

Adams County Financial Condition

Single Audit

January 1, 2007 through December 31, 2007

Fiscal Year Audited Under GAGAS: 2007

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Mary Taylor, CPA

Auditor of State

Board of County Commissioners
Adams County
110 West Main Street
West Union, Ohio 45693

We have reviewed the *Independent Auditor's Report* of Adams County prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Finding for Recovery Repaid Under Audit

Misty Thatcher, Evidence Clerk with the Adams County Sheriff's Office received a severance payout of \$783.12 on December 28, 2007. This amount included payout of vacation and comp time balances. A review of time sheets and payroll records indicate that Ms. Thatcher was overpaid 16 hours of vacation time in her severance payout. Ms. Thatcher had requested and was approved for 16 hours of vacation leave on December 26 and December 27, 2006. However this leave was recorded as sick time instead of vacation, resulting in an additional 16 hours of vacation to Ms. Thatcher's credit. As a result, an overpayment of \$197.44 was included in her severance payout.

<u>Description</u>		<u>Rate</u>		<u>Total</u>
16 hours of vacation	x	\$12.34 per hour	=	\$ 197.44

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Misty Thatcher in the amount of \$197.44, and in favor of the Adams County General Fund.

Kermit Howard, former Adams County Sheriff, approved the severance payout resulting in the overpayment.

On April 10, 2009 Kermit Howard, former Adams County Sheriff, repaid \$197.44 which was credited to the Adams County General Fund.

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Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Adams County is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 15, 2009

ADAMS COUNTY
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

County Commissioners
Adams County
110 West Main Street
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We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Adams County, Ohio, (the County) as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Venture Productions, Inc. for the year ended December 31, 2007, which is included as discrete presentation in the County's basic financial statements. We did not audit the financial statements of Adams County Hospital for the years ended December 31, 2007 and 2006. These financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for Venture Productions, Inc. and Adams County Hospital, are based solely on the 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 the *Governmental 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. The other auditors audited Venture Productions Inc. and Adams County Hospital in accordance with auditing standards generally accepted in the United States of America and government auditing standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

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

The Adams County Hospital financial statements are presented as stand alone statements. In our opinion, based on the report of the other auditors, the Adams County Hospital's stand alone financial statements present fairly, in all material respects, its financial position as of December 31, 2007 and December 31, 2006, and its changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The County omitted Business-Type Activities from the entity-wide statements and the proprietary fund statements for the Adams County Hospital in its cash basis statement. Therefore in our opinion, the County's financial statements do not present fairly the financial position of the Business-Type Activities and proprietary funds of the County as of December 31, 2007 or the Changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 2.

The County's financial statements do not include all receipts, disbursements and cash balances related to the Ambulance and EMS Special Revenue Fund (fund 010) which should be included in the Adams County financial statements. There was insufficient documentation to support the completeness of these amounts. However, based on available documentation, had the omitted funds been included, the governmental activities net assets, and all other governmental funds balance as of December 31, 2007 would have increased by approximately \$548,449 and governmental activities and all other governmental funds receipts and disbursements would have increased approximately \$1,002,658 and \$969,123 respectively.

In our opinion, based on our audit report and the report of other auditors, except for the omission of the Ambulance and EMS Special Revenue Fund receipts, disbursements and cash balances referred to above, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of December 31, 2007, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund, MRDD Fund, Public Assistance Fund, and Motor Vehicle Gasoline Tax Fund, thereof for the year then ended in conformity with the accounting basis Note 2 describes.

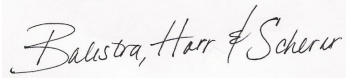
In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2008, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The schedule of federal awards expenditures is required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of federal awards expenditures has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

County Commissioners
Adams County Financial Condition
Independent Auditor's Report
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As described in Note 15 to the basic financial statements, the County implemented Governmental Accounting Standards Board (GASB) Statement Number 48, *Sales and Pledges of Receivables and Intra-Entity Transfers of Assets and Future Revenues*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored rectangular background.

Balestra, Harr & Scherer, CPAs, Inc.
June 30, 2008

Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

The discussion and analysis of Adams County's financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2007, within the limitations of the County's cash basis of accounting. Please read this in conjunction with the County's basic financial statements that begin on page 14.

Financial Highlights

Key financial highlights for 2007 are as follows:

Overall:

Total net assets increased \$469,280 with Governmental Activities increasing by \$455,516 and Business-Type Activities increasing by \$13,764.

Total cash receipts were \$24,937,888 in 2007.

Total cash disbursements were \$24,468,608 in 2007.

Governmental Activities:

Total program cash receipts were \$15,826,665 in 2007, while program cash disbursements were \$24,426,161.

Program cash disbursements were primarily composed of Human Services, Public Works, Health, General Government – Legislative and Executive, and Public Safety related cash disbursements which were \$7,784,395, \$5,125,297, \$2,908,082, \$2,557,732, and \$2,515,758 respectively, in 2007.

Business-Type Activities:

Program cash receipts were \$46,844 for Business Activities, while corresponding cash disbursements were \$42,447.

Using this Basic Financial Report

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

The *Statement of Net Assets-Cash Basis* and *Statement of Activities-Cash Basis* provide information about the activities of the whole County, presenting an aggregate view of the County's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed and what remains for future spending on a cash basis. The fund financial statements also look at the County's most significant funds with all other non-major funds presented in total in one column. In the case of Adams County, the General Fund, the Motor Vehicle Gas Tax Fund, the Public Assistance Fund, and the Adams County Board of Mental Retardation and Developmental Disabilities (MR/DD) Fund are the most significant funds and have been presented as major funds.

Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Reporting the County as a Whole

The County's Reporting Entity Presentation

This annual report includes all activities for which Adams County is fiscally responsible. These activities, defined as the County's reporting entity, are operated within separate legal entities that make up the primary government and two other separate legal entities that are presented as a component unit. The primary government consists of Adams County. The component unit presentation includes Venture Productions, Inc. on pages 17 and 18 presented on a cash basis and Adams County Hospital on pages 23 through 26 presented on the accrual basis of accounting.

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the County to provide programs and activities, the view of the County as a whole looks at all cash basis financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid. These two statements report the County's *net assets* and changes in those assets. This change in net assets is important because it tells the reader whether, for the County as a whole, the *cash basis financial position* of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the Statement of Net Assets and the Statement of Activities, the County is divided into three distinct kinds of activities:

Governmental Activities – Most of the County's programs and services are reported here including general government, public safety, public works, health, human services, conservation and recreation, capital outlay, and debt service.

Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the cash disbursements of the goods or services provided. The County's wastewater treatment program and the airport are reported as business activities.

Component Unit Activities – Although Venture Productions, Inc. is a separate legal entity, the County includes their activities since the County is financially accountable for this entity.

Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Reporting the County's Most Significant Funds

Fund Financial Statements

The analysis of the County's major funds begins on page 9. Fund financial statements provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's most significant funds that have been presented as major governmental funds are the General fund, the Motor Vehicle Gas Tax fund, the Public Assistance fund and the MR/DD fund.

Governmental Funds Most of the County's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various County programs. Since the County is reporting on the cash basis of accounting, there are no differences in the Net Assets and cash basis fund balances or changes in Net Assets and changes in cash basis fund balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross receipts and disbursements on the Fund Financial Statements to the Statement of Activities due to transfers and advances netted on the Statement of Activities. See Note 2 to the basic financial statements entitled *Government-Wide Financial Statements*.

Proprietary Funds The County's proprietary funds use the same basis of accounting (cash basis) as business-type activities; therefore, these statements will essentially match the information provided in statements for the County as a whole.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is the cash basis of accounting. The County's only fiduciary funds are agency funds.

The County as a Whole

Recall that the Statement of Net Assets provides the perspective of the County as a whole. Table 1 provides a summary of the County's Net Assets for 2007 as compared to 2006:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<i>Assets</i>						
Equity in Pooled Cash & Cash Equivalents	\$ 9,455,642	\$ 9,000,126	\$ 22,848	\$ 9,084	\$ 9,478,490	\$ 9,009,210
<i>Total Assets</i>	9,455,642	9,000,126	22,848	9,084	9,478,490	9,009,210
<i>Net Assets</i>						
Restricted	8,618,030	7,899,871	-	-	8,618,030	7,899,871
Unrestricted	837,612	1,100,255	22,848	9,084	860,460	1,109,339
<i>Total Net Assets</i>	<u>\$ 9,455,642</u>	<u>\$ 9,000,126</u>	<u>\$ 22,848</u>	<u>\$ 9,084</u>	<u>\$ 9,478,490</u>	<u>\$ 9,009,210</u>

Total net assets increased by \$469,280 due to cash receipts exceeding cash disbursements.

Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Table 2 shows the changes in Net Assets for fiscal year 2007 as compared to 2006.

Table 2
Changes in Net Cash Assets

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Cash Receipts						
<i>Program Cash Receipts</i>						
Charges For Services	\$ 2,538,615	\$ 3,127,885	\$ 46,844	\$ 42,287	\$ 2,585,459	\$ 3,170,172
Operating Grants and Contributions	12,648,100	10,865,553	-	-	12,648,100	10,865,553
Capital Grants and Contributions	639,950	634,505	-	-	639,950	634,505
Total Program Cash Receipts	15,826,665	14,627,943	46,844	42,287	15,873,509	14,670,230
<i>General Cash Receipts and Advances</i>						
Property Taxes	4,358,719	3,768,104	-	-	4,358,719	3,768,104
Sales Taxes	2,127,529	2,216,001	-	-	2,127,529	2,216,001
Grants and Entitlements Not Restricted to Specific Programs	1,178,863	1,297,033	-	-	1,178,863	1,297,033
Miscellaneous	632,346	755,502	-	-	632,346	755,502
Interest	547,163	251,100	-	-	547,163	251,100
Proceeds from Bonds and Loans	219,759	-	-	-	219,759	-
Advances In/Out (Net)	(9,367)	7,126	9,367	-	-	7,126
Total General Cash Receipts and Advances	9,055,012	8,294,866	9,367	-	9,064,379	8,294,866
Total Cash Receipts	24,881,677	22,922,809	56,211	42,287	24,937,888	22,965,096
Cash Disbursements						
<i>Program Cash Disbursements</i>						
<i>General Government</i>						
Legislative and Executive	2,557,732	2,386,818	-	-	2,557,732	2,386,818
Judicial	1,332,955	1,260,190	-	-	1,332,955	1,260,190
Public Safety	2,515,758	2,378,331	-	-	2,515,758	2,378,331
Public Works	5,125,297	3,091,589	-	-	5,125,297	3,091,589
Health	2,908,082	3,140,026	-	-	2,908,082	3,140,026
Human Services	7,784,395	7,103,394	-	-	7,784,395	7,103,394
Conservation and Recreation	1,686	10,403	-	-	1,686	10,403
Other	1,092,768	1,380,574	-	-	1,092,768	1,380,574
Capital Outlay	808,901	588,742	-	-	808,901	588,742
<i>Debt Service:</i>						
Principal Retirement	257,237	219,259	-	-	257,237	219,259
Interest and Fiscal Charges	41,350	47,465	-	-	41,350	47,465
Airport	-	-	37,426	56,568	37,426	56,568
Sewer	-	-	5,021	1,045	5,021	1,045
Total Cash Disbursements	24,426,161	21,606,791	42,447	57,613	24,468,608	21,664,404
Change in Net Cash Assets	455,516	1,316,018	13,764	(15,326)	469,280	1,300,692
Net Assets at Beginning of Year	9,000,126	7,684,108	9,084	24,410	9,009,210	7,708,518
Net Assets at End of Year	\$ 9,455,642	\$ 9,000,126	\$ 22,848	\$ 9,084	\$ 9,478,490	\$ 9,009,210

Net Assets increased \$455,516 in governmental activities in 2007. Program cash receipts were primarily composed of charges for services and operating grants and contributions which were \$2,538,615 and \$12,648,100, respectively. The largest increase was in operating grants and contributions which was primarily due to increases in intergovernmental revenue in the Public Assistance and Children's Services funds.

Adams County
Management's Discussion and Analysis
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Program cash disbursements increased primarily due to an increase in expenditures in Public Works of \$2,033,708 due mainly to increases in cash disbursements from the Motor Vehicle/Gas Tax fund. Even though total cash disbursements in governmental activities increased approximately \$2.8 million, total cash receipts were still higher than total cash disbursements.

Property taxes and sales taxes made up 17.5 percent and 8.6 percent, respectively, of cash receipts for governmental activities for Adams County in fiscal year 2007. Operating grants and contributions made up 50.8 percent of cash receipts for governmental activities for the County.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental and business-type activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements. The dependence upon tax receipts and intergovernmental monies for governmental activities is apparent. Human services activities are mainly supported through charges for services and operating grants and contributions; for all governmental activities general cash receipts support is 36.4 percent as shown in Table 2. The taxpayers and the State of Ohio, as a whole, provide the vast majority of resources for Adams County. Table 3 below shows the total and net cost of services (on a cash basis) for the County.

