



Mary Taylor, CPA
Auditor of State

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, 2009, 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, 2009, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General, Motor Vehicle and Gas Tax, Human Services, Community Mental Health, and Developmental Disabilities funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2010, 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 opine on the financial statements that collectively comprise the County's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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

September 8, 2010

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED

The discussion and analysis of Preble County's financial performance provides an overall review of the County's financial activities for the year ended December 31, 2009. 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. Receipts for governmental funds decreased \$3,675,786 or 12 percent from the prior year. The majority of the decrease was in the form of cuts in State grants and aid to various programs provided by the County, such as care for special needs children and services provided to residents with developmental disabilities.
2. As receipts decreased, the County was forced to decrease budgets in order to avoid deficit spending. Accordingly, disbursements decreased 14 percent from 2008.
3. Property taxes for the Developmental Disabilities Fund increased due to passage of an additional one mill levy in August, 2008 which began collections in 2009.

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.

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED

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.

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 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.

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED

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

The Statement of Net Assets and the Statement of Activities reflect how the County did financially during 2009, within the limitations of the modified cash basis of 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, 2009
UNAUDITED

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 Developmental Disabilities 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.

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 2009 compared to 2008.

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Assets						
Current and Other						
Assets	\$8,759,215	\$8,121,991	\$3,626,548	\$3,372,294	\$12,385,763	\$11,494,285
Capital Assets, Net	27,225,199	27,811,842	2,913,277	3,005,503	30,138,476	30,817,345
Total Assets	35,984,414	35,933,833	6,539,825	6,377,797	42,524,239	42,311,630
Liabilities						
Other Liabilities	120,716	448,643	54,000	54,000	174,716	502,643
Long-Term Liabilities	1,145,697	1,652,000	3,367,201	3,774,957	4,512,898	5,426,957
Total Liabilities	1,266,413	2,100,643	3,421,201	3,828,957	4,687,614	5,929,600
Net Assets						
Invested in Capital						
Assets, Net of						
Related Debt	25,958,786	25,711,199	1,892,076	1,876,546	27,850,862	27,587,745
Restricted	6,937,871	6,669,487	0	0	6,937,871	6,669,487
Unrestricted	1,821,261	1,452,504	1,226,548	672,294	3,047,809	2,124,798
Total Net Assets	\$34,717,918	\$33,833,190	\$3,118,624	\$2,548,840	\$37,836,542	\$36,382,030

Current assets consist of cash balances at year-end for the County. Through constantly monitoring budgets and anticipating decreases in receipts for 2009, the County was able to increase cash balances for 2009 for both governmental and business-type activities. Capital assets decreased for 2009 for both types of activities, as depreciation exceeded current year additions. Due to decreases in budgets the County was unable to replace capital assets.

Liabilities for the County consist of debt in the form of notes, bonds and loans payable. No major debt was issued during 2009, and overall, debt decreased due to the required annual payments being made.

The County was able to increase net assets, which represents available resources, for both governmental activities and business-type activities during 2009. Throughout the year, the County made several budget cuts to coincide with decreased receipts to avoid deficit spending.

Table 2 shows the changes in net assets for the year ended December 31, 2009 compared to 2008.

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Receipts						
Program Receipts:						
Charges for Services	\$3,491,699	\$3,867,296	\$2,859,992	\$2,784,495	\$6,351,691	\$6,651,791
Operating Grants, Contributions, and Interest	13,428,903	14,951,823	0	0	13,428,903	14,951,823
Capital Grants, Contributions, and Interest	60,534	1,675,666	0	0	60,534	1,675,666
Total Program Receipts	16,981,136	20,494,785	2,859,992	2,784,495	19,841,128	23,279,280
General Receipts and Transfers						
Property Taxes	4,298,930	3,605,978	0	0	4,298,930	3,605,978
Permissive Sales Tax	3,963,217	4,383,566	0	0	3,963,217	4,383,566
Unrestricted Grants and Entitlements	1,239,429	1,270,258	0	0	1,239,429	1,270,258
Interest	200,979	706,499	3,016	17,906	203,995	724,405
Other	558,760	496,419	1,016	0	559,776	496,419
Advances	100,000	87,384	(100,000)	(87,384)	0	0
Transfers	0	(26,652)	0	26,652	0	0
Total General Receipts, Advances and Transfers	10,361,315	10,523,452	(95,968)	(42,826)	10,265,347	10,480,626
Total Receipts, Advances and Transfers	27,342,451	31,018,237	2,764,024	2,741,669	30,106,475	33,759,906
Program Disbursements						
General Government:						
Legislative and Executive	3,938,889	4,360,093	0	0	3,938,889	4,360,093
Judicial	1,943,706	2,090,155	0	0	1,943,706	2,090,155
Public Safety	4,438,958	5,615,665	0	0	4,438,958	5,615,665
Public Works	3,920,429	4,627,871	0	0	3,920,429	4,627,871
Health	2,564,063	2,680,496	0	0	2,564,063	2,680,496
Human Services	9,287,599	10,118,268	0	0	9,287,599	10,118,268
Community and Economic						
Development	266,890	991,425	0	0	266,890	991,425
Intergovernmental	38,018	116,156	0	0	38,018	116,156
Interest and Fiscal Charges	59,171	91,304	0	0	59,171	91,304
Sewer	0	0	51,189	61,518	51,189	61,518
Landfill	0	0	2,143,051	2,403,966	2,143,051	2,403,966
Total Program Disbursements	26,457,723	30,691,433	2,194,240	2,465,484	28,651,963	33,156,917
Change in Net Assets	884,728	326,804	569,784	276,185	1,454,512	602,989
Net Assets at						
Beginning of Year	33,833,190	33,506,386	2,548,840	2,272,655	36,382,030	35,779,041
Net Assets at End of Year	\$34,717,918	\$33,833,190	\$3,118,624	\$2,548,840	\$37,836,542	\$36,382,030

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED

Governmental Activities

Overall, receipts decreased 12 percent from 2008. The major decrease was in program receipts, which are receipts required to be used for a specific purpose. Operating grants, contributions, and interest are composed mainly of State grants and aid to support various health and human service programs offered by the County. These receipts decreased due to mass cuts at the State level. Capital Grants, contributions, and interest decreased from 2008 due to grants received in 2008 for bridge restoration projects that were not received in 2009.

Within general receipts, the largest decreases were in permissive sales tax and investment earnings. These revenues decreased due to the slow economy. Property taxes increased from 2008 as the County began collecting on an additional tax levy in the Developmental Disabilities Fund.

Disbursements decreased 14 percent from 2008. Due to the decrease in overall receipts, the County was forced to cut budgets repeatedly throughout the year. Budgets were slashed a total of 12 percent to avoid deficit spending by the County.

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 during 2009 due to the same budget cuts mentioned being applied to these activities also to avoid deficit spending.

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.

The General Fund is the chief operating fund of the County and helps support other funds. At the end of the current year, fund balance of the General Fund increased from 2008. The increase was primarily due to the drastic budget cuts made as a result of the decrease in revenues. Also, the General Fund reduced support to other funds in the form of transfers. 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 18 percent of total General Fund disbursements, while total fund balance represents 21 percent of that same amount.

The Motor Vehicle and Gas Tax Fund increased \$573,018, almost an identical increase as 2008. As revenues were down from State aid, budgets were cut accordingly.

The Human Services Fund decreased \$191,792, leaving a fund balance of \$151,572. Again, cuts in funding from the State led to a decrease in receipts and is the main reason for the decrease in fund balance.

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED

The Community Mental Health Fund had a decrease of \$87,134 in fund balance. The majority of the funding for this fund is in the form of State grants and aid which lead to the decrease.

The Developmental Disabilities Fund increased from 2008. The increase was the direct result of the passage of an additional one mill levy in August, 2008 that began collection in 2009.

It should be noted that under the modified accrual basis of accounting, the timing of when monies are received and bills are paid could have an effect on increases and decreases in fund balance at year-end.

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 \$120,266 in user charges during 2009. Net assets did increase by \$69,077 during 2009, leading to a stable fund balance of \$723,387.

Operating results for the County-owned landfill were favorable in 2009, largely due to support by user charges of \$2,739,726. Net assets have increased to \$2,395,237. Each year the County reviews budgets to determine the charge to users in order to maintain positive net assets.

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.

During the year, the General Fund's budgeted receipts decreased six percent. Actual receipts were slightly higher (one percent) than final budgeted receipts. As actual receipts began coming in during the year lower than expected, especially permissive sales tax, the County determined the original budget figures were too high and adjusted accordingly. The decrease was caused by the slow economy.

During 2009, there were numerous revisions to the General Fund's budgeted disbursements. The net effect of the revisions was a decrease in budgeted disbursements of six percent. The County was able to keep actual disbursements four percent lower than the final budgeted amounts for a 10 percent total reduction from the original budgeted disbursements to actual disbursements. The County was forced to reduce disbursements as actual receipts came in, in order to avoid deficit spending.

PREBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Preble County's total investment in capital assets for governmental and business-type activities was \$27,225,199 and \$2,913,277, respectively. Governmental capital assets decreased \$586,643, and business-type activities decreased \$92,226. As budgets were cut, one of the areas mostly affected was the replacement and purchase of capital assets. See Note 8 of the notes to the basic financial statements for more detailed information.

Debt

At December 31, 2009, Preble County had \$1,145,697 in governmental activities long-term debt outstanding, a decrease of \$506,303, as payments on the debt continued. No new major debt obligations were issued during 2009.

Business-type activities' long-term debt decreased \$407,756 as debt payments continued on outstanding debt. Again, no new major debt obligations were issued during 2009.

See Note 14 of the notes to the basic financial statements for more detailed information.

