



Mary Taylor, CPA
Auditor of State

ADAMS COUNTY
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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Adams County
110 West Main Street
West Union, Ohio 45693

To the Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Adams 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 Adams County Hospital for the years ended December 31, 2008 and 2007. The financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it related to the amounts included for Adams County Hospital, are based solely on the report of other auditors.

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

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

The Adams County Hospital financial statements are presented as stand alone statements. In our opinion, based on the report of the other auditors, the Adams County Hospital's stand alone financial statements present fairly, in all material respects, its financial position as of December 31, 2008 and December 31, 2007, and its changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The County omitted Business-Type Activities from the entity-wide statements and the proprietary fund statements for the Adams County Hospital in its cash basis statement. Therefore, in our opinion, the County's financial statements do not present fairly the financial position of the Business-Type Activities and proprietary funds of the County as of December 31, 2008 or the Changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 2.

The County's financial statements do not include all receipts, disbursements and cash balances related to the Ambulance and EMS Special Revenue Fund (fund 010) which should be included in the Adams County financial statements as part of remaining fund information. There was insufficient documentation to support the completeness of these amounts. However, based on available documentation, had the omitted funds been included, the governmental activities net assets, and all other governmental funds balance as of December 31, 2008 would have increased approximately \$ 497,364 and governmental activities and all other governmental funds receipts and disbursements would have increased approximately \$ 918,448 and \$ 812,579 respectively.

In our opinion, based on our audit report and the report of other auditors, except for the omission of the Ambulance and EMS Special Revenue Fund receipts, disbursements and cash balances in the remaining fund information referred to above, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Adams County, Ohio, as of December 31, 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General, MRDD, Public Assistance and Motor Vehicle Gasoline Tax funds, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2010, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Mary Taylor, CPA
Auditor of State

March 8, 2010

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

The discussion and analysis of Adams 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 13.

Financial Highlights

Key financial highlights for 2008 are as follows:

Overall:

Total net assets decreased \$356,705 with governmental activities decreasing by \$345,626 and business-type activities decreasing by \$11,079.

Total cash receipts were \$25,145,370 in 2008.

Total cash disbursements were \$25,502,075 in 2008.

Governmental Activities:

Total program cash receipts were \$15,216,362 in 2008, while program cash disbursements were \$25,468,404.

Program cash disbursements were primarily composed of Human Services, Public Works, Health, General Government-Legislative and Executive, and Public Safety related cash disbursements which were \$7,848,278, \$5,144,760, \$2,887,424, \$2,730,182, and \$3,144,490, respectively, in 2008.

Business-Type Activities:

Program cash receipts were \$22,592 for business-type activities, while corresponding cash disbursements were \$33,671.

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 Motor Vehicle Gas Tax Fund, the Public Assistance Fund, and the MR/DD 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 Adams County. The component unit presentation includes Venture Productions, Inc. on pages 13 and 14 presented on a cash basis and Adams County Hospital on pages 24 through 27 presented on the accrual basis of accounting.

Adams County, Ohio
Management's Discussion and Analysis
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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, other, capital outlay, and debt service.

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

Component Unit Activities – Although Venture Productions, Inc. is a separate legal entity, the County includes their activities since the County is financially accountable for this entity. Adams County 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 Adams County Hospital are presented separately on pages 24 through 27.

Reporting the County's Most Significant Funds

Fund Financial Statements

The analysis of the County's major funds begins on page 8. Fund financial statements provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's most significant funds that have been presented as major governmental funds are the General Fund, the Motor Vehicle Gas Tax Fund, the Public Assistance Fund and the MR/DD Fund.

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

Adams County, Ohio
Management's Discussion and Analysis
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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	\$9,110,016	\$9,455,642	\$11,769	\$22,848	\$9,121,785	\$9,478,490
Total Assets	9,110,016	9,455,642	11,769	22,848	9,121,785	9,478,490
Net Assets						
Restricted	7,938,929	8,618,030	0	0	7,938,929	8,618,030
Unrestricted	1,171,087	837,612	11,769	22,848	1,182,856	860,460
Total Net Assets	<u>\$9,110,016</u>	<u>\$9,455,642</u>	<u>\$11,769</u>	<u>\$22,848</u>	<u>\$9,121,785</u>	<u>\$9,478,490</u>

Total net assets decreased by \$356,705 due to cash disbursements exceeding cash receipts.

Adams County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
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Table 2 shows the changes in net assets for 2008 as compared to 2007.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Cash Receipts						
<i>Program Cash Receipts</i>						
Charges For Services	\$2,993,407	\$2,538,615	\$22,592	\$46,844	\$3,015,999	\$2,585,459
Operating Grants and Contributions	11,148,703	12,648,100	0	0	11,148,703	12,648,100
Capital Grants and Contributions	1,074,252	639,950	0	0	1,074,252	639,950
Total Program Cash Receipts	15,216,362	15,826,665	22,592	46,844	15,238,954	15,873,509
<i>General Cash Receipts and Advances</i>						
Property Taxes	4,415,836	4,358,719	0	0	4,415,836	4,358,719
Sales Taxes	2,128,037	2,127,529	0	0	2,128,037	2,127,529
Grants and Entitlements Not Restricted to Specific Programs	1,284,138	1,178,863	0	0	1,284,138	1,178,863
Miscellaneous	890,817	632,346	0	0	890,817	632,346
Interest	275,282	547,163	0	0	275,282	547,163
Proceeds from Bonds, Loans and Notes	912,306	219,759	0	0	912,306	219,759
Advances In/Out (Net)	0	(9,367)	0	9,367	0	0
Total General Cash Receipts and Advances	9,906,416	9,055,012	0	9,367	9,906,416	9,064,379
Total Cash Receipts	25,122,778	24,881,677	22,592	56,211	25,145,370	24,937,888
Cash Disbursements						
<i>Program Cash Disbursements</i>						
<i>General Government</i>						
Legislative and Executive	2,730,182	2,557,732	0	0	2,730,182	2,557,732
Judicial	1,336,579	1,332,955	0	0	1,336,579	1,332,955
Public Safety	3,144,490	2,515,758	0	0	3,144,490	2,515,758
Public Works	5,144,760	5,125,297	0	0	5,144,760	5,125,297
Health	2,887,424	2,908,082	0	0	2,887,424	2,908,082
Human Services	7,848,278	7,784,395	0	0	7,848,278	7,784,395
Conservation and Recreation	0	1,686	0	0	0	1,686
Other	1,328,229	1,092,768	0	0	1,328,229	1,092,768
Capital Outlay	863,912	808,901	0	0	863,912	808,901
<i>Debt Service:</i>						
Principal Retirement	152,629	257,237	0	0	152,629	257,237
Interest and Fiscal Charges	31,921	41,350	0	0	31,921	41,350
Airport	0	0	27,246	37,426	27,246	37,426
Sewer	0	0	6,425	5,021	6,425	5,021
Total Cash Disbursements	25,468,404	24,426,161	33,671	42,447	25,502,075	24,468,608
Change in Net Assets	(345,626)	455,516	(11,079)	13,764	(356,705)	469,280
Net Assets at Beginning of Year	9,455,642	9,000,126	22,848	9,084	9,478,490	9,009,210
Net Assets at End of Year	\$9,110,016	\$9,455,642	\$11,769	\$22,848	\$9,121,785	\$9,478,490

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Net assets decreased \$345,626 in governmental activities in 2008. Program cash receipts were primarily composed of charges for services and operating grants and contributions which were \$2,993,407 and \$11,148,703, respectively. The largest decrease was in operating grants and contributions which was primarily due to decreases in intergovernmental revenue in the Public Assistance and Children's Services programs which was partially offset by increases in intergovernmental receipts for capital improvement programs.

Program cash disbursements increased primarily due to an increase in expenditures in public safety and other disbursements of \$628,732 and \$235,461, respectively, due mainly to increases in cash disbursements in the General, Adams County GIS, Wireless 911, and child support enforcement activities, respectively. Even though total cash receipts increased \$207,482, cash disbursements increased by \$1,033,467, resulting in a net decrease in net assets between years.

