



**Auditor of State
Betty Montgomery**

BROWN COUNTY
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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Brown County
800 Mt. Orab Pike
Georgetown, Ohio 45121

To the Board of County Commissioners:

We have audited the accompanying general purpose financial statements of Brown County, Ohio (the County), as of and for the year ended December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Brown County General Hospital – the Enterprise Fund. Those financial statements were audited by other auditors whose report has been furnished to us and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for the Enterprise Fund, is based on the report of the other auditors.

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the County, as of December 31, 2002, and the results of its operations and the cash flows of its enterprise fund and discretely presented component unit for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for additional analysis as 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 general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole

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

Betty Montgomery
Auditor of State

July 29, 2003

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BROWN COUNTY, OHIO
 Combined Balance Sheet
 All Fund Types, Account Groups and Discretely Presented Component Unit
 December 31, 2002

	GOVERNMENTAL FUND TYPES			
	<i>General</i>	<i>Special Revenue</i>	<i>Debt Service</i>	<i>Capital Projects</i>
<u>Assets and Other Debits</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,548,901	\$13,266,253	\$510,640	\$72,899
Cash and Cash Equivalents in				
Segregated Accounts	28,685	49,030	0	0
Investments in Segregated Accounts	0	0	0	0
Receivables:				
Taxes	1,963,260	551,093	221,732	0
Accounts	53,126	54,079	0	0
Special Assessments	0	0	0	0
Interfund	38,860	0	0	0
Pledges	0	0	0	0
Accrued Interest	82,015	41,715	0	0
Due from Other Funds	9,556	1,736	0	0
Due from Other Governments	515,313	3,465,656	0	0
Materials and Supplies Inventory	8,154	118,696	0	358
Prepaid Items	76,938	8,864	0	0
Restricted Assets:				
Cash and Cash Equivalents with Escrow Agents	0	77,085	0	0
Cash and Cash Equivalents Restricted for Plant				
Renewal and Replacement	0	0	0	0
Cash and Cash Equivalents Restricted for Debt Issuance	0	0	0	0
Investments Restricted for Debt Issuance	0	0	0	0
Cash and Cash Equivalents for Endowment Funds	0	0	0	0
Other Assets	0	0	0	0
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits</u>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>\$5,324,808</u>	<u>\$17,634,207</u>	<u>\$732,372</u>	<u>\$73,257</u>

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	ACCOUNT GROUPS		<i>Totals (Memorandum Only) Primary Government</i>	COMPONENT UNIT	<i>Totals (Memorandum Only) Reporting Entity</i>
		<i>General Fixed Assets</i>	<i>General Long-Term Obligations</i>			
<i>Enterprise</i>	<i>Agency</i>					
\$0	\$2,301,225	\$0	\$0	\$18,699,918	\$0	\$18,699,918
2,473,636	386,303	0	0	2,937,654	14,024	2,951,678
19,085	0	0	0	19,085	0	19,085
0	16,192,736	0	0	18,928,821	0	18,928,821
3,383,544	0	0	0	3,490,749	3,628	3,494,377
0	721,101	0	0	721,101	0	721,101
0	0	0	0	38,860	0	38,860
2,770	0	0	0	2,770	0	2,770
0	0	0	0	123,730	0	123,730
0	0	0	0	11,292	0	11,292
0	0	0	0	3,980,969	0	3,980,969
217,893	0	0	0	345,101	0	345,101
1,403,983	0	0	0	1,489,785	0	1,489,785
0	0	0	0	77,085	0	77,085
1,604,471	0	0	0	1,604,471	0	1,604,471
25,777	0	0	0	25,777	0	25,777
699,043	0	0	0	699,043	0	699,043
43,812	0	0	0	43,812	0	43,812
822,874	0	0	0	822,874	0	822,874
11,997,754	0	21,047,523	0	33,045,277	2,135	33,047,412
0	0	0	510,640	510,640	0	510,640
0	0	0	3,735,329	3,735,329	0	3,735,329
<u>\$22,694,642</u>	<u>\$19,601,365</u>	<u>\$21,047,523</u>	<u>\$4,245,969</u>	<u>\$91,354,143</u>	<u>\$19,787</u>	<u>\$91,373,930</u>

(continued)

BROWN COUNTY, OHIO
 Combined Balance Sheet
 All Fund Types, Account Groups and Discretely Presented Component Unit
 December 31, 2002
 (Continued)

	GOVERNMENTAL FUND TYPES			
	<i>General</i>	<i>Special Revenue</i>	<i>Debt Service</i>	<i>Capital Projects</i>
<u>Liabilities, Fund Equity and Other Credits</u>				
<u>Liabilities</u>				
Accounts Payable	\$69,978	\$811,551	\$0	\$0
Contracts Payable	0	403,584	0	
Accrued Wages and Benefits	133,254	120,183	0	0
Compensated Absences Payable	13,274	10,619	0	0
Retainage Payable	0	77,085	0	0
Interfund Payable	0	38,860	0	0
Due to Other Funds	0	11,040	0	0
Due to Other Governments/Third-Party Payors	48,842	45,559	0	0
Deferred Revenue	2,300,932	3,584,878	221,732	0
Deposits Held and Due to Others	0	0	0	0
Other Accrued Expenses	0	0	0	0
Capital Leases Payable	0	0	0	0
Undistributed Assets	0	0	0	0
Mortgage Revenue Bonds Payable	0	0	0	0
Forgivable Debt Payable	0	0	0	0
Mortgage Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>2,566,280</u>	<u>5,103,359</u>	<u>221,732</u>	<u>0</u>
<u>Fund Equity and Other Credits</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Reserved:				
Reserved for Future Debt Service	0	0	0	0
Reserved for Plant Renewal and Replacement	0	0	0	0
Reserved for Endowments	0	0	0	0
Reserved for Specific Purpose	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	133,861	4,050,208	0	0
Reserved for Inventory	8,154	118,696	0	358
Reserved for Unclaimed Monies	192,106	0	0	0
Unreserved:				
Undesignated	2,424,407	8,361,944	510,640	72,899
Total Fund Equity and Other Credits	<u>2,758,528</u>	<u>12,530,848</u>	<u>510,640</u>	<u>73,257</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$5,324,808</u>	<u>\$17,634,207</u>	<u>\$732,372</u>	<u>\$73,257</u>

See Accompanying Notes to the General Purpose Financial Statements

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	ACCOUNT GROUPS		Totals (Memorandum Only) Primary Government	COMPONENT UNIT Grow, Inc.	Totals (Memorandum Only) Reporting Entity
		General Fixed Assets	General Long-Term Obligations			
<i>Enterprise</i>	<i>Agency</i>					
\$1,062,465	\$0	\$0	\$0	\$1,943,994	\$958	\$1,944,952
0	0	0	0	403,584	0	403,584
928,920	0	0	0	1,182,357	2,912	1,185,269
770,441	0	0	666,376	1,460,710	0	1,460,710
0	0	0	0	77,085	0	77,085
0	0	0	0	38,860	0	38,860
0	252	0	0	11,292	0	11,292
105,000	18,155,483	0	342,905	18,697,789	0	18,697,789
23,379	0	0	0	6,130,921	0	6,130,921
0	112,815	0	0	112,815	0	112,815
103,532	0	0	0	103,532	0	103,532
285,541	0	0	81,492	367,033	155	367,188
0	1,332,815	0	0	1,332,815	0	1,332,815
1,670,000	0	0	0	1,670,000	0	1,670,000
0	0	0	281,458	281,458	0	281,458
0	0	0	18,738	18,738	0	18,738
0	0	0	2,855,000	2,855,000	0	2,855,000
<u>4,949,278</u>	<u>19,601,365</u>	<u>0</u>	<u>4,245,969</u>	<u>36,687,983</u>	<u>4,025</u>	<u>36,692,008</u>
0	0	21,047,523	0	21,047,523	0	21,047,523
724,820	0	0	0	724,820	0	724,820
1,604,471	0	0	0	1,604,471	0	1,604,471
15,367,919	0	0	0	15,367,919	0	15,367,919
48,154	0	0	0	48,154	0	48,154
0	0	0	0	4,184,069	0	4,184,069
0	0	0	0	127,208	0	127,208
0	0	0	0	192,106	0	192,106
0	0	0	0	11,369,890	15,762	11,385,652
<u>17,745,364</u>	<u>0</u>	<u>21,047,523</u>	<u>0</u>	<u>54,666,160</u>	<u>15,762</u>	<u>54,681,922</u>
<u>\$22,694,642</u>	<u>\$19,601,365</u>	<u>\$21,047,523</u>	<u>\$4,245,969</u>	<u>\$91,354,143</u>	<u>\$19,787</u>	<u>\$91,373,930</u>