Table 3
Total Cost of Program Services
Governmental Activities and Business-Type Activities

	2007		2006	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
Governmental Activities				
General Government				
Legislative and Executive	\$ 2,557,732	\$ 1,862,424	\$ 2,386,818	\$ 1,646,703
Judicial	1,332,955	1,064,093	1,260,190	953,788
Public Safety	2,515,758	1,696,880	2,378,331	1,507,052
Public Works	5,125,297	770,700	3,091,589	374,815
Health	2,908,082	420,109	3,140,026	363,503
Human Services	7,784,395	1,388,761	7,103,394	921,811
Conservation and Recreation	1,686	1,441	10,403	8,309
Other	1,092,768	927,550	1,380,574	981,906
Capital Outlay	808,901	168,951	588,742	(45,763)
Debt Service				
Principal Retirement	257,237	257,237	219,259	219,259
Interest and Fiscal Charges	41,350	41,350	47,465	47,465
Total Cash Disbursements - Governmental Activities	<u>\$ 24,426,161</u>	<u>\$ 8,599,496</u>	<u>\$ 21,606,791</u>	<u>\$ 6,978,848</u>
Business-Type Activities				
Airport	\$ 37,426	\$ (7,983)	\$ 56,568	\$ 15,804
Sewer	5,021	3,586	1,045	(478)
Total Cash Disbursements - Business-Type Activities	<u>\$ 42,447</u>	<u>\$ (4,397)</u>	<u>\$ 57,613</u>	<u>\$ 15,326</u>

Business-Type Activities

Business-type activities include wastewater treatment services and the County airport. Overall Net Assets increased \$13,764 from 2006 to 2007. Only program cash receipts and advances support business-type activities and during 2007 program cash receipts exceeded program cash disbursements, which resulted in the above increase.

Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

The County's Funds

Information about the County's major funds starts on page 16. These funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts of \$24,671,283 and cash disbursements of \$24,426,159. The net change in fund balance for the year was most significant in the Motor Vehicle Gas Tax fund and the Public Assistance fund. The fund balance of the Motor Vehicle Gas Tax fund decreased \$755,886 primarily due to an increase in cash disbursements for public works. The fund balance of the Public Assistance fund increased \$714,648 primarily due to an increase in intergovernmental cash receipts which were partially offset by an increase in cash disbursements for human services. The fund balance of the MR/DD fund decreased \$33,866 primarily due to an increase in cash disbursements for health. The fund balance of the General fund decreased \$262,643 primarily due to an increase in advances to other funds outstanding at fiscal year end. These advances are mainly in anticipation of cash receipts for grants.

General Fund Budgeting Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. For the General Fund, final budget basis receipts were \$6,991,988, above original budget estimates of \$6,254,988. Of this \$737,000 difference, tax receipts were \$430,282 above original estimates, charges for services receipts were \$87,650 above original estimates, intergovernmental receipts were \$123,663 above original estimates, and various other receipt categories made up the difference. Actual cash basis receipts were \$815,523 higher than final budgeted receipts which was primarily due to the return of advances during 2007. Total actual disbursements on the budget basis (cash outlays plus encumbrances) were \$8,160,890, which was \$353,379 above cash receipts. The actual fund balance for the General fund exceeded the final budgeted fund balance by \$185,010.

Capital Assets and Debt Administration

Capital Assets

The County does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The County had capital outlay disbursements of \$808,901 during fiscal year 2007.

Debt

Under the cash basis of accounting the County does not report bonds, long-term notes or short-term notes in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds, long-term notes and short-term notes. At December 31, 2007 the County had \$1,260,334 in bonds and related long-term debt for Governmental Activities. For additional information on debt, please see Note 9.

Table 4 summarizes bonds and long-term notes outstanding for Governmental Activities for the past two years:

Table 4
Outstanding Debt at December 31
Governmental Activities

	2007	2006 *
General Obligation Bonds	\$ 475,000	\$ 580,000
Special Assessment Bonds	282,723	287,947
OPWC Loans	303,102	320,085
OWDA Loan	143,509	-
USDA Bonds	56,000	-
Totals	\$ 1,260,334	\$ 1,188,032

* Restated - See Note 9

Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Current Financial Related Activities

As the preceding information shows, the County heavily depends on its property taxpayers and sales taxpayers as well as intergovernmental monies. Since the property tax receipts do not grow at the same level as inflation and sales taxes are dependent upon the economy, the County will be faced with significant challenges over the next several years to contain costs and ultimately determine what options are available to the County to increase financial resources.

All of the County's financial abilities will be needed to meet the challenges of the future.

Contacting the County's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the County's cash basis finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information contact David Gifford, County Auditor at Adams County, 110 West Main Street, West Union, Ohio 45693-1395, or email at adamscoaud@cinci.rr.com.

Adams County Hospital

This management's discussion and analysis (MD&A) of Adams County Hospital (the Hospital) includes a discussion and analysis of the activities and results of the Hospital for the year ended December 31, 2007.

This MD&A should be read together with the financial statements included in this report.

Financial Highlights

The Hospital's net assets decreased approximately \$2,716,000 in 2007.

During the year, the Hospital's operating revenues decreased 7% to approximately \$19,121,000 while expenses increased 2% to \$21,753,000. The result is a loss from operations of approximately \$2,632,000 compared to an operating loss of \$719,000 in 2006.

Significant capital acquisitions included a new hospital facility, MRI and computer network equipment. Funding for these projects included cash flow from operations and prior-year bond issue proceeds.

Financial Statements

The financial statements of the Hospital present information about the Hospital using financial reporting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information. The Statements of Net Assets include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure of the Hospital, and assessing the liquidity and financial flexibility of the Hospital. All of the current year's revenues and expenses are accounted for in the Statements of Operations and Changes in Net Assets. These statements measure the financial results of the Hospital's operations and present revenues earned and expenses incurred. The final financial statements are the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Hospital's cash flows from operating activities, capital and related financing activities, and investing activities, and to provide information on the sources and uses of cash during the year. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided. The notes to the financial statements can be found beginning on page 47 of this report.

Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Financial Analysis

The Statements of Net Assets and Operations and Changes in Net Assets report information about the Hospital's net assets and the Hospital's changes in net assets. You can think of the Hospital's net assets – the difference between assets and liabilities – as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

A summary of the Hospital's Statement of Net Assets as of December 31, 2007 and 2006 is presented below (in thousands):

Table 5
Statement of Net Assets

	<u>2007</u>	<u>2006</u>	<u>\$ change</u>
Assets			
Cash and cash equivalents	\$ 6,177	\$ 20,443	\$ (14,266)
Capital assets	29,776	15,994	13,782
Patient accounts receivable, net	2,918	3,486	(568)
Other assets	1,871	1,394	477
Total assets	<u>\$ 40,742</u>	<u>\$ 41,317</u>	<u>\$ (575)</u>
Liabilities			
Current liabilities	\$ 3,895	\$ 2,473	\$ 1,422
Long-term liabilities	29,188	28,469	719
Total liabilities	<u>33,083</u>	<u>30,942</u>	<u>2,141</u>
Net assets	<u>7,659</u>	<u>10,375</u>	<u>(2,716)</u>
Total liabilities and net assets	<u>\$ 40,742</u>	<u>\$ 41,317</u>	<u>\$ (575)</u>

As can be seen above, net assets decreased to approximately \$7,659,000 in 2007, down from \$10,375,000 in 2006.

Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

A summary of the Hospital's changes in net assets for the years ended December 31, 2007 and 2006 is presented below (in thousands):

Table 6
Statement of Operations and Changes in Net Assets

	<u>2007</u>	<u>2006</u>	<u>\$ change</u>
Operating Revenues			
Net patient service revenues	\$ 18,536	\$ 20,111	\$ (1,575)
Other	585	494	91
Total revenue	<u>19,121</u>	<u>20,605</u>	<u>(1,484)</u>
Operating expenses			
Salaries and benefits	10,750	11,454	(704)
Supplies	2,971	2,852	119
Purchased services	2,360	2,602	(242)
Other	<u>5,672</u>	<u>4,416</u>	<u>1,256</u>
Total operating expenses	<u>21,753</u>	<u>21,324</u>	<u>429</u>
Loss from operations	(2,632)	(719)	(1,913)
Other changes in net assets	<u>(84)</u>	<u>1,062</u>	<u>(1,146)</u>
Change in net assets	<u>\$ (2,716)</u>	<u>\$ 343</u>	<u>\$ (3,059)</u>

Sources of Revenue

During 2007 the Hospital derived substantially all of its revenue from patient service and other related activities. Revenue includes, among other items, revenue from the Medicare and Medicaid programs, patients, insurance carriers, preferred provider organizations and managed care programs.

Payer Mix

The Hospital provides care to patients under payment arrangements with Medicare, Medicaid, and various managed care programs. Services provided under those arrangements are paid at predetermined rates and/or reimbursable costs as defined. Provisions have been made in the financial statements for contractual adjustments, which represent the difference between the standard charges for services and the actual or estimated payment.

Operating Gains/Losses

Revenues

The Hospital generated significantly less revenues from patients in 2007. Net patient service revenues decreased approximately \$1,575,000 in 2007 primarily due to decreased volume during the year due to disruptions associated with the Hospital relocating from West Union to Seaman, Ohio.

Expenses

Total operating expenses increased approximately \$429,000 or 2% in 2007 which was attributable to an increase in depreciation, utilities, costs for supplies and drugs, medical professional fees as well as repairs and maintenance expenses.

Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Capital Assets and Debt Administration

Capital Assets

At year end, the Hospital had \$29.8 million invested in property, plant and equipment, (net). This amount represents a net increase (including additions, deletions, and depreciation expense) of \$13.8 million or 86.2%, from last year. See note 16, number 5 for additional information regarding the Hospital's property, plant and equipment.

Debt Administration

At year end, the Hospital had \$30.3 million in outstanding debt (including capital lease obligations). This amount represents a net increase of \$1.5 million or 5.2%, from last year. See note 16, number 6 for additional information regarding the Hospital's debt.

Economic Factors and 2008 Budget

The Hospital's Board and management considered many factors when setting the 2008 budget. Of primary importance in setting the budget was the status of the economy, which takes into account market focus and other environmental factors such as the following:

- The new Hospital facility in Seaman, Ohio and its impact on the Hospital's patient volume and demographics, as well as its results of operations
- Debt management and covenants related to bonded debt
- Demographics and impact areas of population growth and the expanding need for services
- Continuously increasing expectations of quality improvements
- Advances in medical equipment technology and the need to replace obsolete equipment
- Privacy legislation – Health Insurance Portability and Accountability Act (HIPAA)
- Increasing emphasis on the integrity of financial information
- Increasing number of uninsured patients
- Increasing cost of medical supplies
- Access to additional capital
- Increasing drug costs

The focus of management is to implement a multi-year plan that will emphasize expanded services to all areas of Adams County, continuous quality improvement, cost control, capital requirements, and financing in support of net assets improvement.

Adams County
Statement of Net Assets - Cash Basis
As of December 31, 2007

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Venture Productions, Inc.</u>
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$ 9,455,642	\$ 22,848	\$ 9,478,490	\$ -
Cash and Cash Equivalents	-	-	-	141,738
<i>Total Assets</i>	<u>9,455,642</u>	<u>22,848</u>	<u>9,478,490</u>	<u>141,738</u>
NET ASSETS:				
Restricted for Debt Service	3,357	-	3,357	-
Restricted for Capital Outlay	588,201	-	588,201	-
Restricted for MR/DD	2,397,211	-	2,397,211	-
Restricted for Motor Vehicle Gas Tax	1,243,469	-	1,243,469	-
Restricted for Public Assistance	913,813	-	913,813	-
Restricted for Other Purposes	3,471,979	-	3,471,979	-
Unrestricted	837,612	22,848	860,460	141,738
<i>Total Net Assets</i>	<u>\$ 9,455,642</u>	<u>\$ 22,848</u>	<u>\$ 9,478,490</u>	<u>\$ 141,738</u>

The notes to the basic financial statements are an integral part of this statement.