Property taxes and sales taxes made up 17.58 percent and 8.47 percent, respectively, of cash receipts for governmental activities for the County in 2008. Operating grants and contributions made up 44.38 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 39.43 percent as shown in Table 2. The taxpayers and the State of Ohio, as a whole, provide the vast majority of resources for Adams County. Table 3 below shows the total and net cost of services (on 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	\$2,730,182	\$1,952,491	\$2,557,732	\$1,862,424
Judicial	1,336,579	1,050,542	1,332,955	1,064,093
Public Safety	3,144,490	1,930,953	2,515,758	1,696,880
Public Works	5,144,760	1,535,161	5,125,297	770,700
Health	2,887,424	716,155	2,908,082	420,109
Human Services	7,848,278	2,108,643	7,784,395	1,388,761
Conservation and Recreation	0	0	1,686	1,441
Other	1,328,229	983,886	1,092,768	927,550
Capital Outlay	863,912	(210,340)	808,901	168,951
Debt Service				
Principal Retirement	152,629	152,630	257,237	257,237
Interest and Fiscal Charges	31,921	31,921	41,350	41,350
Total Cash Disbursements -				
Governmental Activities	<u>\$25,468,404</u>	<u>\$10,252,042</u>	<u>\$24,426,161</u>	<u>\$8,599,496</u>

Adams County, Ohio
Management's Discussion and Analysis
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Business-Type Activities				
Airport	\$27,246	\$7,448	\$37,426	(\$7,983)
Sewer	<u>6,425</u>	<u>3,631</u>	<u>5,021</u>	<u>3,586</u>
Total Cash Disbursements -				
Business-Type Activities	<u><u>\$33,671</u></u>	<u><u>\$11,079</u></u>	<u><u>\$42,447</u></u>	<u><u>(\$4,397)</u></u>

Business-Type Activities

Business-type activities include wastewater treatment services and the County airport. Overall net assets decreased \$11,079 from 2007 to 2008. Only program cash receipts supported business-type activities and during 2008 program cash disbursements exceeded program cash receipts, which resulted in the above decrease.

The County's Funds

Information about the County's major funds starts on page 15. These funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts of \$26,363,623 and cash disbursements of \$26,709,249. The net change in fund balance for the year was most significant in the General Fund, the Motor Vehicle Gas Tax Fund and the Public Assistance Fund. The fund balance in the General Fund increased \$333,475 primarily due to an increase in intergovernmental and other receipts, which was only partially offset by increases in disbursements for general government, public safety and other disbursements. The fund balance of the Motor Vehicle Gas Tax Fund increased \$399,903 primarily due to an increase in cash receipts for proceeds from the issuance of bond anticipation notes. The fund balance of the Public Assistance Fund decreased \$526,997 primarily due to a decrease in intergovernmental receipts. The fund balance of the MR/DD Fund increased \$22,389 primarily due to an increase in intergovernmental receipts.

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 and other financing sources were \$7,093,211, above original budget estimates of \$6,576,011. Of this \$508,900 difference, final budgeted tax receipts were \$125,000 above original estimates, charges for services receipts were \$118,000 above original estimates, intergovernmental receipts were \$100,000 above original estimates, and various other receipt categories made up the difference. Actual cash basis receipts and other financing sources were \$851,556 higher than final budgeted receipts which was primarily due to higher than expected miscellaneous receipts and for advances which are not budgeted by the County. Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were \$7,720,909, which was \$223,858 below cash receipts and other financing sources. The actual fund balance for the General Fund exceeded the final budgeted fund balance by \$950,932.

Capital Assets and Debt Administration

Capital Assets

The County does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The County had capital outlay disbursements of \$863,912 during 2008.

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 \$1,220,010 in bonds and related long-term debt for governmental activities. The County also had \$800,000 in short-term bond anticipation notes outstanding at December 31, 2008. For additional information on debt, please see Note 9.

Adams County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
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Table 4 summarizes bonds, loans and notes outstanding for Governmental Activities for the past two years:

Table 4
 Outstanding Debt at December 31
 Governmental Activities

	2008	2007
General Obligation Bonds	\$365,000	\$475,000
Special Assessment Bonds	277,327	282,723
OPWC Loans	286,118	303,102
OWDA Loan	249,565	143,509
USDA Bonds	42,000	56,000
Bond Anticipation Notes	800,000	0
Totals	<u>\$2,020,010</u>	<u>\$1,260,334</u>

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 David Gifford, County Auditor of Adams County, 110 West Main Street, West Union, Ohio 45693-1395, or email at adamscoaud@cinci.rr.com.

Adams County Hospital

This management's discussion and analysis (MD&A) of Adams County Hospital (the Hospital) includes a discussion and analysis of the activities and results of the Hospital for the year ended December 31, 2008.

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

Financial Highlights

The Hospital's net assets decreased approximately \$1,406,000 in 2008.

During the year, the Hospital's operating revenues increased 24% to approximately \$23,687,000 while expenses increased 12% to \$24,388,000. The result is a loss from operations of approximately \$701,000 compared to an operating loss of \$2,632,000 in 2007.

The Hospital did not meet certain covenants related to its bonds outstanding at December 31, 2008. The Hospital obtained a waiver of this covenant violation. 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.

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

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

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 help answer this question. These statements include all restricted and unrestricted assets and 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.

These two statements report the Hospital's net assets and related changes. You can think of the Hospital's net assets as 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 balances during the reporting period?"

Net Assets

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

Table 5
Statement of Net Assets

	2008	2007
Assets		
Cash and cash equivalents	\$ 5,150	\$ 6,177
Capital assets	28,219	29,776
Patient accounts receivable, net	3,574	2,918
Other assets	1,325	1,871
Total assets	\$ 38,268	\$ 40,742
Liabilities		
Current liabilities	\$ 3,946	\$ 3,895
Long-term liabilities	28,069	29,188
Total liabilities	32,015	33,083
Net assets	6,253	7,659
Total liabilities and net assets	\$ 38,268	\$ 40,742

As can be seen above, net assets decreased to approximately \$6,253,000 in 2008, down from \$7,659,000 in 2007.

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

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

Table 6
Statement of Operations and Changes in Net Assets

	2008	2007
Operating Revenues		
Net patient service revenues	\$ 23,302	\$ 18,536
Other	385	585
Total revenue	23,687	19,121
Operating expenses		
Salaries and benefits	11,828	10,750
Supplies	3,237	2,971
Purchased services	2,906	2,360
Other	6,417	5,672
Total operating expenses	24,388	21,753
Loss from operations	(701)	(2,632)
Other changes in net assets	(705)	(84)
Change in net assets	\$ (1,406)	\$ (2,716)

Sources of Revenue

During 2008, the Hospital derived substantially all of its revenue from patient service and other related activities. Revenue includes, among other items, revenue from the Medicare and Medicaid programs, patients, insurance carriers, preferred provider organizations and managed care programs.

Payer Mix

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

Operating Gains/Losses

Revenues

The Hospital generated significantly more revenues from patients in 2008. Net patient service revenues increased approximately \$4,766,000 in 2008 primarily due to increased volume during the year. The Hospital occupied its current facility for a full year during 2008 versus a partial year in two facilities during 2007.

Expenses

Total operating expenses increased approximately \$2,635,000 or 12% in 2008 which was attributable to an increase in depreciation, utilities, costs for supplies and drugs, medical professional fees as well as repairs and maintenance expenses.

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

Capital Assets and Debt Administration

Capital Assets

During 2008, the Hospital invested \$1.1 million gross of disposals and transfers in a broad range of property, plant and equipment which is included in the table below (in thousands):

	2008	2007
Land Improvements	\$ 2,257	\$ 444
Buildings and Fixed Equipment	25,712	25,432
Major Moveable and Leased Equipment	9,860	9,713
Construction in Progress	289	1,779
Total Property, Plant and Equipment	38,118	37,368
Less Accumulated Depreciation	(9,899)	(7,592)
Capital Assets, Net	\$ 28,219	\$ 29,776

Property, plant and equipment have decreased because the Hospital reduced spending on equipment during 2008. There was a bond issuance in 2005 for \$27,480,000. The proceeds were utilized for the building of a new hospital in Seaman, Ohio which opened in 2007. See note 16, number 5 for additional information regarding the Hospital's property, plant and equipment.

Debt Administration

At December 31, 2008, the Hospital had \$26,785,000 in outstanding Hospital Facility Improvement Bonds, the entire amount of which was issued in 2005. All but \$375,000 of this debt is long-term. Other existing debt as of December 31, 2008 is approximately \$2,381,000, of which approximately \$722,000 is payable in 2009. This debt consists of capital lease obligations.

At December 31, 2008 the Hospital was not in compliance with the provisions of the bond covenants which require days cash on hand to be greater than 50 days and debt service coverage equal to at least 120% of maximum annual debt service. The Hospital has obtained a waiver of these covenants. See note 16, number 6 for additional information regarding the Hospital's debt.

