

Brown County
Brown County, Ohio

Single Audit

January 1, 2008 through December 31, 2008
Fiscal Years Audited Under GAGAS: 2008



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

Board of County Commissioners
Brown County
800 Mount Orab Pike
Georgetown, Ohio 45121

We have reviewed the *Independent Auditor's Report* of Brown County prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2008 through December 31, 2008. 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.

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. Brown County is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 15, 2009

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BROWN COUNTY
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Independent Auditor's Report

County Commissioners
Brown County
800 Mt. Orab Pike
Georgetown, Ohio 45121

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, the aggregate discretely presented component unit and the aggregate remaining fund information of Brown County, Ohio, (the County) as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Brown County General Hospital. 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 the Brown County General Hospital, is 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. 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 provides a reasonable basis for our opinions based on our audit and the report of other auditors

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 the Brown County General 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 disclosures that, while material, we cannot determine at this time.

The Brown County General Hospital financial statements are presented as stand alone statements. In our opinion, based on the report of other auditors, the Brown County General Hospital's stand alone financial statements present fairly, in all material respects, its financial position as of December 31, 2008, and its changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Further, in our opinion, the financial statements referred to in the third paragraph above, present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of December 31, 2008, and the respective changes in financial position and the respective budgetary comparison for the General and major special revenue funds, for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2009, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as 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. Such information 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.

As described in Note 18, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and Statement No. 50, *Pension Disclosures – an Amendment of GASB Statements No. 25 and No. 27*.



Balestra, Harr & Scherer, CPAs, Inc.
July 24, 2009

Brown County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

The discussion and analysis of Brown County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2008, 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 15.

Financial Highlights

Key financial highlights for 2008 are as follows:

Overall:

Total net assets decreased \$1,271,840 with governmental activities decreasing by \$1,326,800 and business-type activities increasing by \$54,960.

Total cash receipts were \$29,758,937 in 2008.

Total cash disbursements were \$31,030,777 in 2008.

Governmental Activities:

Total program cash receipts were \$18,435,379 in 2008, while program cash disbursements were \$30,493,647.

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 \$6,351,053, \$5,596,921, \$5,076,248, \$4,162,806, and \$3,785,637, respectively, in 2008.

Business-Type Activities:

Program cash receipts were \$568,662 for business-type activities, while corresponding cash disbursements were \$537,130.

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 the 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 the County, the General Fund, the Job and Family Services Fund, and the Auto and Gas Tax Fund are the most significant funds and have been presented as major funds.

Reporting the County as a Whole

The County's Reporting Entity Presentation

This annual report includes all activities for which the 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 component units. The primary government consists of Brown County. The component unit presentation includes Grow, Inc. on pages 15, 16, and 17 presented on a cash basis and Brown County General Hospital on pages 26 through 29 presented on the accrual basis of accounting.

Brown County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

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 2008?" 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, 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 solid waste program and the water and sewer activities are reported as business-type activities.

Component Unit Activities – Although Grow, Inc. is a separate legal entity, the County includes their activities since the County is financially accountable for this entity. Brown County General Hospital is also a separate legal entity; however, their financial statements are presented on the accrual basis of accounting. Therefore the financial statements of the Brown County General Hospital are presented separately on pages 26 through 29.

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 Job and Family Services Fund, and the Auto and Gas Tax 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*.

Brown County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

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 basis of 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 2008 as compared to 2007:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007 *	2008	2007 *	2008	2007*
Assets						
Equity in Pooled Cash & Cash Equivalents	\$ 15,161,224	\$16,488,024	\$464,367	\$409,407	\$15,594,547	\$16,897,431
Total Assets	15,161,224	16,488,024	464,367	409,407	15,594,547	16,897,431
Net Assets						
Restricted	13,158,272	13,935,492	0	0	13,158,272	13,935,492
Unrestricted	2,002,952	2,552,532	464,367	409,407	2,467,319	2,961,939
Total Net Assets	<u>\$15,161,224</u>	<u>\$16,488,024</u>	<u>\$464,367</u>	<u>\$409,407</u>	<u>\$15,625,591</u>	<u>\$16,897,431</u>

* - As Restated – See Note 2

Total net assets decreased by \$1,271,840 due to cash disbursements exceeding cash receipts.

Brown County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Table 2 shows the changes in net assets for 2008 as compared to 2007.

Table 2
Changes in Net Cash Assets

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Cash Receipts						
<i>Program Cash Receipts</i>						
Charges For Services	\$3,716,074	\$3,746,930	\$568,662	\$502,271	\$4,284,736	\$4,249,201
Operating Grants and Contributions	14,363,792	15,125,090	0	0	14,363,792	15,125,090
Capital Grants and Contributions	355,513	887,668	0	0	355,513	887,668
Total Program Cash Receipts	18,435,379	19,759,688	568,662	\$502,271	19,004,041	20,261,959
<i>General Cash Receipts and Transfers</i>						
Property Taxes	2,791,948	3,084,941	0	0	2,791,948	3,084,941
Sales Taxes	3,147,778	3,248,786	0	0	3,147,778	3,248,786
Grants and Entitlements Not						
Restricted to Specific Programs	1,376,108	512,214	0	0	1,376,108	512,214
Miscellaneous	398,030	750,792	0	0	398,030	750,792
Interest	907,224	836,320	0	0	907,224	836,320
Other	0	100,045	0	0	0	100,045
Proceeds from the Sale of Capital Assets	109,620	0	3,428	0	113,048	0
Refunding Bonds Issued	1,960,000	0	0	0	1,960,000	0
Premiums on Refunding Bonds Issued	60,760	0	0	0	60,760	0
Transfers In/Out (Net)	(20,000)	(20,000)	20,000	20,000	0	0
Total General Cash Receipts and Transfers	10,731,468	8,513,098	23,428	20,000	10,754,896	8,533,098
Total Cash Receipts	29,166,847	28,272,786	592,090	522,271	29,758,937	28,795,057
Cash Disbursements						
<i>Program Cash Disbursements</i>						
<i>General Government</i>						
Legislative and Executive	4,162,806	3,960,649	0	0	4,162,806	3,960,649
Judicial	2,199,142	2,052,801	0	0	2,199,142	2,052,801
Public Safety	3,785,637	3,066,961	0	0	3,785,637	3,066,961
Public Works	5,596,921	4,981,226	0	0	5,596,921	4,981,226
Health	5,076,248	4,859,989	0	0	5,076,248	4,859,989
Human Services	6,351,053	6,072,679	0	0	6,351,053	6,072,679
Community and Economic Development	489,172	549,422	0	0	489,172	549,422
Capital Outlay	435,829	797,201	0	0	435,829	797,201
<i>Debt Service:</i>						
Principal Retirement	255,000	221,844	0	0	255,000	221,844
Interest and Fiscal Charges	63,293	131,955	0	0	63,293	131,955
Issuance Costs	40,232	0	0	0	40,232	0
Payment to Refunded Bond Escrow Agent	2,038,314	0	0	0	2,038,314	0
Solid Waste	0	0	514,846	457,396	514,846	457,396
Sewer and Water	0	0	22,284	26,921	22,284	26,921
Total Cash Disbursements	30,493,647	26,694,727	537,130	484,317	31,030,777	27,179,044
Change in Net Cash Assets	(1,326,800)	1,578,059	54,960	37,954	(1,271,840)	1,616,013
Net Assets at Beginning of Year	16,488,024	14,909,965	409,407	371,453	16,897,431	15,281,418
Net Assets at End of Year	\$15,161,224	\$16,488,024	\$464,367	\$409,407	\$15,625,591	\$16,897,431

Brown County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Net assets decreased \$1,326,800 in governmental activities in 2008. Program cash receipts were primarily composed of charges for services and operating grants and contributions which were \$3,716,074 and \$14,363,792, respectively. The largest decrease was in operating grants and contributions which was primarily due to decreases in intergovernmental receipts in the Jobs and Family Services program and various other programs. Program cash disbursements increased primarily due to an increase in cash disbursements in public works for roads and bridges, general governments cash disbursements, and public safety disbursements. Property taxes and sales taxes made up 9.6 percent and 10.8 percent, respectively, of cash receipts for governmental activities for the County in 2008. Operating grants and contributions made up 49.2 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 39.81 percent as shown in Table 2. The taxpayers and the State of Ohio, as a whole, provide the vast majority of resources for Brown County. Table 3 below shows the total and net cost of services (on the cash basis) for the County.

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

	2008		2007	
	<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	\$4,162,806	\$2,742,570	\$3,960,649	\$2,296,158
Judicial	2,199,142	1,249,828	2,052,801	852,399
Public Safety	3,785,637	2,765,072	3,066,961	1,820,973
Public Works	5,596,921	1,109,269	4,981,226	428,928
Health	5,076,248	1,013,609	4,859,989	924,315
Human Services	6,351,053	662,835	6,072,679	397,995
Community and Economic Development	489,172	63,835	549,422	(49,061)
Capital Outlay	435,829	54,359	797,201	(90,467)
Debt Service				
Principal Retirement	255,000	255,000	221,844	221,844
Interest and Fiscal Charges	63,293	63,293	131,955	131,955
Issuance Costs	40,232	40,232	0	0
Payments to Refunded				
Bond Escrow Agent	2,038,314	2,038,314	0	0
Total Cash Disbursements -				
Governmental Activities	<u>\$30,493,647</u>	<u>\$12,058,216</u>	<u>\$26,694,727</u>	<u>\$6,935,039</u>
Business-Type Activities				
Solid Waste	\$514,846	(\$48,797)	\$457,396	(\$35,709)
Sewer and Water	22,284	17,265	26,921	17,755
Total Cash Disbursements -				
Business-Type Activities	<u>\$537,130</u>	<u>(\$31,532)</u>	<u>\$484,317</u>	<u>(\$17,954)</u>

Brown County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Business-Type Activities

Business-type activities include solid waste management and water and sewer services. Overall net assets increased \$54,960 from 2007 to 2008. Program cash receipts generally supported business-type activities and during 2008 program cash receipts exceeded program cash disbursements, which resulted in the above increase. However, the water and sewer services required a transfer in of \$20,000 to subsidize their operations.

The County's Funds

Information about the County's major funds starts on page 18. These funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts of \$27,056,467 and cash disbursements of \$28,455,333. The net change in fund balance for the year was most significant in the General Fund, the Auto and Gas Tax Fund and the Public Assistance Fund. The fund balance in the General Fund decreased \$549,580 primarily due to slight decreases in cash receipts as well as increases in cash disbursements for general government, public safety and transfers out. The fund balance of the Auto and Gas Tax Fund decreased \$561,374 primarily due to an increase in cash disbursements. The fund balance of the Job and Family Services Fund decreased \$251,441 primarily due to a decrease in intergovernmental receipts and an increase in cash disbursements.

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 \$8,222,097. Actual cash basis receipts were \$770,915 higher than final budgeted receipts which was primarily due to higher than expected intergovernmental, interest, and other receipts. Total actual disbursements on the budget basis (cash plus encumbrances) were \$8,702,307, which was \$789,611 below final appropriated disbursements. The actual fund balance for the General Fund exceeded the final budgeted fund balance by \$1,650,667.