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Brown County
 Combined Statement of Revenues, Expenditures
 And Changes in Fund Balances
 All Governmental Fund Types
 For the Year Ended December 31, 2002

	Governmental Fund Types				<i>Totals (Memorandum Only)</i>
	<i>General</i>	<i>Special Revenue</i>	<i>Debt Service</i>	<i>Capital Projects</i>	
<u>Revenues:</u>					
Property Taxes	\$1,658,834	\$528,880	\$315,639	\$0	\$2,503,353
Permissive Sales Tax	2,328,399	582,216	0	0	2,910,615
Charges for Services	1,582,884	1,686,975	0	0	3,269,859
Licenses and Permits	4,090	0	0	0	4,090
Fines and Forfeitures	527,553	147,592	0	0	675,145
Intergovernmental	927,179	11,534,659	114,476	0	12,576,314
Interest	323,965	172,835	0	0	496,800
Donations and Contributions	11,312	28	0	0	11,340
Other	491,819	514,991	24,381	0	1,031,191
Total Revenues	7,856,035	15,168,176	454,496	0	23,478,707
<u>Expenditures:</u>					
Current:					
General Government:					
Legislative and Executive	4,346,625	322,469	0	0	4,669,094
Judicial	1,067,298	398,652	0	0	1,465,950
Public Safety	2,310,641	1,137,897	0	0	3,448,538
Public Works	183,499	4,403,181	0	0	4,586,680
Health	43,599	4,631,861	0	0	4,675,460
Human Services	201,359	4,509,396	0	0	4,710,755
Conservations and Recreation	0	12,278	0	0	12,278
Economic Development and Assistance	0	214,354	0	0	214,354
Capital Outlay	14,656	16,527	0	464,749	495,932
Debt Service:					
Principal Retirement	39,428	11,853	277,331	0	328,612
Interest and Fiscal Charges	4,363	853	190,179	0	195,395
Total Expenditures	8,211,468	15,659,321	467,510	464,749	24,803,048
Excess of Revenues Under Expenditures	(355,433)	(491,145)	(13,014)	(464,749)	(1,324,341)
<u>Other Financing Sources (Uses):</u>					
Inception of Capital Lease	14,656	16,527			31,183
Operating Transfers - In	419,320	347,764	0	0	767,084
Operating Transfers - Out	(151,060)	(266,025)	0	(350,000)	(767,085)
Total Other Financing Sources (Uses)	282,916	98,266	0	(350,000)	31,182
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(72,517)	(392,879)	(13,014)	(814,749)	(1,293,159)
Fund Balances at Beginning of Year	2,834,569	12,943,312	523,654	887,648	17,189,183
Increase (Decrease) in Reserve for Inventory	(3,524)	(19,585)	0	358	(22,751)
Fund Balances at End of Year	\$2,758,528	\$12,530,848	\$510,640	\$73,257	\$15,873,273

See Accompanying Notes to the General Purpose Financial Statements

BROWN COUNTY, OHIO
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Year Ended December 31, 2002

	General Fund			Special Revenue Funds		
	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues:						
Property Taxes	\$1,826,436	\$1,658,834	(\$167,602)	\$528,654	\$528,880	\$226
Permissive Sales Tax	2,350,000	2,384,214	34,214	500,000	596,001	96,001
Charges for Services	1,417,000	1,585,021	168,021	1,385,468	1,616,588	231,120
Licenses and Permits	3,700	4,090	390	0	0	0
Fines and Forfeitures	228,000	503,704	275,704	105,250	133,021	27,771
Intergovernmental	866,504	943,804	77,300	12,197,639	11,431,523	(766,116)
Interest	300,000	399,259	99,259	100,000	203,075	103,075
Donations and Contributions	0	11,312	11,312	0	28	28
Other	403,900	491,819	87,919	681,189	591,021	(90,168)
Total Revenues	7,395,540	7,982,057	586,517	15,498,200	15,100,137	(398,063)
Expenditures:						
Current:						
General Government:						
Legislative and Executive	4,816,710	4,582,805	233,905	399,792	330,695	69,097
Judicial	1,139,965	1,069,889	70,076	491,688	403,599	88,089
Public Safety	2,310,567	2,291,893	18,674	1,287,878	1,128,641	159,237
Public Works	184,443	183,390	1,053	8,762,659	8,094,391	668,268
Health	44,869	44,363	506	5,406,346	4,510,481	895,865
Human Services	220,291	201,403	18,888	5,230,530	4,687,155	543,375
Conservation and Recreation	0	0	0	0	12,278	(12,278)
Economic Development and Assistance	0	0	0	220,750	214,247	6,503
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	8,716,845	8,373,743	343,102	21,799,643	19,381,487	2,418,156
Excess of Revenues Over (Under) Expenditures	(1,321,305)	(391,686)	929,619	(6,301,443)	(4,281,350)	2,020,093
Other Financing Sources (Uses):						
Advances - In	0	25,375	25,375	0	10,000	10,000
Advances - Out	0	(10,000)	(10,000)	0	(25,375)	(25,375)
Operating Transfers - In	0	419,320	419,320	162,511	347,764	185,253
Operating Transfers - Out	(151,800)	(151,060)	740	(113,480)	(266,025)	(152,545)
Total Other Financing Sources (Uses)	(151,800)	283,635	435,435	49,031	66,364	17,333
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,473,105)	(108,051)	1,365,054	(6,252,412)	(4,214,986)	2,037,426
Fund Balances at Beginning of Year	2,233,845	2,233,845	0	12,152,362	12,152,362	0
Prior Year Encumbrances Appropriated	161,993	161,993	0	542,097	542,097	0
Fund Balances at End of Year	\$922,733	\$2,287,787	\$1,365,054	\$6,442,047	\$8,479,473	\$2,037,426