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:

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

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

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

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		Venture Productions, Inc.
ASSETS:				
Equity in Pooled Cash, Cash Equivalents, and Investments	\$9,110,016	\$11,769	\$9,121,785	\$0
Cash and Cash Equivalents	0	0	0	145,056
<i>Total Assets</i>	<u>9,110,016</u>	<u>11,769</u>	<u>9,121,785</u>	<u>145,056</u>
NET ASSETS:				
Restricted for Debt Service	3,686	0	3,686	0
Restricted for Capital Outlay	83,295	0	83,295	0
Restricted for MR/DD	2,419,600	0	2,419,600	0
Restricted for Motor Vehicle Gas Tax	1,643,372	0	1,643,372	0
Restricted for Public Assistance	386,816	0	386,816	0
Restricted for Other Purposes	3,402,160	0	3,402,160	0
Unrestricted	1,171,087	11,769	1,182,856	145,056
<i>Total Net Assets</i>	<u>\$9,110,016</u>	<u>\$11,769</u>	<u>\$9,121,785</u>	<u>\$145,056</u>

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

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

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net			Component Unit
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Venture Productions, Inc.
Governmental Activities:								
General Government:								
Legislative and Executive	\$2,730,182	\$433,371	\$344,320	\$0	(\$1,952,491)	\$0	(\$1,952,491)	\$0
Judicial	1,336,579	223,134	62,903	0	(1,050,542)	0	(1,050,542)	0
Public Safety	3,144,490	462,301	751,236	0	(1,930,953)	0	(1,930,953)	0
Public Works	5,144,759	518,125	3,091,473	0	(1,535,161)	0	(1,535,161)	0
Health	2,887,424	302,015	1,869,254	0	(716,155)	0	(716,155)	0
Human Services	7,848,278	839,686	4,899,949	0	(2,108,643)	0	(2,108,643)	0
Other	1,328,229	214,775	129,568	0	(983,886)	0	(983,886)	0
Capital Outlay	863,912	0	0	1,074,252	210,340	0	210,340	0
Debt Service:								
Principal Retirement	152,630	0	0	0	(152,630)	0	(152,630)	0
Interest and Fiscal Charges	31,921	0	0	0	(31,921)	0	(31,921)	0
<i>Total Governmental Activities</i>	<u>25,468,404</u>	<u>2,993,407</u>	<u>11,148,703</u>	<u>1,074,252</u>	<u>(10,252,042)</u>	<u>0</u>	<u>(10,252,042)</u>	<u>0</u>
Business-Type Activities:								
Airport	27,246	19,798	0	0	0	(7,448)	(7,448)	0
Sewer	6,425	2,794	0	0	0	(3,631)	(3,631)	0
<i>Total Business-Type Activities</i>	<u>33,671</u>	<u>22,592</u>	<u>0</u>	<u>0</u>		<u>(11,079)</u>	<u>(11,079)</u>	<u>0</u>
Component Units:								
Venture Productions, Inc.	238,840	240,398	0	0				1,558
<i>Total Component Units</i>	<u>238,840</u>	<u>240,398</u>	<u>0</u>	<u>0</u>				<u>1,558</u>
<i>Totals</i>	<u>\$25,740,915</u>	<u>\$3,256,397</u>	<u>\$11,148,703</u>	<u>\$1,074,252</u>				<u>1,558</u>
	General Cash Receipts							
	Property Taxes Levied for:							
					1,816,712	0	1,816,712	0
					2,468,666	0	2,468,666	0
					130,458	0	130,458	0
					2,128,037	0	2,128,037	0
	Grants and Entitlements Not Restricted to Specific Programs				1,284,138	0	1,284,138	0
					890,817	0	890,817	1,760
					275,282	0	275,282	0
					912,306	0	912,306	0
	<i>Total General Cash Receipts and Advances</i>				<u>9,906,416</u>	<u>0</u>	<u>9,906,416</u>	<u>1,760</u>
	<i>Change in Net Assets</i>				(345,626)	(11,079)	(356,705)	3,318
	<i>Net Assets Beginning of Year</i>				<u>9,455,642</u>	<u>22,848</u>	<u>9,478,490</u>	<u>141,738</u>
	<i>Net Assets End of Year</i>				<u>\$9,110,016</u>	<u>\$11,769</u>	<u>\$9,121,785</u>	<u>\$145,056</u>

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

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

	General	MR/DD	Motor Vehicle Gas Tax	Public Assistance	All Other Governmental Funds	Total Governmental Funds
ASSETS:						
Equity in Pooled Cash, Cash Equivalents, and Investments	\$1,171,087	\$2,419,600	\$1,643,372	\$386,816	\$3,489,141	\$9,110,016
<i>Total Assets</i>	<u>\$1,171,087</u>	<u>\$2,419,600</u>	<u>\$1,643,372</u>	<u>\$386,816</u>	<u>\$3,489,141</u>	<u>\$9,110,016</u>
FUND BALANCES:						
Reserved for Encumbrances	\$162,868	\$87,411	\$125,796	\$149,444	\$609,188	\$1,134,707
Unreserved, Undesignated Reported In:						
General Fund	1,008,219	0	0	0	0	1,008,219
Special Revenue Funds	0	2,332,189	1,517,576	237,372	2,856,144	6,943,281
Debt Service Funds	0	0	0	0	3,686	3,686
Capital Projects Funds	0	0	0	0	20,123	20,123
<i>Total Fund Balances</i>	<u>\$1,171,087</u>	<u>\$2,419,600</u>	<u>\$1,643,372</u>	<u>\$386,816</u>	<u>\$3,489,141</u>	<u>\$9,110,016</u>

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

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

	General	MR/DD	Motor Vehicle Gas Tax	Public Assistance	All Other Governmental Funds	Total Governmental Funds
CASH RECEIPTS:						
Taxes	\$3,944,749	\$729,126	\$0	\$0	\$1,869,998	\$6,543,873
Special Assessments	0	0	0	0	14,711	14,711
Charges for Services	1,058,361	17,768	0	196,990	1,479,983	2,753,102
Licenses and Permits	2,080	0	0	0	0	2,080
Fines and Forfeitures	163,572	0	32,327	0	27,615	223,514
Intergovernmental	1,284,138	868,200	3,631,535	3,642,389	4,080,831	13,507,093
Interest	234,772	0	40,510	0	0	275,282
Other	397,713	24,474	75,507	256,634	136,489	890,817
<i>Total Cash Receipts</i>	<u>7,085,385</u>	<u>1,639,568</u>	<u>3,779,879</u>	<u>4,096,013</u>	<u>7,609,627</u>	<u>24,210,472</u>
CASH DISBURSEMENTS:						
Current:						
General Government:						
Legislative and Executive	2,206,691	0	0	0	523,491	2,730,182
Judicial	1,240,943	0	0	0	95,636	1,336,579
Public Safety	2,002,338	0	0	0	1,142,152	3,144,490
Public Works	98,059	0	4,162,992	0	883,708	5,144,759
Health	45,479	1,617,179	0	0	1,224,766	2,887,424
Human Services	398,578	0	0	4,623,010	2,826,690	7,848,278
Other	1,131,239	0	0	0	196,990	1,328,229
Capital Outlay	0	0	0	0	863,912	863,912
Debt Service:						
Principal Retirement	0	0	16,984	0	135,646	152,630
Interest and Fiscal Charges	0	0	0	0	31,921	31,921
<i>Total Cash Disbursements</i>	<u>7,123,327</u>	<u>1,617,179</u>	<u>4,179,976</u>	<u>4,623,010</u>	<u>7,924,912</u>	<u>25,468,404</u>
<i>Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(37,942)</u>	<u>22,389</u>	<u>(400,097)</u>	<u>(526,997)</u>	<u>(315,285)</u>	<u>(1,257,932)</u>
OTHER FINANCING SOURCES (USES):						
Proceeds from Loans and Notes	0	0	800,000	0	112,306	912,306
Transfers In	3,619	0	0	0	136,470	140,089
Advances In	802,512	0	0	0	298,244	1,100,756
Transfers Out	(136,470)	0	0	0	(3,619)	(140,089)
Advances Out	(298,244)	0	0	0	(802,512)	(1,100,756)
<i>Total Other Financing Sources (Uses)</i>	<u>371,417</u>	<u>0</u>	<u>800,000</u>	<u>0</u>	<u>(259,111)</u>	<u>912,306</u>
<i>Net Change in Fund Cash Balances</i>	333,475	22,389	399,903	(526,997)	(574,396)	(345,626)
<i>Fund Cash Balances at Beginning of Year</i>	<u>837,612</u>	<u>2,397,211</u>	<u>1,243,469</u>	<u>913,813</u>	<u>4,063,537</u>	<u>9,455,642</u>
<i>Fund Cash Balances at End of Year</i>	<u>\$1,171,087</u>	<u>\$2,419,600</u>	<u>\$1,643,372</u>	<u>\$386,816</u>	<u>\$3,489,141</u>	<u>\$9,110,016</u>

