006	633,470
Cash and Cash Equivalents at End of Year	\$166,376	\$3,205,918	\$3,372,294	\$0
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>				
Operating Income (Loss)	\$69,307	\$598,901	\$668,208	(\$787)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>				
Depreciation	15,963	87,696	103,659	0
Net Cash Provided by (Used for) Operating Activities	\$85,270	\$686,597	\$771,867	(\$787)

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO  
STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
DECEMBER 31, 2008

	Private Purpose Trust	
	Scholarship and Trust	Agency
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$40,900	\$1,923,929
Cash and Cash Equivalents in Segregated Accounts	0	774,834
Total Assets	40,900	\$2,698,763
<b>Liabilities:</b>		
Undistributed Monies	0	1,456,414
Deposits Held and Due to Others	0	1,242,349
Total Liabilities	0	\$2,698,763
<b>Net Assets:</b>		
Held in Trust for Scholarships	\$40,900	

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
 PRIVATE PURPOSE TRUST FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Scholarship and Trust
<b>Additions:</b>	
Interest	\$571
<b>Deletions:</b>	
	0
Change in Net Assets	571
Net Assets at Beginning of Year	40,329
Net Assets at End of Year	\$40,900

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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**NOTE 1 - 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 Mental Retardation and Developmental Disabilities, the Preble County Mental Health and Recovery Board, the Children Services Board, and the departments and activities that are directly operated by the elected County officials. The County also operates and maintains a wastewater treatment system and landfill.

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

**Discretely Presented Component Unit**

The component unit column in the entity-wide financial statements identifies the financial data of the County's discretely presented component unit, L & M Products. It is reported separately to emphasize that it is legally separate from the County.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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**NOTE 1 - REPORTING ENTITY (Continued)**

L & M Products - L & M Products (the “Company”) is a legally separate, nongovernmental, not-for-profit corporation, served by a board whose members are elected at large from nominations submitted by a nominating committee appointed by the President. The Company, under contractual agreement with the Preble County Board of Mental Retardation and Developmental Disabilities (MRDD), provides sheltered employment for mentally retarded or handicapped individuals in the County. The Preble County Board of MRDD provides the Company with personnel necessary for the operation of the habilitation services provided to the clients, land and buildings for the operation of the center, maintenance and repair of the buildings and professional staff to supervise and train clients of the Company. Based on the significant services and resources provided by the County to the Company and the Company's sole purpose of providing assistance to the mentally retarded and handicapped adults of the County, the Company is reflected as a component unit of the County. This is because the nature and significance of the relationship is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Company operates on a fiscal year ending December 31. Separately issued financial statements can be obtained from L & M Products at 201 East Lexington Road, Eaton, Ohio 45320 (See Note 26).

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate agencies, boards and commissions listed below, the County serves as fiscal agent but is not financially accountable for the activity. Accordingly, the following districts and agencies are presented as agency funds within the County's financial statements:

- Preble County General Health District
- Preble County Soil and Water Conservation District
- Preble County Disaster Services
- Preble County Emergency Planning Committee - Right to Know
- Preble County Council on Aging

The County participates in six organizations, two of which are defined as related organizations, one is a joint venture, one is a jointly governed organization, one is a risk sharing pool, and one is a group purchasing pool. These organizations are presented in Notes 18, 19, 20, 21 and 22 of the basic financial statements. These organizations are:

Related Organizations:

- Preble County Library Board
- Preble Metropolitan Housing Authority

Joint Venture:

- Preble County Emergency Management Agency

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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**NOTE 1 - REPORTING ENTITY (Continued)**

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**

As discussed further in Note 2, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the County's accounting policies. Information regarding L & M Products is presented in Note 26.

**Basis of Presentation**

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

**Government-Wide Financial Statements**

The modified cash basis Statement of Net Assets 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 fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Statement of Net Assets – modified cash basis presents the cash balance of the governmental and business-type activities of the County at year-end. The Statement of Activities – modified cash basis presents a comparison between disbursements and program receipts for each program or function of the County’s governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the County is responsible. Program receipts 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 receipts of interest earned on grants that are required to be used to support a particular program.

Receipts which are not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a modified cash basis or draws from the general receipts of the County.

**Fund Financial Statements**

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

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds’ principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

**Fund Accounting**

The County uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain County functions or activities. 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.



PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental Funds

Governmental funds are those through which most governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. The following are the County's major governmental funds:

General Fund - This fund accounts for 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 revenues derived from motor vehicle licenses, gasoline taxes and interest. Disbursements 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 various 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 money received from a County-wide property tax levy and federal and State grants that are expended primarily to pay the cost of contracts with local mental health agencies that provide services to the public.

Mental Retardation Levy Fund - This fund is used to account for money received from a County-wide property tax levy and State grants and reimbursements used to provide services and care for the mentally retarded and handicapped.

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

Proprietary Funds

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

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 revenue received from user charges for sewer services provided to residents of the County.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

Internal Service Fund - The Internal Service Fund is used to account for the financing of goods and services provided by one department to other departments within the County.

Employees Health Insurance - This fund was used to account for the County employees' self-insurance program for medical, dental, and vision coverage. During 2004 the County terminated its self-insurance plan. The activity in this fund is limited to settling prior claims. During 2008, this fund was closed out and the remaining fund balance was transferred to the General Fund.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. 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 has 18 agency funds which are primarily established to account for the collection and distribution to other governments of various taxes, receipts and fees and to account for funds of various agencies for which the County is fiscal agent.

**Basis of Accounting**

The County's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the County's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the County are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents**

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

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

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

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

During fiscal year 2008, the County invested in Federal National Mortgage Association Notes, Federal Home Loan Bank Notes, Federal Home Loan Bank Bonds, Federal Home Loan Bank Discount Notes, Federal Farm Credit Bank Notes, Federal Home Loan Mortgage Corporation Notes and the State Treasury Asset Reserve of Ohio (STAROhio). Investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2008.

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 2008 amounted to \$706,499, which includes \$649,485 assigned from other County funds.

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

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Interfund Receivables/Payables**

The County reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**Inventory and Prepaid Items**

The County reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**Restricted Assets**

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

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

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

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the County's modified cash basis of accounting.

**Employer Contributions to Cost-Sharing Pension Plans**

The County recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**Long-Term Obligations**

Long-term obligations are reported in the government-wide financial statements and the proprietary funds' Statement of Fund Net Assets. The County has elected to report liabilities for notes, general obligation bonds, and loans.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are reported as restricted when there are limitations imposed on their 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 assets are available.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Internal Activity**

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

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

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

**Fund Balance Reserves**

The County reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. As a result, encumbrances are recorded as a reservation of fund balance.

**Estimates**

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

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budgetary Process**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The Issue II Capital Projects Fund was not budgeted during 2008 because the County did not anticipate any receipts or disbursements and none occurred. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the County Commissioners. The legal level of budgetary control is at the object level (personal services, materials and supplies, charges and services, capital purchases, and other) within each department and fund. Budgetary modifications may only be made by resolution of the County Commissioners.