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
\$354,052	\$315,639	(\$38,413)	\$0	\$0	\$0	\$2,709,142	\$2,503,353	(\$205,789)
0	0	0	0	0	0	2,850,000	2,980,215	130,215
0	0	0	0	0	0	2,802,468	3,201,609	399,141
0	0	0	0	0	0	3,700	4,090	390
0	0	0	0	0	0	333,250	636,725	303,475
75,495	114,476	38,981	400,000	0	(400,000)	13,539,638	12,489,803	(1,049,835)
0	0	0	0	0	0	400,000	602,334	202,334
0	0	0	0	0	0	0	11,340	11,340
19,505	24,381	4,876	0	0	0	1,104,594	1,107,221	2,627
<u>449,052</u>	<u>454,496</u>	<u>5,444</u>	<u>400,000</u>	<u>0</u>	<u>(400,000)</u>	<u>23,742,792</u>	<u>23,536,690</u>	<u>(206,102)</u>
0	0	0	0	0	0	5,216,502	4,913,500	303,002
0	0	0	0	0	0	1,631,653	1,473,488	158,165
0	0	0	400,000	0	400,000	3,998,445	3,420,534	577,911
0	0	0	0	0	0	8,947,102	8,277,781	669,321
0	0	0	100	0	100	5,451,315	4,554,844	896,471
0	0	0	0	0	0	5,450,821	4,888,558	562,263
0	0	0	0	0	0	0	12,278	(12,278)
0	0	0	0	0	0	220,750	214,247	6,503
0	0	0	490,395	490,395	0	490,395	490,395	0
327,331	327,331	0	0	0	0	327,331	327,331	0
190,179	190,179	0	0	0	0	190,179	190,179	0
<u>517,510</u>	<u>517,510</u>	<u>0</u>	<u>890,495</u>	<u>490,395</u>	<u>400,100</u>	<u>31,924,493</u>	<u>28,763,135</u>	<u>3,161,358</u>
<u>(68,458)</u>	<u>(63,014)</u>	<u>5,444</u>	<u>(490,495)</u>	<u>(490,395)</u>	<u>100</u>	<u>(8,181,701)</u>	<u>(5,226,445)</u>	<u>2,955,256</u>
0	0	0	0	0	0	0	35,375	35,375
0	0	0	0	0	0	0	(35,375)	(35,375)
0	0	0	0	0	0	162,511	767,084	604,573
0	0	0	(350,000)	(350,000)	0	(615,280)	(767,085)	(151,805)
<u>0</u>	<u>0</u>	<u>0</u>	<u>(350,000)</u>	<u>(350,000)</u>	<u>0</u>	<u>(452,769)</u>	<u>(1)</u>	<u>452,768</u>
(68,458)	(63,014)	5,444	(840,495)	(840,395)	100	(8,634,470)	(5,226,446)	3,408,024
573,653	573,653	0	786,090	786,090	0	15,745,950	15,745,950	0
0	0	0	127,200	127,200	0	831,290	831,290	0
<u>\$505,195</u>	<u>\$510,639</u>	<u>\$5,444</u>	<u>\$72,795</u>	<u>\$72,895</u>	<u>\$100</u>	<u>\$7,942,770</u>	<u>\$11,350,794</u>	<u>\$3,408,024</u>

BROWN COUNTY, OHIO
Statement of Revenues, Expenses
And Changes in Retained Earnings
Enterprise Fund
For the Year Ended December 31, 2002

	<u>Brown County General Hospital</u>
<u>Operating Revenues:</u>	
Net Patient Service Revenue	\$26,872,891
Other Operating Revenues	357,730
Total Revenues	<u>27,230,621</u>
<u>Operating Expenses:</u>	
Personal Services	13,429,384
Contractual Services	2,134,593
Materials and Supplies	6,901,687
Provision for Bad Debts	2,225,532
Other Operating Expenses	797,734
Interest and Fiscal Charges	145,628
Depreciation	1,538,473
Total Operating Expenses	<u>27,173,031</u>
Operating Income	<u>57,590</u>
<u>Non-Operating Revenues:</u>	
Interest	179,062
Donations of Equipment	86,301
Other Non-Operating Revenues	84,897
Total Non-Operating Revenues	<u>350,260</u>
Net Income	407,850
Retained Earnings At Beginning of Year	<u>17,337,514</u>
Retained Earnings At End Of Year	<u><u>\$17,745,364</u></u>

See Accompanying Notes to the General Purpose Financial Statements

BROWN COUNTY, OHIO
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2002

	<i>Brown County General Hospital</i>
<u>Cash Flows from Operating Activities:</u>	
Income from Operations	\$57,590
<u>Adjustments to Reconcile Revenues and Gains in Excess of Expenses to Net Cash Provided by Operating Activities:</u>	
Depreciation and Amortization	1,538,473
<u>Changes in Assets and Liabilities:</u>	
Loss on Disposal of Fixed Assets	76,081
Increase in Accounts Receivable	(87,594)
Decrease in Materials and Supplies Inventory	2,257
Increase in Prepaid Expenses and Other Assets	(691,853)
Increase in Accounts Payable and Other Accrued Expenses	319,365
Decrease in Settlement Amounts Payable to Third Parties	(472,886)
<i>Net Cash Provided by Operating Activities</i>	741,433
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Other	46,014
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Capital Expenditures	(1,797,241)
Donation for Capital Additions	530
Proceeds from Disposal of Equipment	15,339
Payments on Capital Lease Obligations	(116,581)
Repayment of Long-Term Debt	(510,000)
<i>Net Cash Used for Capital and Related Financing Activities</i>	(2,407,953)
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	179,062
Net Decrease in Cash and Cash Equivalents	(1,441,444)
Cash and Cash Equivalents at Beginning of Year	5,545,328
Cash and Cash Equivalents at End of Year	\$4,103,884
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:	
Cash and Cash Equivalents in Current Assets	\$2,473,636
Cash and Cash Equivalents Restricted for Plant Renewal and Replacement	1,604,471
Cash and Cash Equivalents Restricted for Debt Issuance	25,777
Total Cash and Cash Equivalents	\$4,103,884
Supplemental Disclosures:	
Interest Paid During the Year	\$142,542
Asset and Debt Acquired Through a Capital Lease	279,364
Total Supplemental Disclosures	\$421,906

See Accompanying Notes to the General Purpose Financial Statements

BROWN COUNTY, OHIO
Statement of Support and Revenues, Expenses
And Changes in Fund Balance
Discretely Presented Component Unit
For the Year Ended December 31, 2002

	<i>Grow, Inc.</i>
<u>Support and Revenues:</u>	
Brown County Board of Mental Retardation	\$1,546,602
Assembly Production	10,545
Services Contracted	69,060
Snack Bar	14,902
Thrift Store	29
Other	850
	850
Total Support and Revenues	1,641,988
<u>Expenses:</u>	
Personal Services	777,467
Contractual Services	629,036
Materials and Supplies	109,316
Depreciation	2,090
Other Operating Expense	145,384
	145,384
Total Expenses	1,663,293
Excess of Support and Revenues Over Expenses	(21,305)
<u>Non-Operating Revenues and Expenses:</u>	
Interest	129
Interest and Fiscal Charges	(751)
	(751)
Total Non-Operating Revenues and Expenses	(622)
Net Revenues Under Expenses	(21,927)
Fund Balance At Beginning of Year	37,689
	37,689
Fund Balance At End Of Year	\$15,762

See Accompanying Notes to the General Purpose Financial Statements

BROWN COUNTY, OHIO
Statement of Cash Flows
Discretely Presented Component Unit
For the Year Ended December 31, 2002

	<u>Grow, Inc.</u>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$103,565
Cash Payments to Suppliers for Goods and Services	(53,942)
Cash Payments to Employees for Services	<u>(42,585)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>7,038</u>
<u>Cash Flows from Capital and Related</u>	
<u>Financing Activities:</u>	
Principal Payments made on Capital Leases	(1,860)
Interest Payments made on Capital Leases	(751)
Fixed Asset Purchases	(1,750)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(4,361)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	<u>129</u>
Net Increase in Cash and Cash Equivalents	2,806
Cash and Cash Equivalents at Beginning of Year	<u>11,218</u>
Cash and Cash Equivalents at End of Year	<u><u>\$14,024</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Excess of Support and Revenues Over Expenses	(21,305)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u>	
Depreciation	2,090
<u>Changes in Assets and Liabilities:</u>	
Decrease in Accounts Receivable	8,179
Decrease in Materials and Supplies Inventory	19,643
Decrease in Accounts Payable	(1,736)
Increase in Accrued Wages and Benefits	<u>167</u>
Total Adjustments	<u>28,343</u>
Net Cash Provided by Operating Activities	<u><u>\$7,038</u></u>

See Accompanying Notes to the General Purpose Financial Statements

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BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

Brown County, Ohio (The County), was created in 1817. 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, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, a Probate Court Judge, and two County Court Judges.

Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrators of public services for the entire County.