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

Adams County, Ohio
*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:				
Taxes	\$3,845,000	\$3,970,000	\$3,944,749	(\$25,251)
Charges for Services	970,424	1,088,424	1,058,361	(30,063)
Licenses and Permits	2,400	2,300	2,080	(220)
Fines and Forfeitures	138,500	156,500	163,572	7,072
Intergovernmental	1,186,079	1,286,079	1,284,138	(1,941)
Interest	0	260,249	234,772	(25,477)
Other	366,108	329,659	397,713	68,054
<i>Total Receipts</i>	<u>6,508,511</u>	<u>7,093,211</u>	<u>7,085,385</u>	<u>(7,826)</u>
DISBURSEMENTS:				
Current:				
General Government:				
Legislative and Executive	2,456,842	2,461,348	2,248,032	213,316
Judicial	1,331,491	1,357,242	1,263,928	93,314
Public Safety	1,970,537	2,030,274	2,014,649	15,625
Public Works	93,204	98,942	98,192	750
Health	53,672	55,772	54,825	947
Human Services	406,991	449,945	425,001	24,944
Other	1,051,290	1,202,825	1,131,274	71,551
<i>Total Disbursements</i>	<u>7,364,027</u>	<u>7,656,348</u>	<u>7,235,901</u>	<u>420,447</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<u>(855,516)</u>	<u>(563,137)</u>	<u>(150,516)</u>	<u>412,621</u>
OTHER FINANCING SOURCES (USES):				
Other Financing Sources	67,500	0	0	0
Other Financing Uses	(291,850)	(56,244)	(50,294)	5,950
Transfers In	0	0	3,619	3,619
Transfers Out	(64,000)	(160,944)	(136,470)	24,474
Advances In	0	0	802,512	802,512
Advances Out	0	0	(298,244)	(298,244)
<i>Total Other Financing Sources (Uses)</i>	<u>(288,350)</u>	<u>(217,188)</u>	<u>321,123</u>	<u>538,311</u>
<i>Excess of Receipts and Other Financing Sources over (under) Disbursements and Other Financing Uses</i>	<u>(1,143,866)</u>	<u>(780,325)</u>	<u>170,607</u>	<u>950,932</u>
<i>Fund Balance at Beginning of Year</i>	746,876	746,876	746,876	0
<i>Prior Year Encumbrances Appropriated</i>	<u>90,736</u>	<u>90,736</u>	<u>90,736</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>(\$306,254)</u></u>	<u><u>\$57,287</u></u>	<u><u>\$1,008,219</u></u>	<u><u>\$950,932</u></u>

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

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

	MR/DD Fund			Variance with Final Budget
	Original Budget	Final Budget	Actual	
RECEIPTS:				
Taxes	\$675,000	\$727,000	\$729,126	\$2,126
Charges for Services	15,000	15,000	17,768	2,768
Intergovernmental	735,819	889,819	868,200	(21,619)
Other	0	0	24,474	24,474
<i>Total Receipts</i>	<u>1,425,819</u>	<u>1,631,819</u>	<u>1,639,568</u>	<u>7,749</u>
DISBURSEMENTS:				
Current:				
Health	2,500,000	2,603,907	1,704,590	899,317
<i>Total Disbursements</i>	<u>2,500,000</u>	<u>2,603,907</u>	<u>1,704,590</u>	<u>899,317</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<u>(1,074,181)</u>	<u>(972,088)</u>	<u>(65,022)</u>	<u>907,066</u>
<i>Fund Balance at Beginning of Year</i>	2,234,613	2,234,613	2,234,613	0
<i>Prior Year Encumbrances Appropriated</i>	<u>162,598</u>	<u>162,598</u>	<u>162,598</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$1,323,030</u>	<u>\$1,425,123</u>	<u>\$2,332,189</u>	<u>\$907,066</u>

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

Adams County, Ohio
*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:				
Fines and Forfeitures	\$40,000	\$40,000	\$32,327	(\$7,673)
Intergovernmental	3,450,000	3,530,000	3,631,535	101,535
Interest	0	5,000	40,510	35,510
Other	10,000	50,000	75,507	25,507
<i>Total Receipts</i>	<u>3,500,000</u>	<u>3,625,000</u>	<u>3,779,879</u>	<u>154,879</u>
DISBURSEMENTS:				
Current:				
Public Works	3,383,000	4,964,399	4,288,789	675,610
Debt Service:				
Principal Retirement	117,000	17,000	16,983	17
<i>Total Disbursements</i>	<u>3,500,000</u>	<u>4,981,399</u>	<u>4,305,772</u>	<u>675,627</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<u>0</u>	<u>(1,356,399)</u>	<u>(525,893)</u>	<u>830,506</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Loans and Notes	0	800,000	800,000	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>800,000</u>	<u>800,000</u>	<u>0</u>
<i>Excess of Receipts and Other Financing Sources over (under) Disbursements and Other Financing Uses</i>	0	(556,399)	274,107	830,506
<i>Fund Balance at Beginning of Year</i>	1,137,639	1,137,639	1,137,639	0
<i>Prior Year Encumbrances Appropriated</i>	105,830	105,830	105,830	0
<i>Fund Balance at End of Year</i>	<u><u>\$1,243,469</u></u>	<u><u>\$687,070</u></u>	<u><u>\$1,517,576</u></u>	<u><u>\$830,506</u></u>

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

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

	Public Assistance Fund			Variance with Final Budget
	Original Budget	Final Budget	Actual	
RECEIPTS:				
Charges for Services	\$174,251	\$174,251	\$196,990	\$22,739
Intergovernmental	4,092,604	3,619,604	3,642,389	22,785
Other	402,249	292,249	256,634	(35,615)
<i>Total Receipts</i>	<u>4,669,104</u>	<u>4,086,104</u>	<u>4,096,013</u>	<u>9,909</u>
DISBURSEMENTS:				
Current:				
Human Services	4,502,847	4,987,716	4,772,454	215,262
<i>Total Disbursements</i>	<u>4,502,847</u>	<u>4,987,716</u>	<u>4,772,454</u>	<u>215,262</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<u>166,257</u>	<u>(901,612)</u>	<u>(676,441)</u>	<u>225,171</u>
<i>Fund Balance at Beginning of Year</i>	562,172	562,172	562,172	0
<i>Prior Year Encumbrances Appropriated</i>	<u>351,641</u>	<u>351,641</u>	<u>351,641</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$1,080,070</u></u>	<u><u>\$12,201</u></u>	<u><u>\$237,372</u></u>	<u><u>\$225,171</u></u>

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

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

	<u>Enterprise Funds</u>
ASSETS:	
Equity in Pooled Cash, Cash Equivalents, and Investments	<u>\$11,769</u>
NET ASSETS:	
Unrestricted	<u>\$11,769</u>

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

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

	Enterprise Funds
OPERATING CASH RECEIPTS:	
Charges for Services	\$22,592
<i>Total Operating Cash Receipts</i>	<i>22,592</i>
OPERATING CASH DISBURSEMENTS:	
Contractual Services	6,425
Materials and Supplies	27,246
<i>Total Operating Cash Disbursements</i>	<i>33,671</i>
<i>Changes in Net Cash Assets</i>	(11,079)
<i>Net Cash Assets at Beginning of Year</i>	<i>22,848</i>
<i>Net Cash Assets at End of Year</i>	<i>\$11,769</i>

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

Adams County, Ohio
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	\$992,579
Cash and Cash Equivalents in Segregated Accounts	<u>381,112</u>
<i>Total Assets</i>	<u>1,373,691</u>
NET ASSETS:	
Unrestricted	<u>1,373,691</u>
<i>Total Net Assets</i>	<u><u>\$1,373,691</u></u>

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

Adams County Hospital
Balance Sheets
As of December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$866,358	\$1,466,392
Patient Accounts Receivable, Net of Allowance for Doubtful Accounts of Approximately \$1,262,131 and \$1,130,667 in 2008 and 2007, Respectively	3,573,850	2,917,536
Inventories	239,974	231,320
Estimated Third Party Settlements	98,021	784,643
Prepaid Expenses and Other Current Assets	202,893	26,470
Total Current Assets	<u>4,981,096</u>	<u>5,426,361</u>
Assets Whose Use is Limited:		
Board Designated for Future Capital Purposes	664,390	268,443
Trustee Held Funds	3,619,187	4,441,913
Total Assets Whose Use is Limited	<u>4,283,577</u>	<u>4,710,356</u>
Capital Assets, Net	28,219,273	29,775,939
Bond Issuance Costs, Net	571,511	595,369
Note Receivable	212,258	233,750
<i>Total Assets</i>	<u><u>\$38,267,715</u></u>	<u><u>\$40,741,775</u></u>

(continued)

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

Adams County Hospital
Balance Sheets
As of December 31, 2008 and 2007
(continued)

	<u>2008</u>	<u>2007</u>
LIABILITIES:		
Current Liabilities:		
Accounts Payable	\$909,531	\$890,253
Accrued Expenses	1,939,591	1,899,024
Current Portion of Bonds Payable	375,000	355,000
Current Portion of Capital Lease Obligations	722,094	751,157
Total Current Liabilities	<u>3,946,216</u>	<u>3,895,434</u>
Long-Term Liabilities:		
Bonds Payable	26,410,000	26,785,000
Capital Lease Obligations	1,658,758	2,402,604
Total Long-Term Liabilities	<u>28,068,758</u>	<u>29,187,604</u>
<i>Total Liabilities</i>	32,014,974	33,083,038
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	(946,579)	(517,822)
Unrestricted	7,130,542	8,107,527
Restricted by Donors	68,778	69,032
Total Net Assets	<u>6,252,741</u>	<u>7,658,737</u>
<i>Total Net Assets and Liabilities</i>	<u><u>\$38,267,715</u></u>	<u><u>\$40,741,775</u></u>