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.

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, 2008, the County had \$1,988,958 in bonds and related long-term debt for governmental activities. For additional information on debt, please see Note 14 to the basic financial statements.

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

	2008	2007
General Obligation Bonds	\$1,760,000	\$2,011,603
Forgivable Debt	228,958	237,708
Totals	\$1,988,958	\$2,249,311

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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 citizens, taxpayers, 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 Doug Green, County Auditor of Brown County, 800 Mt. Orab Pike, Suite 181, Georgetown, Ohio 45121, or email at dgreen@browncountyauditor.org.

Brown County Hospital

The discussion and analysis of Brown County General Hospital ("the Hospital") financial performance provides an overview of the Hospital's financial activities for the fiscal year ended December 31, 2008. Please read it in conjunction with the Hospital's financial statements, which begin on page 26.

Financial Highlights

- The Hospital's net assets decreased approximately \$3,486,000 and \$1,487,000 in 2008 and 2007, respectively.
- During the year, the Hospital's operating revenues decreased 2% to approximately \$33,936,000 while operating expenses increased 3% to \$36,991,000. The result is a loss from operations of approximately \$3,054,000 compared to an operating loss of \$1,438,000 in 2007.
- Significant capital acquisitions included a modular building that will house the Hospital's new MRI unit. The source of funding for this project was through a capital lease.
- The Hospital did not meet certain covenants related to its debt outstanding at December 31, 2008. Management of the Hospital intends to return the Hospital to profitability through evaluation of contribution margins of certain lines of business, rates charged and evaluation of staffing levels consistent with service level needs, among other plans.
- The Hospital is currently seeking an affiliation agreement with another hospital or hospital system.

Using This Annual Report

The Hospital's financial statements consist of three statements—a Balance Sheet; a Statement of Operations and Changes in Net Assets; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Hospital.

The Balance Sheet and Statement of Operations and Changes in Net Assets

The analysis of the Hospital finances begin on page 12. One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Operations and Changes in Net Assets report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Brown County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Brown County Hospital (Continued)

These two statements report the Hospital's net assets and related changes. 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.

Statement of Cash Flows

The final required statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and related financing activities. It provides answers to such questions as “where did cash come from?”, “what was cash used for?” and “what was the change in cash balance during the reporting period?”

Net Assets

A summary of the Hospital's Statement of Net Assets as of December 31, 2008, 2007 and 2006 is presented below (in thousands):

Table 1: Assets, Liabilities, and Net Assets (in thousands)

	2008	2007	2006
Assets			
Cash and cash equivalents	\$ 1,007	\$ 1,801	\$ 1,309
Capital assets	11,268	10,530	12,272
Patient accounts receivable, net	4,146	4,966	5,362
Other assets	936	1,203	1,617
Total assets	<u>\$ 17,357</u>	<u>\$ 18,500</u>	<u>\$ 20,560</u>
Liabilities			
Current portion of long-term liabilities	\$ 732	\$ 277	\$ 304
Other current liabilities	4,487	4,109	4,063
Long-term liabilities	<u>2,519</u>	<u>1,010</u>	<u>1,602</u>
Total liabilities	7,738	5,396	5,969
Net assets			
Invested in capital assets, net of related debt	8,017	9,244	11,465
Unrestricted	1,459	3,675	2,985
Restricted	<u>143</u>	<u>185</u>	<u>141</u>
Total net assets	<u>9,619</u>	<u>13,104</u>	<u>14,591</u>
Total liabilities and net assets	<u>\$ 17,357</u>	<u>\$ 18,500</u>	<u>\$ 20,560</u>

Net assets decreased to \$9.6 million in 2008, down from \$13.1 million in 2007.

Total assets decreased 6%, primarily from decreases in cash, patient accounts receivables and other assets. Total liabilities increased 43% during the year due to new capital leases entered into during the year approximating \$2,447,000 offset by payments of long-term debt and capital leases. Total net assets decreased primarily due to the combination of the operating loss and non-operating expenses, which totaled approximately \$3,486,000.

Brown County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Brown County Hospital (Continued)

Capital Assets

At year-end, the Hospital had \$11.3 million invested in capital assets. This amount represents a net increase (including additions, deletions, and depreciation expense) of \$738,000, or 7%, from last year. Refer to Note 17 of the notes to the basic financial statements for additional information regarding capital assets.

Debt Administration

At year-end, the Hospital had \$3.3 million in outstanding debt (including capital lease obligations and a line of credit) versus \$1.3 million last year, an increase of 154%. The increase in outstanding debt is due to the leasing of the following new capital assets: an ultrasound machine; an MRI machine and a related building to house the MRI. Interest rates for these capital leases vary from 3.8% to 5.54%. For a breakdown of the interest payment schedule and a detailed presentation of debt acquisitions and retirements for the year, refer to Note 17 of the notes to the basic financial statements.

Payor 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.

A summary of the Hospital's revenues, expenses and changes in net assets for the years ended December 31, 2008, 2007 and 2006 are presented below (in thousands):

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating Revenues			
Net patient service revenues	\$ 33,630	\$ 34,004	\$ 33,050
Other revenues	306	489	402
Total revenues	<u>33,936</u>	<u>34,493</u>	<u>33,452</u>
Operating expenses			
Salaries and benefits	21,303	20,804	20,778
Supplies and other	9,798	10,128	10,106
Purchased services and professional fees	3,986	3,164	3,076
Depreciation	1,904	1,835	1,905
Total operating expenses	<u>36,991</u>	<u>35,931</u>	<u>35,865</u>
Loss from operations	(3,054)	(1,438)	(2,413)
Non-operating (expenses) revenues	<u>(431)</u>	<u>(49)</u>	<u>21</u>
Change in net assets	<u>\$ (3,485)</u>	<u>\$ (1,487)</u>	<u>\$ (2,392)</u>

Brown County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Brown County Hospital (Continued)

Operating Gains/Losses

The Hospital generated 4.6% more gross revenues from patients in 2008 compared to 2007, but continued to have a loss from operations due to increases in contractual allowances, bad debts and increases in operating expenses. This section will discuss highlights of 2008 operations and changes in activity.

Operating Revenues

Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as inpatient services, outpatient services, physician offices, and the cafeteria. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for services.

Operating revenue changes were a result of the following factors:

- Net patient service revenue decreased approximately \$374,000. This was attributable primarily to a decrease in inpatient revenue and an increase in revenue deductions. Revenue deductions are the amounts that are not paid to the Hospital under contractual agreements with Medicare, Medicaid, and other payors. These revenue deductions increased from 47% to 50% as a percentage of gross revenue.
- Other operating revenue decreased approximately \$183,000 due to a decrease in worker's compensation settlements and the termination of the Life Alert System during the year.

Expenses

Operating expenses are the costs necessary to perform and conduct the services and primary purposes of the Hospital. Total operating expenses increased in 2008 to \$36,991,000, a \$1,060,000 increase over 2007. The operating expense changes were the result of the following factors:

- Salary and benefits costs increased 2% due to changes in staffing levels and health insurance costs.
- Purchased services increased 26% due to new service agreements in 2008 relating to emergency room physician fees, a hospitalist and pain management.

ECONOMIC FACTORS AND 2009 BUDGET

The Hospital's Board and management considered many factors when setting the 2009 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:

- 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 costs of medical supplies
- Access to additional capital
- Increasing drug costs

Brown County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Brown County Hospital (Continued)

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

Contacting the Hospital's Management

This financial statement is designed to provide users with a general overview of the Hospital's finances. Questions or comments about this report should be directed to Mr. Michael Patterson, CEO, by telephone at 1-937-378-7500, or by mail to the Administrative Department at 425 Home Street, Georgetown, OH 45121.

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Brown County
Statement of Net Assets - Cash Basis
As of December 31, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Grow, Inc.
ASSETS:				
Equity in Pooled Cash, Cash Equivalents, and Investments	\$15,161,224	\$464,367	\$15,625,591	\$0
Cash and Cash Equivalents	0	0	0	31,889
<i>Total Assets</i>	<u>15,161,224</u>	<u>464,367</u>	<u>15,625,591</u>	<u>31,889</u>
NET ASSETS:				
Restricted for Debt Service	418,318	0	418,318	0
Restricted for Capital Outlay	1,123,939	0	1,123,939	0
Restricted for Public Assistance	4,711,918	0	4,711,918	0
Restricted for Mental Health	1,584,326	0	1,584,326	0
Restricted for MR/DD	1,267,249	0	1,267,249	0
Restricted for Real Estate Assessment	607,037	0	607,037	0
Restricted for 911 Services	563,596	0	563,596	0
Restricted for Childrens Services	560,052	0	560,052	0
Restricted for Motor Vehicle Gas Tax	490,426	0	490,426	0
Restricted for Other Purposes	1,831,411	0	1,831,411	0
Unrestricted	<u>2,002,952</u>	<u>464,367</u>	<u>2,467,319</u>	<u>31,889</u>
<i>Total Net Assets</i>	<u><u>\$15,161,224</u></u>	<u><u>\$464,367</u></u>	<u><u>\$15,625,591</u></u>	<u><u>\$31,889</u></u>

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

Brown County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2008

	Program Cash Receipts			
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government:				
Legislative and Executive	\$4,162,806	\$1,357,763	\$62,473	\$0
Judicial	2,199,142	940,971	8,343	0
Public Safety	3,785,637	544,082	476,483	0
Public Works	5,596,921	375,879	4,111,773	0
Health	5,076,248	193,303	3,869,336	0
Human Services	6,351,053	262,478	5,425,688	0
Community and Economic Development	489,172	15,641	409,696	0
Capital Outlay	435,829	25,957	0	355,513
Debt Service:				
Principal Retirement	255,000	0	0	0
Interest and Fiscal Charges	63,293	0	0	0
Issuance Costs	40,232	0	0	0
Payment to Refunded Bond Escrow Agent	2,038,314	0	0	0
<i>Total Governmental Activities</i>	<u>30,493,647</u>	<u>3,716,074</u>	<u>14,363,792</u>	<u>355,513</u>
Business-Type Activities:				
Solid Waste	514,846	563,643	0	0
Sewer and Water	22,284	5,019	0	0
<i>Total Business-Type Activities</i>	<u>537,130</u>	<u>568,662</u>	<u>0</u>	<u>0</u>
Component Units:				
Grow, Inc.	134,820	131,910	0	0
<i>Total Component Units</i>	<u>134,820</u>	<u>131,910</u>	<u>0</u>	<u>0</u>
<i>Totals</i>	<u>\$31,165,597</u>	<u>\$4,416,646</u>	<u>\$14,363,792</u>	<u>\$355,513</u>

General Cash Receipts and Transfers

Property Taxes Levied for:

 General Purposes

 MRDD Purposes

 Debt Service

Sales Taxes Levied for General Purposes

Sales Taxes Levied for 911 Services

Grants and Entitlements Not

 Restricted to Specific Programs

Miscellaneous

Interest

Proceeds from Sale of Capital Assets

Refunding Bonds Issued

Premium on Bonds Issued

Transfers In (Out), Net

Total General Cash Receipts and Transfers

Change in Net Assets

Net Assets Beginning of Year - As Restated

Net Assets End of Year

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

Net (Disbursements) Receipts and Changes in Net Assets			Component Unit
Governmental Activities	Business-Type Activities	Total	Grow, Inc.
(\$2,742,570)	\$0	(\$2,742,570)	\$0
(1,249,828)	0	(1,249,828)	0
(2,765,072)	0	(2,765,072)	0
(1,109,269)	0	(1,109,269)	0
(1,013,609)	0	(1,013,609)	0
(662,887)	0	(662,887)	0
(63,835)	0	(63,835)	0
(54,359)	0	(54,359)	0
(255,000)	0	(255,000)	0
(63,293)	0	(63,293)	0
(40,232)	0	(40,232)	0
(2,038,314)	0	(2,038,314)	0
(12,058,268)	0	(12,058,268)	0
0	48,797	48,797	0
0	(17,265)	(17,265)	0
	31,532	31,532	0
			(2,910)
			(2,910)
			(2,910)
2,096,133	0	2,096,133	0
556,504	0	556,504	0
139,311	0	139,311	0
2,517,543	0	2,517,543	0
630,235	0	630,235	0
		0	0
1,376,108	0	1,376,108	0
398,030	0	398,030	0
907,224	0	907,224	0
109,620	3,428	113,048	0
1,960,000	0	1,960,000	0
60,760	0	60,760	0
(20,000)	20,000	0	0
10,731,468	23,428	10,754,896	0
(1,326,800)	54,960	(1,271,840)	(2,910)
16,488,024	409,407	16,897,431	34,799
\$15,161,224	\$464,367	\$15,625,591	\$31,889

Brown County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
As of December 31, 2008

	<u>General</u>	<u>Job and Family Services</u>	<u>Auto and Gas Tax</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Equity in Pooled Cash, Cash Equivalents, and Investments	\$2,002,952	\$490,426	\$4,711,918	\$7,955,928	\$15,161,224
<i>Total Assets</i>	<u>\$2,002,952</u>	<u>\$490,426</u>	<u>\$4,711,918</u>	<u>\$7,955,928</u>	<u>\$15,161,224</u>
FUND BALANCES:					
Reserved for Encumbrances	\$276,809	\$266,497	\$314,185	\$969,355	\$1,826,846
Unreserved, Undesignated Reported In:					
General Fund	1,726,143	0	0	0	1,726,143
Special Revenue Funds	0	223,929	4,397,733	5,459,218	10,080,880
Debt Service Funds	0	0	0	404,037	404,037
Capital Projects Funds	0	0	0	1,123,318	1,123,318
<i>Total Fund Balances</i>	<u>\$2,002,952</u>	<u>\$490,426</u>	<u>\$4,711,918</u>	<u>\$7,955,928</u>	<u>\$15,161,224</u>

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

Brown County
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Job and Family Services	Auto and Gas Tax	All Other Governmental Funds	Total Governmental Funds
CASH RECEIPTS:					
Property Taxes	\$2,096,133	\$0	\$0	\$695,815	\$2,791,948
Sales Taxes	2,517,543	0	0	630,235	3,147,778
Charges for Services	1,394,828	0	316,920	1,230,571	2,942,319
Licenses and Permits	4,844	0	0	2,238	7,082
Fines and Forfeitures	407,050	0	15,840	343,783	766,673
Intergovernmental	1,399,444	4,257,124	4,063,135	6,254,970	15,974,673
Interest	686,060	0	221,164	0	907,224
Contributions and Donations				120,740	120,740
Other	269,743	16,599	22,000	89,688	398,030
<i>Total Cash Receipts</i>	<u>8,775,645</u>	<u>4,273,723</u>	<u>4,639,059</u>	<u>9,368,040</u>	<u>27,056,467</u>
CASH DISBURSEMENTS:					
Current:					
General Government:					
Legislative and Executive	3,757,240	0	0	405,566	4,162,806
Judicial	1,462,964	0	0	736,178	2,199,142
Public Safety	2,405,123	0	0	1,380,514	3,785,637
Public Works	201,083	0	5,200,433	195,405	5,596,921
Health	283,350	0	0	4,792,898	5,076,248
Human Services	315,738	4,649,969	0	1,385,346	6,351,053
Community and Economic Development	0	0	0	489,172	489,172
Capital Outlay	0	0	0	435,829	435,829
Debt Service:					
Principal Retirement	0	0	0	255,000	255,000
Interest and Fiscal Charges	0	0	0	63,293	63,293
Issuance Costs	0	0	0	40,232	40,232
<i>Total Cash Disbursements</i>	<u>8,425,498</u>	<u>4,649,969</u>	<u>5,200,433</u>	<u>10,179,433</u>	<u>28,455,333</u>
<i>Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements</i>	<u>350,147</u>	<u>(376,246)</u>	<u>(561,374)</u>	<u>(811,393)</u>	<u>(1,398,866)</u>
OTHER FINANCING SOURCES (USES):					
Refunding Bonds Issued	0	0	0	1,960,000	1,960,000
Premium on Bonds Issued	0	0	0	60,760	60,760
Payment to Refunded Bond Escrow Agent	0	0	0	(2,038,314)	(2,038,314)
Proceeds from Sale of Capital Assets	0	0	0	109,620	109,620
Transfers In	80,535	124,805	0	1,829,957	2,035,297
Advances In	252,140	0	0	288,005	540,145
Transfers Out	(944,397)	0	0	(1,110,900)	(2,055,297)
Advances Out	(288,005)	0	0	(252,140)	(540,145)
<i>Total Other Financing Sources (Uses)</i>	<u>(899,727)</u>	<u>124,805</u>	<u>0</u>	<u>846,988</u>	<u>72,066</u>
<i>Net Change in Fund Cash Balances</i>	<u>(549,580)</u>	<u>(251,441)</u>	<u>(561,374)</u>	<u>35,595</u>	<u>(1,326,800)</u>
<i>Fund Cash Balance at Beginning of Year</i>	<u>2,552,532</u>	<u>741,867</u>	<u>5,273,292</u>	<u>7,920,333</u>	<u>16,488,024</u>
<i>Fund Cash Balance at End of Year</i>	<u>\$2,002,952</u>	<u>\$490,426</u>	<u>\$4,711,918</u>	<u>\$7,955,928</u>	<u>\$15,161,224</u>

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

Brown County
*Statement of Receipts, Disbursements,
and Changes in Fund Balance - Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2008*

	General Fund			Variance with Final Budget
	Original Budget	Final Budget	Actual	
RECEIPTS:				
Property Taxes	\$2,216,024	\$2,216,024	\$2,096,133	(\$119,891)
Sales Taxes	2,500,000	2,500,000	2,517,543	17,543
Charges for Services	1,495,233	1,495,233	1,394,828	(100,405)
Licenses and Permits	3,025	3,025	4,844	1,819
Fines and Forfeitures	406,500	406,500	407,050	550
Intergovernmental	989,915	989,915	1,399,444	409,529
Interest	528,000	528,000	686,060	158,060
Other	83,400	83,400	269,743	186,343
<i>Total Receipts</i>	<u>8,222,097</u>	<u>8,222,097</u>	<u>8,775,645</u>	<u>553,548</u>
DISBURSEMENTS:				
Current:				
General Government:				
Legislative and Executive	4,481,136	4,696,023	3,964,631	731,392
Judicial	1,413,278	1,504,020	1,476,394	27,626
Public Safety	2,298,696	2,444,660	2,443,611	1,049
Public Works	218,353	209,360	202,624	6,736
Health	270,528	284,137	283,852	285
Human Services	351,385	353,718	331,195	22,523
<i>Total Disbursements</i>	<u>9,033,376</u>	<u>9,491,918</u>	<u>8,702,307</u>	<u>789,611</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<u>(811,279)</u>	<u>(1,269,821)</u>	<u>73,338</u>	<u>1,343,159</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	80,535	80,535
Transfers Out	(511,710)	(989,868)	(944,397)	45,471
Advances In	0	0	252,140	252,140
Advances Out	0	0	(288,005)	(288,005)
<i>Total Other Financing Sources (Uses)</i>	<u>(511,710)</u>	<u>(989,868)</u>	<u>(899,727)</u>	<u>90,141</u>
<i>Excess of Receipts and Other Financing Sources over (under) Disbursements and Other Financing Uses</i>	<u>(1,322,989)</u>	<u>(2,259,689)</u>	<u>(826,389)</u>	<u>1,433,300</u>
<i>Fund Balance at Beginning of Year - As Restated</i>	2,356,015	2,356,015	2,356,015	0
<i>Prior Year Encumbrances Appropriated</i>	<u>196,517</u>	<u>196,517</u>	<u>196,517</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$1,229,543</u></u>	<u><u>\$292,843</u></u>	<u><u>\$1,726,143</u></u>	<u><u>\$1,433,300</u></u>

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

Brown County
*Statement of Receipts, Disbursements,
and Changes in Fund Balance - Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2008*

	Motor Vehicle Gas Tax Fund			Variance with Final Budget
	Original Budget	Final Budget	Actual	
RECEIPTS:				
Charges for Services	\$ 127,636	\$ 127,636	\$ 316,920	\$ 189,284
Fines and Forfeitures	20,000	20,000	15,840	(4,160)
Intergovernmental	4,000,000	4,000,000	4,063,135	63,135
Interest	200,000	200,000	221,164	21,164
Other	106,364	106,364	22,000	(84,364)
<i>Total Receipts</i>	<u>4,454,000</u>	<u>4,454,000</u>	<u>4,639,059</u>	<u>185,059</u>
DISBURSEMENTS:				
Current:				
Public Works	<u>4,379,661</u>	<u>5,827,343</u>	<u>5,514,618</u>	<u>312,725</u>
<i>Total Disbursements</i>	<u>4,379,661</u>	<u>5,827,343</u>	<u>5,514,618</u>	<u>312,725</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<u>74,339</u>	<u>(1,373,343)</u>	<u>(875,559)</u>	<u>497,784</u>
<i>Fund Balance at Beginning of Year - As Restated</i>	4,641,900	4,641,900	4,641,900	0
<i>Prior Year Encumbrances Appropriated</i>	<u>631,392</u>	<u>631,392</u>	<u>631,392</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$5,347,631</u>	<u>\$3,899,949</u>	<u>\$4,397,733</u>	<u>\$497,784</u>

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

Brown County
*Statement of Receipts, Disbursements,
and Changes in Fund Balance - Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2008*