CONTACTING THE COUNTY AUDITOR'S OFFICE

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

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PREBLE COUNTY, OHIO
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2009

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		L & M Products
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$7,594,445	\$1,917,006	\$9,511,451	\$0
Cash and Cash Equivalents in Segregated Accounts	139,076	0	139,076	240,459
Cash and Cash Equivalents with Fiscal Agents	1,025,611	0	1,025,611	0
Cash and Cash Equivalents with Trustee	0	1,709,542	1,709,542	0
Restricted Cash - Custodial Funds	0	0	0	3,573
Restricted Cash - Consumer Funds	0	0	0	1,437
Nondepreciable Capital Assets	2,252,014	452,313	2,704,327	0
Depreciable Capital Assets, Net	24,973,185	2,460,964	27,434,149	61,583
Total Assets	35,984,331	6,539,825	42,524,156	307,052
Liabilities:				
Notes Payable	120,716	54,000	174,716	0
Long-Term Liabilities:				
Due Within One Year	170,000	363,756	533,756	0
Due in More Than One Year	975,697	3,003,445	3,979,142	0
Total Liabilities	1,266,413	3,421,201	4,687,614	0
Net Assets:				
Invested in Capital Assets, Net of Related Debt	25,958,786	1,892,076	27,850,862	61,583
Restricted for:				
Public Safety	582,904	0	582,904	0
Public Works	977,490	0	977,490	0
Health	1,020,604	0	1,020,604	0
Human Services	3,387,045	0	3,387,045	0
Community and Economic Development	57,603	0	57,603	0
General Government	595,188	0	595,188	0
Debt Service	240,105	0	240,105	0
Capital Projects	76,932	0	76,932	0
Other Purposes	0	0	0	5,010
Unrestricted	1,821,261	1,226,548	3,047,809	240,459
Total Net Assets	\$34,717,918	\$3,118,624	\$37,836,542	\$307,052

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Receipts			
	Cash Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
Governmental Activities:				
General Government:				
Legislative and Executive	\$3,938,889	\$1,427,271	\$45,466	\$52,000
Judicial	1,943,706	696,788	1,975	0
Public Safety	4,438,958	460,850	381,839	56
Public Works	3,920,429	288,104	3,859,086	8,478
Health	2,564,063	126,506	2,063,343	0
Human Services	9,287,599	492,180	6,872,792	0
Community and Economic Development	266,890	0	204,402	0
Intergovernmental	38,018	0	0	0
Interest and Fiscal Charges	59,171	0	0	0
Total Governmental Activities	<u>26,457,723</u>	<u>3,491,699</u>	<u>13,428,903</u>	<u>60,534</u>
Business-Type Activities:				
Sewer	51,189	120,266	0	0
Landfill	2,143,051	2,739,726	0	0
Total Business-Type Activities	<u>2,194,240</u>	<u>2,859,992</u>	<u>0</u>	<u>0</u>
Total Primary Government	<u><u>\$28,651,963</u></u>	<u><u>\$6,351,691</u></u>	<u><u>\$13,428,903</u></u>	<u><u>\$60,534</u></u>
Component Unit:				
L & M Products	<u><u>\$290,772</u></u>	<u><u>\$348,858</u></u>	<u><u>\$7,075</u></u>	<u><u>\$0</u></u>

General Receipts and Advances:

Property Taxes Levied for:
 General Purposes
 Community Mental Health
 Children Services
 Developmental Disabilities
 Other Legislative and Executive
 Retirement of Debt
 Permissive Sales Tax Levied for General Purposes
 Grants and Entitlements not Restricted to Specific Programs
 Interest
 Other
 Advances

Total General Receipts and Advances

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Disbursements) Receipts and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	L & M Products
(\$2,414,152)	\$0	(\$2,414,152)	\$0
(1,244,943)	0	(1,244,943)	0
(3,596,213)	0	(3,596,213)	0
235,239	0	235,239	0
(374,214)	0	(374,214)	0
(1,922,627)	0	(1,922,627)	0
(62,488)	0	(62,488)	0
(38,018)	0	(38,018)	0
(59,171)	0	(59,171)	0
<u>(9,476,587)</u>	<u>0</u>	<u>(9,476,587)</u>	<u>0</u>
0	69,077	69,077	0
<u>0</u>	<u>596,675</u>	<u>596,675</u>	<u>0</u>
0	665,752	665,752	0
<u>(9,476,587)</u>	<u>665,752</u>	<u>(8,810,835)</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>65,161</u>
1,888,624	0	1,888,624	0
218,848	0	218,848	0
307,029	0	307,029	0
1,584,172	0	1,584,172	0
64,266	0	64,266	0
235,991	0	235,991	0
3,963,217	0	3,963,217	0
1,239,429	0	1,239,429	0
200,979	3,016	203,995	3,749
558,760	1,016	559,776	299
<u>100,000</u>	<u>(100,000)</u>	<u>0</u>	<u>0</u>
<u>10,361,315</u>	<u>(95,968)</u>	<u>10,265,347</u>	<u>4,048</u>
884,728	569,784	1,454,512	69,209
<u>33,833,190</u>	<u>2,548,840</u>	<u>36,382,030</u>	<u>237,843</u>
<u>\$34,717,918</u>	<u>\$3,118,624</u>	<u>\$37,836,542</u>	<u>\$307,052</u>

PREBLE COUNTY, OHIO
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	General	Motor Vehicle and Gas Tax	Human Services
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,816,625	\$964,188	\$192,072
Cash and Cash Equivalents in Segregated Accounts	4,636	0	0
Cash and Cash Equivalents with Fiscal Agents	0	0	0
Total Assets	<u>\$1,821,261</u>	<u>\$964,188</u>	<u>\$192,072</u>
Liabilities and Fund Balances			
Liabilities:			
Notes Payable	<u>\$23,200</u>	<u>\$0</u>	<u>\$40,500</u>
Fund Balances:			
Reserved for Encumbrances	279,131	149,066	113,580
Unreserved			
Undesignated, Reported in:			
General Fund	1,518,930	0	0
Special Revenue Funds	0	815,122	37,992
Debt Service Fund	0	0	0
Capital Projects Funds	0	0	0
Total Fund Balances	<u>1,798,061</u>	<u>964,188</u>	<u>151,572</u>
Total Liabilities and Fund Balances	<u>\$1,821,261</u>	<u>\$964,188</u>	<u>\$192,072</u>

See Accompanying Notes to the Basic Financial Statements

<u>Community Mental Health</u>	<u>Developmental Disabilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$992,152	\$1,634,050	\$1,995,358	\$7,594,445
0	0	134,440	139,076
0	1,025,611	0	1,025,611
<u>\$992,152</u>	<u>\$2,659,661</u>	<u>\$2,129,798</u>	<u>\$8,759,132</u>
<u>\$0</u>	<u>\$0</u>	<u>\$57,016</u>	<u>\$120,716</u>
72,720	0	97,571	712,068
0	0	0	1,518,930
919,432	2,659,661	1,705,890	6,138,097
0	0	240,105	240,105
0	0	29,216	29,216
<u>992,152</u>	<u>2,659,661</u>	<u>2,072,782</u>	<u>8,638,416</u>
<u>\$992,152</u>	<u>\$2,659,661</u>	<u>\$2,129,798</u>	<u>\$8,759,132</u>

PREBLE COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS
DECEMBER 31, 2009

Total Governmental Fund Balance \$8,638,416

*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	2,252,014	
Buildings, Structures, and Improvements	11,632,026	
Furniture, Fixtures, and Equipment	8,446,246	
Infrastructure	20,185,534	
Accumulated Depreciation	<u>(15,290,621)</u>	
 Total Capital Assets		 27,225,199

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	(250,697)	
General Obligation Bonds	<u>(895,000)</u>	
		<u>(1,145,697)</u>

Net assets of Governmental Activities \$34,717,918

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, 2009

	General	Motor Vehicle and Gas Tax	Human Services
Receipts:			
Property Taxes	\$1,888,624	\$0	\$0
Permissive Sales Tax	3,963,217	0	0
Charges for Services	1,364,593	100,935	133,720
Licenses and Permits	2,047	0	0
Fines and Forfeitures	46,693	23,103	0
Intergovernmental	1,252,630	3,856,197	3,183,837
Special Assessments	0	0	0
Interest	200,979	2,889	0
Other	517,583	4,732	5,419
Total Receipts	<u>9,236,366</u>	<u>3,987,856</u>	<u>3,322,976</u>
Disbursements:			
Current:			
General Government:			
Legislative and Executive	2,939,329	0	0
Judicial	1,589,567	0	0
Public Safety	3,507,256	0	0
Public Works	21,025	3,408,868	0
Health	85,716	0	0
Human Services	288,523	0	4,123,243
Community and Economic Development	0	0	0
Capital Outlay	0	0	0
Intergovernmental	38,018	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	3,399	5,970	3,575
Current Refunding	23,200	0	40,500
Total Disbursements	<u>8,496,033</u>	<u>3,414,838</u>	<u>4,167,318</u>
Excess of Receipts Over (Under) Disbursements	<u>740,333</u>	<u>573,018</u>	<u>(844,342)</u>
Other Financing Sources (Uses):			
Current Refunding	(92,800)	0	(40,500)
Notes Issued	92,800	0	40,500
Advances - In	108,924	0	0
Advances - Out	(7,924)	0	0
Transfers - In	0	0	808,671
Transfers - Out	(495,776)	0	(156,121)
Total Other Financing Sources (Uses)	<u>(394,776)</u>	<u>0</u>	<u>652,550</u>
Net Change in Fund Balances	345,557	573,018	(191,792)
Fund Balances at Beginning of Year	<u>1,452,504</u>	<u>391,170</u>	<u>343,364</u>
Fund Balances at End of Year	<u><u>\$1,798,061</u></u>	<u><u>\$964,188</u></u>	<u><u>\$151,572</u></u>