Reporting Entity

A reporting entity is comprised 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 Brown County, this includes the Brown County Board of Mental Retardation and Developmental Disabilities, Brown County Alcohol, Drug Addiction and Mental Health Board, Brown County Solid Waste Management District, Brown County Airport, Brown County General Hospital, and all departments and activities that are directly operated by the elected County officials.

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 also includes organizations that are fiscally dependent on the County in that the County approves the organization's budget, the issuance of its debt or levying of its taxes.

Discretely Presented Component Unit

The component unit column in the combined financial statements identifies the financial data of the County's discretely presented component unit, Grow, Inc. It is reported separately to emphasize that it is legally separate from the County. Grow, Inc. is a not-for-profit corporation, governed by a self-appointing board of trustees. Grow, Inc., under contractual agreement with the Brown County Board of Mental Retardation and Developmental Disabilities, provides sheltered employment for mentally and/or physically handicapped adults in Brown County.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION *(Continued)*

The Brown County Board of MR/DD provides Grow, Inc. with staff salaries, transportation, equipment, staff to administer and supervise training programs, and other funds necessary for the operation of Grow, Inc. Based on the significant services and resources provided by the County to Grow, Inc. and Grow's sole purpose of providing assistance to the mentally and/or physically handicapped adults of Brown County, Grow is presented as a component unit of Brown County. Grow, Inc. operates on a fiscal year ending December 31. Separately issued financial statements can be obtained from Grow, Inc., 9116 Hamer Rd., Georgetown, Ohio 45121.

The County is associated with certain organizations which are defined as Jointly Governed Organizations, a Risk Sharing Pool, and a Group Purchasing Pool. These organizations are presented in Note 18 to the General Purpose Financial Statements. These organizations are:

Ohio Valley Resource Conservation and Development Area, Inc.
Job Training Partnership Consortium
Private Industry Council
County Risk Sharing Authority (CORSA)
County Commissioners' Association of Ohio Workers' Compensation Group Rating Program

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 their operations. Accordingly, the activity of the following districts and agencies is presented as agency funds within the County's financial statements.

Soil and Water Conservation District
Brown County Health District
Family and Children First Council

The information in Notes 2 through 19 relate to the primary government. Information related to the discretely presented component unit is presented in Note 20.

Basis of Presentation - Fund Accounting

The County uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types: Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use and balances of the County's expendable financial resources and the related current liabilities (except those accounted for in enterprise funds) are accounted for through governmental funds. The following are the County's governmental fund types:

General Fund - The General Fund is the operating fund of the County and is used to account 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.

Special Revenue Funds - Special Revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The Debt Service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - The Capital Projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise funds).

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

Proprietary Fund Type: Proprietary funds are used to account for the County's ongoing organizations and activities which are similar to those often found in the private sector. The following is the County's proprietary fund type:

Enterprise Fund - Enterprise funds are used to account for the Brown County General Hospital's operations that are financed and operated in a manner similar to private sector business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Fund Type: Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The following is the County's fiduciary fund type:

Agency Funds - These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups: To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the County, other than those fixed assets accounted for in the enterprise fund.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the County, except those accounted for in the enterprise fund.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The enterprise fund financial statements have been prepared in accordance with the principles contained in the "AICPA Auditing and Accounting Guide: Health Care Organizations." The Hospital also applies the Financial Accounting Standards Board's Statements and Interpretations issued prior to November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The statements of cash flows have been prepared in accordance with *Governmental Accounting Standards Board (GASB) Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting."* The more significant of the County's accounting policies are described below.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales tax (See Note 8), accounts, interest, federal and state subsidies and grants and state-levied locally shared taxes.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year, with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the County Commissioners.

Advances-in and Advances-out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Budgetary information for the Brown County General Hospital and Grow, Inc. (component unit) are not reported because they are not included in the entity for which the "appropriated budget" is adopted and they do not maintain separate budgetary records.

Tax Budget: A budget of estimated revenues and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 15 of each year, for the period January 1 to December 31 of the following year.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources: The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include actual unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported in the budgetary statement reflect the amounts in the amended certificate at the time the final appropriations were passed.

Appropriations: A temporary appropriation resolution to control expenditures may be passed on or around January 1 of each year for the period January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during the year, some of which were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Budgeted Level of Expenditures: Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation resolution without authority from the Commissioners. Expenditures plus encumbrances may not legally exceed appropriations at the legal level of appropriation. Appropriations are made to fund, department and object level (i.e., General Fund - Commissioners - personal services, fringe benefits, supplies and materials, contractual services and other expenditures).

Encumbrances: As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lapsing of Appropriations: At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not reappropriated.

Cash and Cash Equivalents

Cash balances of the County's funds, except cash held by a trustee or fiscal agent and cash in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. Each fund type's share of the pool is presented on the balance sheet in the account "Equity in Pooled Cash and Cash Equivalents."

Cash and cash equivalents that are held separately within departments of the County, including the Brown County General Hospital, and not held with the County Treasurer are recorded on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts."

The Hospital also presents "Cash and Cash Equivalents Restricted for Plant Renewal and Replacement," "Cash and Cash Equivalents Restricted for Debt Issuance," "Investments Restricted for Debt Issuance," and "Cash and Cash Equivalents for Endowment Funds." These amounts represent restricted assets.

During fiscal year 2002, investments were limited to certificates of deposit, common stock, U.S. Treasury Notes, Federal Farm Credit Bank Bonds, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Bonds, Federal National Mortgage Association Bonds, Repurchase Agreements, Money Market Mutual Funds, and STAROhio.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Brown County invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. 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, 2002.

Interest is distributed to the General Fund, Special Revenue Funds, and the Brown County General Hospital Enterprise Fund. Interest earned during 2002 amounted to \$362,799 for the County General Fund, which includes \$336,656 assigned from other County funds.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments with original maturities of three months or less and funds within the cash management pool are considered to be cash and cash equivalents for all funds other than the enterprise fund. For purposes of the statement of cash flows, the Hospital considers cash in operating accounts and various checking accounts to be cash and cash equivalents.

Charity Care

Hospital patients who meet certain criteria under its charity care policy are provided care without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue. Hospital services at normal established rates totaled approximately \$990,000 for the year ended December 31, 2002.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined (See Note 6).

Substantially all revenue is recognized when service is rendered.

Inventory of Supplies

Inventories of governmental funds are stated at cost while inventory of the enterprise fund is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the enterprise fund when used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2002, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets

Restricted assets represent: (1) assets whose use is limited by the Hospital Board for future property, plant and equipment renewal and replacement; (2) certain amounts set aside in accordance with agreements related to Hospital debt issuance; and (3) Hospital specific purpose funds, pledges receivable, and Hospital endowment funds. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific uses.

Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet. Short-term interfund loans or the short-term portion of advances are classified as "Interfund Receivables" or "Interfund Payables."

Accrued and Long-Term Liabilities

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than thirty-one days after year-end are considered not to have used current available financial resources. Bonds and long-term loans are reported as a liability of the general long-term obligations account group until due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Fixed Assets and Depreciation

The fixed asset values initially were determined at December 31, 1992, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at estimated fair market value on the date donated. The County has established \$500 as the threshold for which fixed assets are to be reported.

BROWN COUNTY, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost.

General Fixed Assets: General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group at historical cost or estimated historical cost. Assets in the general fixed assets account group are not depreciated.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the County.