Adams County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2007

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets			Component Unit
	Cash	Charges for	Operating	Capital Grants	Governmental	Business-Type	Total	Venture
	Disbursements	Services	Grants and Contributions	and Contributions				
Governmental Activities:								
General Government:								
Legislative and Executive	\$ 2,557,732	\$ 348,217	\$ 347,091	\$ -	\$ (1,862,424)	-	\$ (1,862,424)	-
Judicial	1,332,955	188,274	80,588	-	(1,064,093)	-	(1,064,093)	-
Public Safety	2,515,758	332,872	486,006	-	(1,696,880)	-	(1,696,880)	-
Public Works	5,125,297	485,713	3,868,884	-	(770,700)	-	(770,700)	-
Health	2,908,082	273,580	2,214,393	-	(420,109)	-	(420,109)	-
Human Services	7,784,395	751,384	5,644,250	-	(1,388,761)	-	(1,388,761)	-
Conservation and Recreation	1,686	245	-	-	(1,441)	-	(1,441)	-
Other	1,092,768	158,330	6,888	-	(927,550)	-	(927,550)	-
Capital Outlay	808,901	-	-	639,950	(168,951)	-	(168,951)	-
Debt Service:								
Principal Retirement	257,237	-	-	-	(257,237)	-	(257,237)	-
Interest and Fiscal Charges	41,350	-	-	-	(41,350)	-	(41,350)	-
Total Governmental Activities	24,426,161	2,538,615	12,648,100	639,950	(8,599,496)	-	(8,599,496)	-
Business-Type Activities:								
Airport	37,426	45,409	-	-	-	7,983	7,983	-
Sewer	5,021	1,435	-	-	-	(3,586)	(3,586)	-
Total Business-Type Activities	42,447	46,844	-	-	-	4,397	4,397	-
Component Units:								
Venture Productions, Inc.	198,632	227,327	-	-				28,695
Total Component Units	198,632	227,327	-	-				28,695
Totals	24,667,240	2,812,786	12,648,100	639,950				28,695

General Cash Receipts and Advances

Property Taxes Levied for:							
General Purposes				1,974,302	-	1,974,302	-
Other Purposes				2,254,707	-	2,254,707	-
Debt Service				129,710	-	129,710	-
Sales Taxes Levied for General Purposes				2,127,529	-	2,127,529	-
Grants and Entitlements Not Restricted to Specific Programs				1,178,863	-	1,178,863	-
Miscellaneous				632,346	-	632,346	-
Interest				547,163	-	547,163	-
Proceeds from Bonds and Loans				219,759	-	219,759	-
Advances In (Out), Net				(9,367)	9,367	-	-
Total General Cash Receipts and Advances				9,055,012	9,367	9,064,379	-
Change in Net Assets				455,516	13,764	469,280	28,695
Net Assets Beginning of Year				9,000,126	9,084	9,009,210	113,043
Net Assets End of Year				\$ 9,455,642	\$ 22,848	\$ 9,478,490	\$ 141,738

The notes to the basic financial statements are an integral part of this statement.

Adams County
Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances-Governmental Funds
As of and for the Year Ended December 31, 2007

	<u>General</u>	<u>MR/DD</u>	<u>Motor Vehicle Gas Tax</u>	<u>Public Assistance</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Receipts:						
Taxes	\$ 4,101,831	\$ 738,473	\$ -	\$ -	\$ 1,645,944	\$ 6,486,248
Special Assessments	-	-	-	-	18,874	18,874
Charges for Services	835,556	17,009	-	180,486	1,272,801	2,305,852
Licenses and Permits	2,419	-	-	-	-	2,419
Fines and Forfeitures	151,789	-	45,127	-	33,427	230,343
Intergovernmental	1,178,863	751,093	3,642,784	4,612,606	4,262,692	14,448,038
Interest	453,945	-	93,218	-	-	547,163
Other	234,855	20,375	6,683	305,999	64,434	632,346
Total Cash Receipts	6,959,258	1,526,950	3,787,812	5,099,091	7,298,172	24,671,283
Cash Disbursements:						
Current:						
General Government:						
Legislative and Executive	2,104,055	-	-	-	453,677	2,557,732
Judicial	1,227,620	-	-	-	105,335	1,332,955
Public Safety	1,880,507	-	-	-	635,251	2,515,758
Public Works	93,009	-	4,411,983	-	620,305	5,125,297
Health	13,683	1,560,816	-	-	1,333,583	2,908,082
Human Services	406,883	-	-	4,384,443	2,993,067	7,784,393
Conservation and Recreation	1,686	-	-	-	-	1,686
Other	1,083,765	-	-	-	9,003	1,092,768
Capital Outlay	-	-	-	-	808,901	808,901
Debt Service:						
Principal Retirement	-	-	126,763	-	130,474	257,237
Interest and Fiscal Charges	-	-	4,952	-	36,398	41,350
Total Cash Disbursements	6,811,208	1,560,816	4,543,698	4,384,443	7,125,994	24,426,159
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	148,050	(33,866)	(755,886)	714,648	172,178	245,124
OTHER FINANCING SOURCES (USES):						
Proceeds from Bonds and Loans	70,000	-	-	-	149,759	219,759
Transfers In	5,649	-	-	-	57,004	62,653
Advances In	772,604	-	-	-	1,177,539	1,950,143
Transfers Out	(57,004)	-	-	-	(5,649)	(62,653)
Advances Out	(1,201,942)	-	-	-	(757,568)	(1,959,510)
Total Other Financing Sources (Uses)	(410,693)	-	-	-	621,085	210,392
Net Change in Fund Cash Balances	(262,643)	(33,866)	(755,886)	714,648	793,263	455,516
Cash Basis Fund Balance at Beginning of Year	1,100,255	2,431,077	1,999,355	199,165	3,270,274	9,000,126
Cash Basis Fund Balance at End of Year	\$ 837,612	\$ 2,397,211	\$ 1,243,469	\$ 913,813	\$ 4,063,537	\$ 9,455,642
Cash Basis Assets at End of Year						
Equity in Pooled Cash and Cash Equivalents	\$ 837,612	\$ 2,397,211	\$ 1,243,469	\$ 913,813	\$ 4,063,537	\$ 9,455,642
Cash Basis Fund Balances at End of Year						
Reserved for Encumbrances	90,736	162,598	105,830	351,641	1,215,962	1,926,767
Unreserved, Undesignated Reported In:						
General Fund	746,876	-	-	-	-	746,876
Special Revenue Funds	-	2,234,613	1,137,639	562,172	2,763,975	6,698,399
Debt Service Funds	-	-	-	-	3,357	3,357
Capital Projects Funds	-	-	-	-	80,243	80,243
Total Cash Basis Fund Balances	\$ 837,612	\$ 2,397,211	\$ 1,243,469	\$ 913,813	\$ 4,063,537	\$ 9,455,642

The notes to the basic financial statements are an integral part of this statement.

Adams County
Statement of Receipts, Disbursements,
and Changes in Fund Balance - Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2007

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Budgetary Basis Receipts:				
Taxes	\$ 3,651,848	\$ 4,082,130	\$ 4,101,831	\$ 19,701
Charges for Services	743,893	831,543	835,556	4,013
Licenses and Permits	2,154	2,407	2,419	12
Fines and Forfeitures	135,145	151,069	151,789	720
Intergovernmental	1,049,538	1,173,201	1,178,863	5,662
Interest	404,146	451,765	453,945	2,180
Other	268,264	299,873	304,855	4,982
<i>Total Receipts</i>	<u>6,254,988</u>	<u>6,991,988</u>	<u>7,029,258</u>	<u>37,270</u>
Budgetary Basis Disbursements:				
Current:				
General Government:				
Legislative and Executive	2,304,329	2,314,573	2,127,514	187,059
Judicial	1,340,461	1,346,420	1,254,795	91,625
Public Safety	2,053,360	2,062,489	1,889,225	173,264
Public Works	101,558	102,010	93,352	8,658
Health	14,941	50,911	25,795	25,116
Human Services	444,283	446,258	423,763	22,495
Conservation and Recreation	1,841	1,849	1,686	163
Other	1,179,523	1,148,863	1,085,814	63,049
<i>Total Disbursements</i>	<u>7,440,296</u>	<u>7,473,373</u>	<u>6,901,944</u>	<u>571,429</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<u>(1,185,308)</u>	<u>(481,385)</u>	<u>127,314</u>	<u>608,699</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	5,649	5,649
Transfers Out	(57,004)	(57,004)	(57,004)	-
Advances In	-	-	772,604	772,604
Advances Out	-	-	(1,201,942)	(1,201,942)
<i>Total Other Financing Sources (Uses)</i>	<u>(57,004)</u>	<u>(57,004)</u>	<u>(480,693)</u>	<u>(423,689)</u>
<i>Excess of Receipts and Other Financing Sources over (under) Disbursements and Other Financing Uses</i>	<u>(1,242,312)</u>	<u>(538,389)</u>	<u>(353,379)</u>	<u>185,010</u>
<i>Cash Basis Fund Balance at Beginning of Year</i>	961,209	961,209	961,209	-
<i>Prior Year Encumbrances Appropriated</i>	139,046	139,046	139,046	-
<i>Cash Basis Fund Balance at End of Year</i>	<u>\$ (142,057)</u>	<u>\$ 561,866</u>	<u>\$ 746,876</u>	<u>\$ 185,010</u>

The notes to the basic financial statements are an integral part of this statement.

Adams County
Statement of Receipts, Disbursements,
and Changes in Fund Balance - Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2007

	MR/DD Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Budgetary Basis Receipts:				
Taxes	\$ 642,221	\$ 738,946	\$ 738,473	\$ (473)
Charges for Services	14,792	17,020	17,009	(11)
Intergovernmental	653,196	751,574	751,093	(481)
Other	17,719	20,388	20,375	(13)
<i>Total Receipts</i>	<u>1,327,928</u>	<u>1,527,928</u>	<u>1,526,950</u>	<u>(978)</u>
Budgetary Basis Disbursements:				
Current:				
Health	2,949,495	2,885,348	1,723,414	1,161,934
<i>Total Disbursements</i>	<u>2,949,495</u>	<u>2,885,348</u>	<u>1,723,414</u>	<u>1,161,934</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<u>(1,621,567)</u>	<u>(1,357,420)</u>	<u>(196,464)</u>	<u>1,160,956</u>
<i>Cash Basis Fund Balance at Beginning of Year</i>	2,346,510	2,346,510	2,346,510	-
<i>Prior Year Encumbrances Appropriated</i>	84,567	84,567	84,567	-
<i>Cash Basis Fund Balance at End of Year</i>	<u>\$ 809,510</u>	<u>\$ 1,073,657</u>	<u>\$ 2,234,613</u>	<u>\$ 1,160,956</u>

The notes to the basic financial statements are an integral part of this statement.

Adams County
Statement of Receipts, Disbursements,
and Changes in Fund Balance - Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2007

	Public Assistance Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Budgetary Basis Receipts:				
Charges for Services	\$ 161,166	\$ 180,474	\$ 180,486	\$ 12
Intergovernmental	4,118,847	4,612,302	4,612,606	304
Other	273,243	305,979	305,999	20
<i>Total Receipts</i>	<u>4,553,256</u>	<u>5,098,755</u>	<u>5,099,091</u>	<u>336</u>
Budgetary Basis Disbursements:				
Current:				
Human Services	4,531,096	5,161,118	4,736,084	425,034
<i>Total Disbursements</i>	<u>4,531,096</u>	<u>5,161,118</u>	<u>4,736,084</u>	<u>425,034</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<u>22,160</u>	<u>(62,363)</u>	<u>363,007</u>	<u>425,370</u>
<i>Cash Basis Fund Balance at Beginning of Year</i>	15,818	15,818	15,818	-
<i>Prior Year Encumbrances Appropriated</i>	183,347	183,347	183,347	-
<i>Cash Basis Fund Balance at End of Year</i>	<u>\$ 221,325</u>	<u>\$ 136,802</u>	<u>\$ 562,172</u>	<u>\$ 425,370</u>

The notes to the basic financial statements are an integral part of this statement.

Adams County
Statement of Receipts, Disbursements,
and Changes in Fund Balance - Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2007

	Motor Vehicle Gas Tax Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Budgetary Basis Receipts:				
Fines and Forfeitures	\$ 41,739	\$ 43,444	\$ 45,127	\$ 1,683
Intergovernmental	3,369,288	3,506,948	3,642,784	135,836
Interest	82,792	86,174	93,218	7,044
Other	6,181	6,434	6,683	249
<i>Total Receipts</i>	<u>3,500,000</u>	<u>3,643,000</u>	<u>3,787,812</u>	<u>144,812</u>
Budgetary Basis Disbursements:				
Current:				
Public Works	3,442,251	4,929,735	4,517,813	411,922
Debt Service:				
Principal Retirement	126,763	126,763	126,763	-
Interest and Fiscal Charges	4,952	4,952	4,952	-
<i>Total Disbursements</i>	<u>3,573,966</u>	<u>5,061,450</u>	<u>4,649,528</u>	<u>411,922</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<u>(73,966)</u>	<u>(1,418,450)</u>	<u>(861,716)</u>	<u>556,734</u>
<i>Cash Basis Fund Balance at Beginning of Year</i>	1,925,389	1,925,389	1,925,389	-
<i>Prior Year Encumbrances Appropriated</i>	73,966	73,966	73,966	-
<i>Cash Basis Fund Balance at End of Year</i>	<u>\$ 1,925,389</u>	<u>\$ 580,905</u>	<u>\$ 1,137,639</u>	<u>\$ 556,734</u>

The notes to the basic financial statements are an integral part of this statement.

Adams County
*Statement of Cash Basis Assets and Net Cash Assets and Cash Receipts,
Cash Disbursements and Changes in Cash Basis Net Assets
Proprietary Funds
For the Year Ended December 31, 2007*

	<u>Enterprise Funds</u>
OPERATING CASH RECEIPTS:	
Charges for Services	\$ 46,844
<i>Total Operating Cash Receipts</i>	<u>46,844</u>
OPERATING CASH DISBURSEMENTS:	
Contractual Services	5,021
Materials and Supplies	<u>37,426</u>
<i>Total Operating Cash Disbursements</i>	<u>42,447</u>
<i>Operating Cash Receipts Over (Under) Operating Cash Disbursements</i>	<u>4,397</u>
<i>Nonoperating Cash Receipts (Cash Disbursements)</i>	
Advances In	24,404
Advances Out	<u>(15,037)</u>
<i>Total Nonoperating Cash Receipts (Cash Disbursements)</i>	9,367
<i>Changes in Net Cash Assets</i>	13,764
Net Cash Assets at Beginning of Year	<u>9,084</u>
<i>Net Cash Assets at End of Year</i>	<u>\$ 22,848</u>
<i>Cash Basis Assets at End of Year</i>	
<i>Equity in Pooled Cash and Cash Equivalents</i>	<u>\$ 22,848</u>
<i>Net Cash Assets at End of Year Unreserved, Undesignated</i>	<u>\$ 22,848</u>

The notes to the basic financial statements are an integral part of this statement.