See Accompanying Notes to the Basic Financial Statements

<u>Community Mental Health</u>	<u>Developmental Disabilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$218,848	\$1,584,172	\$607,286	\$4,298,930
0	0	0	3,963,217
52,502	1,584	1,452,360	3,105,694
0	0	129,021	131,068
0	0	31,499	101,295
2,272,404	1,709,802	2,398,739	14,673,609
0	0	153,642	153,642
0	0	368	204,236
7,204	6,852	16,970	558,760
<u>2,550,958</u>	<u>3,302,410</u>	<u>4,789,885</u>	<u>27,190,451</u>
0	0	888,316	3,827,645
0	0	338,745	1,928,312
0	0	827,312	4,334,568
0	0	197,951	3,627,844
2,396,215	0	78,031	2,559,962
243,922	2,571,298	1,934,205	9,161,191
0	0	266,890	266,890
0	0	15,479	15,479
0	0	0	38,018
0	0	460,000	460,000
0	0	46,227	59,171
0	0	10,000	73,700
<u>2,640,137</u>	<u>2,571,298</u>	<u>5,063,156</u>	<u>26,352,780</u>
<u>(89,179)</u>	<u>731,112</u>	<u>(273,271)</u>	<u>837,671</u>
0	0	(90,000)	(223,300)
0	0	117,397	250,697
0	0	7,924	116,848
0	0	(8,924)	(16,848)
2,045	0	532,308	1,343,024
0	0	(691,127)	(1,343,024)
<u>2,045</u>	<u>0</u>	<u>(132,422)</u>	<u>127,397</u>
(87,134)	731,112	(405,693)	965,068
<u>1,079,286</u>	<u>1,928,549</u>	<u>2,478,475</u>	<u>7,673,348</u>
<u>\$992,152</u>	<u>\$2,659,661</u>	<u>\$2,072,782</u>	<u>\$8,638,416</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, 2009

Net Change in Fund Balances - Total Governmental Funds \$965,068

*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	665,152	
Depreciation Disbursement	(1,242,751)	
Excess of Capital Outlay under Depreciation Disbursement		(577,599)

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		(61,044)
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Assets donated:

Capital Outlay		52,000
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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		(250,697)
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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	297,000	
General Obligation Bonds Payable	460,000	
		757,000

<i>Change in Net Assets of Governmental Activities</i>	\$884,728
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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, 2009

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Receipts:				
Property Taxes	\$1,698,010	\$1,698,010	\$1,859,464	\$161,454
Permissive Sales Tax	4,265,000	4,165,000	3,963,217	(201,783)
Charges for Services	1,569,380	1,465,495	1,342,112	(123,383)
Licenses and Permits	3,550	3,539	2,047	(1,492)
Fines and Forfeitures	62,000	61,711	46,509	(15,202)
Intergovernmental	1,306,500	1,206,500	1,252,630	46,130
Interest	456,000	256,000	355,909	99,909
Other	253,000	211,673	327,032	115,359
Total Receipts	<u>9,613,440</u>	<u>9,067,928</u>	<u>9,148,920</u>	<u>80,992</u>
Disbursements:				
Current:				
General Government:				
Legislative and Executive	3,141,511	2,994,349	2,850,254	144,095
Judicial	1,728,808	1,659,580	1,626,758	32,822
Public Safety	4,008,122	3,731,873	3,636,511	95,362
Public Works	22,853	21,025	21,025	0
Health	80,748	86,838	85,716	1,122
Human Services	345,495	319,502	299,358	20,144
Intergovernmental	320,074	79,616	38,487	41,129
Debt Service:				
Principal Retirement	0	116,000	116,000	0
Interest and Fiscal Charges	0	3,399	3,399	0
Total Disbursements	<u>9,647,611</u>	<u>9,012,182</u>	<u>8,677,508</u>	<u>334,674</u>
Excess of Receipts Over (Under) Disbursements	<u>(34,171)</u>	<u>55,746</u>	<u>471,412</u>	<u>415,666</u>
Other Financing Sources (Uses):				
Notes Issued	108,000	116,000	116,000	0
Advances - In	187,000	112,000	108,924	(3,076)
Advances - Out	0	0	(7,924)	(7,924)
Transfers - Out	(569,268)	(495,776)	(495,776)	0
Total Other Financing Sources (Uses)	<u>(274,268)</u>	<u>(267,776)</u>	<u>(278,776)</u>	<u>(11,000)</u>
Net Change in Fund Balance	<u>(308,439)</u>	<u>(212,030)</u>	<u>192,636</u>	<u>404,666</u>
Fund Balance at Beginning of Year	988,028	988,028	988,028	0
Prior Year Encumbrances Appropriated	207,985	207,985	207,985	0
Fund Balance at End of Year	<u><u>\$887,574</u></u>	<u><u>\$983,983</u></u>	<u><u>\$1,388,649</u></u>	<u><u>\$404,666</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, 2009

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Receipts:				
Charges for Services	\$140,000	\$140,000	\$100,935	(\$39,065)
Fines and Forfeitures	40,000	40,000	23,103	(16,897)
Intergovernmental	3,900,000	3,900,000	3,856,197	(43,803)
Interest	20,000	20,000	3,446	(16,554)
Other	500	500	4,732	4,232
Total Receipts	<u>4,100,500</u>	<u>4,100,500</u>	<u>3,988,413</u>	<u>(112,087)</u>
Disbursements:				
Current:				
Public Works	4,067,702	4,067,702	3,557,934	509,768
Debt Service:				
Principal Retirement	300,000	300,000	300,000	0
Interest and Fiscal Charges	9,787	9,787	5,970	3,817
Total Disbursements	<u>4,377,489</u>	<u>4,377,489</u>	<u>3,863,904</u>	<u>513,585</u>
Net Change in Fund Balance	(276,989)	(276,989)	124,509	401,498
Fund Balance at Beginning of Year	530,754	530,754	530,754	0
Prior Year Encumbrances Appropriated	159,570	159,570	159,570	0
Fund Balance at End of Year	<u><u>\$413,335</u></u>	<u><u>\$413,335</u></u>	<u><u>\$814,833</u></u>	<u><u>\$401,498</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)
HUMAN SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Receipts:				
Charges for Services	\$294,200	\$163,328	\$133,720	(\$29,608)
Intergovernmental	3,793,734	3,132,382	3,183,837	51,455
Other	0	5,419	5,419	0
Total Receipts	<u>4,087,934</u>	<u>3,301,129</u>	<u>3,322,976</u>	<u>21,847</u>
Disbursements:				
Current:				
Human Services	4,989,258	4,291,077	4,236,823	54,254
Debt Service:				
Principal Retirement	0	122,000	122,000	0
Interest and Fiscal Charges	0	3,575	3,575	0
Total Disbursements	<u>4,989,258</u>	<u>4,416,652</u>	<u>4,362,398</u>	<u>54,254</u>
Excess of Revenues Over (Under) Expenditures	<u>(901,324)</u>	<u>(1,115,523)</u>	<u>(1,039,422)</u>	<u>76,101</u>
Other Financing Sources (Uses):				
Notes Issued	72,000	81,000	81,000	0
Transfers - In	774,123	808,671	808,671	0
Transfers - Out	0	(156,121)	(156,121)	0
Total Other Financing Sources (Uses)	<u>846,123</u>	<u>733,550</u>	<u>733,550</u>	<u>0</u>
Net Change in Fund Balance	(55,201)	(381,973)	(305,872)	76,101
Fund Balance at Beginning of Year	274,714	274,714	274,714	0
Prior Year Encumbrances Appropriated	<u>109,650</u>	<u>109,650</u>	<u>109,650</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$329,163</u></u>	<u><u>\$2,391</u></u>	<u><u>\$78,492</u></u>	<u><u>\$76,101</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, 2009

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Receipts:				
Property Taxes	\$240,500	\$240,500	\$212,081	(\$28,419)
Charges for Services	160,366	160,366	52,502	(107,864)
Intergovernmental	2,380,608	2,338,930	2,272,404	(66,526)
Other	0	0	7,204	7,204
Total Receipts	<u>2,781,474</u>	<u>2,739,796</u>	<u>2,544,191</u>	<u>(195,605)</u>
Disbursements:				
Current:				
Health	2,610,901	2,610,894	2,462,679	148,215
Human Services	<u>276,300</u>	<u>260,113</u>	<u>250,178</u>	<u>9,935</u>
Total Disbursements	<u>2,887,201</u>	<u>2,871,007</u>	<u>2,712,857</u>	<u>158,150</u>
Excess of Receipts Under Disbursements	(105,727)	(131,211)	(168,666)	(37,455)
Other Financing Sources:				
Transfers - In	<u>3,400</u>	<u>2,045</u>	<u>2,045</u>	<u>0</u>
Net Change in Fund Balance	(102,327)	(129,166)	(166,621)	(37,455)
Fund Balance at Beginning of Year	967,468	967,468	967,468	0
Prior Year Encumbrances Appropriated	<u>102,325</u>	<u>102,325</u>	<u>102,325</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$967,466</u></u>	<u><u>\$940,627</u></u>	<u><u>\$903,172</u></u>	<u><u>(\$37,455)</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)
DEVELOPMENTAL DISABILITIES FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property Taxes	\$1,615,430	\$1,615,430	\$1,541,143	(\$74,287)
Charges for Services	2,000	2,000	1,584	(416)
Intergovernmental	1,096,041	1,371,074	1,427,656	56,582
Other	686	686	6,852	6,166
	<u>2,714,157</u>	<u>2,989,190</u>	<u>2,977,235</u>	<u>(11,955)</u>
Total Receipts				
Disbursements:				
Current:				
Human Services	2,410,575	2,625,036	2,465,003	160,033
	<u>303,582</u>	<u>364,154</u>	<u>512,232</u>	<u>148,078</u>
Net Change in Fund Balance				
Fund Balance at Beginning of Year	1,053,373	1,053,373	1,053,373	0
Prior Year Encumbrances Appropriated	157	157	157	0
	<u>1,053,530</u>	<u>1,053,530</u>	<u>1,053,530</u>	<u>0</u>
Fund Balance at End of Year	<u>\$1,357,112</u>	<u>\$1,417,684</u>	<u>\$1,565,762</u>	<u>\$148,078</u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
ENTERPRISE FUNDS
DECEMBER 31, 2009