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

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

**NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY**

**Change in Basis of Accounting**

For 2008 the County ceased to report using generally accepted accounting principles and reported on the modified cash basis as described in Note 2.

PREBLE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY (Continued)**

**Restatement of Fund Equity**

The implementation of this change had the following effects on fund equity of the major and nonmajor funds of the County as they were previously reported. The effects on net assets of governmental activities are also presented.

	General	Motor Vehicle and Gas Tax	Human Services	Community Mental Health
Fund Balance (Deficit) at December 31, 2007	\$2,165,447	\$555,710	(\$92,492)	\$1,402,481
Eliminate Asset Accruals	(3,068,140)	(1,915,985)	(31,899)	(1,379,350)
Eliminate Inventory	0	(146,752)	(7,129)	0
Eliminate Prepaid Items	(2,936)	0	(6,504)	0
Eliminate Interfund Receivables/Payables	(130,649)	(21,096)	0	(210)
Eliminate Liability Accruals	2,652,474	1,383,180	302,371	1,321,345
Adjusted Fund Balance (Deficit) at December 31, 2007	<u>\$1,616,196</u>	<u>(\$144,943)</u>	<u>\$164,347</u>	<u>\$1,344,266</u>

	Mental Retardation Levy	Other Governmental Funds	Total Governmental Funds
Fund Balance (Deficit) at December 31, 2007	\$2,054,159	\$3,006,648	\$9,091,953
Eliminate Asset Accruals	(1,788,733)	(1,901,129)	(10,085,236)
Eliminate Inventory	0	(3,201)	(157,082)
Eliminate Prepaid Items	0	(2,538)	(11,978)
Eliminate Interfund Receivables/Payables	0	64,571	(87,384)
Eliminate Liability Accruals	1,795,951	2,038,896	9,494,217
Adjusted Fund Balance (Deficit) at December 31, 2007	<u>\$2,061,377</u>	<u>\$3,203,247</u>	<u>\$8,244,490</u>



PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY (Continued)**

Governmental Activities Net Assets December 31, 2007	\$37,809,394
Eliminate Government-Wide Financial Statement Adjustments:	
Accrued Interest Receivable	(94,085)
Accounts Receivable	(188,918)
Permissive Sales Tax Receivable	(692,396)
Due From Other Governments	(5,322,524)
Internal Balances	(87,384)
Prepaid Items	(11,978)
Inventory	(157,082)
Property Taxes Receivable	(3,611,939)
Special Assessments Receivable	(175,374)
Deferred Charges	(2,327)
Accounts Payable	571,425
Accrued Salaries Payable	368,020
Contracts Payable	70,124
Due to Other Governments	647,539
Accrued Interest Payable	28,264
Deferred Revenue	3,249,116
Compensated Absences Payable	713,201
Capital Leases Payable	158,165
Accretion	232,815
Unamortized Loss	2,090
Premium on Debt Issue	240
Adjusted Governmental Activities Net Assets December 31, 2007	<u>\$33,506,386</u>

The restatement of business-type activities is presented below:

	Sewer	Landfill	Total Enterprise
Fund Equity at December 31, 2007	\$638,814	(\$713,031)	(\$74,217)
Eliminate Asset Accruals	(60,380)	(525,050)	(585,430)
Eliminate Inventory	0	(2,950)	(2,950)
Eliminate Interfund Receivables/Payables	839	86,545	87,384
Deferred Charges	0	(59,474)	(59,474)
Eliminate Liability Accruals	5,730	258,102	263,832
Unamortized Gain	0	(162,957)	(162,957)
Premium on Debt Issue	0	5,684	5,684
Landfill Closure and Postclosure Costs	0	2,800,783	2,800,783
Adjusted Fund Equity at December 31, 2007	<u>\$585,003</u>	<u>\$1,687,652</u>	<u>\$2,272,655</u>

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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**NOTE 4 – ACCOUNTABILITY AND COMPLIANCE**

**Accountability**

The Ditch and Guardrail Construction Fund had a fund balance deficit at December 31, 2008 of \$62,934 due to liabilities for notes payable being reported as a fund liability.

**Compliance**

Ohio Administrative Code, section 117-2-03 (B), requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

Contrary to Ohio Revised Code, the County did not record the Ohio Department of Transportation monies (\$134,369) disbursed on behalf of the County during the audit period for bridge repair, nor was the grant money included in the appropriations by the County.

**NOTE 5 - BUDGET TO GAAP RECONCILIATION**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes In Fund Balance – Budget and Actual (Budget Basis) presented for the General Fund and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are that:

1. Encumbrances are treated as disbursements (budget basis) rather than as a reservation of fund balance (modified cash basis).
2. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as a balance sheet transaction (modified cash basis).
3. Unrecorded cash represents amounts received but not included as a receipt on the budget basis operating systems (For example, interest received but not recorded until 2009, etc.). These amounts are included as a receipt on the modified cash basis operating statements.

PREBLE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 5 - BUDGET TO GAAP RECONCILIATION (Continued)**

4. Cash that is held by agency funds on behalf of County funds on a budget basis are allocated and reported on the balance sheet (modified cash basis) in the appropriate County funds.
5. The change of fair value of investments is not included on the budget basis operating statement. This amount is included on the modified cash basis basis operating statement.

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	Motor Vehicle and Gas Tax	Human Services	Community Mental Health	Mental Retardation Levy
Accrual Basis	(\$163,692)	\$536,113	\$179,017	(\$264,980)	(\$132,828)
Encumbrances	(207,984)	(159,570)	(109,650)	(102,327)	(157)
Note Proceeds	0	300,000	41,000	0	0
Note Principal Payments	0	(600,000)	(165,000)	0	0
Current Refunding	0	300,000	122,000	0	0
Unrecorded Cash - 2008	(29,551)	(846)	0	0	0
Unrecorded Cash - 2007	99,265	785	0	0	0
WestCON Activity	0	0	0	0	(183,156)
Agency Fund Cash					
Allocation - 2008	(54,851)	0	0	(9,491)	(25,259)
Agency Fund Cash					
Allocation - 2007	61,043	22,677	0	10,862	28,908
Decrease in Fair Value					
of Cash Equivalents - 2008	(168,047)	0	0	0	0
Increase in Fair Value					
of Cash Equivalents - 2007	30,995	0	0	0	0
Budget Basis	<u>(\$432,822)</u>	<u>\$399,159</u>	<u>\$67,367</u>	<u>(\$365,936)</u>	<u>(\$312,492)</u>

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal 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 securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities or cash, equal value for equal value;
9. Commercial paper notes, corporate notes and bankers' acceptances; and
10. 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. 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. Bankers' acceptances must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions.