Enterprise Fund Fixed Assets: Fixed assets reflected in the enterprise fund are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year. Equipment under capital leases is amortized on the straight-line basis over the shorter of the lease term or the estimated service lives of the leased assets. Depreciation has been provided on a straight-line basis over the following estimated useful lives:

Descriptions	Estimated Life
Buildings and Building Improvements	30 - 40 years
Equipment	5 - 20 years

Compensated Absences

Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributed to services already rendered and it is probable that the County will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31, by those employees who are eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future. The amount is based on accumulated sick leave and employee wage rates at year-end, taking into consideration any limits specified in the County's termination policy.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County records a liability for accumulated unused vacation and compensatory time when earned for all employees with more than one year of service. The County records a liability for accumulated unused sick leave for all employees after ten years of current service with the County with the exception of the County Engineer's Department in which a liability is recorded for accumulated unused sick leave for employees after five years of current service with the County. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Reserves of Fund Equity

The County records reservations for those portions of fund balance which are legally segregated for specific future use or which do not represent available, spendable resources and, therefore, are not available for expenditure. Unreserved, undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, inventory and claimants. Retained earnings reserves have been established for future debt service, plant renewal and replacement, endowments, and specific purposes funds.

Gifts and Donated Services

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received.

Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All remaining interfund transfers are reported as operating transfers.

Estimates

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

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned “Totals (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. When the title of a statement indicates that a component unit is included, two total columns are presented. The first is captioned “Primary Government” to indicate that only those activities that comprise the County’s legal entity have been included. The second is captioned “Reporting Entity” and includes the activity and operations of the County’s legally separate discretely presented component unit (See Note 1). The “Totals” column on statements which do not include a component unit have no additional caption.

NOTE 3 - BUDGET TO GAAP RECONCILIATION

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, appropriations and encumbrances.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance for governmental funds (GAAP basis).
4. Advances - In and Advances - Out are operating transactions (budget) as opposed to a balance sheet transactions (GAAP).
5. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 3 - BUDGET TO GAAP RECONCILIATION (Continued)

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis are as follows:

Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$33,683)	(\$373,127)	(\$13,013)	(\$814,749)
Adjustments:				
Revenue Accruals	44,653	(105,690)	(505)	0
Expenditure Accruals	28,833	1,019,935	0	(25,646)
Unrecorded Cash	42,535	17,899	0	0
Bonds Matured on December 31, 2001/ Paid in 2002	0	0	(50,000)	0
Advances - In/Out, Net	15,375	(15,375)	0	0
Encumbrances	(205,761)	(4,758,395)	0	0
Budget Basis	(\$108,048)	(\$4,214,753)	(\$63,518)	(\$840,395)

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

Accountability

The Emergency Management Grant Special Revenue Fund has a deficit fund balance of \$474,267 at December 31, 2002. This deficit is due to adjustments for accrued liabilities which generate expenditures that are greater than those recognized on a cash basis. The general fund is liable for the deficit and provides operating transfers when cash is required, not when accruals occur.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE (Continued)

Compliance

The following had expenditures plus encumbrances in excess of appropriations for the fiscal year ended December 31, 2002.

Special Revenue Funds:

Mediation Grant

Operating Transfers-Out	0	11,871	(11,871)
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NOTE 5 - DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State Statute into two categories.

Active monies are public deposits necessary to meet current demands upon the County treasury. Such 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.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the County Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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:

1. United States treasury notes, bills, bonds, 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;
2. Bonds, notes, debentures, or any other obligations or securities issued by the 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;

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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 (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and,
10. Bankers' acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the County Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year-end, the County had \$5,500 of undeposited cash on hand which is included on the balance sheet of the County as part of "Equity in Pooled Cash and Cash Equivalents."

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Deposits: At year-end, the carrying amount of the County's deposits was \$8,215,925 and the bank balance was \$8,909,456. Of the bank balance, \$923,229 was covered by federal depository insurance. For the Hospital, \$3,723,483 of bank deposits were collateralized with pooled securities held by financial institutions but not in the Hospital's name. The remainder of \$4,262,744 was considered uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institutions' trust department in the County's name and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the County to a successful claim by the Federal Deposit Insurance Corporation.

Investments: Statutory provisions require that the County Treasurer hold all securities acquired by the County or deposit them with a qualified trustee pursuant to Section 135.18, Revised Code. Securities acquired under a repurchase agreement must be deposited with such a trustee unless the counter party is a designated depository of the County for the current period of designation of depositories, in which case the securities may be held in trust by the depository. At the end of each day, the County Treasurer withdraws surplus funds from the account and invests the monies in an overnight repurchase agreement. The County does not purchase any specific security in this manner, but the investment is collateralized by pledged securities held by a third party in the name of the bank.

GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements" requires the County to categorize investments to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered for which the securities are held by the County. Category 2 includes uninsured and unregistered investments for which the securities are held in the counter party's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party or by its trust department but not in the County's name. Money market mutual funds and STAROhio investments are not categorized since they are not evidenced by securities that exist in physical or book entry form.

The Brown County General Hospital has investments in common stock totaling \$19,085 at December 31, 2002, included as "Investments in Segregated Accounts" in the accompanying combined balance sheet.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

	Category 1	Category 2	Category 3	Unclassified	Carrying and Fair Value
Common Stock	\$19,085	\$0	\$0	\$0	\$19,085
U.S. Treasury Notes	0	0	699,043	0	699,043
Federal Farm Credit Bank Bonds	0	0	637,763	0	637,763
Federal Home Loan Bank Bonds	0	0	4,080,868	0	4,080,868
Federal Home Loan Mortgage Corporation Bonds	0	0	3,583,307	0	3,583,307
Federal National Mortgage Association Bonds	0	0	2,080,394	0	2,080,394
Repurchase Agreements	0	1,526,848	0	0	1,526,848
Money Market Mutual Funds	0	0	0	31,296	31,296
STAROhio	0	0	0	3,226,816	3,226,816
Total Investments	<u>\$19,085</u>	<u>\$1,526,848</u>	<u>\$11,081,375</u>	<u>\$3,258,112</u>	<u>\$15,885,420</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in *GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."* A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications per *GASB Statement No. 3* is as follows:

	Cash and Cash Equivalents	Investments
<i>GASB Statement No. 9</i>	\$23,390,908	\$718,128
Cash on Hand	(5,500)	0
Federal Farm Credit Bank Bonds	(637,763)	637,763
Federal Home Loan Bank Bonds	(4,080,868)	4,080,868
Federal Home Loan Mortgage Corporation Bonds	(3,583,307)	3,583,307
Federal National Mortgage Association Bonds	(2,080,394)	2,080,394
Repurchase Agreements	(1,526,848)	1,526,848
Money Market Mutual Funds	(31,296)	31,296
STAROhio	(3,226,816)	3,226,816
<i>GASB Statement No. 3</i>	<u>\$8,218,116</u>	<u>\$15,885,420</u>

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 6 - NET PATIENT SERVICE REVENUE

The Brown County General Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Total gross patient services revenue and related allowances at December 31, 2002, were as follows:

Gross patient service charges at established rates (including charity care)	\$40,957,953
Less:	
Contractual allowances	(13,095,544)
Charity care	(989,518)
Net patient service revenue	<u>\$26,872,891</u>

A summary of the payment arrangements with major third-party payers follows:

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services, certain outpatient services, and defined capital costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology, subject to certain limitations. Effective August 1, 2000, Medicare changed its method of paying for outpatient services to a prospective payment methodology based on a system of ambulatory payment classifications ("APC"). The Hospital is reimbursed for cost-reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports prior to January 1, 2001, have been audited and finalized by the Medicare fiscal intermediary. Revenue from participation in the Medicare program amounted to 37% of operating revenues for both 2002 and 2001.

Medicaid - Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under cost reimbursement and fee schedule methodologies. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports prior to January 1, 1998, have been audited and finalized by the Medicaid fiscal intermediary. Revenue from participation in the Medicaid program amounted to 23% and 21% of operating revenue in 2002 and 2001, respectively.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to the Hospital under these agreements includes discounts from established charges.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Property tax revenue received during 2002 for real and public utility property taxes represents collections of 2001 taxes. Property tax payments received during 2002 for tangible personal property (other than public utility property) are for 2002 taxes.