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

Adams County Hospital
Statements of Operations and Changes in Net Assets
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES:		
Net Patient Service Revenue	\$23,302,088	\$18,536,228
Operating Grants and Other Revenues	385,398	584,978
<i>Total Operating Revenues</i>	<u>23,687,486</u>	<u>19,121,206</u>
OPERATING EXPENSES:		
Salaries and Benefits	11,827,560	10,749,847
Medical Professional Fees	1,145,227	1,151,250
Supplies	3,236,960	2,972,399
Purchased Services	2,906,444	2,379,468
Equipment Rentals	145,979	160,968
Repairs and Maintenance	817,485	740,168
Utilities	623,723	679,776
Depreciation and Amortization	2,673,352	1,836,279
Other	1,011,357	1,083,133
<i>Total Operating Expenses</i>	<u>24,388,087</u>	<u>21,753,288</u>
<i>Loss from Operations</i>	<u>(700,601)</u>	<u>(2,632,082)</u>
Sales Tax Levy and Other Non-operating Revenue (Loss)	<u>(705,141)</u>	<u>(25,274)</u>
<i>Change in Unrestricted Net Assets</i>	(1,405,742)	(2,657,356)
<i>Change in Restricted Net Assets</i>	<u>(254)</u>	<u>(58,909)</u>
<i>Change in Net Assets</i>	(1,405,996)	(2,716,265)
<i>Net Assets, Beginning of Year</i>	<u>7,658,737</u>	<u>10,375,002</u>
<i>Net Assets, End of Year</i>	<u><u>\$6,252,741</u></u>	<u><u>\$7,658,737</u></u>

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

Adams County Hospital
Statements of Cash Flows
For the Years Ended December 31, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Patient Services	\$23,332,396	\$18,556,395
Cash Paid to Vendors for Goods and Services	(10,052,974)	(8,663,875)
Cash Paid to Employees for Wages and Benefits	(11,786,993)	(10,595,841)
Other Operating Activities	385,398	584,978
<i>Net Cash From Operating Activities</i>	<u>1,877,827</u>	<u>(118,343)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Non-operating Revenues	(705,395)	(84,183)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Property and Equipment	(1,112,195)	(13,708,137)
Loss on Disposal of Capital Assets	8,211	0
Bond Issuance Costs	11,156	417,060
Principal Paid on Long-term Debt and Capital Leases	(1,127,909)	(766,270)
<i>Net Cash from Capital and Related Financing Activities</i>	<u>(2,220,737)</u>	<u>(14,057,347)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments Received Under Note Receivable	21,492	16,250
<i>Net Change in Cash and Cash Equivalents</i>	<u>(1,026,813)</u>	<u>(14,243,623)</u>
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>6,176,748</u>	<u>20,420,371</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$5,149,935</u>	<u>\$6,176,748</u>
<i>Recap of Cash and Cash Equivalents</i>		
Undesignated Cash	\$797,580	\$1,397,360
Designated Cash	664,390	268,443
Restricted Cash - Bond Issuance	3,619,187	4,441,913
Other Restricted Cash	68,778	69,032
<i>Total Cash and Cash Equivalents</i>	<u>\$5,149,935</u>	<u>\$6,176,748</u>
<i>Reconciliation of Loss from Operations to Net Cash from Operating Activities</i>		
Loss from Operations	(\$700,601)	(\$2,632,082)
<i>Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:</i>		
Depreciation and Amortization	2,673,352	1,836,279
Bad Debts	2,307,734	2,789,249
Changes in Operating Assets and Liabilities:		
Patient Accounts Receivable	(2,964,048)	(2,220,676)
Inventories	(8,654)	(5,490)
Prepaid Expenses and Other Current Assets	(176,423)	28,784
Estimated Third Party Settlements	686,622	(548,406)
Accounts Payable	19,278	479,993
Accrued Expenses	40,567	154,006
<i>Net Cash from Operating Activities</i>	<u>\$1,877,827</u>	<u>(\$118,343)</u>
<i>Supplemental Disclosure of Non-cash Capital and Financing Activity:</i>		
Equipment Acquired Under Capital Leases	\$0	\$2,273,207
Cash Paid for Interest	1,913,627	856,262

See accompanying notes to the basic financial statements.

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

NOTE 1 - DESCRIPTION OF THE COUNTY AND REPORTING ENTITY

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

Reporting Entity

The County utilizes the standards of Governmental Accounting Standards Board Statement No. 14 for determining the reporting entity. The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the County are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For the County, this includes the Board of Mental Retardation and Developmental Disabilities and all departments and activities that are directly operated by the elected County officials.

Adams County Hospital (the Hospital) operates under Ohio Revised Code Section 339. The Hospital is served by a board of trustees appointed by the Adams County Commissioners and Adams County judges. The Hospital is not considered legally separate from the County. The Hospital prepares its financial statements in accordance with a basis of accounting which is different from that used by the County, and consequently, the Hospital's financial activity is presented separately on pages 24 through 27 of this report. Separately-issued financial statements can be obtained from Adams County Hospital, 210 North Wilson Drive, West Union, Ohio 45693.

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

As the custodian of public funds, the County Treasurer invests all public monies on deposit in the County Treasury. In the case of separate agencies, boards, and commissions listed below, the County serves as fiscal agent, but is not financially accountable for their operations. Accordingly, the activity of the following districts and agencies is presented as agency funds within the County's financial statements: Soil and Water Conservation District, Adams County Health District, and Family and Children First Council.

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

Venture Productions, Inc. is a legally separate, not-for-profit corporation, served by a board of trustees appointed by the Adams County Board of Mental Retardation and Developmental Disabilities (MRDD). The workshop, under contractual agreement with the Adams County Board of MRDD, provides sheltered employment for mentally and/or physically handicapped adults in Adams County. The Adams County Board of MRDD provides the workshop with staff salaries, transportation, equipment, staff to administer and supervise training programs, and other funds necessary for the operation of the workshop. Based on the significant services and resources provided by the County to the workshop and the workshop's sole purpose of providing assistance to the mentally and/or physically handicapped adults of Adams County, the workshop is considered a component unit of Adams County. Venture Productions, Inc.'s financial activity is included as part of this report; however, the most current available information was from 2008. Separately issued financial statements can be obtained from Venture Productions, Inc., P.O. Box 86, Seaman, Ohio 45679.

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash Deposits

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

Fund Accounting

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

Governmental Funds

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

General Fund

This fund is the general operating fund of the County and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

MR/DD Special Revenue Fund

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

Motor Vehicle Gas Tax Special Revenue Fund

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Public Assistance Special Revenue Fund

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

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

Proprietary Funds

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

Enterprise Funds

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

Fiduciary Funds

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

Agency Funds

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

Basis of Presentation

For 2008, the County has continued to follow the provisions of GASB 34 for financial reporting on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, and GASB 38, for certain financial statement note disclosures. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The County does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the County's accounting policies. The County's basic financial statements consist of government-wide statements, including a statement of net cash assets and a statement of activities, and fund financial statements, 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 statement of net assets-cash basis presents the cash basis financial condition of governmental and business-type activities of the County at year-end. The statement of activities-cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the County's governmental and business-type activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the County. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general cash receipts of the County.

The government-wide financial statements also display information regarding one of the legally separate entities or component units, for which the County is fiscally responsible. This component unit is Venture Productions, Inc. and is described further in Note 1 to the financial statements. The other component unit is Adams County Hospital and is reported on pages 24 through 27 and described further in Note 16 to the basic financial statements.

Fund Financial Statements

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

Basis of Accounting

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash Receipts – Exchange and Non-exchange Transactions

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

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

Cash Disbursements

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

Budgetary Process

Budget

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

Estimated Resources

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

Appropriations

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the County Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during the year. The amounts reported as the original budgeted amounts reflect the original budget approved by the County Commissioners. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the County Commissioners during the year.

Encumbrances

The County is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of the total of fund cash balances of all funds as of December 31, 2008. To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. County funds are maintained in several checking accounts as well as invested in certificates of deposit with terms of seven to fifteen months. Individual fund balance integrity is maintained through the County's records. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. All interest receipts are reported in the General Fund except those specifically related to those funds deemed appropriate according to state statutes, grant requirements or debt related restrictions. For 2008, interest receipts credited to the General Fund and the Motor Vehicle/Gas Tax Fund were \$234,772 and \$40,510, respectively.