PREBLE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

**Investments**

As of December 31, 2008, the County had the following investments:

	Fair Value	Investment Maturities (in Years)	
		Less than 1	1-2
STAROhio	\$1,041,084	\$1,041,084	\$0
Federal National Mortgage Association Notes	1,664,013	0	1,664,013
Federal Home Loan Bank Notes	500,315	0	500,315
Federal Home Loan Bank Bonds	1,048,130	0	1,048,130
Federal Home Loan Bank Discount Notes	4,492,300	4,492,300	0
Federal Farm Credit Bank Notes	1,018,440	1,018,440	0
Federal Home Loan Mortgage Corporation Notes	1,021,230	0	1,021,230
Total Investments	<u>\$10,785,512</u>	<u>\$6,551,824</u>	<u>\$4,233,688</u>

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

*Credit Risk* – The Federal National Mortgage Association Notes, Federal Home Loan Bank Notes, Federal Home Loan Bank Bonds, Federal Home Loan Bank Discount Notes, Federal Farm Credit Bank Notes, and Federal Home Loan Mortgage Corporation Notes carry a rating of Aaa by Moody’s. STAROhio carries a rating of AAAM by Standard and Poor’s. 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. The County’s investments in The Federal National Mortgage Association Notes, Federal Home Loan Bank Bonds, Federal Home Loan Bank Discount Notes, Federal Farm Credit Bank Notes, and Federal Home Loan Mortgage Corporation Notes represent 15.43, 9.72, 41.65, 9.44, and 9.47 percent, respectively, of the County’s total investments.

**NOTE 7 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the County. Property tax revenue received during 2008 for real and public utility property taxes represents collections of 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2008 taxes.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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**NOTE 7 - PROPERTY TAXES (Continued)**

2008 real property taxes are levied after October 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

Real property taxes are payable annually or semi-annually. If paid annually, the 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. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property assessments were 25 percent of true value for capital assets and 23 percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within 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.

PREBLE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2008

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**NOTE 7 - PROPERTY TAXES (Continued)**

The full tax rate for all County operations for the year ended December 31, 2008, was \$8.13 per \$1,000 of assessed value. The tax rate increased due to an increase in inside millage. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Real Property		
Residential/Agricultural	\$619,718,480	79.18%
Commercial/Industrial/Public Utility	87,040,290	11.12
Public Utility Personal	32,584,720	4.17
General Business Personal	43,318,730	5.53
Totals	<u>\$782,662,220</u>	<u>100.00%</u>

**NOTE 8 - PERMISSIVE SALES AND USE TAX**

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 Management the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five 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  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 9 - CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2008, was as follows:

	<u>Balance At</u> <u>12/31/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance At</u> <u>12/31/2008</u>
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$2,039,414	\$206,000	\$0	\$2,245,414
Depreciable Capital Assets:				
Buildings, Structures, and Improvements	11,545,594	29,152	0	11,574,746
Furniture, Fixtures, and Equipment	8,595,061	415,512	(602,691)	8,407,882
Infrastructure	18,263,432	1,446,179	0	19,709,611
Total Depreciable Capital Assets	<u>38,404,087</u>	<u>1,890,843</u>	<u>(602,691)</u>	<u>39,692,239</u>
Less Accumulated Depreciation:				
Buildings, Structures, and Improvements	(3,181,605)	(122,181)	0	(3,303,786)
Furniture, Fixtures, and Equipment	(5,444,532)	(404,935)	541,490	(5,307,977)
Infrastructure	(4,841,296)	(672,752)	0	(5,514,048)
Total Accumulated Depreciation	<u>(13,467,433)</u>	<u>(1,199,868) *</u>	<u>541,490</u>	<u>(14,125,811)</u>
Depreciable Capital Assets, Net	<u>24,936,654</u>	<u>690,975</u>	<u>(61,201)</u>	<u>25,566,428</u>
Governmental Activities Capital Assets, Net	<u>\$26,976,068</u>	<u>\$896,975</u>	<u>(\$61,201)</u>	<u>\$27,811,842</u>

\* Depreciation disbursement was charged to governmental programs as follows:

General Government	
Legislative and Executive	\$113,197
Judicial	14,776
Public Safety	166,586
Public Works	797,928
Health	4,101
Human Services	103,280
Total Depreciation Disbursement	<u>\$1,199,868</u>



PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 9 - CAPITAL ASSETS (Continued)**

	<u>Balance at</u> <u>12/31/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/08</u>
<u>Business-Type Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$452,313	\$0	\$0	\$452,313
Depreciable Capital Assets:				
Buildings, Structures, and Improvements	1,536,814	0	0	1,536,814
Furniture, Fixtures, and Equipment	2,048,778	452,347	(351,000)	2,150,125
Sewer Lines and Manholes	580,137	0	0	580,137
Total Depreciable Capital Assets	<u>4,165,729</u>	<u>452,347</u>	<u>(351,000)</u>	<u>4,267,076</u>
Less Accumulated Depreciation:				
Buildings, Structures, and Improvements	(806,915)	(8,836)	0	(815,751)
Furniture, Fixtures, and Equipment	(889,362)	(89,022)	103,453	(874,931)
Sewer Lines and Manholes	(17,403)	(5,801)	0	(23,204)
Total Accumulated Depreciation	<u>(1,713,680)</u>	<u>(103,659)</u>	<u>103,453</u>	<u>(1,713,886)</u>
Depreciable Capital Assets, Net	<u>2,452,049</u>	<u>348,688</u>	<u>(247,547)</u>	<u>2,553,190</u>
Business-Type Activities Capital Assets, Net	<u>\$2,904,362</u>	<u>\$348,688</u>	<u>(\$247,547)</u>	<u>\$3,005,503</u>

**NOTE 10 - RISK MANAGEMENT**

**Insurance**

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. By contracting with the County Risk Sharing Authority, Inc. (CORSA), a risk sharing pool (see Note 21), for liability, property, auto, and crime insurance, the County has addressed these various types of risk.

CORSA, a non-profit corporation sponsored by the County Commissioners' Association of Ohio, was created to provide affordable liability, property, casualty and crime insurance coverage for its members. CORSA was established May 12, 1987, and has grown to 61 members.

Insurance coverage provided includes the following:

General Liability (each occurrence)	\$1,000,000
Law Enforcement Liability (each occurrence)	1,000,000
Automobile Liability (each occurrence)	1,000,000
Errors and Omissions Liability (each occurrence)	1,000,000

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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**NOTE 10 - RISK MANAGEMENT (Continued)**

Excess Liability	\$5,000,000
Property	66,258,050
Equipment	100,000,000
Crime	1,000,000
Uninsured/Underinsured Motorists	250,000
Stop Gap Liability	1,000,000
Attorney Disciplinary Proceedings	25,000
Medical Professional Liability	6,000,000
Bridges	5,153,750

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

**Workers' Compensation**

For 2008, the County participated in the County Commissioners' Association of Ohio Service Corporation (the Plan), an insurance purchasing pool (See Note 22). 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  
FOR THE YEAR ENDED DECEMBER 31, 2008

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**NOTE 11 - DEFINED BENEFIT PENSION PLAN**

**Ohio Public Employees Retirement System**

Plan Description - The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions, plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10.0 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent.