2002 real property taxes are levied after October 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2002 real property taxes are collected in and intended to finance 2003.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after October 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after October 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent of true value for inventory.

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.

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.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to itself its share of the taxes collected.

Collections of the taxes and remittance of them to the taxing districts are accounted for in the Undivided General Tax Agency Fund. The collection and distribution of taxes for the County and for all subdivisions within the County is accounted for through the Undivided General Tax Agency Fund. The amount of the County's tax collections which flow through the agency fund is reported as "Taxes Receivable" on the combined balance sheet. Taxes receivable for individual funds have also been recorded as "Taxes Receivable."

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 7 - PROPERTY TAXES (Continued)

The full tax rate for all County operations for the year ended December 31, 2002, was \$5.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

Real Estate	\$456,303,420
Public Utility Personal Property	26,704,190
Tangible Personal Property	<u>25,457,807</u>
Total Assessed Value	<u><u>\$508,465,417</u></u>

Property taxes receivable represents delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of December 31, 2002, and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2002 operations. The receivable is therefore offset by a credit to deferred revenue.

NOTE 8 - PERMISSIVE SALES TAX

In 1990, in accordance with Sections 5739.021 and 5741.021 of the Revised Code, the County Commissioners, by resolution, imposed a one percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. In 1993, an additional one-fourth percent sales and use tax was passed by the voters for the purpose of the funding and operation of a 9-1-1 system in the County. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited to the General Fund and the 9-1-1 Emergency Special Revenue Fund. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. Permissive sales tax revenue for 2002 amounted to \$2,910,615.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2002, consisted of taxes, accounts (billings for user charged services), special assessments, interfund activity, interest on investments and intergovernmental receivables arising from grants and shared revenues. All receivables, except those of the Brown County General Hospital Enterprise Fund, are considered collectible in full. The Hospital has accounts receivable in the amount of \$3,383,544, which is net after an allowance for doubtful accounts of \$3,312,739. The Hospital also has pledges receivable.

BROWN COUNTY, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 9 – RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

Fund/Type	Amount
<i>General Fund</i>	\$515,313
<i>Special Revenue Funds</i>	
Mental Health	1,096,940
D.A.R.E. Grant	7,203
COPS	15,162
Mental Retardation	83,474
Human Services	262,131
Child Support Enforcement Agency	36,037
Litter Control and Recycling	26,061
Auto and Gas	1,635,198
Emergency Management Agency	34,675
Felony Delinquent Custody Care	8,912
Proactive Grant	175,899
Children's Services	45,729
Victim's Advocate	16,148
Prosecutor Victim's Assistance	22,087
<i>Total Special Revenue Funds</i>	3,465,656
<i>Total All Funds</i>	\$3,980,969

NOTE 10 - FIXED ASSETS

General Fixed Assets

A summary of the changes in general fixed assets during 2002 is as follows:

Asset Category	Balance for the Year Ended 12/31/01	Additions	Deletions	Balance for the Year Ended 12/31/02
Land	\$446,784	\$0	\$0	\$446,784
Buildings	9,278,171	3,430	0	9,281,601
Machinery and Equipment	5,693,136	167,112	8,738	5,851,510
Furniture and Fixtures	1,058,889	38,721	0	1,097,610
Vehicles	4,173,288	221,830	25,100	4,370,018
Total	\$20,650,268	\$431,093	\$33,838	\$21,047,523

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 10 - FIXED ASSETS (Continued)

Fund Fixed Assets

All fund fixed assets relate to the Brown County General Hospital Enterprise Fund. The balance as of December 31, 2002, is as follows:

Land and Land Improvements	\$1,083,477
Buildings and Building Improvements	9,896,686
Equipment	16,314,857
Construction in Progress	<u>69,306</u>
Total	27,364,326
Less: Accumulated Depreciation	<u>(15,366,572)</u>
Net Fund Fixed Assets	<u><u>\$11,997,754</u></u>

NOTE 11 - RISK MANAGEMENT

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 participating in the County Risk Sharing Authority (CORSA), a risk sharing pool (See Note 18), for liability, property, auto, and crime insurance, the County has addressed these various types of risk.

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

Under the CORSA program for general liability, auto liability, error and omission for public officials, and law enforcement liability, the County has \$6,000,000 of total liability coverage. The limit applies to any one occurrence of loss, with no annual aggregate except for the Public Officials Liability and Products Liability, which both have the same per occurrence and annual aggregate limit. For the General Liability, Law Enforcement, and Auto Liability, there is no annual aggregate. Property damage is on a replacement cost basis.

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.

Employee dishonesty, money and securities inside and out, money orders and counterfeit, and depositor's forgery are covered in the amount of \$1,000,000 aggregate.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 11 - RISK MANAGEMENT *(Continued)*

Workers' compensation benefits are provided through the Ohio Bureau of Workers' Compensation. For 2002, the County participated in the County Commissioner's Association of Ohio Workers' Compensation Group Rating Program (CCAO), a workers' compensation group purchasing pool (See Note 18). The intent of the CCAO is to achieve lower workers' compensation rates while establishing safe 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 counties in the CCAO. Each participant pays its workers' compensation premium to the State based on the rate for the CCAO rather than its individual rate.

In order to allocate the savings derived by formation of the CCAO, and to maximize the number of participants in the CCAO, annually the CCAO's executive committee calculates the total savings which accrued to the CCAO through its formation. This savings is then compared to the overall savings percentage of the CCAO. The CCAO's executive committee then collects rate contributions from, or pays rate equalization rebates to, the various participants. Participation in the CCAO is limited to counties that can meet the CCAO's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the CCAO. Each year, the County pays an enrollment fee to the CCAO to cover the costs of administering the CCAO.

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

The Hospital is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets; business interruption, error and omission, employee injuries and illnesses; natural disasters, and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Hospital maintains malpractice insurance coverage on a per occurrence basis with Ohio Hospital Insurance Company.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 12 - DEFINED BENEFIT RETIREMENT PLANS

Ohio Public Employees Retirement System

All County employees participate in the Ohio Public Employees Retirement System of Ohio (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2002 employer pension contribution rate for the County was 8.55 percent of covered payroll, a decrease from 9.25 percent in 2001. Contributions are authorized by State statute. The contribution rates are determined actuarially. The County's required contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$753,041, \$797,571, and \$442,730, respectively. The full amount has been contributed for 2001 and 2000. 78.76 percent was contributed for 2002 with the remainder being reported as a fund liability and within the general long-term obligations account group. The Hospital's required contributions to PERS for the years ended December 31, 2002, 2001, and 2000 were \$1,468,007, \$1,355,249, and \$1,021,610, respectively.

NOTE 13 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System of Ohio (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Governmental Employers."* A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 employer contribution rate was 13.55 percent of covered payroll; 5.00 percent was the portion that was used to fund health care for 2002. For 2001, the contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 402,041. The County's actual contributions for 2002 which were used to fund postemployment benefits were \$440,375. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

NOTE 14 - OTHER EMPLOYEE BENEFITS

Compensated Absences

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service with the County.

Accumulated, unused sick leave is paid up to a maximum of 240 hours, depending on length of service, to employees who retire. As of December 31, 2002, the liability for compensated absences was \$1,410,248 for the County, including \$770,441 for the Brown County Hospital.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 14 - OTHER EMPLOYEE BENEFITS (Continued)

Insurance Benefits

The County provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance. The County has elected to provide employee medical/surgical benefits through Medical Mutual of Ohio. The employees share the cost of the monthly premium with the County. The premium varies with employee depending on the department and terms of the union contract. The County does not share in the cost of premiums for dental or vision insurance except in limited circumstances.

Deferred Compensation

County employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was 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.