Capital Assets and Depreciation

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

Compensated Absences

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

Long-Term Debt Obligations and Short-Term Debt Obligations

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

Net Assets – Cash Basis

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

Of the County's \$7,938,929 of restricted net assets, none is restricted by enabling legislation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

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

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Primary Government

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

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

Inactive deposits are public deposits that the County has identified as not required for use within the 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);

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

A. Primary Government (Continued)

- H. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (A) or (B) or cash or both securities and cash, equal value for equal value;
- I. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio;
- J. Bankers' acceptance and commercial paper notes for a period not to exceed two hundred and seventy days and in an amount not to exceed ten percent of the County's total average portfolio; and
- K. Under limited circumstances, corporate debt interests rated in any of the three highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

Cash on Hand: At year-end, the County had \$6,000 in undeposited cash on hand which is included as part of net assets.

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

The County's bank balance of \$10,697,503 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner as described above.

\$359,721 was on hand with the Southern Ohio Council of Governments (the "Council"), as described in Note 10 to the financial statements. The Council, as fiscal agent, is responsible for obtaining adequate collateral for this money.

B. Component Unit – Venture Productions, Inc.

At year-end, the carrying amount of Venture Productions, Inc.'s deposits was \$145,056 and the bank balance was \$145,056. The bank balance was covered by federal deposit insurance.

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

NOTE 4- BUDGETARY BASIS FUND BALANCES

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

	General Fund	MR/DD	Motor Vehicle	
			Gas Tax	Public Assistance
Budgetary Basis Fund Balances	\$1,061,470	\$2,332,189	\$1,517,576	\$237,372
Encumbrances	162,868	87,411	125,796	149,444
Fund Cash Balances	\$1,224,338	\$2,419,600	\$1,643,372	\$386,816

NOTE 5 – TAXES

PERMISSIVE SALES AND USE TAX

The County Commissioners, by resolution, imposed a 1 percent tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of tangible personal property in the County, including motor vehicles, not subject to the sales tax. In addition, the voters have authorized an additional 0.5 percent tax. The allocation of the sales tax is 1 percent to the County's General Fund and 0.5 percent for Adams County Hospital. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies the amount of the tax to be returned to the County to the State Auditor. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

PROPERTY TAX

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Property tax receipts received during 2008 for real and public utility property taxes represent collection of 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2007 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 percent of appraised market value. 2008 real property taxes are intended to finance 2009.

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

2008 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2007. Tangible personal property assessments are 25 percent of true value.

The assessed value for the taxes levied in 2008 was \$566,552,420 of which real property represented 65 percent (\$369,189,050) of the total, public utility property represented 32 percent (\$180,266,400) of the total, and tangible personal property represented 3 percent (\$17,096,970) of the total. The full tax rate for all County operations for taxes collected in 2008 was \$9.86 per \$1,000 of assessed valuation.

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

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

NOTE 5 – TAXES (Continued)

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

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

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

NOTE 6 - RISK MANAGEMENT

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

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

Each member county has one vote, on all matters requiring a vote, to be cast by a designated representative. The affairs of CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time.

Each member county's control over the 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.

Insurance coverage stayed the same as in the prior year. Settled claims during 2008 did not exceed commercial insurance coverage. Settlement amounts on claims have not exceeded insurance coverage in any of the past three years.

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

	2008	2007*
Assets	\$82,373,861	\$81,761,932
Liabilities	48,600,249	45,199,725
Net Assets	<u>\$33,773,612</u>	<u>\$36,562,207</u>

*As restated within the audit report for CORSA for the year ended April 30, 2008.

NOTE 7 - RETIREMENT SYSTEMS

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 were 10.0%, 9.5% and 9.0% for 2008, 2007, and 2006, respectively, for the County.

The employer contribution rates were 14.0%, 13.85%, and 13.70% of covered payroll for 2008, 2007, and 2006, respectively, for the County.

The County's contributions to OPERS for the years ended December 31, 2008, 2007, and 2006 were \$1,299,684, \$1,227,122, and \$1,180,718, respectively, which were equal to the required contributions for those years.

State Teachers Retirement System (STRS)

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

NOTE 7 - RETIREMENT SYSTEMS (Continued)

State Teachers Retirement System (STRS) (Continued)

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

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

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

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

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

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

NOTE 7 - RETIREMENT SYSTEMS (Continued)

State Teachers Retirement System (STRS) (Continued)

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

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

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

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent. The County's required contributions for pension obligations to STRS Ohio for the fiscal years ended 2008, 2007, and 2006 were \$8,638, \$6,674, and \$5,387, respectively; which were equal to the required amounts for those years.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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 8 - POSTEMPLOYMENT 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.

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

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. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14.0% 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 \$649,842 for 2008, \$476,894 for 2007, and \$387,827 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.

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan, which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll free (888) 227-7877.

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

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. For the County, these amounts equaled \$617, \$477, \$385, respectively, for fiscal years 2008, 2007, and 2006, respectively.

NOTE 9 - DEBT OBLIGATIONS

Long-Term Debt Obligations:

Under the cash basis of accounting, debt obligations are not reported as a liability in the accompanying basic financial statements. However, information regarding the County's general long-term obligations during 2008 is as follows:

	Beginning Balance 1/1/2008	Additions	Payments	Ending Balance 12/31/2008	Due in One Year
General Obligation Bonds, 3.75-5.25%	\$475,000	\$0	\$110,000	\$365,000	\$115,000
Special Assessment Bonds 3.25%	282,723	0	5,396	277,327	5,573
OPWC Loan #CO02H, 0%	91,000	0	5,200	85,800	2,600
OPWC Loan #CO09I, 0%	212,102	0	11,784	200,318	5,892
OWDA Loan #4623, 4.82%	143,509	112,306	6,250	249,565	0
USDA Bonds, 4.5%	56,000	0	14,000	42,000	14,000
Total	\$1,260,334	\$112,306	\$152,630	\$1,220,010	\$143,065

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

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

During 2005, the County entered into two grant/loan agreements with the Ohio Public Works Commission (OPWC). The first agreement, pertaining to the Pence Road and Church Road Bridge Replacements, included a grant in the amount of \$364,000 and a loan (Loan #CO02H) in the amount of \$104,000 at 0% interest, with semi-annual payments of \$2,600, maturing July 1, 2025. The second agreement, pertaining to the Buck Run Road Bridge Replacement, included a grant in the amount of \$100,000 and a loan (Loan #CO09I) in the amount of \$235,669 for 2005 represented in the amortization schedule at 0% interest, with semi-annual payments of \$5,892, maturing January 1, 2026. The OPWC loans are being repaid from the Motor Vehicle Gas Tax fund.

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

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

NOTE 9 - DEBT OBLIGATIONS (Continued)

During 2007, the County entered into a loan agreement (Loan #4623) with the Ohio Water Development Authority (OWDA) for the purpose of obtaining funds in the amount of \$262,065 for the design phase of the wastewater plant improvement project. As of December 31, 2008, all funds have been drawn, but a final amortization schedule has not yet been prepared and therefore is not included in the amortization schedules below. This loan carries an interest rate of 4.82% and is scheduled to mature on July 1, 2012.

During 2008, the County entered into a loan agreement (Loan #4981) with OWDA for the purpose of obtaining funds in the amount of \$754,764 for phase one of the wastewater plant improvement project. As of December 31, 2008, no funds had been drawn. This loan carries an interest rate of 1% and is scheduled to mature on July 1, 2039.

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

2001 Human Services Refunding Bonds				Special Assessment Bonds			
Due In	Principal	Interest	Total	Due In	Principal	Interest	Total
2009	\$115,000	\$15,892	\$130,892	2009	\$5,573	\$8,969	\$14,542
2010	120,000	11,005	131,005	2010	5,756	8,786	14,542
2011	130,000	5,785	135,785	2011	5,944	8,598	14,542
2012	0	0	0	2012	6,139	8,402	14,541
2013	0	0	0	2013	6,340	8,201	14,541
2014-2018	0	0	0	2014-2018	34,953	37,750	72,703
2019-2023	0	0	0	2019-2023	41,068	31,636	72,704
2024-2028	0	0	0	2024-2028	48,253	24,455	72,708
2029-2033	0	0	0	2029-2033	56,692	16,013	72,705
2034-2038	0	0	0	2034-2038	66,609	6,096	72,705
Total	<u>\$365,000</u>	<u>\$32,682</u>	<u>\$397,682</u>	Total	<u>\$277,327</u>	<u>\$158,906</u>	<u>\$436,233</u>

OPWC Loans				USDA Bonds			
Due In	Principal	Interest	Total	Due In	Principal	Interest	Total
2009	\$16,984	\$0	\$16,984	2009	\$14,000	\$1,890	\$15,890
2010	16,984	0	16,984	2010	14,000	1,260	15,260
2011	16,984	0	16,984	2011	14,000	630	14,630
2012	16,984	0	16,984	2012	0	0	0
2013	16,984	0	16,984	2013	0	0	0
2014-2018	84,920	0	84,920	2014-2018	0	0	0
2019-2023	84,920	0	84,920	2019-2023	0	0	0
2024-2028	31,358	0	31,358	2024-2028	0	0	0
2029-2033	0	0	0	2029-2033	0	0	0
2034-2038	0	0	0	2034-2038	0	0	0
Total	<u>\$286,118</u>	<u>\$0</u>	<u>\$286,118</u>	Total	<u>\$42,000</u>	<u>\$3,780</u>	<u>\$45,780</u>

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

NOTE 9 - DEBT OBLIGATIONS (Continued)

Due In	Total		Total
Principal	Interest		
2009	\$151,557	\$26,751	\$178,308
2010	156,740	21,051	177,791
2011	166,928	15,013	181,941
2012	23,123	8,402	31,525
2013	23,324	8,201	31,525
2014-2018	119,873	37,750	157,623
2019-2023	125,988	31,636	157,624
2024-2028	79,611	24,455	104,066
2029-2033	56,692	16,013	72,705
2034-2038	66,609	6,096	72,705
Total	\$970,445	\$195,368	\$1,165,813

Short-Term Debt Obligations:

During 2008, the County issued \$800,000 in bond anticipation notes for the purpose of replacing the Sproull Bridge. The notes bear an interest rate of 3.75%, which is due, along with principal, in March 2009.