The County's contribution rate for 2008 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.4 percent of covered payroll. For 2008, a portion of the County's contribution equal to 7.0 percent of covered payroll was allocated to fund the post-employment health care plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the County of 14.0 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$835,731, \$865,363, and \$1,029,770, respectively; 100 percent has been contributed for 2008, 2007, and 2006. Contributions to the member-directed plan for 2008 were \$3,309 made by the County and \$2,363 made by the plan members.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 – POST-EMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

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

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14.0 percent of covered payroll (17.4 percent for public safety and law enforcement). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll for 2008.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)**

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$835,731, \$661,424, and \$559,658, respectively; 100 percent has been contributed for 2008, 2007 and 2006.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**Deferred Compensation Plan**

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

**Insurance**

Medical, dental, vision and life insurance coverage for employees is provided by Medical Mutual of Ohio.

**NOTE 14 -LEASES**

In prior years, the County entered into capital lease agreements for the purchase of buses for the Mental Retardation and Development Disability Board. Principal payments in 2008 totaled \$53,773.

Future lease payments are as follows:

<u>Year</u>	<u>Buses</u>
2009	\$38,154
2010	38,154
2011	38,154
Total	<u><u>\$114,462</u></u>

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - LONG-TERM OBLIGATIONS**

The schedule of changes in long-term obligations of the governmental activities of the County during 2008 follows:

Types / Issues	Balance at 12/31/2007	Issued	Retired	Balance at 12/31/2008	Due Within One Year
<u>Notes Payable:</u>					
4.24% Drainage Backhoe Anticipation Note \$10,642	\$10,642	\$0	\$10,642	\$0	\$0
1.99% Court Computer Software Anticipation Note \$100,000	100,000	100,000	100,000	100,000	0
3.99% Albert Ditch Construction Anticipation Note \$15,000	10,000	0	10,000	0	0
3.99% Flood Damage Repair Anticipation Note \$800,000	300,000	0	300,000	0	0
2.93% Electronic Documentation Data Equipment Anticipation Note \$122,000	122,000	81,000	122,000	81,000	0
2.93% Jail HVAC Anticipation Note \$116,000	0	116,000	0	116,000	0
Total Notes Payable	<u>542,642</u>	<u>297,000</u>	<u>542,642</u>	<u>297,000</u>	<u>0</u>
<u>General Obligations Bonds:</u>					
2002 County Jail Refunding Bonds - Voted 2.00 to 3.00% - Current Interest Bonds \$2,565,000	630,000	0	310,000	320,000	320,000
11.69 to 12.08% Original Issue on Capital Appreciation Bonds \$240,000	240,000	0	0	240,000	0
2002 2.00 to 3.50% Various Purpose Bonds - Unvoted \$1,440,000	820,000	0	130,000	690,000	130,000
2005 County Fairgrounds Refunding Bonds - Unvoted 3.00 to 3.60% - Current Interest Bonds \$125,000	115,000	0	10,000	105,000	10,000
Total General Obligation Bonds Payable	<u>1,805,000</u>	<u>0</u>	<u>450,000</u>	<u>1,355,000</u>	<u>460,000</u>
Total - General Long-Term Obligations	<u>\$2,347,642</u>	<u>\$297,000</u>	<u>\$992,642</u>	<u>\$1,652,000</u>	<u>\$460,000</u>

The 2007 Drainage Backhoe Anticipation Note was reissued on April 2, 2007, in the amount of \$20,642, with \$10,000 being a short-term liability, for the purchase of drainage backhoe equipment. This note was issued at a 4.24 percent interest rate and was paid off in 2008.

The 2008 Court Computer Software Anticipation Note was issued on May 12, 2008, in the amount of \$100,000 for the purchase of computer software equipment for the Clerk of Courts. The note was issued at a 1.99 percent interest rate and will reach maturity on May 12, 2009. This note was refinanced prior to the issuance of the 2008 statements for \$100,000. The entire portion of the note was a long-term liability. The note will be paid through the Other Judicial Fund.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

The 2007 Albert Ditch Construction Anticipation Note was reissued on May 21, 2007, in the amount of \$15,000 for the construction of Albert Ditch, with \$10,000 being a long-term liability. The note was issued at a 3.99 percent interest rate and was reissued in 2008 for \$10,000. The note had no portion that was a long-term liability at December 31, 2008.

The 2007 Flood Damage Repair Anticipation Note was reissued on May 21, 2007, in the amount of \$600,000 for the repair from flood damage and various purposes. The note was issued at a 3.99 percent interest rate and will reach maturity on May 21, 2008 and was refinanced during 2008 for \$300,000 (see Note 16). The note had no portion that was a long-term liability at December 31, 2008. The note will be paid through the Motor Vehicle License and Gas Tax Fund.

The 2008 Electronic Documentation Data Equipment Anticipation Note was issued on March 19, 2008, in the amount of \$122,000 for the purchase of electronic documentation data equipment. The note was issued at a 2.93 percent interest rate and will reach maturity on March 19, 2009. This note was refinanced prior to the issuance of the 2008 statements for \$81,000 (see Note 16). This portion of the note was a long-term liability. The note will be paid through the Human Services Fund.

The 2008 Jail HVAC Anticipation Note was issued on March 19, 2008, in the amount of \$116,000 for the purchase and installation of a new jail HVAC system. The note was issued at a 2.93 percent interest rate and will reach maturity on March 19, 2009. This note was refinanced prior to the issuance of the 2008 statements for \$116,000 (see Note 16). This portion of the note was a long-term liability. The note will be paid through the General Fund.

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

The 2002 County Jail Refunding General Obligation Bonds will be paid from property taxes. The 2005 County Fairgrounds Refunding and 2002 Various Purpose General Obligation Bonds will be paid from general revenues, including transfers from the General Fund, and monies received from the Preble County Agricultural Society. The maturity amount of the capital appreciation bonds is \$650,000.

The 2005 County Fairgrounds Refunding General Obligation Bonds were issued June 1, 2005, for the purpose of advance refunding the \$125,000 outstanding County Fairgrounds Bonds.