Adams County
Statement of Fiduciary Net Assets
Agency Funds
As of December 31, 2007

	<u>Agency Funds</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 1,134,570
Cash and Cash Equivalents in Segregated Accounts	<u>357,841</u>
<i>Total Assets</i>	<u>1,492,411</u>
NET ASSETS:	
Unrestricted	<u>1,492,411</u>
<i>Total Net Assets</i>	<u>\$ 1,492,411</u>

The notes to the basic financial statements are an integral part of this statement.

Adams County Hospital
Statements of Net Assets
As of December 31, 2007 and 2006

ASSETS	<u>2007</u>	<u>2006</u>
Current Assets:		
Cash and Cash Equivalents	\$ 1,466,392	\$ 3,088,678
Patient Accounts Receivable, Net of Allowance for Doubtful Accounts of Approximately \$1,130,667 and \$766,322 in 2007 and 2006, Respectively	2,917,536	3,486,109
Inventories	231,320	225,830
Estimated Third Party Settlements	784,643	236,237
Prepaid Expenses and Other Current Assets	26,470	31,866
Total Current Assets	<u>5,426,361</u>	<u>7,068,720</u>
Assets Whose Use is Limited:		
Board Designated for Future Capital Purposes	268,443	485,589
Trustee Held Funds	4,441,913	16,869,492
Total Assets Whose Use is Limited	<u>4,710,356</u>	<u>17,355,081</u>
Capital Assets, Net	29,775,939	15,993,810
Bond Issuance Costs, Net	595,369	649,493
Note Receivable	233,750	250,000
<i>Total Assets</i>	<u><u>\$ 40,741,775</u></u>	<u><u>\$ 41,317,104</u></u>

The notes to the basic financial statements are an integral part of this statement.

Adams County Hospital
Statements of Net Assets
As of December 31, 2007 and 2006
(Continued)

LIABILITIES AND NET ASSETS	<u>2007</u>	<u>2006</u>
Current Liabilities:		
Accounts Payable	\$ 890,253	\$ 410,260
Accrued Expenses	1,899,024	1,745,018
Current Portion of Bonds Payable	355,000	340,000
Current Portion of Capital Lease Obligations	751,157	318,235
Total Current Liabilities	<u>3,895,434</u>	<u>2,813,513</u>
Long-term Liabilities:		
Bonds Payable	26,785,000	27,140,000
Capital Lease Obligations	2,402,604	988,589
Total Long-term Liabilities	<u>29,187,604</u>	<u>28,128,589</u>
<i>Total Liabilities</i>	<u>33,083,038</u>	<u>30,942,102</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	3,924,091	4,702,583
Unrestricted	3,665,614	5,544,478
Restricted by Donors	69,032	127,941
Total Net Assets	<u>7,658,737</u>	<u>10,375,002</u>
<i>Total Liabilities and Net Assets</i>	<u>\$ 40,741,775</u>	<u>\$ 41,317,104</u>

The notes to the basic financial statements are an integral part of this statement.

Adams County Hospital
Statements of Operations and Changes in Net Assets
For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Revenues:		
Net Patient Service Revenue	\$ 18,536,228	\$ 20,111,445
Operating Grants and Other Revenues	584,978	493,885
<i>Total Operating Revenues</i>	<u>19,121,206</u>	<u>20,605,330</u>
Operating Expenses:		
Salaries and Benefits	10,749,847	11,453,660
Medical Professional Fees	1,151,250	1,046,001
Supplies	2,971,312	2,851,739
Purchased Services	2,359,996	2,602,169
Equipment Rentals	160,968	172,228
Repairs and Maintenance	740,168	553,354
Utilities	679,776	561,716
Depreciation and Amortization	1,836,279	1,006,085
Other	1,103,692	1,077,083
<i>Total Operating Expenses</i>	<u>21,753,288</u>	<u>21,324,035</u>
<i>Loss from Operations</i>	<u>(2,632,082)</u>	<u>(718,705)</u>
Sales Tax Levy and Other Non-operating Revenue (Loss)	<u>(25,274)</u>	<u>1,089,641</u>
<i>Change in Unrestricted Net Assets</i>	<u>(2,657,356)</u>	<u>370,936</u>
<i>Change in Restricted Net Assets</i>	<u>(58,909)</u>	<u>(27,798)</u>
<i>Change in Net Assets</i>	<u>(2,716,265)</u>	<u>343,138</u>
<i>Net Assets, Beginning of Year</i>	<u>10,375,002</u>	<u>10,031,864</u>
<i>Net Assets, End of Year</i>	<u>\$ 7,658,737</u>	<u>\$ 10,375,002</u>

The notes to the basic financial statements are an integral part of this statement.

Adams County Hospital
Statements of Cash Flows
For the Years Ended December 31, 2007 and 2006

	2007	2006
<i>Operating Activities</i>		
Cash Received from Patient Services	\$ 18,556,395	\$ 19,008,698
Cash Paid to Vendors for Goods and Services	(8,663,875)	(8,458,976)
Cash Paid to Employees for Wages and Benefits	(10,595,841)	(11,488,625)
Other Operating Activities	584,978	493,885
<i>Net Cash From Operating Activities</i>	<u>(118,343)</u>	<u>(445,018)</u>
<i>Cash Flow from Non-capital Financing Activities</i>		
Non-operating Revenues	332,877	822,091
<i>Cash Flow from Capital and Related Financing Activities</i>		
Acquisition of Property and Equipment	(13,708,137)	(10,091,235)
Bond Issuance Costs	-	(649,493)
Principal Paid on Long-term Debt and Capital Leases	(766,270)	(285,784)
<i>Net Cash from Capital and Related Financing Activities</i>	<u>(14,474,407)</u>	<u>(11,026,512)</u>
<i>Cash Flows from Investing Activities:</i>		
Payments Received Under Note Receivable	16,250	-
<i>Net Change in Cash and Cash Equivalents</i>	(14,243,623)	(10,649,439)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>20,420,371</u>	<u>31,069,810</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 6,176,748</u>	<u>\$ 20,420,371</u>
<i>Recap of Cash and Cash Equivalents</i>		
Undesignated Cash	\$ 1,397,360	\$ 2,960,737
Designated Cash	268,443	485,589
Restricted Cash - Bond Issuance	4,441,913	16,846,104
Other Restricted Cash	69,032	127,941
<i>Total Cash and Cash Equivalents</i>	<u>\$ 6,176,748</u>	<u>\$ 20,420,371</u>
<i>Reconciliation of Loss from Operations to Net Cash from Operating Activities</i>		
Loss from Operations	\$ (2,632,082)	\$ (718,705)
<i>Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:</i>		
Depreciation and Amortization	1,836,279	1,006,085
Bad Debts	2,789,249	2,436,929
Changes in Operating Assets and Liabilities:		
Patient Accounts Receivable	(2,220,676)	(2,424,374)
Inventories	(5,490)	7,258
Prepaid Expenses and Other Current Assets	28,784	(24,262)
Estimated Third Party Settlements	(548,406)	(1,115,302)
Accounts Payable	479,993	(71,025)
Accrued Expenses	154,006	458,378
<i>Net Cash from Operating Activities</i>	<u>\$ (118,343)</u>	<u>\$ (445,018)</u>
<i>Supplemental Disclosure of Non-cash Capital and Financing Activity:</i>		
Equipment Acquired Under Capital Leases	\$ 2,273,207	\$ -
Assets Exchanged for Note Receivable	-	250,000

See accompanying notes to the basic financial statements.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1 - DESCRIPTION OF THE COUNTY AND REPORTING ENTITY

Adams County, Ohio (the County), is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The County operates under the direction of a three-member elected Board of County Commissioners. The County Auditor and County Treasurer are responsible for fiscal control of the resources of the County which are maintained in the funds described below. Services provided by the County include: general government, public safety, public works, health, human services, and conservation-recreation.

Reporting Entity

The County utilizes the standards of Governmental Accounting Standards Board Statement 14 for determining the reporting entity. The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the County are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Lawrence County, this includes the Board of Mental Retardation and Developmental Disabilities, the Union Rome Sewer District, and all departments and activities that are directly operated by the elected County officials.

Adams County Hospital (the Hospital) operates under Ohio Revised Code Section 339. The Hospital is governed by a board of trustees appointed by the Adams County Commissioners and Adams County judges. The Hospital is not considered legally separate from the County and for financial reporting purposes is treated as an Enterprise Fund of the County. The Hospital prepares its financial statements in accordance with a basis of accounting, which is different from that used by the County and consequently, the Hospital's financial activity is presented separately on pages 23 through 27 of this report. Separately-issued financial statements can be obtained from Adams County Hospital, 210 North Wilson Drive, West Union, Ohio 45693.

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

As the custodian of public funds, the County Treasurer invest all public monies on deposit in the County Treasury. In the case of separate agencies, board, and commissions listed below the County serves as fiscal agent, but is no financially accountable for their operations. Accordingly, the activity of the following districts and agencies is presented as agency funds within the County's financial statement, Soil and Water Conservation District, Adams County Health District and Family and Children First Council.

The component unit column on the financial statements identifies the financial data of Venture Productions, Inc. The component unit is reported separately to emphasize that it is legally separate from the County. Information about Venture Production, Inc. is presented with the County's disclosures.

Venture Productions, Inc. is a legally separate, not-for-profit corporation, served by a board of trustees appointed by the Adams County Board of Mental Retardation and Developmental Disabilities (MRDD). The workshop, under contractual agreement with the Adams County Board of MRDD, provides sheltered employment for mentally and/or physically handicapped adults in Adams County. The Adams County board of MRDD provides the workshop with staff salaries, transportation, equipment, staff to administer and supervise training programs, and other funds necessary for the operation of the workshop. Based on the significant services and resources provided by the County to the workshop and the workshop's sole purpose of providing assistance to the mentally and/or physically handicapped adults of Adams County, the workshop is considered a component unit of Adams County. Venture Productions, Inc.'s financial activity is included as part of this report; however, the most current available information was from 2006. Separately issued financial statements can be obtained from Venture Productions, Inc., P.O. Box 86, Seaman, Ohio 45679.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1 - DESCRIPTION OF THE COUNTY AND REPORTING ENTITY (Continued)

Entities for which the County provides services but are not included in this report are the Adams County Educational Service Center, Agricultural Society, Historical Society, and the Law Library Association.

Adams County has several County departments that maintain segregated bank accounts for funds held in a custodial capacity. Elected or appointed departmental officials are responsible for the financial records. The County Auditor does not have any operating control over these monies. The financial activity related to these accounts is reported in the accompanying financial statements as agency funds.

The County is a member of the Southern Ohio Council of Governments, a jointly governed organization which is described in Note 10 to the basic financial statements.

Management believes the financial statements included in this report represent all of the funds for which the County is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash Deposits

The County Treasurer invests all available funds of the County. County funds are invested in checking accounts with local commercial banks. The County pools its cash for investment purposes to capture the highest rate of return.

Fund Accounting

The County's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific County functions or activities. The operation of each fund is accounted for within a separate set of self-balancing set of accounts.

Governmental Funds

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

General Fund

The General fund is the general 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 is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MR/DD Special Revenue Fund

This fund accounts for various federal and state grants and a property tax levy used to provide assistance and training to mentally retarded and developmentally disabled individuals.

Motor Vehicle Gas Tax Special Revenue Fund

This fund accounts for monies received from state gasoline tax and motor vehicle registration fees designated for maintenance and repair of roads and bridges.

Public Assistance Special Revenue Fund

This fund accounts for various federal and state grants as well as transfers from the General fund used to provide public assistance to general relief recipients, pay their providers of medical assistance, and for certain public social services.

The other governmental funds of the County account for grants and other resources, debt service, and capital projects, whose use is restricted to a particular purpose.

Proprietary Funds

The proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. Enterprise funds are the County's only proprietary fund type.

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered through user charges. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. For the County, Enterprise funds are the Sewer fund which is used to account for the activities related to wastewater treatment in the County and the Airport Fuel fund which is used to account for fuel purchase and sales for the airport.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The County's only fiduciary funds are agency funds.

Agency Funds

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The County's agency funds account for assets held for political subdivisions in which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures that have been collected and which will be distributed to other political subdivisions.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

For fiscal year 2007 the County has continued to follow the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The County does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the County's accounting policies. The County's basic financial statements consist of government-wide statements, including a statement of net cash assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets-cash basis presents the cash basis financial condition of governmental and business-type activities of the County at year-end. The statement of activities-cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the County's governmental and business-type activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the County. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general cash receipts of the County.

The Government-wide Financial Statements also displays information regarding the legally separate entity or component unit, for which the County is fiscally responsible. This component unit is Venture Productions, Inc. and is described further in Note 1 to the financial statements.

Fund Financial Statements

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

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the County chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

For comparability purposes, Venture Productions, Inc.'s financial information has been presented on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP).