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

In previous years, the County entered into capital leases for vehicles and equipment. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the combined financial statements for the governmental funds. The vehicles and equipment acquired by lease have been capitalized in the general fixed assets account group in the amount of \$129,038, which equals the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in 2002 totaled \$40,874. For the enterprise fund, the capital lease payment is reflected as a reduction in the enterprise fund liability.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

The following is a schedule of the future long-term minimum lease payments required for capital leases reported in the General Long-Term Obligations Account Group and enterprise fund, and the present value of the minimum lease payments as of December 31, 2002.

Fiscal Year Ending December 31,	General Long- Term Obligations Account Group	Enterprise
2003	\$57,195	\$91,888
2004	29,082	63,336
2005	0	63,336
2006	0	63,336
2007	0	36,946
Total	86,277	318,842
Less Amount Representing Interest	(4,785)	(33,301)
Present Value of Minimum Lease Payments	<u>\$81,492</u>	<u>\$285,541</u>

NOTE 16 - LONG-TERM DEBT

The change in the County's long-term obligations during the year consisted of the following:

	Principal Outstanding at 12/31/01	Additions	Deletions	Principal Outstanding at 12/31/02
<i><u>Enterprise Fund Obligations</u></i>				
<i><u>Mortgage Revenue Bonds</u></i>				
Hospital Revenue Bonds				
1995 5.5%	\$400,000	\$0	\$100,000	\$300,000
Hospital Improvement Bonds				
1993 2.8%-5.3%	1,780,000	0	410,000	1,370,000
Total Enterprise Obligations	<u>\$2,180,000</u>	<u>\$0</u>	<u>\$510,000</u>	<u>\$1,670,000</u>
<i><u>General Long-Term Obligations</u></i>				
<i><u>General Obligation Bonds</u></i>				
Brown County Public Library District				
1996 5.4% - 5.8%	\$2,515,000	\$0	\$115,000	\$2,400,000
Adult Detention Center Bonds				
1983 9.13%	195,000	0	95,000	100,000
Human Services Bonds				
1998 5.25%	405,000	0	50,000	355,000
Total General Obligation Bonds	<u>\$3,115,000</u>	<u>\$0</u>	<u>\$260,000</u>	<u>\$2,855,000</u>

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 16 - LONG-TERM DEBT (Continued)

	Principal Outstanding at 12/31/01	Additions	Deletions	Principal Outstanding at 12/31/02
<i>Other Long-Term Obligations</i>				
Forgivable Debt	\$290,208	\$0	\$8,750	\$281,458
Mortgage Loan Payable 1994 7.90%	36,069	0	17,331	18,738
Due to Other Governments (Pension Obligation)	347,034	342,905	347,034	342,905
Capital Leases	101,588	0	40,874	60,714
Compensated Absences	543,087	123,289	0	666,376
Total Other Long-Term Obligations	<u>1,317,986</u>	<u>466,194</u>	<u>413,989</u>	<u>1,370,191</u>
Total General Long-Term Obligations	<u><u>\$4,432,986</u></u>	<u><u>\$466,194</u></u>	<u><u>\$673,989</u></u>	<u><u>\$4,225,191</u></u>

The County's total legal debt margin was \$8,848,537 with an unvoted debt margin of \$2,721,556 at December 31, 2002.

The Adult Detention Center and Human Services Bonds will be paid from the debt service fund. The Brown County Public Library District Bonds will be retired from proceeds of a voted tax levied upon the County residents living in the Library District and will be paid from the Debt Service Fund.

Compensated absences and the pension liability will be paid from the funds from which the employees' salary is paid. Capital leases will be paid from the General and Special Revenue Funds.

The Hospital Revenue and Improvement Bonds will be paid from Hospital revenues.

Forgivable debt consists of construction loans and a loan contract made between the Brown County Community Board of Alcohol, Drug Addiction, and Mental Health Services (the Board) and the Ohio Department of Mental Health (ODMH), for the purchase of land and building construction thereon for the use in providing mental health services to the residents of the County. The terms of the contract are essentially equivalent to a mortgage on the property, with the Board being obligated to provide mental health services for a period of 40 years from the inception of the contract. Should the Board discontinue mental health services at the facility, the balance of the contract would immediately become due. Failure to pay the balance could result in foreclosure by ODMH. The balance due is reduced on a month-by-month basis over the term of the contract as long as the facility is used for mental health services. During 2002, \$8,750 was forgiven by the ODMH. The mortgage loan payable represents twenty-five percent of the land purchase and construction costs which the County was required to pay.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 16 - LONG-TERM DEBT (Continued)

Principal and interest requirements to retire the obligations discussed above are as follows:

<u>Fiscal Year Ending December 31,</u>	<u>Forgivable Debt (No Interest)</u>	<u>Mortgage Loan Payable Principal</u>	<u>Mortgage Loan Payable Interest</u>
2003	\$8,750	\$18,738	\$792
2004	8,750	0	0
2005	8,750	0	0
2006	8,750	0	0
2007	8,750	0	0
2008-2012	43,750	0	0
2013-2017	43,750	0	0
2018-2022	43,750	0	0
2023-2027	43,750	0	0
2028-2032	43,750	0	0
2033-2035	18,958	0	0
Total	<u>\$281,458</u>	<u>\$18,738</u>	<u>\$792</u>

Principal and interest requirements to retire the general obligation bonds outstanding at December 31, 2002, are as follows:

<u>Fiscal Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$275,000	\$170,100	\$445,100
2004	180,000	151,187	331,187
2005	195,000	141,113	336,113
2006	205,000	130,200	335,200
2007	210,000	118,737	328,737
2008-2012	915,000	425,287	1,340,287
2013-2016	875,000	134,700	1,009,700
Total	<u>\$2,855,000</u>	<u>\$1,271,324</u>	<u>\$4,126,324</u>

BROWN COUNTY, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 16 - LONG-TERM DEBT (Continued)

Principal requirements to retire the mortgage revenue bonds outstanding at December 31, 2002, are as follows:

Fiscal Year Ending December 31,	Principal
2003	\$535,000
2004	555,000
2005	580,000
Total	<u>\$1,670,000</u>

Under the terms of the Mortgage Revenue Bond agreement, the Hospital is required to maintain a liquidity reserve equal to the maximum annual debt service on the bonds. This reserve is included with restricted assets in the financial statements.

NOTE 17 - INTERFUND TRANSACTIONS

Interfund balances at December 31, 2002, consist of the following individual fund receivables and payables:

Fund Type/Fund	Asset		Liability	
	Interfund Receivable	Due From Other Funds	Interfund Payable	Due To Other Funds
General Fund	\$38,860	\$9,556	\$0	\$0
<i>Special Revenue Funds:</i>				
Sheriff's Commissary	0	0	0	15
Children Services Enforcement Agency	0	0	0	562
Auto and Gas	0	1,736	0	0
Emergency Management Grant	0	0	0	1,646
Solid Waste District	0	0	0	8,817
Ohio 4-H Carteens	0	0	38,860	0
Total Special Revenue Funds	0	1,736	38,860	11,040
<i>Agency Fund:</i>				
Sherriff Agency	0	0	0	34
Municipal Court	0	0	0	218
Total Agency Funds	0	0	0	252
Total All Funds	\$38,860	\$11,292	\$38,860	\$11,292

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS / RISK SHARING POOL /GROUP PURCHASING POOL

Ohio Valley Resource Conservation and Development Area, Inc.

The Ohio Valley Resource Conservation and Development Area, Inc. is a jointly governed organization that is operated as a non-profit corporation. The Ohio Valley Resource Conservation and Development Area, Inc. was created to aid regional planning to participating counties. Brown County, along with Ross, Vinton, Highland, Pike, Adams, Scioto, Jackson, Gallia, and Lawrence Counties, each appoint three members to a thirty member council. The Council selects an administrator to oversee operations.

Each entity contributes \$60 annually; other revenues are from USDA grants. Brown County does not have any ongoing financial interest or responsibilities nor can it significantly influence management.