Changes in the long-term obligations reported for business-type activities during 2008 were as follows:

PREBLE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

<u>Types/Issues</u>	<u>Balance at 12/31/2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 12/31/2008</u>	<u>Due Within One Year</u>
<b>Notes Payable:</b>					
1.88% Landfill Compactor \$299,100	\$0	\$216,000	\$0	\$216,000	\$0
<b>Loans Payable:</b>					
0.00% - OWDA Loan \$820,238	\$728,959	\$0	\$40,498	\$688,461	\$40,498
0.00% - OPWC Loan \$38,000	36,100	0	1,900	34,200	1,900
0.00% - OPWC Loan \$227,160	147,654	0	11,358	136,296	11,358
Total Loans Payable	<u>912,713</u>	<u>0</u>	<u>53,756</u>	<u>858,957</u>	<u>53,756</u>
<b>General Obligation Bonds Payable:</b>					
3.00 to 3.60% - Landfill Improvement Refunding Bonds \$3,445,000	<u>2,995,000</u>	<u>0</u>	<u>295,000</u>	<u>2,700,000</u>	<u>300,000</u>
Total - Business-Type Activities	<u>\$3,907,713</u>	<u>\$216,000</u>	<u>\$348,756</u>	<u>\$3,774,957</u>	<u>\$353,756</u>

The 2008 Landfill Compactor Anticipation Note was issued on May 12, 2008, in the amount of \$270,000 for the purchase of electronic documentation data equipment. The note was issued at a 1.88 percent interest rate and reached maturity on May 12, 2009. This note was refinanced prior to the issuance of the 2008 statements for \$216,000 (see Note 16). This portion of the note was a long-term liability. The note will be paid through the Landfill Fund.

The County has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$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. Annual principal and interest payments on the loans are expected to require less than 48 percent of net receipts. The total principal remaining to be paid on the loans is \$688,461. Principal paid for the current year and total customer net receipts were \$40,498 and \$85,270, respectively.

The County has an OPWC Loan outstanding at December 31, 2008 in the amount of \$34,200. The OPWC Loan bears an interest rate of zero percent and is payable in semi-annual installments through 2026 and is a general obligation of the County. The OPWC was originally received by the Village of West Elkton during 1998 and was assumed by the County in 2000. Current operations of the Sewer Fund are expected to provide sufficient cash flows to fund debt service requirements.



PREBLE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

The County has an OPWC Loan outstanding at December 31, 2008 in the amount of \$136,296. The OPWC Loan bears an interest rate of zero percent and is payable in semi-annual installments through 2021 and is a general obligation of the County. The OPWC Loan was originally received by the Village of West Elkton during 1994 and 1995 in the amount of \$299,755, and was assumed by the County in 2000, when the village could not repay the loan. Current operations of the Sewer Fund are expected to provide sufficient cash flows to fund debt service requirements.

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

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The effects of the debt limitations at December 31, 2008, are an overall legal debt margin of \$18,066,556 and an unvoted legal debt margin of \$7,826,622.

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

Year	Governmental Activities			
	General Obligation Serial Bonds		General Obligation Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest
2009	\$460,000	\$40,850	\$0	\$0
2010	45,000	27,051	0	0
2011	50,000	25,581	125,000	200,000
2012	55,000	23,894	115,000	210,000
2013	55,000	21,992	0	0
2014-2018	280,000	73,172	0	0
2019-2021	170,000	15,353	0	0
Totals	\$1,115,000	\$227,893	\$240,000	\$410,000

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

Year	Business-Type Activities		
	Loans Payable	General Obligation Bonds	
	Principal	Principal	Interest
2009	\$53,756	\$300,000	\$92,800
2010	53,756	310,000	83,800
2011	53,756	320,000	74,035
2012	53,756	330,000	63,635
2013	53,756	340,000	52,580
2014-2018	268,780	1,100,000	81,727
2019-2023	234,706	0	0
2024-2026	86,691	0	0
Totals	<u>\$858,957</u>	<u>\$2,700,000</u>	<u>\$448,577</u>

**NOTE 16 - SHORT-TERM OBLIGATIONS**

Changes in the short-term obligations during 2008 were as follows:

Fund Type/Fund/Issue	Rate	12/31/2007	Increases	Decreases	12/31/2008
<u>Governmental:</u>					
Motor Vehicle License and Gas Tax					
Flood Damage	1.99%	\$300,000	\$300,000	\$300,000	\$300,000
Other Judicial					
Court Computer Software	3.89%	10,000	0	10,000	0
Other Public Works					
Albert Ditch Construction	1.99%	5,000	10,000	5,000	10,000
Other Public Works					
Drainage Backhoe	2.93%	10,000	10,642	10,000	10,642
Ditch and Guardrail Construction					
Gates Joint Ditch	2.89%	0	45,905	-	45,905
Ditch and Guardrail Construction					
Brock Ditch	3.87%	47,946	41,096	47,946	41,096
Human Services					
Electronic Documentation Data Equipment	4.24%	43,000	41,000	43,000	41,000
Total Governmental Funds		<u>\$415,946</u>	<u>\$448,643</u>	<u>\$415,946</u>	<u>\$448,643</u>
<u>Business-Type Activities:</u>					
Landfill Compactor Note	4.11%	<u>\$0</u>	<u>\$54,000</u>	<u>\$0</u>	<u>\$54,000</u>

PREBLE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 16 - SHORT-TERM OBLIGATIONS (Continued)**

All of the notes are backed by the full faith and credit of the County and will mature within one year. The Flood Damage Note will be paid through the Motor Vehicle and Gas Tax Fund. The Court Computer Software Note was paid from the Other Judicial Fund. The Albert Ditch Construction Note and the Drainage Backhoe Note will be paid from the Other Public Works Nonmajor Fund. The Brock Ditch Note and the Gates Joint Ditch Note will be paid from the Ditch and Guardrail Construction Nonmajor Fund. The Electronic Documentation Data Equipment Note will be paid from the Human Services Fund. The Landfill Compactor Note will be paid through the Landfill Fund. The notes are issued in anticipation of long-term bond financing, and the County intends to refinance the notes until such bonds are issued. The liability for the notes is presented in the funds that received the note proceeds.

**NOTE 17 - INTERFUND ACTIVITY**

Interfund transfers for the year ended December 31, 2008, consisted of the following:

Transfers From	Transfers To							Totals
	General	Motor Vehicle and Gas Tax	Human Services	Comm-Unity Mental Health	Other Govern-Mental	Landfill	Employee Health Insurance	
General	\$0	\$90,551	\$410,852	\$19,673	\$177,553	\$26,652	\$18,328	\$743,609
Human Services	0	0	0	0	40,500	0	0	40,500
Community Mental Health	0	0	388,911	0	0	0	0	388,911
Other Governmental	0	0	0	0	182,537	0	0	182,537
Employee Health Insurance	651,011	0	0	0	0	0	0	651,011
<b>Total</b>	<b>\$651,011</b>	<b>\$90,551</b>	<b>\$799,763</b>	<b>\$19,673</b>	<b>\$400,590</b>	<b>\$26,652</b>	<b>\$18,328</b>	<b>\$2,006,568</b>

Transfers are used to move revenues from the fund that State statute or the County's budget requires to collect them to the fund that is (required) to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

The transfers from Other Governmental Funds to the Human Services Fund was used to support the human services activities. The transfers from the Human Services Fund to Other Governmental Funds was for debt payments. The transfers from the General Fund to the Employees Health Insurance Fund was to move that fund's interest that was originally recorded in the General Fund. The transfer from the Employees Health Insurance Fund to the General Fund was to close out that Fund.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 17 - INTERFUND ACTIVITY (Continued)**

The General Fund made advances to Other Governmental Funds of \$17,736 for short-term loans. The General Fund received \$45,315 from Other Governmental Funds and \$87,384 from the Landfill Fund as repayments for short-term loans made during 2007 and 2008.