	Sewer	Landfill	Total
Assets:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$197,659	\$1,719,347	\$1,917,006
Non-current Assets:			
Restricted Assets:			
Cash and Cash Equivalents with Trustee	0	1,709,542	1,709,542
Nondepreciable Capital Assets	0	452,313	452,313
Depreciable Capital Assets, Net	1,330,929	1,130,035	2,460,964
Total Non-current Assets	1,330,929	3,291,890	4,622,819
Total Assets	1,528,588	5,011,237	6,539,825
 Liabilities:			
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	0	310,000	310,000
Total Current Liabilities	53,756	364,000	417,756
Long-Term Liabilities:			
Notes Payable	0	162,000	162,000
OPWC Loans Payable	143,980	0	143,980
OWDA Loans Payable	607,465	0	607,465
General Obligation Bonds Payable	0	2,090,000	2,090,000
Total Long-Term Liabilities	751,445	2,252,000	3,003,445
Total Liabilities	805,201	2,616,000	3,421,201
 Net Assets:			
Invested in Capital Assets, Net of Related Debt	525,728	1,366,348	1,892,076
Unrestricted	197,659	1,028,889	1,226,548
Total Net Assets	\$723,387	\$2,395,237	\$3,118,624

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
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Sewer	Landfill	Total
Operating Receipts:			
Charges for Services	\$120,266	\$2,739,726	\$2,859,992
Other	0	1,016	1,016
Total Operating Revenues	<u>120,266</u>	<u>2,740,742</u>	<u>2,861,008</u>
Operating Disbursements:			
Personal Services	0	306,608	306,608
Materials and Supplies	0	216,348	216,348
Charges and Services	24,439	1,445,658	1,470,097
Depreciation	15,962	76,264	92,226
Miscellaneous	10,788	0	10,788
Total Operating Disbursements	<u>51,189</u>	<u>2,044,878</u>	<u>2,096,067</u>
Operating Income	<u>69,077</u>	<u>695,864</u>	<u>764,941</u>
Non-Operating Receipts (Disbursements):			
Interest	0	3,016	3,016
Interest and Fiscal Charges	0	(98,173)	(98,173)
Total Non-Operating Receipts (Disbursements)	<u>0</u>	<u>(95,157)</u>	<u>(95,157)</u>
Income Before Advances	69,077	600,707	669,784
Advances - Out	<u>0</u>	<u>(100,000)</u>	<u>(100,000)</u>
Change in Net Assets	69,077	500,707	569,784
Net Assets at Beginning of Year	<u>654,310</u>	<u>1,894,530</u>	<u>2,548,840</u>
Net Assets at End of Year	<u><u>\$723,387</u></u>	<u><u>\$2,395,237</u></u>	<u><u>\$3,118,624</u></u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Sewer	Landfill	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received From Customers	\$120,266	\$2,739,726	\$2,859,992
Cash Received From Other Operating Revenues	0	1,016	1,016
Cash Payments for Employee Services and Benefits	0	(306,608)	(306,608)
Cash Payments to Suppliers	(24,439)	(1,662,006)	(1,686,445)
Cash Payments for Other Operating Expenses	(10,788)	0	(10,788)
Net Cash Provided by Operating Activities	<u>85,039</u>	<u>772,128</u>	<u>857,167</u>
Cash Flows from Noncapital Financing Activities:			
Advances - Out	<u>0</u>	<u>(100,000)</u>	<u>(100,000)</u>
Cash Flows Used for Capital and Related Financing Activities:			
Note Proceeds	0	216,000	216,000
Loan Principal Payments	(53,756)	0	(53,756)
General Obligation Bond Principal Payments	0	(300,000)	(300,000)
General Obligation Bond Interest Payments	0	(98,173)	(98,173)
Principal Payments on Notes	<u>0</u>	<u>(270,000)</u>	<u>(270,000)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(53,756)</u>	<u>(452,173)</u>	<u>(505,929)</u>
Cash Flows from Investing Activities:			
Interest	<u>0</u>	<u>3,016</u>	<u>3,016</u>
Net Increase in Cash and Cash Equivalents	31,283	222,971	254,254
Cash and Cash Equivalents at Beginning of Year	<u>166,376</u>	<u>3,205,918</u>	<u>3,372,294</u>
Cash and Cash Equivalents at End of Year	<u>\$197,659</u>	<u>\$3,428,889</u>	<u>\$3,626,548</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$69,077	\$695,864	\$764,941
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	<u>15,962</u>	<u>76,264</u>	<u>92,226</u>
Net Cash Provided by Operating Activities	<u>\$85,039</u>	<u>\$772,128</u>	<u>\$857,167</u>

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2009

	Private Purpose Trust	
	Scholarship and Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$40,003	\$2,859,373
Cash and Cash Equivalents in Segregated Accounts	0	778,945
Total Assets	40,003	\$3,638,318
Liabilities:		
Undistributed Monies	0	2,417,064
Deposits Held and Due to Others	0	1,221,254
Total Liabilities	0	\$3,638,318
Net Assets:		
Held in Trust for Scholarships	\$40,003	

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, 2009

	Scholarship and Trust
Additions:	
Interest	\$1,281
Deletions:	
Other	2,178
Change in Net Assets	(897)
Net Assets at Beginning of Year	40,900
Net Assets at End of Year	\$40,003

See Accompanying Notes to the Basic Financial Statements

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1 – DESCRIPTION OF THE COUNTY AND REPORTING ENTITY

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

Reporting Entity

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

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves their budget, the issuance of their debt or the levying of their taxes. 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, 2009

NOTE 1 - DESCRIPTION OF THE COUNTY AND 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 Developmental Disabilities (PCBDD), provides sheltered employment for mentally retarded or handicapped individuals in the County. The PCBDD 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 25).

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 17, 18, 19, 20 and 21 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, 2009

NOTE 1 - DESCRIPTION OF THE COUNTY AND 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 25.

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 statement, 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 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 non-exchange 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, 2009

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. 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. 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, 2009

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.

Developmental Disabilities 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 citizens with developmental disabilities.

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.

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, 2009

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.

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.

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".

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

During 2009, the County invested in Federal National Mortgage Association Notes, Federal Home Loan 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, 2009.

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 2009 amounted to \$200,979, which includes \$181,541 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.

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.

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are disbursed.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings, Structures, and Improvements	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.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 10 and 11, 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 enterprise 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.

Internal Activity

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

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

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 2009 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.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 - ACCOUNTABILITY AND COMPLIANCE

Accountability

The Ditch and Guardrail Construction Fund had a fund balance deficit at December 31, 2009 of \$50,305 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.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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 system (For example, interest received but not recorded until 2010, etc.). These amounts are included as a receipt on the modified cash basis operating statements.
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 operating statement.
6. Non-budgeted activity represents the receipts and disbursements of the West Central Ohio Network (WestCON) activity that was on behalf of the Preble County Board of Developmental Disabilities. This activity is included in the receipts and disbursements of the Developmental Disabilities Fund on a modified cash basis.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Change in Fund Balance

	General	Motor Vehicle and Gas Tax	Human Services	Community Mental Health	Developmental Disabilities
Modified Cash Basis	\$345,557	\$573,018	(\$191,792)	(\$87,134)	\$731,112
Encumbrances	(279,131)	(149,066)	(113,580)	(72,720)	0
Note Proceeds	23,200	0	40,500	0	0
Note Principal Payments	0	(300,000)	(81,500)	0	0
Current Refunding	0	0	40,500	0	0
Unrecorded Cash - 2009	(51,981)	(289)	0	0	0
Unrecorded Cash - 2008	28,957	846	0	0	0
WestCON Activity	0	0	0	0	(175,851)
Agency Fund Cash	0				
Allocation - 2009	(83,225)	0	0	(16,260)	(68,288)
Agency Fund Cash					
Allocation - 2008	54,851	0	0	9,493	25,259
Decrease in Fair Value					
of Cash Equivalents - 2009	(13,639)	0	0	0	0
Increase in Fair Value					
of Cash Equivalents - 2008	168,047	0	0	0	0
Budget Basis	<u>\$192,636</u>	<u>\$124,509</u>	<u>(\$305,872)</u>	<u>(\$166,621)</u>	<u>\$512,232</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange similar securities, or cash, equal value for equal value;
9. Up to 25 percent of the County's average portfolio in either of the following:
 - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within two hundred seventy days after purchase;
 - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within one hundred eighty days after purchase;

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

10. Up to 15 percent of the County's average portfolio in notes issued by United States corporations or by depository institutions that are doing business under authority granted by the United States provided the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and
12. Up to one percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United State government.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Bankers' acceptances must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions.

Investments

As of December 31, 2009, the County had the following investments:

	Fair Value	Investment Maturities (in Years)		Rating	Percent of Total Investments
		Less than 1	1-2		
STAROhio	\$475,832	\$475,832	\$0	Aaam	N/A
Federal National Mortgage Association Notes	641,030	641,030	0	Aaa	11%
Federal Home Loan Bank Notes	3,517,405	1,017,300	2,500,105	Aaa	62%
Federal Home Loan Mortgage Corporation Notes	1,003,000	1,003,000	0	Aaa	18%
Total Investments	<u>\$5,637,267</u>	<u>\$3,137,162</u>	<u>\$2,500,105</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.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

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

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the County. Property tax revenue received during 2009 for real and public utility property taxes represents collections of 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) are for 2009 taxes.

2009 real property taxes are levied after October 1, 2009, on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. 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 at September 20.