Adams County Hospital financial information has been presented as stand alone statements in accordance with generally accepted accounting principle, in the United States of America.

Cash Receipts – Exchange and Non-exchange Transactions

Cash receipts resulting from exchange transactions, in which each party gives and receives equal value, is recorded on the cash basis when the exchange takes place. On a cash basis, receipts are recorded in the year in which the resources are received.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On a cash basis, receipts from property taxes are recognized in the year in which the taxes are received. Receipts from grants, entitlements and donations are recognized in the year in which the monies have been received.

Cash Disbursements

On the cash basis of accounting, disbursements are recognized at the time payments are made.

Budgetary Process

Budget

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, department and object level for all funds.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources

The County Budget Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources that states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the County must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. Advances are not appropriated.

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

Encumbrances

The County is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal 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 need not be re-appropriated.

Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of the total of fund cash balances of all funds as of December 31, 2007. To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. County funds are maintained in several checking accounts as well as invested in certificates of deposit with terms of one to twelve months. Individual fund balance integrity is maintained through the County's records. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. All interest receipts are reported in the General fund except those specifically related to those funds deemed appropriate according to state statutes, grant requirements or debt related restrictions. For calendar year 2007, interest receipts credited to the General fund and the Motor Vehicle/Gas Tax fund was \$453,945 and \$93,218, respectively.

Capital Assets and Depreciation

Capital assets (fixed assets) acquired or constructed for the County are recorded as disbursements at the time of acquisition. However, under the cash basis of accounting, capital assets and the related depreciation are not reported separately on the financial statements.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Vacation and sick leave benefits are not accrued under the cash basis of accounting as previously described. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees.

Long-Term Debt Obligations and Short-Term Debt Obligations

In general, bonds, long-term loans, capital leases, and short-term debt obligations are recorded as cash disbursements in the basic financial statements when paid.

Net Assets – Cash Basis

Net assets consist of cash receipts reduced by cash disbursements for the current year. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Restricted for Other Purposes is comprised of net assets restricted for grants. The County applies restricted resources when a disbursement is made for purposes for which both restricted and unrestricted net assets are available.

Of the County's \$8,618,030 restricted net assets, none is restricted by enabling legislation.

Interfund Transactions

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements. The County reports advances-in and advances-out for interfund loans. In the government-wide financial statements transfers and advances within governmental activities or within business-type activities are eliminated.

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Primary Government

State statutes classify monies held by the County into two categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the County has identified as not required for use within the five year period of designation of depositories.

Inactive monies may be deposited or invested in the following securities:

- A. 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;

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

A. Primary Government (Continued)

- B. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the 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;
- C. Written purchase 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;
- D. 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;
- E. Time certificates of deposit or savings or deposit accounts, including, but not limited to passbook accounts;
- F. No-load money market mutual funds consisting exclusively of obligations described in division (A) or (B) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- G. The State Treasurer's investment pool (STAR Ohio);
- H. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (A) or (B) or cash or both securities and cash, equal value for equal value;
- I. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio;
- J. Bankers' acceptance and commercial paper notes for a period not to exceed two hundred and seventy days and in an amount not to exceed ten percent of the County's total average portfolio; and
- K. Under limited circumstances, corporate debt interests rated in any of the three highest rating classifications by at least two nationally recognized rating agencies.

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 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.

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 Treasurer or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Cash on Hand: At year-end, the County had \$6,280 in undeposited cash on hand which is included as part of Net Assets.

Custodial credit risk is the risk that, in the event of a bank failure, the County’s deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The County’s policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

The County’s bank balance of \$11,255,132 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner as described above.

\$324,961 was on hand with the Southern Ohio Council of Governments (the “Council”), as described in Note 10 to the financial statements. The Council, as fiscal agent, is responsible for obtaining adequate collateral for this money.

B. Component Unit – Venture Productions, Inc.

At year-end, the carrying amount of Venture Productions, Inc.’s deposits was \$141,738 and the bank balance was \$141,966. The bank balance was covered by federal deposit insurance.

NOTE 4- BUDGETARY BASIS FUND BALANCES

Differences between the budgetary basis fund balances and fund cash balances are due to encumbrances. The table below presents those differences for the County’s Major Funds:

	General Fund	MR/DD	Motor Vehicle Gas Tax	Public Assistance
Budgetary Basis Fund Balances	\$746,876	\$2,234,613	\$1,137,639	\$562,172
Encumbrances	<u>90,736</u>	<u>162,598</u>	<u>105,830</u>	<u>351,641</u>
Fund Cash Balances	<u>\$837,612</u>	<u>\$2,397,211</u>	<u>\$1,243,469</u>	<u>\$913,813</u>

NOTE 5 – TAXES

PERMISSIVE SALES AND USE TAX

The County Commissioners, by resolution, imposed a 1.5 percent tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of tangible personal property in the County, including motor vehicles, not subject to the sales tax. The allocation of the sales tax is 1 percent to the County’s General fund and 0.5 percent for Adams County Hospital. 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 the amount of the tax to be returned to the County to the State Auditor. 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.

PROPERTY TAX

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Property tax revenue received during 2007 for real and public utility property taxes represents collection of 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) is for 2006 taxes.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 5 – TAXES (Continued)

PROPERTY TAX (Continued)

2007 real property taxes are levied after October 1, 2007 on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes are intended to finance 2008.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility property is assessed at 35 percent of true value. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are 25 percent of true value.

The assessed value for the taxes levied in 2007 was \$522,277,040 of which real property represented 64 percent (\$335,033,780) of the total, public utility property represented 31 percent (\$159,411,680) of the total, and tangible personal property represented 5 percent (\$27,831,580) of the total. The full tax rate for all County operations for taxes collected in 2007 was \$9.36 per \$1,000 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due by 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 by September 20.

The Adams County Treasurer collects property tax on behalf of all taxing districts within the County. The Adams County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

The tangible personal property tax will phase out over a four-year period starting with tax year 2006 and ending in 2009. This phase-out applies to most businesses and includes furniture and fixtures, machinery and equipment and inventory. New manufacturing machinery and equipment first reported on the 2006 and subsequent year returns is not subject to the personal property tax.

NOTE 6 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The County Risk Sharing Authority, Inc. (CORSA) is a risk sharing pool made up of fifty-two counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. 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.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 6 - RISK MANAGEMENT (Continued)

Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of certificates.

Insurance coverage stayed the same as in the prior year. Settled claims during 2007 did not exceed commercial insurance coverage. Settlement amounts on claims have not exceeded insurance coverage in any of the past three years.

The Pool's audited financial statements conform with generally accepted accounting principles and reported the following assets, liabilities, and equity at April 30:

	2007	2006
Assets	\$ 81,761,932	\$ 74,688,504
Liabilities	52,294,962	48,484,394
Net Assets	\$ 29,466,970	\$ 26,204,110

NOTE 7 - RETIREMENT SYSTEMS

Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.

The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.

The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, and survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 7 - RETIREMENT SYSTEMS (Continued)

Ohio Public Employees Retirement System (OPERS) (Continued)

The 2007 member contribution rates were 9.5% for members in state and local classifications. Public safety members contributed 9.75%. Members in the law enforcement classification, which consists generally of sheriffs, deputy sheriffs and township police, contributed at a rate of 10.1%.

The 2007 employer contribution rate for local government employer units was 13.85% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2007 was 17.17%. The County's contributions to OPERS for all employees for the years ended December 31, 2007, 2006, and 2005, were \$1,227,122, \$1,180,718, and \$1,165,543, respectively; 100 percent has been contributed for 2007, 2006, and 2005.

State Teachers Retirement System (STRS)

Certified teachers employed by the school for the Mentally Retarded/ Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in part, by the state or any political subdivision thereof. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits - Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 7 - RETIREMENT SYSTEMS (Continued)

State Teachers Retirement System (STRS) (Continued)

DC Plan Benefits - Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits - Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or an equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependent. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio Law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2007, were 10% of covered payroll for members and 14% for employers, of which 13% was allocated to fund pension benefits. The County's contributions to STRS for the years ended December 31, 2007, 2006, and 2005, were \$6,674, \$5,387, and \$18,744, respectively; 100 percent has been contributed for 2007, 2006, and 2005.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by a State Retirement System have an option to choose Social Security or the appropriate state system. As of December 31, 2007, none have elected Social Security.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 8 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS)

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, and survivor benefits as well as post-employment health care coverage to qualifying members of both the Traditional and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered to be an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units, the rate was 13.85% of covered payroll, and public safety and law enforcement employer units contributed at 17.17%. The portion of employer contributions for all employers allocated to health care was 5.0% from January 1 through June 30, 2007 and 6.0% from July 1 through December 31, 2007.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS.

Summary of Assumptions:

Actuarial Review - The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2006.

Funding Method – The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method – All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Investment Return – The investment assumption rate for 2006 was 6.50%.

Active Employee Total Payroll – An annual increase of 4.0%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from .50% to 6.30%.

Health Care – Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 5% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

Ohio Public Employees Retirement System (OPERS) (Continued)

OPEBs are advance-funded on an actuarially determined basis. The Traditional Pension and Combined Plans had 374,979 active contributing participants as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130.

The employer contributions that were used to fund post-employment benefits were \$476,894 for 2007. \$12.0 billion represents the actuarial value of OPERS' net assets available for OPEBs at December 31, 2006. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively.

OPERS Retirement Board implements its Health Care Preservation Plan:

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

State Teachers Retirement System

The State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare B premiums. Pursuant to the Revised Code (R. C.), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefits recipients pay a portion of the health care costs in the form of a monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. Health care benefits are financed on a pay-as-you-go basis. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the County, the amount equaled \$477 for the year ended December 31, 2007. The balance in the Health Care Stabilization Fund was \$4.1 billion on June 30, 2007.

For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000. There were 122,934 eligible benefit recipients.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 9 - DEBT OBLIGATIONS

Long-term Debt Obligations:

Under the cash basis of accounting, debt obligations are not reported as a liability in the accompanying basic financial statements. However, information regarding the County's general long-term obligations during 2007 is as follows:

	Beginning Balance 1/1/2007	Additions	Payments	Ending Balance 12/31/2007	Due in One Year
General Obligation Bonds, 3.75-5.25%	\$ 580,000	\$ -	\$ 105,000	\$ 475,000	\$ 110,000
Special Assessment Bonds 3.25%	287,947	-	5,224	282,723	5,396
OPWC Loan #CO02H, 0%	96,200	-	5,200	91,000	2,600
OPWC Loan #CO09I, 0% *	223,885	-	11,783	212,102	5,892
OWDA Loan #4623 **	-	149,759	6,250	143,509	-
USDA Bonds, 4.5%	-	70,000	14,000	56,000	14,000
Total	\$ 1,188,032	\$ 219,759	\$ 147,457	\$ 1,260,334	\$ 137,888

* Restated – the loan balance of OPWC Loan #CO09I has been restated as of 1/1/2007 to agree to the OPWC loan balance. This restatement had no affect on the financial statements.

Outstanding general obligation bonds consist of Human Services Building Refunding Bonds. General obligation bonds are direct obligations of the County for which its full faith, credit and resource are pledged and are payable from taxes levied on all taxable property in the County. The bonds were originally issued in the amount of \$1,160,000 and mature December 1, 2011. These bonds are being repaid from the Debt Service fund.

Outstanding special assessment bonds in the amount of \$320,163 were issued for the purpose of financing part of the cost of constructing a sanitary sewer line extension, in the Peebles area. It is anticipated that the debt will be paid by the benefited property owners and not from the general funds of the County. However, County general funds are pledged for repayment. The bonds are payable over a period of thirty-nine years at 3.25% per annum, maturing June 1, 2039.

During 2005, the County entered into two grant/loan agreements with the Ohio Public Works Commission (OPWC). The first agreement, pertaining to the Pence Road and Church Road Bridge Replacements, included a grant in the amount of \$364,000 and a loan (Loan #CO02H) in the amount of \$104,000 at 0% interest, with semi-annual payments of \$2,600, maturing July 1, 2025. The second agreement, pertaining to the Buck Run Road Bridge Replacement, included a grant in the amount of \$100,000 and a loan (Loan #CO09I) in the amount of \$227,145 for 2005 represented in the amortization schedule at 0% interest, with semi-annual payments of \$5,892, maturing January 1, 2026. The OPWC loans are being repaid from the Motor Vehicle Gas Tax fund.