At January 1, 2008, the Landfill Fund owed the General Fund \$791,467 for amounts advanced from the General Fund in prior years. During 2008 the Landfill Fund repaid the General Fund \$74,400 and the balance of the unpaid advance at December 31, 2008 is \$717,067. County management intends to repay the remaining amount from the Landfill Fund to the General Fund with payments of \$100,000 a year minimum up to a maximum of \$200,000 a year starting in 2009.

**NOTE 18 - 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 2008, the County did not make any significant financial contributions to the operation of the Library. Financial information for the Library may be obtained by writing to the Treasurer of the Preble County Library Board, 450 S. Barron Street, Eaton, Ohio 45320.

**Preble Metropolitan Housing Authority**

The Preble Metropolitan Housing Authority (PMHA) is a related organization to the County. The general purpose of the PMHA is to provide decent, safe, and sanitary housing for qualified persons within the County. The ability to influence operations depends on the County's representation on the Board. The PMHA Board is composed of five representatives: one member appointed by the County Common Pleas Court Judge; one member appointed by the County Commissioners; one member appointed by the County Probate Court Judge; and two members appointed by the Mayor of Eaton. During 2008, the County did not make any significant financial contributions to the operation of the PMHA. Financial information may be obtained by writing to Rita Daily, Director of the Preble Metropolitan Housing Authority, 2080 US Route 127 North, Eaton, Ohio 45320.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 19 - 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 \$20,848 for the operation of the EMA during 2008.

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

**NOTE 20 - 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 mental retardation or developmental disabilities in these counties. The executive committee consists of eight members that are the Superintendents of each local county board of mental retardation and developmental disabilities which is a WestCON member. During 2008, the County contributed \$200,000 to WestCON.

**NOTE 21 - RISK SHARING POOL**

**County Risk Sharing Authority, Inc.**

The County Risk Sharing Authority, Inc. (CORSA) is a risk sharing pool among 61 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.

PREBLE COUNTY, OHIO  
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**NOTE 21 - RISK SHARING POOL (Continued)**

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

**NOTE 22 - 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 CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year, and each elected member shall be a County Commissioner.

**NOTE 23 - CLOSURE AND POSTCLOSURE 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. Closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County is required by State and Federal laws and regulations to provide financial assurance for the closure and postclosure care liabilities.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 24 - CONTINGENT LIABILITIES**

**Litigation**

The County is involved in a number of claims and lawsuits which may be classified as routine litigation in which minimal non-material damages are being sought. In addition, the County is a defendant in numerous other claims and lawsuits ranging from tort liability to civil rights litigation in which the County believes the amounts claimed are overstated and not fair estimates of the ultimate settlements, if any, of these claims. Amounts paid by the County in 2008 for litigation that was settled were not material.

**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; Ohio Department of Human Services; and Ohio Commission of Aging. These programs are subject to financial and compliance audits by grantors or representatives. At December 31, 2008, 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 25 - RELATED PARTY TRANSACTIONS**

L & M Products (the "Company") has entered into a contractual agreement with the Preble County Board of Mental Retardation/Developmental Disabilities (MRDD Board), whereby the MRDD Board provides sheltered employment for mentally retarded or handicapped individuals in the County. The MRDD provides the Company with personnel necessary for the operation of the habilitation services to the client, land and buildings for the operation of the center, maintenance and repair of the buildings and professional staff to supervise and train clients of L & M Products.

PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 26 - DISCRETELY PRESENTED COMPONENT UNIT**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

ORGANIZATION - L & M Products (the “Company”) is incorporated as a non-governmental not-for-profit organization under the laws of the State of Ohio.

NATURE OF OPERATIONS - The Company provides employment, training, and rehabilitation opportunities in support of the Preble County, Ohio, Board of Mental Retardation and Developmental Disabilities (MRDD Board) programs. The Company enters into month-to-month contracts for assembly of component parts for local businesses, places workers with employers, (including enclaves), offers document shredding services to local businesses, and, until April 2008, operated a concession stand at Hueston Woods State Park. Excess net revenues generated by these operations are used to fund rehabilitative programs, including nursing services and a senior/retirement program.

BASIS OF ACCOUNTING - The financial statements of the Company have been prepared on the accrual basis.

BASIS OF PRESENTATION - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) 117, Financial Statements of Not-for-Profit Organizations. Under SFAS 117, the Company is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

FAIR VALUE OF FINANCIAL INSTRUMENTS - The Company has adopted the provisions of SFAS 157, Fair Value Measurements, for financial assets and financial liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 establishes a framework for measuring fair value which includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under SFAS 157 are:

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PREBLE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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**NOTE 26 - DISCRETELY PRESENTED COMPONENT UNIT (Continued)**

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

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

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

The level at which the fair value of an asset or liability will be measured is based on the highest priority of any available input that is significant to the fair value measurement. Valuation techniques used attempt to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methodologies used for assets measured at fair value, which have not changed during 2008 are:

Accounts receivable - Valued at estimated net realizable value, after provision for uncollectible amounts, if any, and discounted to present value using an appropriate discount rate determined by management. (Level 3)

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

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

CONTRIBUTIONS - Contributions, if any, are considered to be available for unrestricted use unless specifically restricted by the donor. Donated services, materials, and facilities are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. An equivalent expense is also recognized.

PREBLE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 26 - DISCRETELY PRESENTED COMPONENT UNIT (Continued)**

ADVERTISING - Advertising costs are expensed as incurred.

FUNCTIONAL ALLOCATION OF EXPENSES – The costs of providing the various programs have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs benefited based upon usage by each program.

INCOME TAXES - The Company is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code, and does not currently conduct any activities, which would result in the imposition of the unrelated business income tax. The Company's information returns for the years 2005 through 2008 are subject to examination by the Internal Revenue Service.

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

**CONCENTRATIONS OF CREDIT RISK**

Financial instruments which subject the Company to concentrations of credit risk include cash accounts in financial institutions which may, from time to time, exceed federal insurance limits.

Three customers represent 82 percent of total assembly contract billings for 2008. Two customers account for 40 percent of accounts receivable at December 31, 2008. Management believes that all accounts receivable, which are measured using Level 3 inputs, are collectible at December 31, 2008, and has made no provision for uncollectible amounts.