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 6 - PROPERTY TAXES (Continued)

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

The full tax rate for all County operations for the year ended December 31, 2009, was \$9.13 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 2009 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Real Property		
Residential/Agricultural	\$667,223,010	84%
Commercial/Industrial/Public Utility	91,168,650	12
Public Utility Personal	31,857,170	4
Totals	<u>\$790,248,830</u>	<u>100%</u>

NOTE 7 - 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 23rd day of the month following collection. The State Tax Commissioner certifies to the Office of Budget and Management the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within 45 days after the end of each month. The Tax Commissioner shall then, on or before the twentieth day of the month in which certification is made, provide for payment to the County.

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

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2009, was as follows:

	<u>Balance At</u> <u>12/31/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance At</u> <u>12/31/2009</u>
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$2,245,414	\$6,600	\$0	\$2,252,014
Depreciable Capital Assets:				
Buildings, Structures, and Improvements	11,574,746	57,280	0	11,632,026
Furniture, Fixtures, and Equipment	8,407,882	52,864	(14,500)	8,446,246
Infrastructure	19,709,611	600,408	(124,485)	20,185,534
Total Depreciable Capital Assets	<u>39,692,239</u>	<u>710,552</u>	<u>(138,985)</u>	<u>40,263,806</u>
Less Accumulated Depreciation:				
Buildings, Structures, and Improvements	(3,303,786)	(146,033)	0	(3,449,819)
Furniture, Fixtures, and Equipment	(5,307,977)	(404,801)	5,800	(5,706,978)
Infrastructure	(5,514,048)	(691,917)	72,141	(6,133,824)
Total Accumulated Depreciation	<u>(14,125,811)</u>	<u>(1,242,751) *</u>	<u>77,941</u>	<u>(15,290,621)</u>
Depreciable Capital Assets, Net	<u>25,566,428</u>	<u>(532,199)</u>	<u>(61,044)</u>	<u>24,973,185</u>
Governmental Activities Capital Assets, Net	<u>\$27,811,842</u>	<u>(\$525,599)</u>	<u>(\$61,044)</u>	<u>\$27,225,199</u>

Additions to capital assets being depreciated include \$52,000 in assets donated for the year ended December 31, 2009.

* Depreciation disbursement was charged to governmental programs as follows:

General Government:	
Legislative and Executive	\$111,244
Judicial	15,394
Public Safety	157,254
Public Works	828,350
Health	4,101
Human Services	126,408
Total Depreciation Disbursement	<u>\$1,242,751</u>

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 8 - CAPITAL ASSETS (Continued)

	Balance at 12/31/08	Additions	Deletions	Balance at 12/31/09
<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	2,150,125	0	0	2,150,125
Sewer Lines and Manholes	580,137	0	0	580,137
Total Depreciable Capital Assets	4,267,076	0	0	4,267,076
Less Accumulated Depreciation:				
Buildings, Structures, and Improvements	(815,751)	(8,836)	0	(824,587)
Furniture, Fixtures, and Equipment	(874,931)	(77,589)	0	(952,520)
Sewer Lines and Manholes	(23,204)	(5,801)	0	(29,005)
Total Accumulated Depreciation	(1,713,886)	(92,226)	0	(1,806,112)
Depreciable Capital Assets, Net	2,553,190	(92,226)	0	2,460,964
Business-Type Activities Capital Assets, Net	\$3,005,503	(\$92,226)	\$0	\$2,913,277

NOTE 9 - 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 20), 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.

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.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 9 - RISK MANAGEMENT (Continued)

Workers' Compensation

For 2009, the County participated in the County Commissioners' Association of Ohio Service Corporation (the Plan), an insurance purchasing pool (See Note 21). The plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than the individual rate.

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

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

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

NOTE 10 - 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

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. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 10.1 percent.

The County's contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.63 percent of covered payroll. For the period January 1 through March 31, 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; for the period April 1 through December 31, 2009 this amount was decreased to 5.5 percent. 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 Pension and Combined Plans for the years ended December 31, 2009, 2008, and 2007 were \$951,748, \$835,731, and \$865,363, respectively; 100 percent has been contributed for 2009, 2008, and 2007. Contributions to the Member-Directed Plan for 2009 were \$5,436 made by the County and \$3,883 made by the plan members.

NOTE 11 - POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description - Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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 administrated in accordance with, Internal Revenue Code 401(h). State Statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.63 percent. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The amount of employer contributions which were allocated to fund post-employment health care was 7.0 percent from January 1 through March 31, 2009, and 5.5 percent from April 1 through December 31, 2009.

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.

The County’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$615,837, \$835,731, and \$661,424, respectively; 100 percent has been contributed for 2009, 2008 and 2007.

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 on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 12 - 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, vision and life insurance coverage for employees is provided by United Health Care. Dental coverage for employees is provided by Dental Select.

NOTE 13 - LEASES

In prior years, the County entered into capital lease agreements for the purchase of buses for the Developmental Disability Board. Principal payments in 2009 totaled \$33,195.

Future lease payments are as follows:

<u>Year</u>	<u>Buses</u>
2010	\$38,154
2011	<u>38,154</u>
Total	<u><u>\$76,308</u></u>

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 14 - LONG-TERM OBLIGATIONS

The schedule of changes in long-term obligations of the governmental activities of the County during 2009 follows:

Types / Issues	Balance at 12/31/2008	Issued	Retired	Balance at 12/31/2009	Due Within One Year
<u>Notes Payable:</u>					
2.89% Court Computer Software Bond Anticipation Note \$100,000	\$100,000	\$90,000	\$100,000	\$90,000	\$0
2.89% Brock Ditch Construction Anticipation Note \$34,247	0	27,397	0	27,397	0
2.89% Electronic Documentation Data Equipment Bond Anticipation Note \$81,000	81,000	40,500	81,000	40,500	0
2.89% Jail HVAC Bond Anticipation Note \$116,000	116,000	92,800	116,000	92,800	0
Total Notes Payable	<u>297,000</u>	<u>250,697</u>	<u>297,000</u>	<u>250,697</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	320,000	0	320,000	0	0
11.69 to 12.08% - Original Issue on					
Capital Appreciation Bonds \$240,000	240,000	0	0	240,000	125,000
2002 2.00 to 3.50% Various Purpose					
Bonds - Unvoted \$1,440,000	690,000	0	130,000	560,000	35,000
2005 County Fairgrounds Refunding Bonds -					
Unvoted 3.00 to 3.60% - Current Interest					
Bonds \$125,000	105,000	0	10,000	95,000	10,000
Total General Obligation Bonds Payable	<u>1,355,000</u>	<u>0</u>	<u>460,000</u>	<u>895,000</u>	<u>170,000</u>
Total - General Long-Term Obligations	<u>\$1,652,000</u>	<u>\$250,697</u>	<u>\$757,000</u>	<u>\$1,145,697</u>	<u>\$170,000</u>

The 2009 Court Computer Software Bond Anticipation Note was issued on April 29, 2009, in the amount of \$100,000 for the purchase of computer software equipment for the clerk of courts. The note was issued at a 2.89 percent interest rate and reached maturity on April 29, 2010. This note was refinanced prior to the issuance of the 2009 statements for \$90,000 (see Note 26). This portion of the note was a long-term liability. The note will be paid through the Other Judicial Fund.

The 2009 Brock Ditch Construction Bond Anticipation Note was reissued on June 24, 2009, in the amount of \$34,247 for the construction of Brock Ditch. The note was issued at a 2.89 percent interest rate and reached maturity on June 24, 2010. This note was refinanced prior to the issuance of the 2009 statements for \$27,397 (See Note 26). This portion of the note was a long-term liability. The note will be paid through the Ditch and Guardrail Construction Fund.

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

The 2009 Electronic Documentation Data Equipment Bond Anticipation Note was issued on March 2, 2009, in the amount of \$81,000 for the purchase of electronic documentation data equipment. The note was issued at a 2.89 percent interest rate and reached maturity on March 2, 2010. This note was refinanced prior to the issuance of the 2009 statements for \$40,500 (see Note 26). This portion of the note was a long-term liability. The note will be paid through the Human Services Fund.

The 2009 Jail HVAC Bond Anticipation Note was issued on March 2, 2009, in the amount of \$116,000 for the purchase and installation of a new jail HVAC system. The note was issued at a 2.89 percent interest rate and reached maturity on March 2, 2010. This note was refinanced prior to the issuance of the 2009 statements for \$92,800 (see Note 26). 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 2009 were as follows:

Types/Issues	Balance at 12/31/2008	Increases	Decreases	Balance at 12/31/2009	Due Within One Year
<u>Notes Payable:</u>					
2.89% Landfill Compactor \$216,000	\$216,000	\$162,000	\$216,000	\$162,000	\$0
<u>Loans Payable:</u>					
0.00% - OWDA Loan \$820,238	\$688,461	\$0	\$40,498	\$647,963	\$40,498
0.00% - OPWC Loan \$38,000	34,200	0	1,900	32,300	1,900
0.00% - OPWC Loan \$227,160	136,296	0	11,358	124,938	11,358
Total Loans Payable	<u>858,957</u>	<u>0</u>	<u>53,756</u>	<u>805,201</u>	<u>53,756</u>
<u>General Obligation Bonds Payable:</u>					
3.00 to 3.60% - Landfill Improvement Refunding Bonds \$3,445,000	<u>2,700,000</u>	<u>0</u>	<u>300,000</u>	<u>2,400,000</u>	<u>310,000</u>
Total - Business-Type Activities	<u>\$3,774,957</u>	<u>\$162,000</u>	<u>\$569,756</u>	<u>\$3,367,201</u>	<u>\$363,756</u>

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

The 2009 Landfill Compactor Bond Anticipation Note was issued on April 29, 2009, in the amount of \$216,000 for the purchase of electronic documentation data equipment. The note was issued at a 2.89 percent interest rate and reached maturity on April 29, 2010. This note was refinanced prior to the issuance of the 2009 statements for \$162,000 (see Note 26). 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 \$647,963. Principal paid for the current year and total customer net receipts were \$40,498 and \$85,039, respectively.