During 2007, the County Commissioners issued \$70,000 of USDA bonds for the purpose of purchasing six sheriff's cruisers. The bonds bear interest at 4.5% and mature in 2011. The bonds will be repaid from the Debt Retirement – Cruisers Fund.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 9 - DEBT OBLIGATIONS (Continued)

Amortization of the above long-term debt obligations is as follows:

2001 Human Services Refunding Bonds				Special Assessment Bonds			
Due In	Principal	Interest	Total	Due In	Principal	Interest	Total
2008	110,000	20,458	130,458	2008	5,396	9,145	14,541
2009	115,000	15,892	130,892	2009	5,573	8,969	14,542
2010	120,000	11,005	131,005	2010	5,756	8,786	14,542
2011	130,000	5,785	135,785	2011	5,944	8,598	14,542
2012	-	-	-	2012	6,139	8,402	14,541
2013-2017	-	-	-	2013-2017	33,845	38,860	72,705
2018-2022	-	-	-	2018-2022	39,764	32,940	72,704
2023-2027	-	-	-	2023-2027	46,722	25,984	72,706
2028-2032	-	-	-	2028-2032	54,894	17,812	72,706
2033-2037	-	-	-	2033-2037	64,496	8,210	72,706
2038	-	-	-	2038	14,194	347	14,541
Total	\$ 475,000	\$ 53,140	\$ 528,140	Total	\$ 282,723	\$ 168,053	\$ 450,776

OPWC Loans				USDA Bonds			
Due In	Principal	Interest	Total	Due In	Principal	Interest	Total
2008	16,983	-	16,983	2008	14,000	2,527	16,527
2009	16,984	-	16,984	2009	14,000	1,890	15,890
2010	16,983	-	16,983	2010	14,000	1,260	15,260
2011	16,983	-	16,983	2011	14,000	630	14,630
2012	16,984	-	16,984	2012	-	-	-
2013-2017	84,917	-	84,917	2013-2017	-	-	-
2018-2022	84,917	-	84,917	2018-2022	-	-	-
2023-2027	48,351	-	48,351	2023-2027	-	-	-
2028-2032	-	-	-	2028-2032	-	-	-
2033-2037	-	-	-	2033-2037	-	-	-
2038	-	-	-	2038	-	-	-
Total	\$ 303,102	\$ -	\$ 303,102	Total	\$ 56,000	\$ 6,307	\$ 62,307

Total			
Due In	Principal	Interest	Total
2008	146,379	32,130	178,509
2009	151,557	26,751	178,308
2010	156,739	21,051	177,790
2011	166,927	15,013	181,940
2012	23,123	8,402	31,525
2013-2017	118,762	38,860	157,622
2018-2022	124,681	32,940	157,621
2023-2027	95,073	25,984	121,057
2028-2032	54,894	17,812	72,706
2033-2037	64,496	8,210	72,706
2038	14,194	347	14,541
Total	\$ 1,116,825	\$ 227,500	\$ 1,344,325

** OWDA loan #4623 has not been finalized; therefore, no amortization schedule has been created. As a result, this loan has not been included on the above amortization schedule.

**ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 9 - DEBT OBLIGATIONS (Continued)

Short-term Debt Obligations:

During 2005, the County Commissioners issued \$84,361 of short-term bonds for the purpose of acquiring a tractor. The bonds bear interest at 5% payable annually on each December 1, commencing December 1, 2006 and mature December 1, 2007.

During 2004, the County issued \$180,000 of new debt for the purchase of four dump trucks.

Information regarding the County's short-term debt obligations during 2007 is as follows:

	Beginning Balance 1/1/2007	Additions	Payments	Ending Balance 12/31/2007	Due in One Year
Truck Acquisition Bonds 4.50%	\$ 62,480	\$ -	\$ 62,480	\$ -	\$ -
Tractor Acquisition Bonds 5.00%	47,300	-	47,300	-	-
Total	<u>\$ 109,780</u>	<u>\$ -</u>	<u>\$ 109,780</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS

The County is a member of the Southern Ohio Council of Governments (the "Council"), which is a jointly governed organization created under Ohio Revised Code Section 167.01. The governing body consists of a thirteen member board with each participating County represented by its Director of its Board of Mental Retardation and Developmental Disabilities (MRDD). Member counties include: Adams, Athens, Brown, Fayette, Gallia, Highland, Jackson, Lawrence, Pickaway, Pike, Ross, Scioto, and Vinton Counties. The Council acts as fiscal agent for the Adams County MRDD's supportive living program monies. During 2007, the Council received \$10,957 of supportive living monies from Adams County and as of December 31, 2007, the County had a \$324,961 balance on hand with the Council. Financial statements can be obtained from the Council at 43 N. Paint St., Chillicothe, Ohio, 45601.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 11 - PUBLIC ENTITY SHARED RISK POOLS

County Risk Sharing Authority, Inc.

The County Risk Sharing Authority, Inc. (CORSA) is a jointly governed organization among thirty-nine counties in Ohio. CORSA was formed as an Ohio not-for-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the Board of Trustees. No county may have more than one representative on the Board of Trustees at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees.

County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at the meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year and each elected member shall be a County Commissioner.

NOTE 12 – HEALTH CARE BENEFITS

The County provides life insurance and accidental death and dismemberment insurance to most employees with Consumer Life through Medical Mutual of Ohio. The County has elected to provide employee medical/surgical benefits through Medical Mutual. The employees share the cost of the monthly premium with the Board of Commissioners. The premium varies with employee depending on the terms of the union contract or personnel policy. Dental and vision insurance are provided by the County to employees.

NOTE 13 - CONTINGENT LIABILITIES

A. Primary Government

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.

At December 31, 2007, there are several lawsuits pending against the County. The County's legal counsel is uncertain as to the exact outcome of the lawsuits, but does not estimate any liability on the County's part.

B. Component Unit – Venture Productions, Inc.

As of December 31, 2007, there was no pending litigation against Venture Productions, Inc.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 14 – INTERFUND TRANSACTIONS

Transfers

	<u>Transfers In</u>	<u>Transfers Out</u>
<i>Major Fund:</i>		
General	\$ 5,649	\$ 57,004
<i>Non-major Special Revenue Funds:</i>		
Dog and Kennel	30,000	-
Certificate of Title	-	5,649
HUD - CDBG	1,078	-
Total Non-major Special Revenue Funds	<u>31,078</u>	<u>5,649</u>
<i>Non-major Debt Service Funds:</i>		
Debt Retirement - Cruisers	<u>16,926</u>	-
<i>Non-major Capital Projects Funds:</i>		
Sewer Line Project - Barnes Subdivision	<u>9,000</u>	-
Total All Funds	<u>\$ 62,653</u>	<u>\$ 62,653</u>

Transfers are used to move revenues from the fund that collects them in accordance with statute or budget to the fund that is required to expend them in accordance with statute or budget and to provide resources for current operations. The transfer from the Certificate of Title Fund to the General Fund was a legal transfer authorized by the Ohio Revised Code.

	<u>Advances In</u>	<u>Advances Out</u>
<i>Major Fund:</i>		
General	\$ 772,604	\$ 1,201,942
Other Governmental Funds	1,177,539	757,568
Enterprise Funds	<u>24,404</u>	<u>15,037</u>
Total All Funds	<u>\$ 1,974,547</u>	<u>\$ 1,974,547</u>

During the year, the County's General Fund made advances to other funds in anticipation of intergovernmental grant revenue. Advances to the General Fund are for repayments of outstanding advances from prior years.

NOTE 15-ACCOUNTABILITY AND COMPLIANCE

A. Compliance

The Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. Contrary to this requirement, the County has elected to prepare its annual financial report on a cash basis.

B. Changes in Accounting Principles

For 2007, the County has implemented GASB Statement No. 48 "Sales and Pledges of Receivables and Intra-Entity Transfers of Assets and Future Revenues". GASB Statement No. 48 established criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the County.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 16 – ADAMS COUNTY HOSPITAL

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adams County Hospital (the Hospital) is a 25-bed facility located in Adams County, Ohio and operated by a Board of Trustees as provided for under Ohio Revised Code Section 339. The Board of Trustees, appointed by Adams County judges and commissioners, is charged with the management and operation, finances and staff of the Hospital. The Hospital's operations consist of providing healthcare to residents of Adams County, Ohio, and the surrounding area.

Basis of Accounting

The Hospital utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis. Substantially all revenue and expenses are subject to accrual. Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements, including those issued after November 30, 1989.

Other activities that result in gains or losses unrelated to the Hospital's primary mission are considered to be non-operating. Non-operating gains and losses include proceeds from the sales tax levy, unrestricted contributions, interest earnings on investments and gains and losses from sale of assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Hospital considers cash and cash equivalents as those funds on deposit which mature in three months or less.

Inventories

Inventories are valued at the lower of cost or market as determined by the first-in, first-out (FIFO) method.

Bond Issuance Costs

Costs incurred in obtaining long-term debt financing are being amortized over the term of the obligations.

Assets Whose Use is Limited

Assets whose use is limited represent cash and cash equivalents set aside by the Board of Trustees for future capital improvements, over which the Board of Trustees retains control and may at its discretion subsequently, use for other purposes. Assets whose use is limited also include various externally restricted funds as well as trustee-held assets.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 16 – ADAMS COUNTY HOSPITAL (Continued)

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

Property, plant and equipment are reported on the basis of cost or at fair market value at the date received if acquired by gift. It is the Hospital's policy to capitalize acquired property, plant and equipment with a cost or fair market value of \$5,000. Expenditures for maintenance and repairs, which do not extend the useful lives of the applicable assets, are charged to expenses as incurred. Depreciation is computed using the straight-line method over the expected useful lives of depreciable assets. Equipment under capital leases are amortized using the straight-line method over the lesser of the lease term or the estimated useful life of the equipment. The estimated useful lives are as follows:

Land improvements	5 – 20 years
Building and fixed equipment	5 – 40 years
Major movable equipment	2 – 20 years
Leased equipment	3 – 15 years

Reclassifications

Certain 2006 accounts have been reclassified to conform to the 2007 presentation.

Lease Agreements

The liability for lease obligations which are in substance installment purchases have been recorded in the financial statements and the leased equipment capitalized as capital assets. The assets and liabilities under capital lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. Depreciation of capital leases is included in depreciation expense on the statements of operations and changes in net assets. Annual rentals pertaining to leases which convey merely the right to use property are charged to current operations.

Compensated Absences

The Hospital's employees earn vacation days at varying rates depending on years of service. Employees also earn sick leave benefits based on varying rates depending on years of service.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions, employee injuries and illness, 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.

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 adjustments under payment agreements with third-party payors. 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.

Operating Revenues

For purposes of these financial statements, operating revenues are those revenues generated by the Hospital for healthcare services rendered, grants received, or any other activity related to the Hospital's primary purpose as previously noted in Note 1.

**ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 16 – ADAMS COUNTY HOSPITAL (Continued)

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Third-Party Payors

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare and Medicaid

The Hospital is a provider of services under the Medicare and Medicaid programs. The Hospital is designated as a critical access facility by the Medicare program. As a result, Medicare inpatient and outpatient services are reimbursed at 101% of the cost of providing those services. Payment for a majority of Medicaid inpatient and outpatient services is based on a prospectively determined amount.

Other Payors

The Hospital has entered into agreements with certain commercial carriers. Reimbursement for services under these agreements includes discounts from established charges and other payment methodologies.

Gross patient service revenue and allowances to reconcile to net patient service revenue for the years ended December 31, 2007 and 2006, are as follows:

	<u>2007</u>	<u>2006</u>
Gross patient service revenue	\$ 35,764,287	\$ 39,900,387
less:		
Third party allowances	14,363,342	17,174,838
Charity care	75,468	177,175
Bad debts	<u>2,789,249</u>	<u>2,436,929</u>
Net patient service revenue	<u>\$ 18,536,228</u>	<u>\$ 20,111,445</u>

Charity Care

The Hospital provides care to patients who meet criteria under its charity care policy 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, they are not reported as revenues. Charges excluded from revenue under the Hospital's charity care policy for patients unable to pay were \$75,468 and \$177,175 for 2007 and 2006, respectively.

Restricted Resources

It is the Hospital's policy to first apply unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Restricted resources are used only after unrestricted resources have been depleted.

2. DEPOSITS

The Governmental Accounting Standards Board has established risk categories for deposits as follows:

Insured or collateralized with securities held by the entity or by its agent in the entity's name;

**ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 16 – ADAMS COUNTY HOSPITAL (Continued)

2. DEPOSITS (Continued)

Collateralized with securities held by the pledging financial institution’s trust department or agent in the entity’s name;

Uncollateralized (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity’s name.)

For the years ending 2007 and 2006, the carrying amount of the Hospital’s deposits was \$6,176,748 and \$20,420,371 and the bank balance was \$6,544,955 and \$20,742,523, respectively. Of the bank balances for 2007 and 2006, \$300,000 was covered by federal depository insurance and would belong in the risk category “insured or collateralized”; and \$6,244,955 and \$20,443,523, respectively, was covered by collateral held by third-party trustees pursuant to Section 135.181 of the Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions, and belong in the risk category “uncollateralized”.

Interest Rate Risk – The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit Risk – The Hospital may invest in United States obligations or any other obligation guaranteed by the United States; bonds, notes or any other obligations or securities issued by any federal government or instrumentality; time certificate of deposit or savings or deposit accounts, including passbook accounts, in any eligible institutions mentioned in Section 135.32; bonds and other obligations of the State of Ohio or the political subdivisions of the state provided that such political subdivisions are located wholly or partly within the same County; certain no load money market funds; certain commercial paper; and certain repurchase agreements.

Concentration of Credit Risk – The Hospital places no limit on the amount it may invest in any one issuer. The Hospital maintains its investments, which at times may exceed federally insured limits. The Hospital has not experienced any losses in such accounts. The Hospital believes that it is not exposed to any significant credit risk on investments.