Job Training Partnership Consortium

The Governor has designated Brown, Scioto, Adams, Jackson, Highland and Pike Counties as a Service Delivery Area. A Job Training Partnership Agreement between Brown, Scioto, Adams, Jackson, Highland and Brown County Consortium and the Private Industry Council (PIC) was entered into pursuant to the provisions of the Job Training Partnership Act of 1982 (the Act) Public Law 97-300. The objective of the JTPA is to provide job training and related assistance to economically disadvantaged individuals and others who face significant employment barriers. Funds for the operations of the JTPA are received through grant revenue from the State of Ohio. Scioto County has been designated by the PIC, pursuant to Section 103 (b) (1) (B) of the Act, to serve as the grant recipient of all JTPA funds and any other federal, state or private funds which it is legally empowered to accept on behalf of the PIC.

Each Board of County Commissioners must choose a Chief Elected Official (CEO) to represent the County in the JTPA. The CEO is responsible for approving job training plans, grants, policies and operating guidelines for the administration of the programs, delegation of duties for the programs and appointment/termination of the Director of the Job Training Partnership Office. Brown County does not have any ongoing financial interest in or responsibility for the Consortium.

Private Industry Council

The PIC is a jointly governed organization of representatives from the private and public sectors of Brown, Scioto, Adams, Jackson and Brown counties appointed by the county commissioners from each county. The Board of Trustees is the governing board of the PIC. The Board of Trustees elects a President, Vice President, Secretary, Treasurer and an Executive Director. The President may execute, without limitation, contracts, bonds, notes, debentures, deeds, mortgages and other obligations in the name of the PIC. The County does not have any ongoing financial interest in or responsibility for the Council.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS / RISK SHARING POOL /GROUP PURCHASING POOL (Continued)

County Risk Sharing Authority (CORSA)

The County Risk Sharing Authority, Inc. (CORSA) is a risk sharing pool among fifty-seven 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 coverages provided by CORSA. These coverages include 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 the Corporation 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 insured 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 payment of the certificates. The County does not have an equity interest in CORSA.

County Commissioners' Association of Ohio Workers' Compensation Group Rating Program

The County is participating in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners' Association of the Ohio Service Corporation (CCAOSC) was established through the County Commissioners' Association of Ohio (CCAO) as a group purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates; approving the selection of a third party administrator; reviewing and approving proposed third party fees, fees for risk management services, and general management fees; determining ongoing responsibility 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 the 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 on the group executive committee in any year, and each elected member shall be a county commissioner.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 19 - CONTINGENT LIABILITIES

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the county commissioners believe such disallowances, if any, will be immaterial.

Professional liability claims are currently pending against the Hospital. No provision for loss has been made in the accompanying financial statements because management is of the opinion that the ultimate liability, if any, resulting from the lawsuits would be adequately covered by insurance, and would not adversely affect the financial position of the Hospital.

NOTE 20 - GROW, INC.

As indicated in Note 1 to the General Purpose Financial Statements, the following disclosures are made on behalf of Grow, Inc.

Basis of Accounting

Grow, Inc. uses the basis of accounting for not-for-profit corporations in accordance with Statement of Position 78-10.

Deposits

At year-end, the carrying amount of Grow, Inc.'s deposits was \$14,024 and the bank balance was \$14,024. The entire bank balance was covered by federal depository insurance. Grow, Inc. did not have any investments at year-end. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporation.

Accounts Receivable

Accounts receivable represents charges for services from companies and are considered fully collectable.

Capital Leases

Capital leases represents the future payments required for property and equipment acquired through capital lease agreements.

BROWN COUNTY

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
Direct from the Federal Government Emergency Conservation Program	68-5E34-02-14	10.054	<u>\$226,470</u>
Total U.S. Department of Agriculture			226,470
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through the Ohio Department of Mental Health:</i>			
Block Grants for Prevention and Treatment of Substance Abuse Alcohol, Drug and Mental Health Services Block Grant	N/A	93.959	112,595
Social Services Block Grant - Title XX	N/A	93.958	25,495
	N/A	93.667	34,198
<i>Passed Through the Ohio Department of Alcohol and Drug Addiction Services</i>			
Medical Assistance Program - Title XIX	N/A	93.778	529,833
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>			
Social Services Block Grant - Title XX	N/A	93.667	30,567
Medical Assistance Program - Title XIX	N/A	93.778	<u>410,672</u>
Total U.S. Department of Health and Human Services			1,143,360
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through the Ohio Department of Development:</i>			
Community Development Block Grants/State's Program	B-F-00-008-1	14.228	4,246
	B-F-01-008-1	14.228	192,000
	B-N-01-008-1	14.228	<u>8,325</u>
Total U.S. Department of Housing and Urban Development			204,571
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through the Ohio Attorney General:</i>			
Crime Victim Assistance	2002-VADSCE461	16.575	29,449
	2003VAGENE308	16.575	<u>22,816</u>
			52,265
<i>Passed through Ohio Emergency Management Agency:</i>			
State domestic Preparedness Equipment Support	N/A	16.007	18,280
Direct from the Federal Government Community Oriented Policing Services	1999-SH-WX-0578	16.710	<u>60,603</u>
Total U.S. Department of Justice			131,148
FEDERAL EMERGENCY MANAGEMENT AGENCY			
<i>Passed Through the Ohio Emergency Management Agency</i>			
Public Assistance Grants	1390-DR-015-OF580	83.544	162,400
Emergency Management Performance Grants	N/A	83.552	<u>15,454</u>
Total Federal Emergency Management Agency			177,854
U.S. DEPARTMENT OF LABOR			
<i>Passed Through the Ohio Department of Department of Job and Family Services</i>			
WIA Incentive Grant	N/A	17.267	<u>81,113</u>
TOTAL FEDERAL ASSISTANCE			<u>\$1,964,516</u>

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

BROWN COUNTY

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

The County passes-through certain Federal assistance received from the Ohio Department of Mental Health and the Ohio Department of Drug and Alcohol and Drug Addiction Services to subrecipients. As described in Note A, the county records expenditures of Federal awards to subrecipients when paid in cash.

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

NOTE C - MATCHING REQUIREMENTS

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



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Brown County
800 Mt. Orab Pike
Georgetown, Ohio 45121

To the Board of County Commissioners:

We have audited the financial statements of Brown County, Ohio (the County), as of and for the year ended December 31, 2002, and have issued our report thereon dated July 29, 2003, wherein we noted that the financial statements of the Brown County General Hospital (the Enterprise Fund) were audited by other auditors. The report of the other auditors has been furnished to us, and our report on compliance, insofar as it relates to the Enterprise Fund, is based on the compliance report of other auditors. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated July 29, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in the report, that we have reported to management of the County in a separate letter dated July 29, 2003.

This report is intended for the information and use of the fiscal report review committee, management, the Board of County Commissioners, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

July 29, 2003



**Auditor of State
Betty Montgomery**

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

Brown County
800 Mt. Orab Pike
Georgetown, Ohio 45121

To the Board of County Commissioners:

Compliance

We have audited the compliance of Brown 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 are applicable to its major federal programs for the year ended December 31, 2002. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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.

Internal Control Over Compliance

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002. The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Brown County's internal control over compliance with requirements that could have a direct and material effect on 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the fiscal report review committee, management, the board of county commissioners, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

July 29, 2003

BROWN COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	U.S. Department of Health and Human Services Title XIX (Medicaid) - CFDA #93.778
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A > \$300,000 Type B - all other programs
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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BROWN COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: <i>Explain:</i>
2001-01	Did not expend Small Cities Community Development Funds within fifteen days as required.	Yes	
2001-02	Community Development Funds were maintained in interest bearing accounts and was not allocated interest.	Yes	



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

BROWN COUNTY FINANCIAL CONDITION

BROWN 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 18, 2003**