The County has an OPWC Loan outstanding at December 31, 2009 in the amount of \$32,300. 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.

The County has an OPWC Loan outstanding at December 31, 2009 in the amount of \$124,938. 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.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and 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, 2009, are an overall legal debt margin of \$18,256,221 and an unvoted legal debt margin of \$7,902,488.

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

Governmental Activities				
Year	General Obligation Serial Bonds		General Obligation Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest
	2010	\$45,000	\$27,051	\$125,000
2011	50,000	25,581	115,000	210,000
2012	55,000	23,894	0	0
2013	55,000	21,992	0	0
2014	60,000	19,688	0	0
2015-2019	275,000	61,049	0	0
2020-2021	115,000	7,788	0	0
Totals	\$655,000	\$187,043	\$240,000	\$410,000

Business-Type Activities			
Year	Loans Payable	General Obligation Bonds	
	Principal	Principal	Interest
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	53,756	355,000	40,680
2015-2019	268,780	745,000	41,047
2020-2024	223,348	0	0
2025-2026	44,293	0	0
Totals	\$805,201	\$2,400,000	\$355,777

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 15 - SHORT-TERM OBLIGATIONS

Changes in the short-term obligations during 2009 were as follows:

Fund Type/Fund/Issue	Interest Rate	Balance at 12/31/2008	Increases	Decreases	Balance at 12/31/2009
<u>Governmental:</u>					
Motor Vehicle License and Gas Tax					
Flood Damage	2.89%	\$300,000	\$0	\$300,000	\$0
Other Public Works					
Albert Ditch Construction	1.99%	10,000	0	10,000	0
Other Public Works					
Drainage Backhoe	2.93%	10,642	0	10,642	0
Ditch and Guardrail Construction					
Gates Joint Ditch	2.89%	45,905	40,166	45,905	40,166
Ditch and Guardrail Construction					
Brock Ditch	2.89%	41,096	6,850	41,096	6,850
Human Services					
Electronic Documentation Data Equipment	2.89%	41,000	40,500	41,000	40,500
General					
Jail HVAC	2.89%	0	23,200	0	23,200
Other Judicial					
Court Computer Software	2.89%	0	10,000	0	10,000
Total Governmental Funds		<u>\$448,643</u>	<u>\$120,716</u>	<u>\$448,643</u>	<u>\$120,716</u>
<u>Business-Type Activities:</u>					
Landfill Compactor Note	2.89%	<u>\$54,000</u>	<u>\$54,000</u>	<u>\$54,000</u>	<u>\$54,000</u>

All of the notes are backed by the full faith and credit of the County and will mature within one year. The Gates Joint Ditch Note and the Brock 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 Jail HVAC Note will be paid from the General Fund. The Court Computer Software Note will be paid from the Other Judicial 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.

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 16 - INTERFUND ACTIVITY

Interfund transfers for the year ended December 31, 2009, consisted of the following:

Transfers From	Transfers To			Totals
	Human Services	Community Mental Health	Other Governmental	
General	\$117,544	\$2,045	\$376,187	\$495,776
Human Services	0	0	156,121	156,121
Other Governmental	691,127	0	0	691,127
Total	\$808,671	\$2,045	\$532,308	\$1,343,024

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 General Fund made advances to Other Governmental Funds of \$7,924 for short-term loans. The General Fund received \$8,924 from Other Governmental Funds and \$100,000 from the Landfill Fund as repayments for short-term loans made during 2008 and 2009.

NOTE 17 - 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 2009, the County did not make any significant financial contributions to the operation of the Library. Financial information for the Library may be obtained by writing to the Treasurer of the Preble County Library Board, 450 S. Barron Street, Eaton, Ohio 45320.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 17 - RELATED ORGANIZATIONS (Continued)

Preble Metropolitan Housing Authority

The Preble Metropolitan Housing Authority (PMHA) is a related organization to the County. The general purpose of the PMHA is to provide decent, safe, and sanitary housing for qualified persons within the County. The ability to influence operations depends on the County's representation on the Board. The PMHA Board is composed of five representatives: one member appointed by the County Common Pleas Court Judge; one member appointed by the County Commissioners; one member appointed by the County Probate Court Judge; and two members appointed by the Mayor of Eaton. During 2009, the County did not make any significant financial contributions to the operation of the PMHA. Financial information may be obtained by writing to Rita Daily, Director of the Preble Metropolitan Housing Authority, 2080 US Route 127 North, Eaton, Ohio 45320.

NOTE 18 - 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 2009.

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.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 19 - JOINTLY GOVERNED ORGANIZATION

West Central Ohio Network

The West Central Ohio Network (WestCON) is a jointly governed organization among Auglaize, Darke, Logan, Mercer, Miami, Preble, Shelby, and Union Counties. WestCON was formed to administer supported living services for persons with developmental disabilities in these counties. The executive committee consists of eight members that are the Superintendents of each local county board of developmental disabilities which is a WestCON member. During 2009, the County did not make any significant financial contributions to WestCON.

NOTE 20 - RISK SHARING POOL

County Risk Sharing Authority, Inc.

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

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

NOTE 21 - 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.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 21 - GROUP PURCHASING POOL (Continued)

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

NOTE 22 - 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.

NOTE 23 - CONTINGENT LIABILITIES

Litigation

The County is not party to any litigation as of December 31, 2009.

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 Department of Aging. These programs are subject to financial and compliance audits by grantors or representatives. At December 31, 2009, 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.

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 24 - RELATED PARTY TRANSACTIONS

L & M Products (the “Company”) has entered into a contractual agreement with the Preble County Board of Developmental Disabilities (PCBDD) programs, whereby the PCBDD provides sheltered employment for persons with developmental disabilities and handicapped individuals in the County. The PCBDD 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.

NOTE 25 - 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 Board of Developmental Disabilities (PCBDD Board) programs. The Company enters into month-to-month contracts for the assembly of component parts for local businesses, places workers with employers (including enclaves), offers document shredding services to local businesses, and also operates a concession stand at Eaton Community Pool. Excess net revenues generated by the operations are used to fund habilitative programs, including nursing services and a senior/retirement program.

BASIS OF ACCOUNTING - For presentation as a component unit of Preble County the financial statements of the Company are reported using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Company’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 Company are described in the appropriate section in this note.

USE OF ESTIMATES – The modified cash basis of accounting used by the Company requires management to make estimates and assumptions that affect the affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation disbursement); accordingly, actual results could differ from those estimates.

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.

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 25 - DISCRETELY PRESENTED COMPONENT UNIT (Continued)

PROPERTY AND EQUIPMENT - Assets with a cost exceeding \$1,000 and a useful life exceeding one year, are recorded at cost. 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.

FUNCTIONAL ALLOCATION OF DISBURSEMENTS - The costs of providing the various programs have been summarized on a functional basis in the Statement of Activities. Where identifiable, costs are charged directly to the program service for which they are incurred. Costs that benefit more than one program are allocated among those programs based on estimates made by management. Payroll taxes and fringe benefits are allocated based upon payroll costs.

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. Although the Company's federal information returns for the years ending December 31, 2006 – 2009 are subject to examination by the Internal Revenue Service, it has not indicated any intent to do so.

CUSTODIAL CREDIT RISK

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

PROPERTY AND EQUIPMENT

Property and equipment consists of:

2009	Cost	Accumulated Depreciation	Book Value
Leasehold Improvements	\$80,711	\$47,908	\$32,803
Machinery and Equipment	125,575	98,066	27,509
Vehicles	18,300	17,029	1,271
Total	<u>\$224,586</u>	<u>\$163,003</u>	<u>\$61,583</u>

RELATED PARTY TRANSACTIONS

At December 31, 2009, one of the Company's board members was employed by a customer of the Company. Another board member is President of a bank in which the Company maintains accounts. Board policy allows that up to three board members can be related to employees of the Company. At December 31, 2009, two board members were related to employees.

PREBLE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 25 - DISCRETELY PRESENTED COMPONENT UNIT (Continued)

RESTRICTED CASH - CUSTODIAL FUNDS

The Company is the funds custodian for an endowment fund established by the PCBDD. As such, it collects contributions and the proceeds from fundraisers conducted by the PCBDD, and disburses these funds pursuant to the terms of the endowment as requested by the PCBDD. Activity for 2009 consists of:

	2009
Interest Income	\$4
Withdrawals	(305)
Decrease in account	(301)
Custodial Balance, January 1	2,411
Custodial Balance, December 31	\$2,110

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 2009 consists of:

	2009
Contributions	\$1,865
Withdrawals	(790)
Increase in account	1,075
Custodial Balance, January 1	384
Custodial Balance, December 31	\$1,459

The Company also holds Microenterprise Grant funds pending distribution to a consumer recipient. The balance at December 31, 2009 is \$4.

Restricted cash – Custodial Funds are summarized as follows

	2009
PCBDD Endowment Fund	\$2,110
Preble County Special Olympics	1,459
Microenterprise Grant Funds	4
Total Restricted Custodial Funds	\$3,573

PREBLE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 25 - DISCRETELY PRESENTED COMPONENT UNIT (Continued)

RESTRICTED CASH - CONSUMER FUNDS

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

	<u>2009</u>
Employee Council	<u>\$1,331</u>
People First	<u>106</u>
Total Restricted Consumer Funds	<u><u>\$1,437</u></u>

NOTE 26 – SUBSEQUENT EVENTS

During February, 2010, the County reissued notes in the amounts of \$92,800 for the purchase and installation of a jail HVAC system and \$40,500 for the purchase of electronic documentation data equipment. Both notes have an interest rate of 2.89 percent.

During April, 2010, the County reissued notes in the amount of \$90,000 for the purchase of computer software equipment for the Clerk of Courts and \$162,000 for the purchase of a compactor for the landfill. Both notes have an interest rate of 3.19 percent.