**PROPERTY AND EQUIPMENT**

Property and equipment consists of:

<u>2008</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Leasehold Improvements	\$80,711	\$43,224	\$37,487
Machinery and Equipment	166,554	135,776	30,778
Vehicles	18,300	10,929	7,371
Total	<u>\$265,565</u>	<u>\$189,929</u>	<u>\$75,636</u>

**DONATED SERVICES AND FACILITIES**

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

PREBLE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2008

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**NOTE 26 - DISCRETELY PRESENTED COMPONENT UNIT (Continued)**

	2008
Donated Services	
Salaries and benefits expense incurred by MRDD Board	\$1,128,222
Donated Facilities	
Costs paid by MRDD Board	\$313,992
Less: capital costs	(6,343)
Estimated equivalent rental value of facilities owned by MRDD Board	80,314
Less: reimbursement paid	(1,442)
Value of facilities donated by MRDD Board	\$386,521

**RELATED PARTY TRANSACTIONS**

At December 31, 2008, none of the Company's board members were related to a customer of the Company. Per board policy, up to three board members can be related to employees of the Company. At December 31, 2008, two board members were related to employees.

**RESTRICTED CASH - CUSTODIAL FUNDS**

The Company is the funds custodian for an endowment fund established by the MRDD Board. As such, it collects contributions and the proceeds from fundraisers conducted by the MRDD Board, and disburses these funds pursuant to the terms of the endowment as requested by the MRDD Board. Activity for 2008 consists of:

	2008
Contributions	\$2,318
Interest Income	11
Withdrawals	(2,868)
Increase in account	(539)
Custodial Balance, January 1	2,950
Custodial Balance, December 31	\$2,411

The Company is also the funds custodian for an event fund established by the Preble County Special Olympics. As such, it collects contributions and other funds raised for the event, and disburses these funds pursuant to the instructions of the committee conducting the event. Activity for 2008 consists of:

PREBLE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2008

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**NOTE 26 - DISCRETELY PRESENTED COMPONENT UNIT (Continued)**

	2008
Contributions	<u>\$313</u>
Withdrawals	<u>(202)</u>
Decrease in account	111
Custodial Balance, January 1	273
Custodial Balance, December 31	<u><u>\$384</u></u>

The Company also holds Microenterprise Grant funds pending distribution to a consumer recipient. The balance at December 31, 2008 is \$56.

Restricted cash – Custodial Funds are summarized as follows

	2008
MRDD Endowment Fund	<u>\$2,411</u>
Preble County Special Olympics	384
Microenterprise Grant Funds	<u>56</u>
Total Restricted Custodial Funds	<u><u>\$2,851</u></u>

**RESTRICTED CASH - CONSUMER FUNDS**

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

	2008
Employee Council	<u>\$1,252</u>
People First	<u>584</u>
Total Restricted Consumer Funds	<u><u>\$1,836</u></u>

**NOTE 27 – SUBSEQUENT EVENTS**

During March of 2009, the County reissued notes in the amounts of \$116,000 for the purchase and installation of a jail HVAC system and \$81,000 for the purchase of electronic documentation data equipment. Both notes have an interest rate of 2.89 percent.

During April of 2009, the County reissued notes in the amounts of \$100,000 for the purchase of computer software equipment for the Clerk of Courts and \$216,000 for the purchase of a compactor for the landfill. Both notes have an interest rate of 2.89 percent.

PREBLE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2008

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed Through Ohio Department Of Development:</i>			
Community Development Distress Block Grant	B-F-07-063-1	14.228	\$300,000
Community Development Block Grant	B-F-07-063-1	14.228	143,677
Community Development Block Grant	B-F-06-063-1	14.228	4,718
Community Housing Improvement Program	B-C-06-063-1	14.228	395,498
Total Community Development Block Grant			<u>843,893</u>
Community Housing Improvement Program	B-C-06-063-2	14.239	46,007
<i>Total Passed Through Ohio Department of Development</i>			<u>889,900</u>
Total U.S. Department of Housing and Urban Development			<u>889,900</u>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
<i>Passed Through Ohio Attorney General's Office:</i>			
Victims of Crime Act	2007 VAGENE 199T	16.575	47,934
Victims of Crime Act	2008 VAGENE 199T	16.575	14,379
Total Victims of Crime Act			<u>62,313</u>
<i>Passed Through Ohio Office of Criminal Justice Services:</i>			
Preble County Video Equipment Project	2007-JG-LLE-5196	16.738	9,396
Total U.S. Department of Justice			<u>71,709</u>
<b><u>U.S. DEPARTMENT OF FEDERAL HIGHWAY ADMINISTRATION</u></b>			
<i>Passed Through The Ohio Department of Transportation:</i>			
Highway Planning and Construction:			
Sign Upgrade Project	PID 83428	20.205	50,000
Raised Pavement Markers Installation	PID 81920	20.205	49,468
Road Striping Project	PID 75271	20.205	143,810
Covered Bridge Rehabilitation	PID 79722	20.205	1,301,778
PRE CR Camden-College Corner Road Bridge Replacement	PID 82901	20.205	3,085
PRE Seven Mile Road Bridge Rehabilitation	PID 82981	20.205	3,143
PRE TR 259/329 Junction Road & Ketterman Road Bridge Replacements	PID 83047	20.205	3,940
Total Highway Planning and Construction			<u>1,555,224</u>
Total U.S. Department of Federal Highway Administration			<u>1,555,224</u>
<b><u>U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT ASSISTANCE</u></b>			
<i>Passed Through Ohio Department of Public Safety:</i>			
Homeland Security Grant Cluster:			
Citizen Corps Program Grant-FY 2006	2006-GC-T6-0051	97.053	4,753
Citizen Corps Program Grant-FY 2007	2007-GE-T7-0030	97.053	597
Total Citizen Corps Program Grant			<u>5,350</u>
State Homeland Security Grant-FY 2007	2007-GE-T7-0030	97.067	51,774
State Homeland Security Grant-FY 2006	2006-GE-T6-0051	97.073	41,755
Total Homeland Security Grant Cluster			<u>98,879</u>
Emergency Management Performance Grant-FY 2008	2008-EM-E8-0002	97.042	20,386
Emergency Management Performance Grant-FY 2006	2006-EM-E6-0042	97.042	13,711
Total Emergency Management Performance Grants			<u>34,097</u>
Disaster Grants--Public Assistance-FY 2008		97.036	28,787
Total U.S. Department of Federal Emergency Management Assistance			<u>161,763</u>

(Continued)