	Job and Family Services Fund			Variance with Final Budget
	Original Budget	Final Budget	Actual	
RECEIPTS:				
Intergovernmental	\$ 4,765,130	\$ 4,765,130	\$ 4,257,124	\$ (508,006)
Other	82,000	82,000	16,599	(65,401)
<i>Total Receipts</i>	<u>4,847,130</u>	<u>4,847,130</u>	<u>4,273,723</u>	<u>(573,407)</u>
DISBURSEMENTS:				
Current:				
Human Services	4,870,022	5,081,940	4,916,466	165,474
<i>Total Disbursements</i>	<u>4,870,022</u>	<u>5,081,940</u>	<u>4,916,466</u>	<u>165,474</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<u>(22,892)</u>	<u>(234,810)</u>	<u>(642,743)</u>	<u>(407,933)</u>
OTHER FINANCING SOURCES:				
Transfers In	140,838	140,838	124,805	(16,033)
<i>Total Other Financing Sources</i>	<u>140,838</u>	<u>140,838</u>	<u>124,805</u>	<u>(16,033)</u>
<i>Excess of Receipts and Other Financing Sources over (under) Disbursements</i>	117,946	(93,972)	(517,938)	(423,966)
<i>Fund Balance at Beginning of Year</i>	565,904	565,904	565,904	0
<i>Prior Year Encumbrances Appropriated</i>	<u>175,963</u>	<u>175,963</u>	<u>175,963</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$859,813</u></u>	<u><u>\$647,895</u></u>	<u><u>\$223,929</u></u>	<u><u>(\$423,966)</u></u>

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

Brown County
Statement of Cash Basis Assets and Net Assets
Proprietary Funds
As of December 31, 2008

	Solid Waste	Other Enterprise	Total Enterprise Funds
ASSETS:			
Equity in Pooled Cash, Cash Equivalents, and Investments	\$448,386	\$15,981	\$464,367
NET ASSETS:			
Unrestricted	\$448,386	\$15,981	\$464,367

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

Brown County
*Statement of Cash Receipts, Cash Disbursements and
 Changes in Cash Basis Net Assets
 Proprietary Funds
 For the Year Ended December 31, 2008*

	<u>Solid Waste</u>	<u>Other Enterprise</u>	<u>Total Enterprise Funds</u>
OPERATING CASH RECEIPTS:			
Charges for Services	\$561,776	\$5,019	\$566,795
Other	1,867	0	1,867
<i>Total Operating Cash Receipts</i>	<u>563,643</u>	<u>5,019</u>	<u>568,662</u>
OPERATING CASH DISBURSEMENTS:			
Personal Services	7,906	16,388	24,294
Fringe Benefits	1,235	2,798	4,033
Contractual Services	342,983	0	342,983
Materials and Supplies	405	0	405
Capital Outlay	147,285	0	147,285
Other	15,032	3,098	18,130
<i>Total Operating Cash Disbursements</i>	<u>514,846</u>	<u>22,284</u>	<u>537,130</u>
<i>Operating Cash Receipts Over (Under) Operating Cash Disbursements</i>	<u>48,797</u>	<u>(17,265)</u>	<u>31,532</u>
NONOPERATING CASH RECEIPTS:			
Proceeds from Sale of Capital Assets	3,428	0	3,428
<i>Total Nonoperating Cash Receipts</i>	<u>3,428</u>	<u>0</u>	<u>3,428</u>
<i>Changes in Net Cash Assets before Transfers In</i>	52,225	(17,265)	34,960
Transfers In	0	20,000	20,000
<i>Changes in Net Cash Assets</i>	52,225	2,735	54,960
<i>Net Cash Assets at Beginning of Year</i>	<u>396,161</u>	<u>13,246</u>	<u>409,407</u>
<i>Net Cash Assets at End of Year</i>	<u>\$448,386</u>	<u>\$15,981</u>	<u>\$464,367</u>

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

Brown County
Statement of Fiduciary Net Assets
Agency Funds
As of December 31, 2008

	<u>Agency Funds</u>
ASSETS:	
Equity in Pooled Cash, Cash Equivalents, and Investments	\$2,833,320
Cash and Cash Equivalents in Segregated Accounts	<u>516,156</u>
<i>Total Assets</i>	<u>3,349,476</u>
NET ASSETS:	
Unrestricted	<u>3,349,476</u>
<i>Total Net Assets</i>	<u><u>\$3,349,476</u></u>

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

Brown County General Hospital
Statement of Net Assets
As of December 31, 2008

	2008
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$849,078
Patient Accounts Receivable, Net of Allowance for Doubtful	
Accounts of \$2,594,137	4,145,776
Notes, contracts, and other accounts receivable	93,199
Inventories	444,678
Estimated settlement amounts due from third-party	53,502
Prepaid expenses and other current assets	344,016
Total Current Assets	5,930,249
 Assets Whose Use is Limited	 158,232
 Capital Assets, Net	 11,268,242
 <i>Total Assets</i>	 \$17,356,723

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

Brown County General Hospital
Statement of Net Assets
As of December 31, 2008
(continued)

	2008
LIABILITIES AND NET ASSETS:	
Current Liabilities:	
Line of credit	\$900,000
Current portion of long-term debt	286,295
Current portion of capital lease obligations	446,176
Accounts payable	1,252,937
Accrued expenses:	
Salaries, wages, withholdings, and benefits	932,142
Compensated absences	910,860
Other	490,904
Total Current Liabilities	5,219,314
Long-Term Liabilities:	
Long-term debt, net of current portion	723,638
Capital lease obligations, net of current portion	1,795,376
Total Long-Term Liabilities	2,519,014
<i>Total Liabilities</i>	7,738,328
NET ASSETS:	
Invested in capital assets, net of related debt	8,016,757
Unrestricted	1,458,837
Restricted	142,801
<i>Total Net Assets</i>	9,618,395
<i>Total Liabilities and Net Assets</i>	\$ 17,356,723

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

Brown County General Hospital
Statements of Operations and Changes in Net Assets
For the Year Ended December 31, 2008

<hr/>	
OPERATING REVENUES:	
Net patient service revenue	\$33,630,263
Other operating revenue	306,100
	<hr/>
<i>Total Operating Revenues</i>	<i>33,936,363</i>
	<hr/>
OPERATING EXPENSES:	
Salaries and wages	16,948,864
Employee benefits	4,354,143
Supplies and other	8,498,135
Depreciation	1,903,872
Purchased services and professional fees	3,986,087
Utilities	711,309
Insurance	588,442
	<hr/>
<i>Total Operating Expenses</i>	<i>36,990,852</i>
	<hr/>
<i>Loss from Operations</i>	<i>(3,054,489)</i>
	<hr/>
NON-OPERATING (EXPENSES) REVENUES	
Investment income	8,567
Interest	(154,861)
Gifts, grants and donations	(30,238)
Non-operating expenses	(254,489)
	<hr/>
Total non-operating (expenses) revenues	(431,021)
	<hr/>
<i>Change in net assets</i>	<i>(3,485,510)</i>
	<hr/>
<i>Net assets, beginning of year</i>	<i>13,103,905</i>
	<hr/>
<i>Net assets, end of year</i>	<i>\$9,618,395</i>
	<hr/> <hr/>

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

Brown County General Hospital
Statement of Cash Flows
For the Year Ended December 31, 2008

<hr/>	
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from patients	\$34,375,876
Cash payments to suppliers for goods and services	(13,380,607)
Cash payments to employees for services	(21,387,503)
Other operating revenues	306,100
	<hr/>
<i>Net cash from operating activities</i>	<i>(86,134)</i>
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Investment income	8,567
Gifts, grants, and donations	(30,238)
Non-operating expenses	(254,489)
	<hr/>
<i>Net cash from non-capital financing activities</i>	<i>(276,160)</i>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(420,403)
Principal paid on long-term debt and capital leases	(481,947)
Net change in line of credit	400,000
Interest paid on long term debt	(154,861)
Loss on sale of capital assets	209,457
Proceeds from sale of capital assets	15,879
	<hr/>
<i>Net cash from capital and related financing activities</i>	<i>(431,875)</i>
 <i>Net change in cash and cash equivalents</i>	 <i>(794,169)</i>
 <i>Cash and Cash Equivalents at Beginning of Year</i>	 <i>1,801,479</i>
 <i>Cash and Cash Equivalents at End of Year</i>	 <i><u><u>\$1,007,310</u></u></i>
 <i>Recap of Cash and Cash Equivalents</i>	
Cash and cash equivalents	\$849,078
Assets whose use is limited	158,232
	<hr/>
<i>Total Cash and Cash Equivalents</i>	<i><u><u>\$1,007,310</u></u></i>
 <i>Reconciliation of Loss from Operations to Net Cash from Operating Activities</i>	
Loss from Operations	(\$3,054,489)
<i>Adjustments to reconcile loss from operations to net cash used for operating activities:</i>	
Depreciation	1,903,872
Bad Debts	6,751,777
Changes in Operating Assets and Liabilities:	
Patient accounts receivable	(5,931,236)
Notes, contracts, grants, and other receivables	264,105
Inventory	(94,320)
Prepaid expenses and other current assets	149,664
Accounts payable	65,550
Estimated third-party settlement	(74,928)
Accrued expenses	(66,129)
	<hr/>
<i>Net Cash from Operating Activities</i>	<i><u><u>(\$86,134)</u></u></i>
 <i>Supplemental cash flow information</i>	
Cash paid for interest	\$154,861
Equipment acquired under capital lease	\$2,446,627

See accompanying notes to the basic financial statements.

NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION

Brown 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 Board of County Commissioners. The County Auditor is responsible for the fiscal controls of the resources of the County, which are maintained in the funds described herein. The County Treasurer is the custodian of funds and the investment officer. The voters of the County elect all of these officials. Other elected officials of the County that manage various segments of county operations are the Recorder, Clerk of Courts, Coroner, Engineer, Prosecutor, Sheriff, a Common Pleas Court Judge, and a Probate/Juvenile Judge. Services provided by the County include general government, public safety, health, public works, human services, maintenance of highways and roads, and economic development. Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrators of public services for the entire County.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Brown County, this includes the Brown County Board of Mental Retardation and Developmental Disabilities, Brown County Board of Alcohol, Drug Addiction and Mental Health, Brown County Solid Waste Management District, Brown County Airport, Brown County General Hospital, and all departments and activities that are directly operated by the elected County officials.

The Brown County General Hospital (the Hospital) operates under the authority of Section 339, Ohio Revised Code. It is governed by a Board of Trustees appointed by the County Commissioners, the Probate Judge and the Common Pleas Court Judge of Brown County. 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 to report its other activities and consequently the Hospitals financial statements and related notes are presented separately.

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

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

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 and services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the County is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the County in that the County approves the organization's budget, the issuance of its debt or levying of its taxes.

Grow Inc. – *Grow Inc.* is a legally separate, not-for-profit corporation, served by a self-appointed board of trustees. The workshop, under contractual agreement with the Brown County Board of Mental Retardation and Developmental Disabilities (MR/DD), provides sheltered employment for mentally and/or physically handicapped adults in Brown County.

Brown County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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

The Brown County Board of MR/DD provides Grow, Inc. with staff salaries, transportation, equipment, staff of administer and subversive ranging programs, and other funds necessary for the operation of Grow, Inc. and Grow's sole purpose of proving assistance to the mentally and/or physically handicapped adults of Brown County. Grow is a component unit of the County and is presented as a component unit in these financial statements.