During June, 2010, the County reissued notes in the amount of \$27,397 for the construction of Brock Ditch at a 3.21 percent interest rate.

PREBLE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department Of Development:</i>			
Community Development Block Grant	B-F-08-063-1	14.228	\$148,109
Community Development Block Grant	B-F-07-063-1	14.228	3,968
Total Community Development Block Grant			152,077
Community Housing Improvement Program	B-C-06-063-1	14.239	39,186
Community Housing Improvement Program	B-C-06-063-2	14.239	22,642
			61,828
<i>Total Passed Through Ohio Department of Development</i>			213,905
Total U.S. Department of Housing and Urban Development			213,905
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Rural Development Multi-Family Housing Rural Housing Voucher Demonstration Program	N/A	10.448	2,650
<i>Passed Through Ohio Department Of Job & Family Services :</i>			
Food Assistance Employment & Training	G-89-20-1135/G-1011-11-5102	10.561	(1,479)
Food Assistance	G-89-20-1135/G-1011-11-5102	10.561	219,924
ARRA - Food Assistance	G-89-20-1135/G-1011-11-5102	10.561	16,334
Total Food Assistance			234,779
Total U.S. Department of Agriculture			237,429
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Passed Through Ohio Attorney General's Office:</i>			
Victims of Crime Act	2008 VAGENE 199T	16.575	43,137
Victims of Crime Act	2009 VAGENE 199T	16.575	10,546
Total Victims of Crime Act			53,683
Total U.S. Department of Justice			53,683
<u>U.S. DEPARTMENT OF FEDERAL HIGHWAY ADMINISTRATION</u>			
<i>Passed Through The Ohio Emergency Management Agency:</i>			
State Emergency Response Planning Grant	N/A	20.703	3,169
<i>Passed Through The Ohio Department of Transportation:</i>			
Highway Planning and Construction:			
Pavement Marking	PID 82612	20.205	147,817
Covered Bridge Rehabilitation	PID 79722	20.205	8,478
PRE CR Camden-College Corner Road Bridge Replacement	PID 82901	20.205	342
PRE Seven Mile Road Bridge Rehabilitation	PID 82981	20.205	270
PRE TR 259/329 Junction Road & Ketterman Road Bridge Replace	PID 83047	20.205	359
Total Highway Planning and Construction			157,266
Total U.S. Department of Federal Highway Administration			160,435
<u>U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT ASSISTANCE</u>			
<i>Passed Through Ohio Department of Public Safety:</i>			
Homeland Security Grant Cluster:			
State Homeland Security Grant-FY 2008	2008-GE-T8-0025	97.067	43,274
Citizen Corps Program Grant-FY 2007	E104-08-047	97.067	4,791
			48,065
State Homeland Security Grant-FY 2007	2007-GE-T7-0030	97.073	7,711
Total Homeland Security Grant Cluster			55,776
Emergency Management Performance Grant-FY 2009	2009-EP-E9-0061	97.042	22,853
Emergency Management Performance Grant-FY 2008	2008-EM-E8-0002	97.042	24,279
Total Emergency Management Performance Grants			47,132
Total U.S. Department of Federal Emergency Management Assistance			102,908

(Continued)

PREBLE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. ELECTION ASSISTANCE COMMISSION</u>			
<i>Passed Through Ohio Secretary of State:</i>			
Help America Vote Act (HAVA) - Polling Place Grant	N/A	90.401	539
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Rehabilitation Services Commission:</i>			
Rehabilitation Services-Vocational Rehabilitation Grants to States	N/A	84.126	6,275
<u>U.S. DEPARTMENT OF LABOR</u>			
ARRA - Employee Benefits Security Administration	N/A	17.151	19,932
<i>Passed Through Montgomery County Department of Job & Family Services:</i>			
Workforce Investment Act Cluster:			
Workforce Investment Act - Adult	G-89-20-1135/G-1011-11-5102	17.258	174,728
ARRA - Workforce Investment Act - Adult	G-89-20-1135/G-1011-11-5102	17.258	37,988
Workforce Investment Act - Adult Administrative	G-89-20-1135/G-1011-11-5102	17.258	19,248
ARRA - Workforce Investment Act - Adult Administrative	G-89-20-1135/G-1011-11-5102	17.258	5,868
HB 372 Incumbent Worker Training	G-89-20-1135/G-1011-11-5102	17.258	27,121
Total Workforce Investment Act - Adult			264,953
Workforce Investment Act - Youth	G-89-20-1135/G-1011-11-5102	17.259	122,295
ARRA - Workforce Investment Act - Youth	G-89-20-1135/G-1011-11-5102	17.259	132,076
Workforce Investment Act - Youth Administrative	G-89-20-1135/G-1011-11-5102	17.259	8,040
Total Workforce Investment Act - Youth			262,411
Workforce Investment Act - Dislocated Worker	G-89-20-1135/G-1011-11-5102	17.260	203,531
ARRA - Workforce Investment Act - Dislocated Worker	G-89-20-1135/G-1011-11-5102	17.260	88,775
Workforce Investment Act - Dislocated Worker Administrative	G-89-20-1135/G-1011-11-5102	17.260	9,663
Total Workforce Investment Act - Dislocated Worker			301,969
Total Workforce Investment Act Cluster			829,333
Total U.S. Department of Labor			849,265
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio Department of Mental Health:</i>			
Early Childhood Grant	N/A	93.590	42,769
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Title XX - Base	G-89-20-1135/G-1011-11-5102	93.667	107,788
Title XX - Transfer	G-89-20-1135/G-1011-11-5102	93.667	155,367
			263,155
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Title XX Social Service Block Grant-FY09	N/A	93.667	15,420
Title XX Social Service Block Grant-FY10	N/A	93.667	16,636
			32,056
<i>Passed Through Ohio Department of Mental Health:</i>			
Title XX Social Service Block Grant	N/A	93.667	22,201
Total Title XX Social Service Block Grant			317,412
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Title XIX Medical Assistance Program	G-89-20-1135/G-1011-11-5102	93.778	212,037
Title XIX Medical Assistance Program - NET	G-89-20-1135/G-1011-11-5102	93.778	14,030
Title XIX Medical Assistance Program - Child Welfare	G-89-20-1135/G-1011-11-5102	93.778	2,257
			228,324
<i>Passed Through Ohio Department of Mental Health:</i>			
Title XIX Medical Assistance Program	N/A	93.778	689,142
ARRA - Title XIX Medical Assistance Program	N/A	93.778	92,451
			781,593
<i>Passed Through Ohio Department of Alcohol & Drug Addiction Services:</i>			
Title XIX Medical Assistance Program	N/A	93.778	91,806
ARRA - Title XIX Medical Assistance Program	N/A	93.778	10,412
			102,218

(Continued)

PREBLE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<i>Passed Through Ohio Department of Developmental Disabilities:</i> ARRA - Title XIX Medical Assistance Program	N/A	93.778	92,407
Total Title XIX Medical Assistance Program			<u>1,204,542</u>
<i>Passed Through Ohio Department of Mental Health:</i> Community Mental Service Block Grant	N/A	93.958	25,406
Suicide Prevention - Ohio State Research	OCP-303-09-01	93.958	1,000
			<u>26,406</u>
<i>Passed Through Ohio Department of Alcohol & Drug Addiction Services:</i> Block Grant for the Prevention and Treatment of Substance Abuse	68-2898-TASC-T-09-9163/68-2898-TASC-O-10-9163	93.959	104,996
Block Grant-Federal PCN Treatment/Prevention	N/A	93.959	122,438
Youth Led Prevention	N/A	93.959	1,716
			<u>229,150</u>
<i>Passed Through Ohio Department of Job & Family Services:</i> Child Support Enforcement	G-89-20-1135/G-1011-11-5102	93.563	291,264
Child Support/OCS Match	G-89-20-1135/G-1011-11-5102	93.563	54,637
			<u>345,901</u>
<i>Passed Through Ohio Department of Job & Family Services:</i> ESAA Preservation	G-89-20-1135/G-1011-11-5102	93.556	20,395
ESAA Reunification	G-89-20-1135/G-1011-11-5102	93.556	12,785
			<u>33,180</u>
<i>Passed Through Ohio Department of Job & Family Services:</i> Chaffee Foster Care Independent Living	G-89-20-1135/G-1011-11-5102	93.674	(185)
<i>Passed Through Ohio Department of Job & Family Services:</i> Child Welfare Services-State Grants (IV-B)	G-89-20-1135/G-1011-11-5102	93.645	36,026
<i>Passed Through Ohio Department of Job & Family Services:</i> Adoption Assistance Administration	G-89-20-1135/G-1011-11-5102	93.659	138,474
Non-Recurring Adoption Assistance	G-89-20-1135/G-1011-11-5102	93.659	13,885
Adopt Ohio Kids	G-89-20-1135/G-1011-11-5102	93.659	25,000
			<u>177,359</u>
<i>Passed Through Ohio Department of Job & Family Services:</i> Child Abuse & Neglect	G-89-20-1135/G-1011-11-5102	93.669	2,000
<i>Passed Through Ohio Department of Job & Family Services:</i> Child Care Services	G-89-20-1135/G-1011-11-5102	93.558	343,372
Early Start	G-89-20-1135/G-1011-11-5102	93.558	100,998
Temporary Assistance for Needy Families-Administration	G-89-20-1135/G-1011-11-5102	93.558	159,394
Temporary Assistance for Needy Families-Earn/Collections	G-89-20-1135/G-1011-11-5102	93.558	1,584
Temporary Assistance for Needy Families-Regular	G-89-20-1135/G-1011-11-5102	93.558	588,404
			<u>1,193,752</u>
<i>Passed Through Ohio Department of Job & Family Services:</i> Foster Care Administration	G-89-20-1135/G-1011-11-5102	93.658	93,304
Foster Care Maintenance	G-89-20-1135/G-1011-11-5102	93.658	413,164
ARRA - Foster Care Maintenance	G-89-20-1135/G-1011-11-5102	93.658	29,773
			<u>536,241</u>
<i>Passed Through Ohio Department of Job & Family Services:</i> Childcare Block Grant: ARRA - Child Care and Development Block Grant	G-89-20-1135/G-1011-11-5102	93.713	84,476
Child Care Services	G-89-20-1135/G-1011-11-5102	93.575	134,980
Quality Child Care	G-89-20-1135/G-1011-11-5102	93.575	8,964
			<u>143,944</u>
Child Care and Development Block Grant	G-89-20-1135/G-1011-11-5102	93.596	2,501
Child Care - Non-Administrative	G-89-20-1135/G-1011-11-5102	93.596	31,682
Child Care Services	G-89-20-1135/G-1011-11-5102	93.596	172,170
			<u>206,353</u>
Total Childcare Block Grant			<u>434,773</u>
Total U.S. Department of Health and Human Services			<u>4,579,326</u>
Total			<u>\$6,203,765</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, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

The County passes certain federal awards received from the 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 Note A describes, the County reports expenditures of Federal awards to subrecipients when paid in cash.