Information regarding the County's short-term debt obligations during 2008 is as follows:

	Beginning Balance 1/1/2008	Additions	Payments	Ending Balance 12/31/2008	Due in One Year
Sproull Bridge Replacement Bond Anticipation Notes	\$0	\$800,000	\$0	\$800,000	\$800,000

NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS

The County is a member of the Southern Ohio Council of Governments (the "Council"), which is a jointly governed organization created under Ohio Revised Code Section 167.01. The governing body consists of a fifteen member board with each participating County represented by its Director of its Board of Mental Retardation and Developmental Disabilities (MRDD). Member counties include: Adams, Athens, Brown, Clinton, Fayette, Gallia, Highland, Jackson, Lawrence, Meigs, Pickaway, Pike, Ross, Scioto, and Vinton Counties. The Council acts as fiscal agent for the Adams County MRDD's supportive living program monies. The County had a \$359,721 balance on hand with the Council which includes investments at cost. Financial statements can be obtained by writing to the Southern Ohio Council of Governments, VA Medical Center, Building 8, 17273 State Route 104, Chillicothe, Ohio, 45601.

NOTE 11 - PUBLIC ENTITY SHARED RISK POOLS

County Risk Sharing Authority, Inc.

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

NOTE 11 - PUBLIC ENTITY SHARED RISK POOLS (Continued)

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

County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

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

NOTE 12 – HEALTH CARE BENEFITS

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

NOTE 13 - CONTINGENT LIABILITIES

A. Primary Government

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

At December 31, 2008, the County was not party to any litigation.

B. Component Unit – Venture Productions, Inc.

As of December 31, 2008, there was no pending litigation against Venture Productions, Inc.

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

NOTE 14 – INTERFUND TRANSACTIONS

Transfers

	Transfers In	Transfers Out
<i>Major Fund:</i>		
General	\$3,619	\$136,470
<i>Non-major Special Revenue Funds:</i>		
Adams County GIS	72,838	863
Certificate of Title	0	2,756
Dog and Kennel	41,100	0
HUD – CDBG	2,915	0
Victims Assistance Grant Even	1,047	0
Victims Assistance Grant Odd	2,093	0
Total Non-major Special Revenue Funds	119,993	3,619
<i>Non-major Debt Service Fund:</i>		
Debt Retirement – Cruisers	16,477	0
Total All Funds	\$140,089	\$140,089

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

	Advances In	Advances Out
<i>Major Fund:</i>		
General	\$802,512	\$298,244
<i>Non-major Special Revenue Funds:</i>		
Adams County GIS	0	99,347
Adult Community Corrections	3,997	3,997
Childrens Community	13,649	0
HUD – CDBG 2007	500	500
HUD – CDBG 2006	0	2,108
CHIP 2006	0	40,439
Victims Assistance Grant Even	2,500	2,500
Wireless 911	131,877	28,047
Total Non-major Special Revenue Funds	152,523	176,938
<i>Non-major Capital Projects Funds:</i>		
Sewer Line Project	6,250	82,882
Airport Grant 2007	53,145	240,707
Airport Grant 2008	86,326	30,609
OPWC Moores Road	0	271,376
Total Non-major Capital Projects Funds	145,721	625,574
Total All Funds	\$1,100,756	\$1,100,756

NOTE 14 – INTERFUND TRANSACTIONS (Continued)

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

NOTE 15 – COMPLIANCE

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

The County operates emergency medical services through five separate EMS organizations. Each of these organizations has separate bank accounts that are not currently held by the County and the amounts are not included in the County's Ambulance and EMS Fund. Thus the financial statements of the County do not include this activity. The County is in the process of reorganizing these services to be in compliance with Ohio Revised Code Section 307.05 and 9.60.

The State of Ohio Department of Development, Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook, Section (A)(3)(f) requires grant funds drawn to be disbursed in 15 days. Two grants tested, Community Development Block Grant and Home Investment Partnership Program were not in compliance with this requirement.

NOTE 16 – ADAMS COUNTY HOSPITAL

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

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

Basis of Accounting

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

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

Use of Estimates

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

NOTE 16 – ADAMS COUNTY HOSPITAL (Continued)

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Inventories

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

Bond Issuance Costs

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

Assets Whose Use is Limited

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

Property, Plant and Equipment

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

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

Compensated Absences

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

Lease Agreements

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

NOTE 16 – ADAMS COUNTY HOSPITAL (Continued)

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. There has been no reduction in insurance coverage from the previous years.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under payment agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Operating Revenues

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

Third-Party Payors

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

Medicare and Medicaid

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

Other Payors

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

Gross patient service revenue and allowances to reconcile to net patient service revenue for the years ended December 31, 2008 and 2007, are as follows:

	<u>2008</u>	<u>2007</u>
Gross patient service revenue	\$ 43,616,786	\$ 35,764,287
less:		
Third party allowances	17,959,240	14,363,342
Charity care	47,724	75,468
Bad debts	2,307,734	2,789,249
Net patient service revenue	<u>\$ 23,302,088</u>	<u>\$ 18,536,228</u>

NOTE 16 – ADAMS COUNTY HOSPITAL (Continued)

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Charity Care

The Hospital provides care to patients who meet criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues. Charges excluded from revenue under the Hospital's charity care policy for patients unable to pay were \$47,724 and \$75,468 for 2008 and 2007, respectively.

Restricted Resources

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

Reclassifications

Certain 2007 accounts have been reclassified to conform to the 2008 presentation.

Accounting for Uncertainty in Income Taxes

The Financial Accounting Standards Boards (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 Association 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 year 2009, the Hospital evaluates uncertain tax positions in accordance with existing generally accepted accounting principles and makes such accruals and disclosures as might be required thereunder.

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 years ending 2008 and 2007, the carrying amount of the Hospital's deposits was \$5,149,935 and \$6,176,748 and the bank balance was \$5,459,497 and \$6,544,955, respectively. Of the bank balances for 2008 and 2007, \$439,612 and \$300,000 was covered by federal depository insurance, respectively, and would belong in the risk category "insured or collateralized"; and \$5,019,885 and \$6,244,955, respectively, was covered by collateral held by third-party trustees pursuant to Section 135.181 of the Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions, and belong in the risk category "uncollateralized".

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

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

NOTE 16 – ADAMS COUNTY HOSPITAL (Continued)

2. DEPOSITS (Continued)

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

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

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

Estimated third-party settlements for the Medicare and Medicaid programs reflect differences between interim reimbursement and reimbursement as determined by cost reports filed after the end of each year. Such third-party settlements reflect differences owed to or by the Hospital. The years 2003 and thereafter remain unsettled at December 31, 2008 for Medicaid. The years 2007 and 2008 remain unsettled at December 31, 2008 for Medicare.

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

	December 31	
	2008	2007
Medicare	23%	28%
Medicaid	24%	23%
Commercial and Other	27%	20%
Self-pay	26%	29%
	100%	100%

4. CAPITALIZED INTEREST

The Hospital follows the policy of capitalizing interest as a component of the cost of capital assets constructed for its own use. In 2008, total interest incurred relating to Facility Improvement Bonds was \$1,773,293, of which \$850,595 was charged to interest expense during the year, respectively. In accordance with Financial Accounting Standards Board (FASB) guidelines, interest income earned by the Hospital related to this was netted with the interest expense capitalized.