The County is associated with certain organizations, which are defined as joint ventures, jointly governed organizations or risk sharing pool and a group purchasing pool. These organizations are:

- Brown County Emergency Management Agency
- Ohio Valley Resource Conservation and Development Area, Inc.
- Workforce Investment Board
- Private Industry Council
- County Risk Sharing Authority (CORSA)
- County Commissioners' Association of Ohio Workers' Compensation Group Rating Program

Brown County Emergency Management Agency - Brown County Emergency Management Agency is a joint venture between the County, Township and Villages. The executive committee consists of a county commissioner, seven chief executives from municipalities and sixteen from townships, with money provided by the members, which is reimbursed by the State. The degree of control is limited to the individual representation on the board.

Ohio Valley Resource Conservation and Development Area, Inc. - Ohio Valley Resource Conservation and Development Area, Inc. is a jointly governed organization that is operated as a non-profit corporation. The Ohio Valley Resource Conservation and Development Area, Inc. was created to aid regional planning to participating counties. Brown County, along with Ross, Vinton, Highland, Pike, Adams, Scioto, Jackson, Gallia, and Lawrence Counties, each appoint three members to a thirty member council. The Council selects an administrator to oversee operations. Each entity contributes \$250 annually; other revenue is from USDA grants. Brown County does not have any ongoing financial interest or responsibilities nor can it significantly influence management.

Workforce Investment Board – The Workforce Investment Board is a jointly governed organization of representatives from the private and public sectors of Pike, Scioto, Adams, and Brown Counties appointed by the county commissioners from each county. The forty-eight-member board includes twelve members from each participating county and includes fifty-one percent of its members from the private sector. The remaining members include individuals from education, one-stop partners, juvenile justice centers, labor organizations, local public housing and former participants. The Workforce Investment Board typically meets three to four times per year and is responsible for the five year plan, selecting one stop operators, selecting youth providers and coordinating all activities in association with Workforce Improvement Act funds. This board enables the participating counties to have more local control over the programs, which they assist in overseeing. The Workforce Advisory Board received no contributions from the County during 2008.

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

County Risk Sharing Authority (CORSA) - County Risk Sharing Authority (CORSA) is a shared risk pool among fifty-seven 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 coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public official's errors and omissions liability insurance.

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

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. An elected board of not more than nine trustees manages the affairs of CORSA. County Commissioners of members' counties are eligible to serve on the Board of Trustees. No county may have more than one representative on the Board 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.

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 the certificates. The Certificates were retired on May 1, 1997. The County has equity interest in CORSA. The County's payment for insurance of CORSA in 2008 was \$189,189. Financial statements may be obtained by contacting the County Commissioners Association of Ohio in Columbus, Ohio.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Although required by Ohio Administrative Code, Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the County chooses to prepare its financial statements and notes on a basis of cash receipts and disbursements, with the exception of the Brown County General Hospital. The Brown County General Hospital presents its financial data in stand-alone statements, which are presented according to Generally Accepted Accounting Principles. The cash receipts and disbursement basis is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). 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 expenditures 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 in the preceding paragraph.

A. Basis of Presentation

The County's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities generally are financed through user charges and other related areas.

The statement of net assets presents the cash balance, of the governmental activities and business-type activities of the County at year end. The statement of activities compares disbursements and program receipts for each program or function of the County's governmental activities and business-type activities. Disbursements are reported by function or program. A function is a group of related activities designed to accomplish a major service or regulatory program for which the County is responsible. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program.

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

Fund Financial Statements

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

B. Fund Accounting

The County uses funds to maintain its financial records during the year. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts. The County classifies each fund as either governmental, proprietary or fiduciary.

Governmental Funds

Governmental: The County classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the County's major governmental funds:

General Fund

The General Fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is expended or transferred according to Ohio law.

Job and Family Services 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Auto and Gas 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.

The other governmental funds of the County account for grants and other resources whose use is restricted for 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 major Solid Waste Fund, which is used to account for the activities related to solid waste disposal in the County, and the non-major Water and Sewer Fund, which is used to account for water and sewer activities in the County.

Fiduciary Funds

Fiduciary funds account for cash and investments where the County is acting as trustee or fiscal agent for other entities. The following is the County's significant fiduciary fund type:

Agency Funds

Agency funds are used to account for assets held by a government unit as an agent for individuals, other governmental units, and/or other funds.

C. Basis of Accounting

The County's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the County's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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 certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All transactions, except for advances, for 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

E. Cash and Investments

To improve cash management, cash received by the County is pooled and invested. Individual fund integrity is maintained through County records. Interest in the pool is presented as “Equity in Pooled Cash, Cash Equivalents, and Investments”.

Cash and cash equivalents that are held separately within departments of the County are recorded as “Cash and Cash Equivalents in Segregated Accounts”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Accordingly, investments of the cash management pool are reported as “Equity in Pooled Cash, Cash Equivalents, and Investments”.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2008, the County invested in Goldman Sachs Financial Square Money Market Mutual Fund, federal agency securities, and STAR Ohio. Investments are reported at cost, except for STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2008.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund and Auto and Gas Tax Fund during 2008 were \$686,060 and \$221,164, respectively.

F. Inventory and Prepaid Items

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

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Interfund Receivables/Payables

The County reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. In the government-wide financial statements advances within governmental activities or within business-type activities are eliminated.

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The County recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The County's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include activities involving the upkeep of the County's roads and bridges, various mental health services, child support and welfare services, services for the handicapped and mentally retarded, and activities of the County's courts. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

The government-wide Statement of Net Assets – Cash Basis reports \$13,158,272 of restricted net assets, none of which are restricted by enabling legislation.

M. Fund Balance Designations and Reserves

The County reserves those portions of fund balance, which are legally segregated for a specific future use, or which are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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. Interfund transfers within governmental activities or within business-type activities are eliminated. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the basic financial statements.

Brown County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 3 – COMPLIANCE

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

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The statement of receipts, disbursements and changes in fund balance – budget and actual – budgetary basis presented for the General Fund and each major special revenue fund is prepared in the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year-end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis). The reconciliation between the cash basis ending fund balances and the budgetary basis fund balances for the General Fund and the major special revenue funds is as follows:

	General	Job and Family Services	Auto and Gas
Cash Basis Fund Balance	\$2,002,952	\$490,426	\$4,711,918
Encumbrances	(276,809)	(266,497)	(314,185)
Budget Basis (Net Change in Fund Balance)	<u>\$1,726,143</u>	<u>\$223,929</u>	<u>\$4,397,733</u>

NOTE 5 – NET ASSETS/FUND BALANCE RESTATEMENT

The County elected to report several of its funds as Enterprise Funds/Business-Type Activities rather than as part of the non-major special revenue funds as was done in prior years. The effect on Fund Balances and Net Assets was as follows:

	Governmental Funds					
	General	Job and Family Services	Auto and Gas Tax	Other Governmental Funds	Total Governmental Funds	Governmental Activities
Fund Balance/Net Assets - December 31, 2007	\$ 2,552,532	\$ 741,867	\$ 5,273,292	\$ 8,329,740	\$ 16,897,431	\$ 16,897,431
Reclassification of Funds	-	-	-	(409,407)	(409,407)	(409,407)
Restated Fund Balance/Net Assets - January 1, 2008	<u>\$ 2,552,532</u>	<u>\$ 741,867</u>	<u>\$ 5,273,292</u>	<u>\$ 7,920,333</u>	<u>\$ 16,488,024</u>	<u>\$ 16,488,024</u>
	Enterprise Funds					
	Solid Waste	Other Enterprise Fund	Total Enterprise Funds	Business-Type Activities		
Fund Balance/Net Assets - December 31, 2007	\$ -	\$ -	\$ -	\$ -		
Reclassification of Funds	396,161	13,246	409,407	409,407		
Restated Fund Balance/Net Assets - January 1, 2008	<u>\$ 396,161</u>	<u>\$ 13,246</u>	<u>\$ 409,407</u>	<u>\$ 409,407</u>		

NOTE 6 – EQUITY IN CASH EQUIVALENTS AND INVESTMENTS

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 current 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;
- 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 repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- 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.

Brown County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 6 – EQUITY IN CASH EQUIVALENTS AND INVESTMENTS (Continued)

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.

At year end, the County had \$3,000 in undeposited cash on hand which is included as part of “Equity in Pooled Cash, Cash Equivalents, and Investments”.

Deposits

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 has no deposit policy for custodial risk beyond the requirements of State statute.

The County’s bank balance of \$14,360,265 is either covered by FDIC or collateralized by the financial institutions’ public entity deposit pools in the manner as described above.

Investments

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Investment Matures in Less than 1 Year</u>
Repurchase Agreement	\$221,681	\$221,681
STAR Ohio	4,640,260	4,640,260
Total Investments	<u>\$4,861,941</u>	<u>\$4,861,941</u>

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The County’s investment policy addresses interest rate risk by requiring that the County’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard and Poor’s. The County has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The repurchased agreement is not rated.

Brown County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 7 – PERMISSIVE SALES TAX

In 1990, in accordance with Section 5739.021 of the Revised Code, the County Commissioners, by resolution, imposed a 1% tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. Proceeds of the tax are credited to the General Fund.

In 1993 an additional ½% sales and use tax was passed, and then rolled back to ¼%, by the voters for the purpose of funding and operation of a 9-1-1 system in the County. Vendor collections of tax are paid to the State Treasurer by the 23rd day of the month following collection. Proceeds of the tax are credited to the 9-1-1 Emergency Special Revenue Fund. The State Tax Commissioner certified to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within 45 days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County. Permissive sales tax revenue for 2008 amounted to \$3,147,778.

NOTE 8 – PROPERTY TAX

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

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

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

Public utility tangible personal property currently is assessed at varying parentages of true value: public utility real property is assessed at 35% of true value. 2008 public utility property taxes became a lien December 31, 2007 are levied after October 1, 2008 are collected in 2009 with real property taxes.

2008 tangible personal property taxes are levied after October 1, 2007 on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments 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 3, with the remainder due September 20.

The full tax rate applied to real property for the fiscal year ended December 31, 2008 was \$5.80 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$4.67 per \$1,000 of assessed valuation of real property classified as residential/agricultural and \$4.75 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

Brown County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 8 – PROPERTY TAX (Continued)

The County Auditor reappraises all real property every six years with a triennial update. The last reappraisal was completed for tax year 2006 and the next update will be completed for tax year 2009.

Real Property:	2008	2007
Residential/Agricultural	\$591,239,401	\$582,023,790
Commercial/Industrial	<u>63,576,030</u>	<u>63,359,740</u>
Total Real Property	<u>654,815,431</u>	<u>\$645,383,530</u>
 Tangible Personal Property:		
Public Utilities	26,137,790	26,064,200
General	<u>3,938,240</u>	<u>7,368,870</u>
Total Tangible Property	<u>30,076,030</u>	<u>33,433,070</u>
Total All Property	<u>\$684,891,461</u>	<u>678,816,600</u>

The Brown County Treasurer collects property tax on behalf of all taxing districts within the County. The Brown County Auditor periodically remits to the taxing districts their portions of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds.