3. THIRD-PARTY SETTLEMENTS AND COMPONENTS OF PATIENT ACCOUNTS RECEIVABLE

Estimated third-party settlements for the Medicare and Medicaid programs reflect differences between interim reimbursement and reimbursement as determined by cost reports filed after the end of each year. Such third-party settlements reflect differences owed to or by the Hospital. The years 2003 and thereafter remain unsettled at December 31, 2007 for Medicaid. The years 2006 and 2007 remain unsettled at December 31, 2007 for Medicare.

The Hospital’s patient accounts receivable (unsecured) were concentrated in the following payor classes:

	December 31	
	2007	2006
Medicare	28%	34%
Medicaid	23%	16%
Commercial and Other	20%	20%
Self-pay	29%	30%
	100%	100%

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 16 – ADAMS COUNTY HOSPITAL (Continued)

4. CAPITALIZED INTEREST

The Hospital follows the policy of capitalizing interest as a component of the cost of capital assets constructed for its own use. In 2007 and 2006, total interest incurred relating to Facility Improvement Bonds was \$1,773,293 and \$1,241,278, of which \$850,595 and \$85,904 was charged to interest expense during the year, respectively. In accordance with Financial Accounting Standards Board (FASB) guidelines, interest income earned by the Hospital related to this was netted with the interest expense capitalized.

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007:

	Balance 12/31/06	Additions	Transfers/ Disposals	Balance 12/31/07
Property, plant and equipment				
Construction in progress	\$ 12,205,672	\$ 13,253,592	\$ (23,680,653)	\$ 1,778,611
Depreciable property, plant and equipment				
Land improvements	298,786	-	144,998	443,784
Buildings	3,818,532	-	17,003,345	20,821,877
Fixed equipment	5,040,165	196,615	(626,331)	4,610,449
Major moveable equipment	4,669,168	257,930	(434,750)	4,492,348
Leased equipment	2,947,932	2,273,207	-	5,221,139
Total capital assets	<u>28,980,255</u>	<u>15,981,344</u>	<u>(7,593,391)</u>	<u>37,368,208</u>
Less accumulated depreciation				
Land improvements	291,999	25,244	(296,726)	20,517
Buildings	3,398,180	369,966	(3,237,310)	530,836
Fixed equipment	4,152,627	859,602	(2,248,306)	2,763,923
Major moveable equipment	3,618,441	487,686	(1,393,989)	2,712,138
Leased equipment	1,525,198	39,657	-	1,564,855
Total accumulated depreciation	<u>12,986,445</u>	<u>1,782,155</u>	<u>(7,176,331)</u>	<u>7,592,269</u>
Capital assets, net	<u>\$ 15,993,810</u>	<u>\$ 14,199,189</u>	<u>\$ (417,060)</u>	<u>\$ 29,775,939</u>

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 16 – ADAMS COUNTY HOSPITAL (Continued)

5. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended December 31, 2006:

	Balance 12/31/05	Additions	Transfers/ Disposals	Balance 12/31/06
Property, plant and equipment				
Construction in progress	\$ 3,107,911	\$ 9,712,709	\$ 614,948	\$ 12,205,672
Depreciable property, plant and equipment				
Land improvements	298,786	-	-	298,786
Buildings	3,818,532	-	-	3,818,532
Fixed equipment	4,932,856	107,309	-	5,040,165
Major moveable equipment	3,910,634	271,217	(487,317)	4,669,168
Leased equipment	1,425,681	1,522,251	-	2,947,932
Total capital assets	<u>17,494,400</u>	<u>11,613,486</u>	<u>127,631</u>	<u>28,980,255</u>
Less accumulated depreciation				
Land improvements	279,174	12,825	-	291,999
Buildings	3,332,944	65,236	-	3,398,180
Fixed equipment	3,680,343	472,284	-	4,152,627
Major moveable equipment	3,523,334	212,490	(117,383)	3,618,441
Leased equipment	1,281,948	243,250	-	1,525,198
Total accumulated depreciation	<u>12,097,743</u>	<u>1,006,085</u>	<u>(117,383)</u>	<u>12,986,445</u>
Capital assets, net	<u>\$ 5,396,657</u>	<u>\$ 10,607,401</u>	<u>\$ 10,248</u>	<u>\$ 15,993,810</u>

6. LONG-TERM DEBT

The following is a summary of the Hospital's long-term debt:

	December 31, 2007		
	Bond payable	Note payable	Capital lease
Debt outstanding December 31, 2006	\$ 27,480,000	\$ -	\$ 1,306,824
Additions of new debt	-	-	2,273,207
Repayments	340,000	-	426,270
Debt outstanding December 31, 2007	<u>\$ 27,140,000</u>	<u>\$ -</u>	<u>\$ 3,153,761</u>
Expected to be paid within one year	<u>\$ 355,000</u>	<u>\$ -</u>	<u>\$ 751,157</u>
	December 31, 2006		
	Bond payable	Note payable	Capital lease
Debt outstanding December 31, 2005	\$ 27,480,000	\$ 46,789	\$ 23,568
Additions of new debt	-	-	1,522,251
Repayments	-	46,789	238,995
Debt outstanding December 31, 2006	<u>\$ 27,480,000</u>	<u>\$ -</u>	<u>\$ 1,306,824</u>
Expected to be paid within one year	<u>\$ 340,000</u>	<u>\$ -</u>	<u>\$ 318,235</u>

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 16 – ADAMS COUNTY HOSPITAL (Continued)

6. LONG-TERM DEBT (Continued)

The Hospital is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued in 2005 to construct a new facility in Seaman, Ohio. The bonds are dated July 28, 2005 with an original issue of \$27,480,000. Interest rates range from 5.00% to 6.25%. The outstanding balance at December 31, 2007 was \$27,140,000. There are certain covenants associated with this bond issue that are in effect one year subsequent to the completion of the Hospital project. Future minimum principal and interest payments follow:

	Principal	Interest	Total
2008	\$ 355,000	\$ 1,738,000	\$ 2,093,000
2009	375,000	1,719,362	2,094,362
2010	395,000	1,698,738	2,093,738
2011	420,000	1,676,025	2,096,025
2012	445,000	1,650,828	2,095,828
2013-2017	2,665,000	7,802,250	10,467,250
2018-2022	3,610,000	6,857,214	10,467,214
2023-2027	4,935,000	5,533,128	10,468,128
2028-2032	6,765,000	3,706,302	10,471,302
2033-2036	7,175,000	1,202,178	8,377,178
	\$ 27,140,000	\$ 33,584,025	\$ 60,724,025

Capital lease obligations

The Hospital leases certain equipment under capital lease obligations. Interest rates range from 5.96% to 7.00%. The following are the net minimum future lease payments under these leases:

	2008	\$ 918,948
	2009	844,638
	2010	829,776
	2011	600,051
	2012	397,197
Total net future minimum lease payments		3,590,610
Less: amount representing interest		436,849
Total capital lease obligations		3,153,761
Less: current portion		751,157
Long-term capital lease obligations		\$ 2,402,604

Net book value of lease equipment included within capital assets follows:

	2007	2006
Cost	\$ 5,221,139	\$ 2,947,932
Accumulated depreciation	1,564,855	1,525,198
Net book value	\$ 3,656,284	\$ 1,422,734

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 16 – ADAMS COUNTY HOSPITAL (Continued)

7. OPERATING LEASES

The Hospital has entered into lease agreements for certain buildings and office equipment under operating lease terms. The following are the net future minimum lease payments for these leases:

2008	\$	600,768
2009		518,402
2010		505,115
2011		257,703
2012		31,792
	<u>\$</u>	<u>1,913,780</u>

Total rental expense for operating leases, including those with terms of one month or less, for the years ended December 31, 2007 and 2006 was \$160,968 and \$172,228, respectively, and is included within other expenses on the statements of operations and changes in net assets.

8. PENSION PLAN

The Hospital participates in a state pension plan, the Ohio Public Employees Retirement System (OPERS), which covers substantially all employees.

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement, disability, and survivor and death benefits and annual cost-of-living adjustments, and post-retirement healthcare benefits to qualifying members of both the Traditional Pension and Combined Plans; however, healthcare benefits are not statutorily guaranteed.

Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment healthcare coverage. Chapter 145 of the Ohio Revised Code assigns authority to establish and amend benefit provisions to the OPERS Board of Trustees.

The plan issues a separate, publicly available financial report that includes a balance sheet and required supplementary information. This report may be obtained by contacting: Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215, telephone 1-800-222-7377.

The Ohio Revised Code provides OPERS statutory authority for employer and employee contributions. The required, actuarially-determined contribution rates for the Hospital and for the employee are 13.85% and 9.5% respectively. The Hospital's contributions, representing 100% employer contributions, for the last three years are as follows:

<u>Year</u>	<u>Contribution</u>
2007	\$ 1,195,437
2006	1,251,934
2005	1,120,884

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 16 – ADAMS COUNTY HOSPITAL (Continued)

9. POST-EMPLOYMENT HEALTHCARE BENEFITS

In addition to the pension benefits described in Section 8 above, OPERS also provides post-retirement healthcare coverage, commonly referred to as OPEB (Other Post-Employment Benefits). The Ohio Revised Code provides the authority for public employers to fund post-retirement health care through their contributions.

OPERS provides post-retirement health care coverage to age and service retirees and dependents with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The portion of the 2007 employer contribution rate of 13.85% used to fund healthcare was 5% from January 1, 2007 through June 30, 2007 and 6% from July 1, 2007 through December 31, 2007. The total Hospital contribution used to fund health care was approximately \$388,000 and \$411,000 for the years ended December 31, 2007 and 2006, respectively.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

OPEB are advance-funded on an actuarially-determined basis. The number of active contributing participants at December 31, 2007 was 374,979. The actuarial value of the net assets available for OPEB at the most recent actuarial review performed December 31, 2007 was approximately \$12.0 billion. The actuarially accrued liability and the unfunded actuarially accrued liability, based on the actuarial cost method used, were approximately \$30.7 billion and \$18.7 billion, respectively, as of December 31, 2007.

The actuarial assumptions used to calculate these amounts are as follows:

Funding Method – An entry age actuarial cost method of valuations is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuations Method – All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

Investment Return – The investment assumption rate for 2006 was 6.50%.

Active Employee Total Payroll – An annual increase of 4.0%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from .50% to 6.30%.

Health Care – Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 6.3% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

10. MALPRACTICE INSURANCE

As of December 31, 2007, the Hospital carried occurrence basis malpractice insurance coverage of \$1,000,000 per claim and \$3,000,000 aggregate, plus excess liability coverage of \$5,000,000.

11. CONCENTRATIONS

Medicare and Medicaid accounted for approximately 69% and 60% of the Hospital's net patient service revenues during 2007 and 2006, respectively.

**ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 16 – ADAMS COUNTY HOSPITAL (Continued)

12. RESTRICTED FUND BALANCES

Temporarily restricted fund balances are available for the issuance of scholarships, purchase of gifts and for the purchase of medical equipment to be used to treat those with tobacco-related illnesses.

13. FOUNDATION AND CONTRIBUTED LAND

The land on which the new Hospital facility is being constructed is being leased by its current owners to the Adams County Medical Foundation, Inc. (the “Foundation”). The Foundation is allowing the Hospital to construct its new facility on the land. The Foundation’s lease of the land is for \$1 for the term of the lease. The lease term is indefinite allowing the Foundation time to apply for nonprofit status under Section 501 (c)(3) under the Internal Revenue Code. Upon approval of nonprofit status the land will be contributed to the Foundation.

The Foundation was formed exclusively for nonprofit charitable, scientific, or educational purposes and was established to provide services exclusively for the benefit of Adams County Hospital and to further the Hospital’s goals and services relating to the general health and well-being of the citizens of Adams County, Ohio and surrounding areas.

The Foundation had financial activity of approximately \$9,000 and \$5,000 in 2007 and 2006.

14. RISKS AND UNCERTAINTIES

The Hospital’s net assets decreased approximately \$2,716,000 and \$343,000 in 2007 and 2006, respectively. Further, the Hospital’s operating revenues decreased 7% to approximately \$19,121,000 while expenses increased 2% to \$21,753,000. The result is a loss from operations of approximately \$2,632,000 in 2007.

The Hospital occupied a newly constructed facility in 2007. This facility was financed through a bond issue of \$27,480,000 which required annual debt service payments of approximately \$2,000,000 beginning in 2008. The agreement calls for certain debt covenants to be met beginning the first year upon completion of the project. The covenants include debt service coverage equal to at least 120% of maximum annual debt service.

Management of the Hospital plans to return the Hospital to profitability through evaluation of contribution margins of certain lines of business, renegotiation of supplies contracts and vendor agreements, flexing staff levels consistent with inpatient census needs in addition to other cost containment initiatives.