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

NOTE C - COMMUNITY HOME IMPROVEMENT PROGRAM

The Federal Department of Housing and Urban Development (HUD) grants money for loans to the County passed through the Ohio Department of Development. The County uses the loan program to provide interest free loans to individuals for home 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, 2009, the gross amount of loans outstanding under the CDBG CHIP program was \$127,666. At December 31, 2009, the gross amount of loans outstanding under the HOME CHIP program was \$200,045.

The County has established a CHIP Revolving Loan Fund, which had a balance of \$42,522 as of December 31, 2009. The balance is from program income received when CDBG CHIP and HOME CHIP mortgages are paid back. Loans repaid are used to make additional loans or as a grant to assist low-income homeowners through other CHIP approved activities. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

NOTE D - MATCHING REQUIREMENTS

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



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, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 8, 2010, 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 8, 2010.

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

September 8, 2010



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 REQUIRED BY 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, 2009. The summary of auditor's results section of the accompanying schedule of findings and questioned costs 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 each major federal program. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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, 2009. However, the results of our auditing procedures disclosed another instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists this instance as Finding 2009-002.

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 the 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, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-002 and 2009-003 to be significant deficiencies.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated September 8, 2010.

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

September 8, 2010

PREBLE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A -133 § .505
 DECEMBER 31, 2009

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA #17.258, 17.259, 17.260: Workforce Investment Act Cluster CFDA #93.667: Title XX Block Grant CFDA #93.778: Title XIX – Medical Assistance Program CFDA #93.575, 93.596, 93.713: Childcare Block Grant CFDA #93.563: Child Support Enforcement CFDA #93.558: Temporary Assistance for Needy Families CFDA #93.658: Foster Care
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2009-001

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:

With declining revenues in the County and the cost factor of preparing GAAP reports, I [County Auditor] decided to return to a Cash Financial Report.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Questioned Cost / Significant Deficiency - Allowable Costs/ Cost Principles

Finding Number	2009-002
CFDA Title and Number	Child Support Enforcement, CFDA #93.563 TANF, CFDA #93.558 Child Care Block Grant, CFDA #93.575 & 93.596 WIA, CFDA #17.258 & 17.260 Medicaid, CFDA #93.778 Food Assistance, CFDA #10.561 Foster Care, CFDA #93.658
Federal Award Number / Year	G-89-20-1135/G-1011-11-5102
Federal Agency	U.S. Department of Health & Human Services (Child Support Enforcement, TANF, Child Care Block Grant, Medicaid, Foster Care) U.S. Department of Labor (WIA) U.S. Department of Agriculture (Food Assistance)

**FINDING NUMBER 2009-002
 (Continued)**

Pass-Through Agency	Ohio Department of Job & Family Services (Child Support Enforcement, TANF, Child Care Block Grant, Medicaid, Food Assistance, Foster Care)
	Montgomery County Department of Job & Family Services (WIA)

2 CFR Part 225 App B. Section 37.c indicates rental costs under “less-than-arm’s-length” leases are allowable only up to the amount (as explained in section 37.b of the appendix) that would be allowable had title to the property vested in the County. For this purpose, a less-than-arm’s-length lease is one under which one party to the lease agreement (the County) is able to control or substantially influence the actions of the other (the County Department of Jobs and Family Services). Such leases included, but are not limited to those between divisions of a governmental unit. 2 CFR Part 225 App.B Section 37.b indicates the allowable amounts to be considered had the County Job and Family Services held title to the property includes expenses such as depreciation or use allowance, maintenance, taxes and insurance.

2 CFR Part 225 App. B Section 23.b states financing costs (including interest) paid or incurred which are associated with the otherwise allowable costs of building acquisition, construction, or fabrication, reconstruction or remodeling completed on or after October 1, 1980 is allowable subject to the conditions in section 23.b (1) through (4) of the appendix.

Additionally, **Ohio Admin. Code, Section 5101:9-4-11(A)** indicates, the county family service agency shall follow federal, state, and local regulations when seeking federal financial participation for costs associated with the rent or lease of property or equipment. The costs must be necessary and reasonable for proper and efficient performance and administration of the specific program financing the cost and must be in compliance with Office of Budget and Management (OMB) Circular A-87, attachment B and Code of Federal Regulations 2 CFR Part 225.

The Preble County Job and Family Services department leases a facility from the Preble County Board of Commissioners. Since both parties are divisions of the same governmental unit, this lease agreement appears to constitute a “less-than-arm’s-length” agreement and is therefore subject to the limitations of 2 CFR Part 225, App. B Section 37.c.

During 2009, a total of \$156,121 of rental payments was paid by the Preble County Job and Family Services department to the Preble County Board of Commissioners. Maintenance and insurance are paid directly by the County Job and Family Services department and are therefore not included as part of the rent. The unallowable cost is shown in the schedule below:

Acquisition Cost of the Building	\$1,842,890
Expected Useful Life of the Asset	40 Years
Annual Depreciation Calculation:	\$46,072
Annual Interest on Building Bond (2009)	<u>27,617</u>
Total Allowable Rental Cost	\$73,689
Total Rent paid by Preble County JFS	<u>\$156,121</u>
Unallowable rental costs (questioned costs)	<u><u>\$82,432</u></u>

**FINDING NUMBER 2009-002
 (Continued)**

Of the \$82,432 excess cost, \$81,653 was allocated through an indirect cost pool to the Job and Family Services departments federally funded programs as noted in the following table. An amount of \$779 is not included in the table, as two small non-federal programs shared in the building rental cost, neither of which are considered matching portions. Of the \$81,653 allocated to the individual programs, \$54,879 was funded from Federal dollars and the remaining \$26,774 was funded from state (GRF) monies, which is in violation of Ohio Admin. Code Section 5101:9-4-11(A) listed above.

Grant	CFDA #	Total Excess Rent by Program	Excess Rent Funded from Federal Program Dollars
Child Support Enforcement*	93.563	\$17,797	11,746
TANF*	93.558	16,752	16,752
Child Care Block Grant*	93.575 & 93.596	2,318	2,318
WIA*	17.258 & 17.260	2,724	2,724
Medicaid*	93.778	10,926	5,463
Food Assistance	10.561	11,969	6,293
Foster Care*	93.658	19,167	9,583
Total Unallowable Rental Costs		<u>\$81,653</u>	<u>\$54,879</u>

* = major federal programs

The excess rent paid with Child Support Enforcement and TANF Federal dollars are in excess of \$10,000 and therefore considered questioned costs under OMB Circular A133 §___.510 (a)(3).

The Board of County Commissioners should modify the building lease agreement with the Preble County Jobs and Family Services department so that the lease amount will not exceed the amount allowed in accordance with applicable requirements.

Officials' Response:

The County did not provide a response to this finding.

FINDING NUMBER 2009-003

Significant Deficiency

Finding Number	2009-003
CFDA Title and Number	Medicaid, CFDA #93.778 Foster Care, CFDA #93.658
Federal Award Number / Year	G-89-20-1135/G-1011-11-5102 (Foster Care) No award number for Medicaid
Federal Agency	U.S. Department of Health & Human Services
Pass-Through Agency	Ohio Department of Job & Family Services (Foster Care) Ohio Department of Mental Health (Medicaid) Ohio Department of Developmental Disabilities (Medicaid)

**FINDING NUMBER 2009-003
(Continued)**

The County did not accurately report expenditures on the 2009 Federal Awards Expenditures Schedule (SFAE).

The County omitted the program expenditures from the SFAE, as follows:

\$390,474	Medicaid Program (CFDA #93.778) Mental Health
536,241	Foster Care Program (CFDA #93.658)

The County overstated program expenditures on the SFAE, as follows:

\$682,575	Medicaid Program (CFDA #93.778) Developmental Disability
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In total, the County omitted \$215,930 in expenditures from the schedule for 2009 [in addition to the programs above, there were other programs that had differences that were immaterial and reported in the management letter.]

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.

Adjustments were posted to the Federal Awards Expenditures Schedule to correct the above errors. The lack of proper management oversight could result in misstatements relating to financial data. To improve record keeping and accountability of financial activity we recommend that all federal grant award expenditures be properly reported. The County should develop review procedures over the reporting of County Federal expenditures.

Officials' Response:

The County did not provide a response to this finding.

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PREBLE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 OMB CIRCULAR A -133 § .315 (b)
 DECEMBER 31, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B), failure to report in accordance with generally accepted accounting principles	No	Not corrected – Re-issued as Finding 2009-001
2008-002	Ohio Rev. Code Section 5705.09(F), failure to record on-behalf grant monies	Yes	
2008-003	Failure to properly post transfers and original budget expenditures	Yes	

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Mary Taylor, CPA
Auditor of State

PREBLE COUNTY 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
SEPTEMBER 28, 2010**