**PREBLE COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF LABOR</u></b>			
<i>Passed Through Montgomery County Department of Job &amp; Family Services:</i>			
Workforce Investment Act Cluster:			
Workforce Investment Act - Adult		17.258	111,265
Workforce Investment Act - Adult Administrative			500
Total Workforce Investment Act - Adult			<u>111,765</u>
Workforce Investment Act - Youth		17.259	133,220
Workforce Investment Act - Youth Administrative			500
Total Workforce Investment Act - Youth			<u>133,720</u>
Workforce Investment Act - Dislocated Worker		17.260	144,855
Workforce Investment Act - Dislocated Worker Administrative			8,680
Total Workforce Investment Act - Dislocated Worker			<u>153,535</u>
Total U.S. Department of Labor			<u>399,020</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Passed Through Ohio Department of Mental Health:</i>			
Early Childhood Grant-FY 08	N/A	93.590	18,409
<i>Passed Through Ohio Secretary of State:</i>			
Help America Vote Act (HAVA)-Polling Place Grant	06-SOS-HHHS-68	93.617	5,386
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>			
Title XX Social Service Block Grant-FY 08	N/A	93.667	15,388
Title XX Social Service Block Grant-FY 09	N/A	93.667	15,769
			<u>31,157</u>
<i>Passed Through Ohio Department of Mental Health:</i>			
Title XX Social Service Block Grant-FY 07	N/A	93.667	35,021
Total Title XX Social Service Block Grant			<u>66,178</u>
<i>Passed Through Ohio Department of Mental Retardation &amp; Developmental Disabilities:</i>			
Title XIX Medical Assistance Program - Target Case Management SCHIP	N/A	93.767	163
<i>Passed Through Ohio Department of Mental Health:</i>			
Title XIX Medical Assistance Program	N/A	93.778	505,249
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Title XIX Medical Assistance Program	N/A	93.778	44,452
<i>Passed Through Ohio Department of Mental Retardation &amp; Developmental Disabilities:</i>			
Title XIX Medical Assistance Program - Waiver Administration	N/A	93.778	31,562
Title XIX Medical Assistance Program - Day Hab	N/A	93.778	445,440
Title XIX Medical Assistance Program -Target Case Management	N/A	93.778	47,235
			<u>524,237</u>
Total Title XIX Medical Assistance Program			<u>1,073,938</u>
<i>Passed Through Ohio Department of Mental Health:</i>			
Community Mental Service Block Grant	N/A	93.958	38,219
<i>Passed Through Ohio Department of Alcohol &amp; Drug Addiction Services:</i>			
Block Grant for the Prevention and Treatment of Substance Abuse	N/A	93.959	46,031
Block Grant-Federal PCN Treatment/Prevention	N/A	93.959	49,555
			<u>95,586</u>
Total U.S. Department of Health and Human Services			<u>1,297,879</u>
<b>Total</b>			<u><u>\$4,375,495</u></u>

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

**PREBLE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED DECEMBER 31, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - SUBRECIPIENTS**

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

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the County is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

**NOTE C - COMMUNITY HOME IMPROVEMENT PROGRAM**

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

These loans are collateralized by mortgages on the property. At December 31, 2008, the gross amount of loans outstanding under the CDBG CHIP program was \$129,929. At December 31, 2008, the gross amount of loans outstanding under the HOME CHIP program was \$185,045.

The County has established a CHIP Revolving Loan Fund, which had a balance of \$42,522 as of December 31, 2008. The balance is from program income received when CDBG CHIP and HOME CHIP mortgages are paid back. Loans repaid are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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# Mary Taylor, CPA

## Auditor of State

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

Preble County  
100 East Main Street  
Eaton, Ohio 45320

To the County Commissioners:

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Preble County, Ohio (the County), as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 19, 2009, wherein, we noted the County uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the County's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-002 and 2008-003 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the County's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the County's management in a separate letter dated October 19, 2009.

### **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, providing an opinion 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 and 2008-002.

We also noted certain noncompliance or other matters that we reported to the County's management in a separate letter dated October 19, 2009.

We intend this report solely for the information and use of the audit committee, management, Board of County Commissioners, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

October 19, 2009



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Preble County  
100 East Main Street  
Eaton, Ohio 45320

To the County Commissioners:

#### Compliance

We have audited the compliance of Preble County, Ohio (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Preble County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2008.

In a separate letter to the County's management dated October 19, 2009, we reported matters related to federal noncompliance requiring inclusion in this report.

#### Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that the County's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated October 19, 2009.

We intend this report solely for the information and use of the audit committee, management, Board of County Commissioners, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

October 19, 2009

**PREBLE COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2008**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #93.778: Title XIX – Medical Assistance Program CFDA #20.205: Highway Planning & Construction CFDA #14.228: Community Development Block Grant
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

**FINDING NUMBER 2008-001**

**Noncompliance**

**Ohio Rev. Code, Section 117.38**, provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**Ohio Administrative Code, Section 117-2-03 (B)**, requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosure that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County. As such we recommend the County prepare its annual financial report in accordance with generally accepted accounting principles.

**Officials' Response:**

Officials did not provide a response to this finding.

**FINDING NUMBER 2008-002**

**Noncompliance/Significant Deficiency**

**Ohio Revised Code, Section 5705.09(F)**, requires the County to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure and anticipated expenditures should be included in the County's appropriations.

As further discussed in Auditor of State Bulletin 2000-008, the Fiscal Officer shall record the appropriations in accordance with the terms and conditions of the on-behalf grant or project agreement. In addition, prior to the County recording the appropriations, Ohio Revised Code, Section 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure.

The County did not record the Ohio Department of Transportation monies (\$134,369) disbursed on behalf of the County during the audit period for bridge repair, nor was the grant money included in the appropriations by the County.

Failure to record on-behalf grant monies could result in misleading financial statements. We recommend that the County follow the accounting treatment as prescribed in Auditor of State Bulletin 2000-008 for on-behalf grants.

**Officials' Response:**

Officials did not provide a response to this finding.

**FINDING NUMBER 2008-003**

**Significant Deficiency**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The County lacks management oversight in the posting of financial activity. This lack of oversight is illustrated by the following:

- The County posted transfers out of the Human Services Fund for \$121,500 as expenditures from the Human Services Fund and revenues to the Bond Retirement Fund rather than as transfer activity.
- The County understated original budget expenditures for the Community Mental Health Fund by \$217,809.

Adjustments were posted to the financial statements and, where applicable, to the County's financial records to correct the above errors.

The lack of proper management oversight could result in material misstatement relating to financial data. To improve record keeping and accountability of financial activity we recommend that all financial activity, including budget amounts, be properly posted and reported. The County should develop review procedures over the recording and reporting of County financial activity.

**Officials' Response:**

Officials did not provide a response to this finding.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None.

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PREBLE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
 OMB CIRCULAR A -133 § .315 (b)  
 DECEMBER 31, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2007-001	Finding for Recovery Repaid Under Audit	Yes	
2007-002	Ohio Admin. Code Section 117-2-01(D), failure to properly account for grants receivable and infrastructure	Yes	
2007-003	Ohio Rev. Code Section 5705.36(A)(4), current appropriations exceeded available resources	Yes	
2007-004	Ohio Admin. Code Section 117-2-01(D), failure to properly prepare the Certificate of the Total Amount From All Sources Available for Expenditures, and Balances	Yes	





**Mary Taylor, CPA**  
Auditor of State

**FINANCIAL CONDITION**

**PREBLE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 10, 2009**