NOTE 9 – RISK MANAGEMENT

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

CORSA, a non-profit corporation sponsored by the County Commissioners Association of Ohio, was created to provide affordable liability, property, casualty and crime insurance coverage for its members. CORSA was established May 12, 1987, and has grown to fifty-seven members. Under the CORSA program general liability, auto liability, error and omission liability, and law enforcement liability are covered in the amount of \$1,000,000, with a \$2,500 deductible. The limit applies to any one occurrence of loss, with no annual aggregate except for the Error and Omissions Liability and General Liability on Products and Completed Operations Limit, which both have the same per occurrence and annual aggregate limit. In addition, the County has \$5,000,000 of excess liability coverage, which has no deductible. This coverage is for claims in excess of underlying limits for general liability, law enforcement liability, automotive liability, and errors and omissions liability, with the exception of stop gap liability and uninsured/underinsured motorists. Real and personal property damage is on a replacement cost basis. Equipment breakdown coverage has a combined limit with property damage, business income, extra expense, and service interruption of \$100,000,000 for each accident. There are several additional sublimits which have various coverage amounts for each accident. Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in coverage from last year.

Employee dishonesty/faithful performance, money and securities (loss inside and out the premises), money orders and counterfeit currency, and depositor's forgery are covered in the amount of \$1,000,000 aggregate per occurrence.

Workers' Compensation benefits are provided through the Ohio Bureau of Workers' Compensation. In 2008, the County participated in the County Commissioner's Association of Ohio Workers' Compensation Group Rating Program (CCAO), a workers' compensation group purchasing pool (See Note 1). The intent of the CCAO is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the CCAO. Each participant pays its workers' compensation premium to the State based on the rate for the CCAO rather than its individual rate.

NOTE 9 – RISK MANAGEMENT (Continued)

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

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

NOTE 10 – DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System (OPERS)

- A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
 - 1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
 - 2) 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.
 - 3) The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.
- B. OPERS provides retirement, disability, and survivor and death benefits and annual cost-of-living adjustments to qualifying members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and employer contribution rates were consistent across all three plans. The member contribution rates for employees other than law enforcement and public safety were 10.0%, 9.5% and 9.0% for 2008, 2007, and 2006, respectively, for the County. The member contribution requirements for law enforcement and public safety employees were 10.1% for 2008, 2007 and 2006, respectively, for the County. The employer contribution rates for employees other than law enforcement and public safety were 14.0%, 13.85%, and 13.70% of covered payroll for 2008, 2007, and 2006, respectively, for the County. The employer contribution rates for law enforcement and public safety employees were 17.4%, 17.17%, and 16.93% of covered payroll for 2008, 2007, and 2006, respectively, for the County. The County's pension contributions to OPERS for the years ended December 31, 2008, 2007, and 2006 were \$673,132, \$810,412, and \$921,144, respectively, which were equal to the required contributions for those years.

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, 2008, none have elected Social Security.

NOTE 11 – POST EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS)

- A. 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 maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the TP and the CO 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 meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interest parties may obtain a copy by writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

- B. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer's contributions are expressed as a percentage of the covered payroll of active members. In 2008, the County contributed at 14.0% of covered payroll for employees other than law enforcement and public safety. The Ohio Revised Code currently limits this employer contribution rate not to exceed 14.0% of covered payroll. In 2008, the County contributed at 17.4% of covered payroll for law enforcement and public safety employees. The Ohio Revised Code currently limits this employer contribution rate not to exceed 18.1% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008, the employer contributions allocated to the health care plan was 7.0% of covered payroll. For 2007, these percentages were 5.0% for January through June 2007 and 6.0% for July through December 2007. For 2006, this percentage was 4.5%. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

- C. The employer contributions that were used to fund post-employment benefits were \$638,234 for 2008, \$497,743 for 2007, and \$424,578 for 2006.
- D. The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Brown County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 12 – OTHER EMPLOYEE BENEFITS

Insurance Benefits

The County provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance. The County has elected to provide employee medical/surgical benefits through Medical Mutual of Ohio. The premium varies with employee depending on the department and terms of the union contract. The County does not share in the cost of premiums for dental or vision insurance except in limited circumstances. Additionally, employees were reimbursed for their deductibles up to \$500.

NOTE 13 – CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, the County Commissioners believe such refunds, if any, would not be material.

The County has various cases pending, the outcome of which is not determinable as of the date of this report; however, management believes that the resolution of these matters will not materially adversely affect the County's financial condition.

NOTE 14 – LONG-TERM DEBT

The changes in the County's long-term obligations during the year consist of the following:

Governmental Activities	Principal Outstanding 12/31/07	Additions	Reductions	Principal Outstanding 12/31/08	Amounts Due In One Year
General Obligation Bonds:					
Human Services Building Bonds	\$55,000	\$0	\$55,000	\$0	\$0
Brown County Public Library District Bonds	1,735,000	0	1,735,000	0	0
Brown County Public Library District Refunding Bonds	0	225,000	15,000	210,000	15,000
Mental Health Program Bonds	221,603	0	221,603	0	0
Mental Health Program Refunding Bonds	0	1,735,000	185,000	1,550,000	170,000
Total General Obligations Bonds	<u>2,011,603</u>	<u>1,960,000</u>	<u>2,211,603</u>	<u>1,760,000</u>	<u>185,000</u>
Other Long-Term Obligations:					
Forgivable Debt(Mental Health)	237,708	237,708	8,750	228,958	8,750
Total Other Long-Term Obligations	<u>237,708</u>	<u>237,708</u>	<u>8,750</u>	<u>228,958</u>	<u>8,750</u>
Total General and Other Long- Term Obligations	<u>\$2,249,311</u>	<u>\$2,249,311</u>	<u>\$230,594</u>	<u>\$1,988,958</u>	<u>\$193,750</u>

The County's total legal debt margin was \$14,266,324 with an unvoted debt margin of \$5,492,952.

Brown County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 14 – LONG-TERM DEBT (Continued)

During fiscal year 2008 the County issued \$1,735,000 in Public Library District Fractionalized Interest Bonds to refund \$1,735,000 in outstanding bonds. The Brown County Public Library District Fractionalized Interest Bonds will be retired from proceeds of a voted tax levied upon the County residents living in the Library District and will be paid from the Debt Service Fund. During fiscal year 2008 the County issued \$225,000 in Mental Health Project Fractionalized Interest Bonds to refund \$221,603 in outstanding bonds. The Mental Health Project Fractionalized Interest Bonds will be paid from Mental Health revenues.

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

Years Ended December 31,	General Obligation		Other Long-Term Obligations	
	Principal	Interest	Principal	Interest
2009	\$185,000	\$76,663	\$8,750	\$0
2010	190,000	67,413	8,750	-
2011	200,000	60,050	8,750	-
2012	205,000	52,550	8,750	-
2013	215,000	44,606	8,750	-
2014-2018	740,000	83,406	43,750	-
2019-2023	25,000	1,113	43,750	-
2024-2028	-	-	43,750	-
2029-2033	-	-	43,750	-
2034-2035	-	-	10,208	-
Total	\$1,760,000	\$385,801	\$228,958	\$0

NOTE 15 – INTERFUND TRANSFERS/ADVANCES

Interfund cash transfers for the year ended December 31, 2008, were as follows:

		Transfer From		
		General	Other Governmental	Total
Transfer To	General Fund	\$ -	\$ 80,535	\$ 80,535
	Job & Family Services Fund	124,805	-	124,805
	Other Governmental	799,592	1,030,365	1,829,957
	Other Enterprise Fund	20,000	-	20,000
	Total All Funds	\$ 944,397	\$ 1,110,900	\$ 2,055,297

The General Fund transfers monies to the Job & Family Services Fund and other governmental funds to assist in meeting operational needs or debt service requirements. The transfers from the other governmental funds to the other governmental funds represents transfers for operational needs or debt service requirements which are within legal compliance guidelines.

Brown County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 15 – INTERFUND TRANSFERS/ADVANCES (Continued)

Interfund cash advances for the year ended December 31, 2008, were as follows:

		Advances From		
		General	Other Governmental	Total
Advances To	General Fund	\$ -	\$ 252,140	\$ 252,140
	Other Governmental	288,005	-	288,005
	Total All Funds	<u>\$ 288,005</u>	<u>\$ 252,140</u>	<u>\$ 540,145</u>

The General Fund advances monies to the other governmental funds to assist in meeting cash flow requirements. The advances from the other governmental funds to the General Fund represents the return of advances made.

NOTE 16 – ACCUMULATED UNPAID VACATION, PERSONAL, COMPENSATORY TIME & SICK LEAVE

Accumulated unpaid vacation, personal, compensatory time and sick leave are not accrued under the cash basis of accounting described in Note 2. All leave will either be absorbed by time off from work, or within certain limitation, be paid to the employees. The liability is not recorded on the basic financial statements.

NOTE 17 – BROWN COUNTY GENERAL HOSPITAL

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

Brown County General Hospital (the Hospital), located in Brown County, Ohio is a county owned, tax-exempt Ohio not-for-profit corporation which operates an acute care hospital facility providing inpatient and outpatient services primarily to patients in Brown County, Ohio and the surrounding areas. The Hospital is operated under the provisions of the Ohio Revised Code.

The reporting entity is composed of the Hospital and the Brown County General Hospital Foundation (Foundation), which was formed to provide services exclusively for the benefit of the Hospital. All material intercompany transactions have been eliminated.

Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, issued in June 1999. The Hospital follows the “business-type” activities reporting requirements of GASB Statement No. 34 that provide a comprehensive look at the Hospital’s financial activities. The financial statements include the Foundation as a blended component unit in the Hospital’s financial statements.

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.

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Pursuant to Government Accounting Standards Board (GASB) 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

NOTE 17 – BROWN COUNTY GENERAL HOSPITAL (Continued)

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

Standards Board (FASB) including those issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements.

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 unrestricted contributions, interest earnings on investments and gains and losses from sale of assets.

Blended Component Units

In order to comply with the provisions of Statements No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations are Component Units*, issued by the Governmental Accounting Standards Board, the accompanying combined financial statements include the accounts of Brown County General Hospital Foundation (the Foundation) as a blended component unit. The Foundation exists solely to support the operations of the Hospital. All significant inter-company transactions and balances have been eliminated in consolidation.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are deposited in financial institutions as authorized and directed by State statutes. All deposits are collateralized by pledged securities of the financial institutions up to or exceeding the value of the deposits, as specified by State statutes. Cash and cash equivalents are defined as those funds on deposit which are considered short term.

Assets Whose Use Is Limited

Assets whose use is limited consists of amounts designated by the Board of Trustees for future property, plant and equipment renewal and replacement and scholarships and cash restricted by donors.

Inventory

Inventory, consisting primarily of medical and surgical supplies and drugs, is stated at the lower of costs under the first-in/first-out method, or market.

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 statement 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.