ADAMS COUNTY

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
Food Donation	N/A	10.550	-	4,632
Nutrition Cluster:				
School Breakfast Program	05PU	10.553	2,630	-
National School Lunch Program	LLP4	10.555	3,822	-
Total Nutrition Cluster			<u>6,452</u>	<u>-</u>
Total United States Department of Agriculture			6,452	4,632
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed Through Ohio Department of Development:</i>				
Community Development Block Grants				
	B-C-05-001-1	14.228	46,000	-
	B-F-06-001-1	14.228	136,345	-
	B-W-06-001-1	14.228	250,740	-
			<u>433,085</u>	<u>-</u>
Home Investment Partnerships Program	B-C-05-001-2	14.239	<u>155,640</u>	<u>-</u>
Total United States Department of Housing and Urban Development			588,725	-
U.S. DEPARTMENT OF TRANSPORTATION				
<i>Direct from the Federal Government:</i>				
Airport Improvement Program	N/A	20.106	<u>404,981</u>	<u>-</u>
Total U.S. Department of Transportation			404,981	-
UNITED STATES DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Grants to States	6BSHF	84.027	22,574	-
State Grants for Innovative Programs	C2S1	84.298	<u>41</u>	<u>-</u>
<i>Passed Through Ohio Department of Health:</i>				
Special Education Grants for Infants and Families w/Disabilities	1-EG	84.181	<u>63,893</u>	<u>-</u>
Total United States Department of Education			86,508	-

ADAMS COUNTY

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Social Services Block Grant	N/A	93.667	25,170	-
Medical Assistance Program	N/A			
Targeted Case Management		93.778	12,857	-
Day Hab-L1 Waiver		93.778	128,387	-
Day Hab-I/O Waiver		93.778	28,429	-
Total Medical Assistance Program			<u>169,673</u>	<u>-</u>
Total United States Department of Health and Human Services			194,843	-
UNITED STATES DEPARTMENT OF HOMELAND SECURITY				
<i>Passed Through Ohio Emergency Management Agency:</i>				
Emergency Management Performance Grants	N/A	97.042	16,446	-
State Homeland Security Program	N/A	97.073	15,146	-
Total United States Department of Homeland Security			<u>31,592</u>	<u>-</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>1,313,101</u>	<u>4,632</u>

The Notes to the Schedule of Federal Awards Expenditures are an integral part of this Schedule.

ADAMS COUNTY

*Notes to Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2007*

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Department of Development (ODOD). The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

NOTE 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 on non-federal matching funds is not included in the Schedule.

NOTE D – FOOD DONATION

Program regulations do not require the County to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditure) is reported in the Schedule at the fair market value of commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE E – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAM

Cash receipts from the U.S. Department of Agriculture for the National School Lunch and Breakfast Program are commingled with State grants. It is assumed federal revenues were expended on a first in/first out basis.

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Ohio Society of Certified Public Accountants

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Commissioners
Adams County
110 West Main Street
West Union, Ohio 45693

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Adams County, Ohio (the County), as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 30, 2008 wherein we noted the County, except for Adams County Hospital, (the Hospital), a county enterprise fund, prepared its financial statements on a basis of accounting other than accounting principles generally accepted in the United States of America, implemented Governmental Accounting Standard Board Statement No. 48, the County's cash basis financial statements do not include amounts related to the Hospital in its fund statements or its entity wide statements, and the County did not include all receipts, disbursements and cash balances related to the Ambulance and EMS Special Revenue Fund (010) in its fund statements or entity wide statements. Accordingly, the County's financial statements do not present fairly the financial position of the proprietary funds or business-type activities for the County as of December 31, 2007 or the changes in its cash basis financial position for the year then ended. We qualified our report on all other governmental funds because financial transactions of the Ambulance and EMS Fund were omitted. We did not audit the financial statements of Venture Productions Inc. which is included as a discrete presentation and the Adams County Hospital, which is presented as stand-alone statements of the County's basic financial statements. These financial statements were audited by other auditors whose reports thereon has been furnished to us and our opinion insofar as it relates to the amounts included for Venture Productions Inc. and Adams County Hospital are solely 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 the Comptroller General of the United States' *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items number 2007-003, 2007-004, 2007-005 and 2007-006 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item number 2007-006 to be a material weakness.

We also noted certain internal control matters that we reported to the County's management in a separate letter dated June 30, 2008.

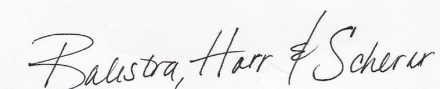
Compliance and Other Matters

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 grant agreements, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2007-001 and 2007-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated June 30, 2008.

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did audit the County's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management, the Board of 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.



Balestra, Harr & Scherer, CPAs, Inc.
June 30, 2008

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Commissioners
Adams County
110 West Main Street
West Union, Ohio 45693

Compliance

We have audited the compliance of Adams County (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 each of its major federal programs for the year ended December 31, 2007. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Government's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Government's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as items 2007-007.

In a separate letter to the County's management dated June 30, 2008 we reported an other matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

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

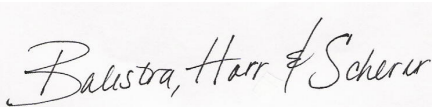
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as finding 2007-006 to be a significant deficiency.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings, we consider finding 2007-006 to be a material weakness.

The County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of, management, Board of 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.



Balestra, Harr & Scherer, CPAs, Inc.
June 30, 2008

ADAMS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 Section .505
December 31, 2007

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Adverse
<i>(d)(1)(ii)</i>	Were there any material weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Development Block Grant CFDA# 14.228 Airport Improvement Program CFDA# 20.106
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

ADAMS COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505
December 31, 2007
(Continued)

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

Finding Number 2007-001

Noncompliance Citation

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

Ohio Admin Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements in accordance with the cash basis of accounting. The accompanying financial statements and notes omitted assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the County may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The County should prepare its annual financial report in accordance with generally accepted accounting principles.

Clients Response: The client chose not to respond.

Finding Number 2007-002

Noncompliance Citation

Ohio Rev. Code Section 307.05 and 9.60, provide authority for the County to contract for emergency medical services with private organizations or with another political subdivision. ORC Section 307.05 also provides the authority for the County to operate an ambulance service organization or emergency medical service organization. A contract for services shall include the terms, conditions, and stipulations as agreed to by the parties to the contract. It may provide for a fixed annual charge to be paid or for compensation to be based upon a stipulated per service fee, number of persons served, elapsed time of services, pieces of apparatus employed, or any combination thereof.

The County has used up to five separate nonprofit organizations to operate their emergency medical services. However, there were no written contracts between the County and the nonprofit organizations as provided by the above section of law.

Ohio Revised Code Section 307.05 requires contracts shall not be entered into with a nonprofit corporation that receives more than half of its operating funds from governmental entities with intention of directly competing with the operation of other ambulance service organizations unless the contract is awarded after submission of bids and awarding to the lowest and best bid.

ADAMS COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505
December 31, 2007
(Continued)

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

Finding Number 2007-002 (Continued)

Adams County operates emergency medical services under a voted tax levy which funds these services provided to County residents. There are five separate EMS organizations that service the County. Each of the five EMS organizations have separate bank accounts which the EMS maintain and contain funds each EMS organization has collected for billing to individuals of EMS services they provide. Some of the EMS organizations bank accounts also contain funds they have obtained via fundraising activities of the organization. These bank accounts are not currently held by the County and the funds are not deposited

Clients Response: The County is presently in conversation with Prosecuting Attorney in order to address this condition and resolve this issue.

Finding Number 2007-003

Significant Deficiency

Currently the County does not contact with the five EMS organizations operating in the County to provide EMS services. According to ORC Section 307.05, the County may operate or contract to provide these services. Should the County determine to enter into contracts with outside organizations for EMS services, we suggest inclusion of the following items:

- Due to weaknesses in not segregating the accounting for the County tax levy funds, we recommend the contract require that the EMS organizations not commingle those public tax levy funds with any private funds. The public funds should be accounted for separately from the private funds to provide accountability to the taxpayers of the County that levy funds are being used in accordance with the actual tax levy language.
- The EMS organizations should be required to provide annual financial statements to the County to provide accountability of the use of public tax levy funds. In order to provide additional assurance regarding these financial statements, the County may require audits of the financial statements.
- The County should annually evaluate the need for the county wide tax levy, based upon review of the operations of these EMS organizations and review of those revenues each organization generates as a result of billings for EMS transports or other income generating methods. Additionally the County may require the individual EMS organization to submit yearly budgets which detail the needs of levy funds for the upcoming contract year.
- The County should include in the contract a policy provision regarding the use of public tax levy funds. Policies should be set in accordance with Auditor of State Bulletin #2003-005 and 2004-002 which discusses the allowable use of public funds.
- Each EMS organization should consult with its legal counsel to determine its legal rights and responsibilities regarding billing individuals for transport services.

ADAMS COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505
December 31, 2007
(Continued)

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

Finding Number 2007-003 (Continued)

- The contract should detail specifically the services, considerations, responsibilities and other contractual issues expected of the parties.
- The contract should address the status, supervision and management of the 21 individuals currently on the County payroll who are dispatchers/EMTs for the various organizations. Specifically, the contract should also address whether the individuals are contractors or County employees, compensation levels, PERS, etc.
- The contract should address the employment status of the Squad Chiefs. Currently the Chiefs receive a monthly pay from the County; however PERS is not withheld. We were unable to find written contracts with the County outlining the Chief's duties, employee status, management responsibilities, or compensation levels.

Clients Response: The County is presently in conversation with Prosecuting Attorney in order to address this condition and resolve this issue.

Finding Number 2007-004

Significant Deficiency

The Ohio Supreme Court case of State ex. rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. As described in Auditor of State Bulletin 2003-05, citing Ohio Attorney General Opinion 82-006, the determination of proper public purpose of an expenditure for funds for "coffee, meals, refreshments, and other amenities is a legislative decision..." As such, the decision to expend public funds "...must be made in accordance with the procedural formalities governing the exercise of legislative power. Specifically, the decision and the rationale for the decision must be memorialized by a duly enacted ordinance or resolution..."

Auditor of State Bulletin 2004-002 states that policies related to the expenditure of public funds and the "proper public purpose" should be in writing and in effect prior to making the expenditure. Therefore, the public entity can specify what constitutes a public purpose through policies and procedures, which have been memorialized by the public entity in a resolution with a prospective effect only.

All five EMS organizations had expenditures for, among other things; meals, gifts, flowers, annual dinners, baseball game outings, and/or personal loans. The expenditures were not covered under any written or adopted policy. Policies should be established and followed to assure that public funds are expended for a proper public purpose.

Clients Response: The County is presently in conversation with Prosecuting Attorney in order to address this condition and resolve this issue.

ADAMS COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505
December 31, 2007
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number 2007-005

Significant Deficiency

The Sheriff Department leave records indicated several discrepancies between employee leave request forms and approval forms and departmental balances; these discrepancies did lead to an overpayment. Also, there was no evidence that payroll review for the Sheriff Department employees' leave balances was being performed. We recommend that the leave request and approval forms agree to the payroll computation sheets and that due care be exercised when posting leave accrual and usage for employees. In addition, the Sheriff Department should have all payroll forms reviewed, approved and signed prior to submitting payroll for processing by the County Auditor.

Clients Response: Each pay period, both Clerks will check vacation, sick leave balances, etc. to ensure accurate totals. The Sheriff will also sign off along with both Clerks.

Finding Number 2007-006

Significant Deficiency – Material Weakness

Sound financial reporting is the responsibility of the County's Auditor and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. There were several adjustments that were made to the Schedule of Federal Awards Expenditures.

Lack or failure of controls over the reporting of federal expenditures can result in errors and irregularities in financial reporting.

The County should develop policies and procedures to enhance its controls over recording of financial reporting to help ensure the information accurately reflects the activity of the County.

Clients Response: To alert individual offices of these policies and procedures to correct for future audits.

ADAMS COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505
December 31, 2007
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2007-007
CFDA Title and Number	Community Development Block Grant – CFDA #14.228
Federal Award Number/Year	2007
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance Citation – Cash Management

Office of Housing and Community Partnership Financial Management Rules and Regulations, Section (A)(3)(f), states the grantees must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds. Lump sum draw downs are not permitted. Escrow accounts are permitted only in the case of rehabilitation of private property. For the purpose of the Fifteen Day Rule only, funds deposited into an escrow account will be considered expended, but it should be noted that funds may only be in an escrow account for 20 days.

Drawdowns were not expended within 15 days to a fund balance of less than \$5,000 for 7 of the 10 drawdowns of grant funding received during the audit period. Disbursements were made up to several months after the 15 day limitation had expired resulting in noncompliance.

Drawdowns should be monitored to ensure that funds are expended within 15 days of receipt.

Clients Response: Our office will make every attempt to draw funds more promptly. Ohio Department of Development is moving to an electronic transfer of funds system, which should make drawing funds down easier and more efficient.

ADAMS COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
FOR THE YEAR ENDED DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2006-001	Ohio Admin Code Section 117-6-01 requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. The County filed its report using the cash basis of accounting.	No	Not Corrected. Reissued as 2007-001.
2006-002	Contrary to ORC 307.05 and 9.60, the County did not have written contracts between the County and non profit organizations providing emergency medical services.	No	Not Corrected. Reissued as Finding 2007-002
2006-003	Lack of a contract with non profit organizations providing EMS services and lack of appropriate reviews of the financial information.	No	Not Corrected. Reissued as Finding 2007-003
2006-004	All five EMS organizations had expenditures which were not covered under any written or adopted policy to assure that public funds were expended for a proper public purpose.	No	Not Corrected. Reissued as Finding 2007-004
2006-005	Office of Housing and Community Partnership Financial Management Rules and Regulations, Section (A)(3)(f), states the grantees must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds.	No	Not Corrected. Reissued as 2007-007.



Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

ADAMS 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
JUNE 30, 2009**