Gifts and Donated Services

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

NOTE 17 – BROWN COUNTY HOSPITAL (Continued)

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

Capital Assets

Capital assets 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 capital assets with a cost or fair market value of \$1,000 or greater. Expenditures for maintenance and repairs, which do not extend the life of the applicable assets, are charged to expenses as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of depreciable assets as follows:

Land improvements	5 – 20 years
Buildings and building improvements	5 – 40 years
Other fixed and major movable equipment	2 – 20 years
Leased equipment	3 – 15 years
Vehicles	5 – 7 years

Compensated Absences

It is the Hospital's policy to compensate eligible employees during authorized absences. Such employees earn sick leave credit proportionately to the paid hours in each bi-weekly pay period according to rates prescribed to by the Ohio Revised Code (ORC). This sick leave is accrued at the rate specified by the ORC (0.0575 per hour worked). Sick leave does not accrue on overtime hours. Employees who retire from active service with the Hospital, the State of Ohio, or any of its political subdivisions will be paid for one-fourth (1/4) of the total of his/her accrued but unused sick leave. Payment of sick leave will be based on the employee's rate of pay at the time of the retirement. The maximum payment shall not exceed 240 hours. An employee who transfers from, or is separated and reinstated from a state or county employer shall be credited with the unused balance of accumulated sick leave provided the transfer to employment or reinstatement takes place within 10 years of the date on which the employee was last employed. It is the employee's responsibility upon hire to notify human resources of any previous leave credits. An employee who transfers from full-time to pool status is no longer eligible to accrue sick benefits. Earned sick hours will be banked and available if the employee returns to full-time or part-time status under OPERS.

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. The Hospital also maintains coverage for medical malpractice claims and judgments.

Net Patient Service Revenue

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.

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. Inpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary accordingly to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services are reimbursed on a prospective rate scale based on Ambulatory Patient Classifications (APC's). Home Health Services are reimbursed on a prospective basis for episodes of care spanning 60 days. There are exceptions which could adjust the 60-day payment period. The payment rates are based on a clinical assessment system called OASIS (the Outcome and Assessment

NOTE 17 – BROWN COUNTY HOSPITAL (Continued)

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

Information Set). Final settlements are determined upon submission of the annual cost report by the Hospital and audits thereof by the Medicare Fiscal Intermediary.

Medicaid. Inpatient services rendered to Medicaid program beneficiaries are reimbursed on a rate per discharge basis. Outpatient services rendered to Medicaid program beneficiaries are reimbursed on a fee schedule basis. Inpatient capital costs are reimbursed at a tentative rate per discharge with a final settlement to be determined after submission of the annual cost report by the Hospital and audits thereof by the State Medicaid Agency.

The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Charity Care

Hospital patients who meet certain criteria under its charity care policy are provided care without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenues. Hospital services at normal established rates totaled \$1,007,733 for patients meeting the charity care criteria for the year ended December 31, 2008.

Restricted and Unrestricted Resources

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

Net Assets

Net assets of the Hospital are classified into three components. Net assets invested in capital assets net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net assets are net assets that must be used for a particular purpose as specified by grantors or contributors external to the Hospital. Restricted net assets were restricted to the following:

	<u>2008</u>
Foundation (scholarships)	\$137,801
Other Endowments	5,000
	<u>\$142,801</u>

Unrestricted net assets are the remaining net assets that do not meet the definition of invested in capital assets net of related debt or unrestricted net assets.

Accounting for Uncertainty in Income Taxes

The Financial Accounting Standards Board ("FASB") has issued Interpretation No. 48 ("FIN 48"), which clarifies generally acceptable accounting principles for recognition, measurement, presentation and disclosure relating to uncertain tax positions. FIN 48 applies to business enterprises, not-for-profit entities, and pass-through entities, such as S corporations and limited liability companies. As permitted by FIN 48 (as amended), the Company has elected to defer the application of FIN 48 until issuance of its December 31, 2009 financial statements. For financial statements covering periods prior to calendar 2009, the Company evaluates uncertain tax positions in accordance with existing generally accepted accounting principles and makes such accruals and disclosures as might be required there under.

NOTE 17 – BROWN COUNTY HOSPITAL (Continued)

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;
- 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 year ending 2008, the carrying amount of the Hospital's deposits was \$1,007,310 and \$20,420,371 and the bank balance was \$1,618,270. Of the bank balances for 2008, \$800,979 was covered by federal depository insurance, respectively and would belong in the risk category "insured or collateralized"; \$472,105 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"; and \$345,186 was uninsured and un-collateralized at year-end.

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 PATIENT ACCOUNTS RECEIVABLE

In addition to those patients unable to pay, there are patients receiving services who will not pay. The Hospital has established credit and collection policies to this cost to a minimum. Provisions for bad debts are recorded as deductions from gross revenues in the statements of operations and changes in net assets.

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 2008 Medicare cost report is unsettled and Medicaid remains unsettled from 2004 thru 2008 as of December 31, 2008.

Brown County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 17 – BROWN COUNTY HOSPITAL (Continued)

3. THIRD-PARTY SETTLEMENTS AND PATIENT ACCOUNTS RECEIVABLE (Continued)

The Hospital's net patient accounts receivable (unsecured) were concentrated in the following major payor classes at December 31, 2008:

Medicare	17%
Medicaid	21%
Commercial and Other	19%
Self-pay	43%
	100%

4. CAPITAL ASSETS

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

	12/31/2007	Additions	Transfers/ Disposals	12/31/2008
Capital assets not being depreciated				
Construction in progress	\$ 294,717	\$ (36,122)	\$ 142,306	\$ 116,289
Depreciable capital assets				
Land and land improvements	2,111,064	1,650	(122,240)	2,234,954
Buildings and building improvements	11,545,007	456,290	-	12,001,297
Fixed equipment	8,656,708	638,039	535,328	8,759,419
Major moveable equipment	10,402,126	1,802,723	258,153	11,946,696
Vehicles	320,086	4,450	-	324,536
Total property, plant and equipment at historical cost	33,329,708	2,867,030	813,547	35,383,191
Less accumulated depreciation				
Land improvements	728,902	35,856	-	764,758
Buildings and building improvements	7,570,915	387,983	-	7,958,898
Fixed equipment	6,440,262	415,666	364,422	6,491,506
Major moveable equipment	7,793,241	1,030,589	223,789	8,600,041
Vehicles	265,968	33,778	-	299,746
Total accumulated depreciation	22,799,288	1,903,872	588,211	24,114,949
Capital assets, net	\$ 10,530,420	\$ 963,158	\$ (225,336)	\$ 11,268,242

5. LINE OF CREDIT

The Hospital has a line of credit with a bank that matures in July 2009. The Hospital may borrow up to \$1,000,000. The line charges interest at the prime rate (the prime rate was 3.25% at December 31, 2008) and is collateralized by the accounts receivable of the Hospital. The amount drawn on the line of credit was \$900,000 as of December 31, 2008.

Brown County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 17 – BROWN COUNTY HOSPITAL (Continued)

6. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

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

	December 31, 2008	
	Bonds/notes payable	Capital lease obligations
Debt outstanding January 1, 2008	\$ 1,286,805	\$ -
Additions of new debt	-	2,446,627
Repayments	(276,872)	(205,075)
Debt outstanding December 31, 2008	\$ 1,009,933	\$ 2,241,552
 Expected to be paid within one year	 \$ 286,295	 \$ 446,176

Long-term debt and capital lease obligations consist of the following:

Construction revenue bond issued on May 3, 2006 at par value, collateralized by a pledge of all net revenues, interest at 5.54% and maturing in June 2016.	\$ 633,720
Note payable issued in 2005, collateralized by equipment purchased with the proceeds, interest at 4.6% and maturing in September 2010.	376,213
Capital lease for Ultrasound collateralized by equipment purchased, interest at 5.25% through June 2013	52,386
Capital lease for MRI equipment and building collateralized by equipment purchased, interest at 3.8% through May 2013	1,619,977
Capital lease for a telephone system collateralized by equipment purchased, interest at 4.47% through July 2013	569,189
	3,251,485
Less Current Portion	732,471
	\$ 2,519,014

Brown County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 17 – BROWN COUNTY HOSPITAL (Continued)

6. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

The Hospital's Long-Term Debt is subject to certain financial and administrative covenants. The Debt Service Coverage ratio and the Current Ratio covenants that were not met as of December 31, 2008 were waived by the bank.

Scheduled principal and interest repayments for the bonds and notes payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 286,295	\$ 45,488	\$ 331,783
2010	239,918	31,685	271,603
2011	75,000	24,374	99,374
2012	75,000	20,219	95,219
2013	75,000	16,064	91,064
Thereafter	258,720	22,173	280,893
	<u>\$ 1,009,933</u>	<u>\$ 160,003</u>	<u>\$ 1,169,936</u>

Capital lease obligations

The Hospital leases certain equipment under capital lease obligations. Interest rates range from 3.8% to 5.25%. The following are the net minimum future lease payments under these leases:

<u>Years ending December 31,</u>	<u>December 31, 2008</u>
2009	\$ 545,437
2010	545,437
2011	545,437
2012	545,437
2013	321,409
Total net future minimum lease payments	2,503,157
Less: amount representing interest	261,605
Total capital lease obligations	<u>2,241,552</u>
Less: current portion	446,176
Long-term capital lease obligations	<u>\$ 1,795,376</u>

The total cost of the equipment under capital lease as of December 31, 2008 was \$2,129,589 and the total accumulated depreciation was \$300, 548.

Brown County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 17 – BROWN COUNTY HOSPITAL (Continued)

7. NET PATIENT SERVICE REVENUES

The Hospital has agreements with third-party payors that provide payments to the Hospital at amounts different from its established rates. Total gross patient service revenues and related allowances for the year ended December 31, 2008 were as follows:

	2008
Gross patient service charges at established rates (including charity care)	\$ 82,180,064
less:	
Contractual allowances	(41,026,430)
Charity care	(1,007,733)
Bad debts	(6,515,638)
Net patient service revenues	\$ 33,630,263

8. OPERATING LEASES

The Hospital has operating leases for facilities and medical equipment. These obligations extend through December 2013.

Minimum future payments for these leases are as follows:

Year ending December 31,	
2009	\$ 272,656
2010	214,362
2011	172,961
2012	172,961
2013	79,107
Total	\$ 912,047

Total rental expense for operating leases, including those with terms of one month or less, for the year ended December 31, 2008 was \$292,025, and is included within other expenses on the statement of operations and changes in net assets,

9. RETIREMENT 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.

NOTE 17 – BROWN COUNTY HOSPITAL (Continued)

9. RETIREMENT PLAN (Continued)

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 14.0% and 10.0% respectively. The Hospital's contributions, representing 100% employer contributions, for the last three years are as follows:

<u>Years</u>	<u>Contribution</u>
2008	\$ 2,409,611
2007	2,256,335
2006	2,170,947

10. POST-EMPLOYMENT HEALTHCARE BENEFITS

In addition to the pension benefits described in item 9 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 2008 employer contribution rate of 14.0% used to fund healthcare was 7.0%. The total Hospital contribution used to fund health care was approximately \$1,205,000 for the year ended December 31, 2008.

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, 2008 was 363,503. The actuarial value of the net assets available for OPEB at the most recent actuarial review performed December 31, 2008 was approximately \$12.8 billion. The actuarially accrued liability and the unfunded actuarially accrued liability, based on the actuarial cost method used, were approximately \$29.8 billion and \$17.0 billion, respectively, as of December 31, 2008.

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 2008 was 6.5%.

NOTE 17 – BROWN COUNTY HOSPITAL (Continued)

10. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

- **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 .5% to 6.3%.
- **Health Care** – Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5% to 4.0% for the next 7 years. In subsequent years (8 and beyond) health care costs were assumed to increase at 4.0% (the projected wage inflation rate).
- **Preservation Plan** – The Health Care Preservation Plan (HCPP) adopted by OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contributions rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

11. PROFESSIONAL LIABILITY INSURANCE

The Hospital maintains malpractice insurance coverage on a per occurrence basis with Ohio Hospital Association Insurance Solutions, Inc. Professional liability claims are currently pending against the Hospital. A provision for loss of \$75,000 has been recorded in the accompanying financial statements for possible future deductibles payable by the Hospital for claims incurred.

12. CONCENTRATIONS

Medicare and Medicaid accounted for approximately 65% of the Hospital’s net patient service revenues during 2008.

13. BLENDED COMPONENT UNIT

The financial statements include the Foundation as a blended component unit. The following summarizes the financial position and activities of the Foundation for 2008:

Assets	
Cash and cash equivalents	\$ 277,383
Other assets	120,794
Total Assets	398,177
Liabilities	
Payables	120,794
Net Assets	
Restricted by donors for specific uses	139,999
Unrestricted	137,384
Total net assets	277,383
Income	
Contributions	\$19,423
Other	43,140
Total Income	62,563
Expenses	
Other	109,534
Total expenses	109,534
Excess expenses over revenues	(46,971)
Net assets, beginning of year	324,354
Net assets, end of year	\$277,383

NOTE 17 – BROWN COUNTY HOSPITAL (Continued)

14. GOING CONCERN AND MANAGEMENT’S PLANS

The Hospital did not meet certain covenants related to the debt outstanding at December 31, 2008 (item 6). The Hospital experienced operating losses in 2008 and 2007, which could be indicative of an entity’s inability to continue as a going concern.

The Hospital’s net assets decreased approximately \$3,486,000 in 2008. Further, the Hospital’s operating revenues decreased by 1.5% to approximately \$33,979,000 while operating expenses increased 3% to \$37,033,000. The result is a loss from operations of approximately \$3,054,000 in 2008.

The Hospital issued a construction revenue bond in 2006 for a total of \$783,720 and a note payable in 2005 for a total of \$1,000,000. These agreements call for certain debt covenants to be met. The covenants include a minimum current ratio of 1.5 to 1; debt service coverage ratio of at least 1.25 and a maximum limit on total liabilities to unrestricted fund balance of 1.20. The Hospital did not meet the covenants regarding the minimum current ratio and debt service coverage ratio at December 31, 2008.

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. Management is also currently pursuing an affiliation agreement with another hospital or hospital system.

NOTE 18 – CHANGE IN ACCOUNTING PRINCIPLES

For 2008, the County implemented GASB Statement No. 50, “Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27,” and GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.” GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in the notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The application of these new standards had no effect on the financial statements, nor did their implementation require a restatement of prior year balances.

BROWN COUNTY

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through the Ohio Department of Mental Health:</i>			
Block Grants for Prevention and Treatment of Substance Abuse	N/A	93.959	\$ 141,799
Alcohol, Drug and Mental Health Services Block Grant	N/A	93.958	28,960
<i>Passed Through the Ohio Department of Mental Health:</i>			
Social Services Block Grant - Title XX	N/A	93.667	28,089
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>			
Social Services Block Grant - Title XX	N/A	93.667	30,719
Total Social Services Block Grant (Title XX)			<u>58,808</u>
<i>Passed Through the Ohio Department of Alcohol and Drug Addiction Services</i>			
Medical Assistance Program - Title XIX	N/A	93.778	761,623
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>			
Medical Assistance Program - Title XIX - TCM	N/A	93.778	97,942
Total Medical Assistance Program - Title XIX			<u>859,565</u>
<i>Passed Through Ohio Secretary of State</i>			
Voting Access for Individuals with Disabilities Grants to States	N/A	93.617	5,707
Total U.S. Department of Health and Human Services			1,094,839
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through the Ohio Department of Development:</i>			
Community Development Block Grants	B-F-06-008-1	14.228	6,830
Community Development Block Grants	B-F-07-008-1	14.228	127,674
Community Development Block Grants	B-F-08-008-1	14.228	8,471
Community Development Block Grants	B-N-07-008-1	14.228	12,622
Community Development Block Grants	B-C-06-008-1	14.228	75,874
Community Development Block Grants	B-C-08-008-1	14.228	3,200
			<u>234,671</u>
<i>Passed Through the Ohio Department of Development:</i>			
Home Investment Partnership Program	B-C-06-008-2	14.239	202,714
Home Investment Partnership Program	B-C-08-008-2	14.239	11,221
			<u>213,935</u>
Total U.S. Department of Housing and Urban Development			448,606
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through the Ohio Attorney General:</i>			
Crime Victim Assistance	2008VAGENE308	16.575	30,169
Crime Victim Assistance	2007VADSCE461	16.575	19,854
Total U.S. Department of Justice			50,023
UNITED STATES DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through the Ohio Department of Public Safety Emergency Management Agency:</i>			
State Homeland Security Program	2006-GE-T6-0051	97.073	17,500
State Homeland Security Program	2007-GE-T7-0030	97.073	60,972
Emergency Management Performance Grants	2007-EM-E7-0024	97.042	26,685
Emergency Management Performance Grants	2008-EM-E8-0002	97.042	10,295
Total United States Department of Homeland Security			115,452

U.S. DEPARTMENT OF EDUCATION*Passed Through the Ohio Department of Health*

Special Education Grants for Infants and Families with Disabilities	08-1-002-1-EG-08	84.181	22,473
Special Education Grants for Infants and Families with Disabilities	08-1-002-1-EG-09	84.181	<u>10,324</u>

Total U.S. Department of Education**32,797****FEDERAL EMERGENCY MANAGEMENT AGENCY**

FEMA	N/A	97.036	<u>79,849</u>
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Total United States Department Transportation**79,849****U.S. DEPARTMENT OF TRANSPORTATION***Passed through the Federal Aviation Administration*

Direct from Federal Government

Airport Improvement Program Grant	N/A	20.106	<u>402,570</u>
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Total United States Department Transportation**402,570****TOTAL FEDERAL ASSISTANCE****\$ 2,224,136**

**BROWN COUNTY
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the County's Federal Award Programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – SUBRECIPIENTS

The County passes-through certain federal assistance received from the Ohio Department of Mental Health and the Ohio Department of Drug and Alcohol Addiction Services to other governments or not-for-profit agencies (subrecipients). As described in note A, the County records expenditures of federal awards to subrecipients when paid in cash.

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

NOTE C – MATCHING REQUIREMENTS

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

NOTE D – OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES

The Brown County Department of Mental Retardation and Developmental Disabilities received federal financial assistance from the Ohio Department of Mental Retardation and Developmental Disabilities for the program (which is audited at the state level and reported in the State of Ohio Single Audit Report):

CFDA #93.778 Medicaid Cluster (Individual Options and Level 1 Waiver Programs)

NOTE F – OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

The Brown County Department of Job and Family Services, Children Services Board and Child Support Enforcement Agency received federal financial assistance from the Ohio Department of Job and Family Services for the following programs (which are audited at the state level and reported in the State of Ohio Single Audit Report):

CFDA #10.551/561	Food Stamps Cluster
CFDA #93.558	Temporary Assistance for Needy Families
CFDA #93.563	Child Support Enforcement
CFDA #93.575/596	Child Care Cluster
CFDA #93.658	Foster Care Adoption Assistance
CFDA #93.667	Social Services Block Grant
CFDA #93.767	State Children's Insurance Fund
CFDA #93.775/777/778	Medicaid Cluster



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
Brown County
800 Mt. Orab Pike
Georgetown, Ohio 45121

We have audited the financial statements of the governmental activities, business-type activities, each major fund, the aggregate discretely presented component unit, and the aggregate remaining fund information of the Brown County Financial Condition, Brown County, Ohio (the County), as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 24, 2009, wherein we noted the County, except for the Brown County General Hospital (the Hospital), followed the cash basis of accounting rather than accounting principles general accepted in the United States of America and implemented Governmental Accounting Standards Board (GASB) Statements No. 45 and No. 50. We did not audit the financial statements of the Hospital as of and for the year ended December 31, 2008, which are presented as stand alone financial statements of the County. 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 for the Hospital is solely based 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but, not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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 the County's cash basis of accounting 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.

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.

Internal Control over Financial Reporting (Continued)

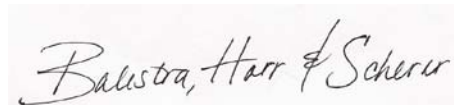
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We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

Compliance and Other Matters

As part of 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and is reported in the accompanying Schedule of Findings and Questioned Costs as items No. 2008-001.

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 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.
July 24, 2009



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
Brown County
800 Mount Orab Pike
Georgetown, Ohio 45121

Compliance

We have audited the compliance of Brown 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 its major federal program for the year ended December 31, 2008. 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 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County'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 its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance


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

A control deficiency in an entity's control over compliance 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 noncompliance with a type of compliance requirement of a federal program 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 noncompliance with the type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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.

July 24, 2009

BROWN COUNTY

SCHEDULE OF FINDINGS & QUESTIONED COSTS
OMB CIRCULAR A -133 Section .505
December 31, 2008

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(I)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(I)(ii)</i>	Were there any significant internal control deficiencies reported at the financial statement level (GAGAS)?	No
<i>(d)(I)(ii)</i>	Were there any material weakness reported at the financial statement level (GAGAS)?	No
<i>(d)(I)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(I)(iv)</i>	Were there any significant internal control deficiencies reported for major federal programs?	No
<i>(d)(I)(iv)</i>	Were there any material weakness reported for major federal programs?	No
<i>(d)(I)(v)</i>	Type of Major Programs Compliance Opinion	Unqualified
<i>(d)(I)(vi)</i>	Are there any reportable findings under .510?	No
<i>(d)(I)(vii)</i>	Major Program (list):	Medical Assistance Program, CFDA #93.778 Airport Improvement Program, CFDA #20.106
<i>(d)(I)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(I)(ix)</i>	Low Risk Auditee?	No

BROWN COUNTY

SCHEDULE OF FINDINGS & QUESTIONED COSTS

OMB CIRCULAR A -133 Section .505

December 31, 2008

(Continued)

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

Finding Number 2008-001

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.

We recommend the County prepare its annual financial report in accordance with generally accepted accounting principles.

County's Response:

The County officials do not believe that preparing the financial statements in accordance with generally accepted accounting principles is cost beneficial.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

BROWN COUNTY

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-001	Finding for Recovery for court computer system not charging the appropriate court fees.	Yes	
2007-002	Ohio Admin Code Section 117-2-03(B) requires the County 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 – See current year finding 2008-001.
2007-003	Ohio Administrative Code, Sec 117-2-01(A) financial accounting system citation due to significant misclassifications of funds.	Yes	
2007-004	Ohio Revised Code Section 5715.23 requires the tax abstract to be transmitted to the tax commissioner. The 2006 tax abstract included the wrong districts on one particular levy.	Yes	



Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

BROWN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 29, 2009**