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

NOTE 16 – ADAMS COUNTY HOSPITAL (Continued)

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008:

	Balance 12/31/07	Additions	Transfers/ Disposals	Balance 12/31/08
Property, plant and equipment				
Construction in progress	\$ 1,778,611	\$ 288,986	\$ (1,778,609)	\$ 288,988
Depreciable property, plant and equipment				
Land improvements	443,784	39,978	1,773,293	2,257,055
Buildings	20,821,877	313,247	-	21,135,124
Fixed equipment	4,610,449	93,409	(127,148)	4,576,710
Major moveable equipment	4,492,348	376,575	(229,752)	4,639,171
Leased equipment	5,221,139	-	-	5,221,139
Total capital assets	<u>37,368,208</u>	<u>1,112,195</u>	<u>(362,216)</u>	<u>38,118,187</u>
Less accumulated depreciation				
Land improvements	20,517	55,847	-	76,364
Buildings	530,836	868,802	(755)	1,398,883
Fixed equipment	2,763,923	412,676	(282,582)	2,894,017
Major moveable equipment	2,712,138	533,194	(59,512)	3,185,820
Leased equipment	1,564,855	778,975	-	2,343,830
Total accumulated depreciation	<u>7,592,269</u>	<u>2,649,494</u>	<u>(342,849)</u>	<u>9,898,914</u>
Capital assets, net	<u>\$ 29,775,939</u>	<u>\$ (1,537,299)</u>	<u>\$ (19,367)</u>	<u>\$ 28,219,273</u>

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

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

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

NOTE 16 – ADAMS COUNTY HOSPITAL (Continued)

6. LONG-TERM DEBT

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

	December 31, 2008	
	Bond payable	Capital lease
Debt outstanding December 31, 2007	\$ 27,140,000	\$ 3,153,761
Repayments	355,000	772,909
Debt outstanding December 31, 2008	\$ 26,785,000	\$ 2,380,852
Expected to be paid within one year	\$ 375,000	\$ 722,094
	December 31, 2007	
	Bond payable	Capital lease
Debt outstanding December 31, 2006	\$ 27,480,000	\$ 1,306,824
Additions of new debt	-	2,273,207
Repayments	340,000	426,270
Debt outstanding December 31, 2007	\$ 27,140,000	\$ 3,153,761
Expected to be paid within one year	\$ 355,000	\$ 751,157

Bonds Payable

The Hospital is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued in 2005 to construct a new facility in Seaman, Ohio. The bonds are dated July 28, 2005 with an original issue of \$27,480,000. Interest rates range from 5.00% to 6.25%. The outstanding balance at December 31, 2008 was \$26,785,000. There are certain covenants associated with this bond issue that are in effect one year subsequent to the completion of the Hospital project. Future minimum principal and interest payments follow:

	Principal	Interest	Total
2009	\$ 375,000	\$ 1,719,362	\$ 2,094,362
2010	395,000	1,698,738	2,093,738
2011	420,000	1,676,025	2,096,025
2012	445,000	1,650,828	2,095,828
2013	470,000	1,623,013	2,093,013
2014-2018	2,830,000	7,635,688	10,465,688
2019-2023	3,840,000	6,627,638	10,467,638
2024-2028	5,260,000	5,212,350	10,472,350
2029-2033	7,205,000	3,266,575	10,471,575
2034-2036	5,545,000	735,800	6,280,800
	\$ 26,785,000	\$ 31,846,017	\$ 58,631,017

At December 31, 2008, the Hospital was not in compliance with the provisions of the bond covenants which require a day's cash on hand to be greater than 50 days and debt service coverage equal to at least 120% of maximum annual debt service. The Hospital has obtained a waiver of these covenants.

Interest expense for 2008 and 2007 was \$1,907,425 and \$850,595, respectively.

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

NOTE 16 – ADAMS COUNTY HOSPITAL (Continued)

6. LONG-TERM DEBT (Continued)

Capital lease obligations

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

2009	\$	844,634
2010		829,802
2011		600,047
2012		<u>353,573</u>
Total net future minimum lease payments		<u>2,628,056</u>
Less: amount representing interest		<u>247,204</u>
Total capital lease obligations		2,380,852
Less: current portion		<u>722,094</u>
Long-term capital lease obligations	\$	<u><u>1,658,758</u></u>

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

	<u>2008</u>	<u>2007</u>
Cost	\$ 5,221,139	\$ 5,221,139
Accumulated depreciation	<u>2,343,830</u>	<u>1,564,855</u>
Net book value	<u><u>\$ 2,877,309</u></u>	<u><u>\$ 3,656,284</u></u>

7. OPERATING LEASES

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

2009	\$	25,308
2010		22,284
2011		14,970
2012		8,773
2013		<u>595</u>
	\$	<u><u>71,930</u></u>

Total rental expense for operating leases, including those with terms of one month or less, for the years ended December 31, 2008 and 2007 was \$145,979 and \$160,968, respectively, and is included within other expenses on the statements of operations and changes in net assets.

NOTE 16 – ADAMS COUNTY HOSPITAL (Continued)

8. PENSION PLAN

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

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

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

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

The Ohio Revised Code provides OPERS statutory authority for employer and employee contributions. The required, actuarially-determined contribution rates for the Hospital and for the employee are 14.0% and 10.0% respectively. The Hospital's contributions, representing 100% employer contributions, for the last three years are as follows:

<u>Year</u>	<u>Contribution</u>
2008	\$ 1,304,174
2007	1,195,437
2006	1,251,934

9. POST-EMPLOYMENT HEALTHCARE BENEFITS

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

OPERS provides post-retirement health care coverage to age and service retirees and dependents with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The portion of the 2008 employer contribution rate of 14.0% used to fund healthcare was 7%. The total Hospital contribution used to fund health care was approximately \$652,087 and \$388,000 for the years ended December 31, 2008 and 2007, respectively.

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

OPEB are advanced-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.

NOTE 16 – ADAMS COUNTY HOSPITAL (Continued)

9. POST-EMPLOYMENT HEALTHCARE BENEFITS (Continued)

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

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

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

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

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

Health Care – Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 4.0% for the next 7 years. In subsequent years (8 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

The Health Care Preservation Plan (HCPP) adopted by 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 healthcare plan.

10. MALPRACTICE INSURANCE

As of December 31, 2008 and 2007, the Hospital carried occurrence basis malpractice insurance coverage of \$1,000,000 per claim and \$3,000,000 aggregate, plus excess liability coverage of \$5,000,000.

11. CONCENTRATIONS

Medicare and Medicaid accounted for approximately 64% and 69% of the Hospital's net patient service revenues during 2008 and 2007, respectively.

12. RESTRICTED FUND BALANCES

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

13. FOUNDATION AND CONTRIBUTED LAND

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

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

NOTE 16 – ADAMS COUNTY HOSPITAL (Continued)

13. FOUNDATION AND CONTRIBUTED LAND (Continued)

The Foundation had financial activity of approximately \$9,232 and \$9,000 in 2008 and 2007.

It is anticipated that the Hospital and the Foundation will report under combined financial statements when the Foundation has greater financial activity.

14. MANAGEMENT'S PLANS

The Hospital did not meet certain covenants related to the bonds outstanding at December 31, 2008. The Hospital's net assets decreased approximately \$1,406,000 and \$2,716,000 in 2008 and 2007, respectively. Further, while the Hospital's operating revenues increased to approximately \$23,687,000, expenses increased to \$24,388,000. The result is a loss from operations of approximately \$701,000 in 2008. The loss from operations in 2007 was \$2,632,000. These factors could be indicative of the entity's inability to continue as a going concern.

The Hospital occupied a newly constructed facility in 2007. This facility was financed through a bond issue of \$27,480,000 which required annual debt service payments of approximately \$2,093,000 beginning in 2008. The covenants include debt service coverage equal to at least 120% of maximum annual debt service and days cash on hand of not less than 50.

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 as well as implementing a strategic price increase for procedures performed.

It is not possible at this time to predict the success of the Hospital's future plans, and there is no assurance that these plans will be realized. The Hospital's continued existence is dependent on its ability to achieve profitable operations and positive cash flows, and to maintain adequate financing.

NOTE 17 – 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.

NOTE 18 – SUBSEQUENT EVENT

On February 9, 2009, the Adams County Commissioners approved the Ohio Public Works Grant/Loan for \$840,200 for the project entitled Replacement of Sproull Bridge. The financing costs of \$458,200 are to be received in the form of a grant and \$382,000 as a loan from OPWC at zero percent interest over thirty years.

ADAMS COUNTY

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution) (See Note D):				
National School Lunch Program	N/A	10.555	\$0	\$ 4,886
Cash Assistance:				
National School Breakfast Program (See Note E)	05PU-2008	10.553	3,359	
National School Lunch Program (See Note E)	LLP4-2008	10.555	4,772	
Cash Assistance Subtotal			8,131	
Total Nutrition Cluster:			8,131	4,886
Total U.S. Department of Agriculture			8,131	4,886
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
<i>Passed Through Ohio Emergency Management Agency:</i>				
Homeland Security Cluster				
Emergency Management Performance Grant				
	2008-EME80002	97.042	9,083	
	2007-EME70024	97.042	15,463	
			24,546	
State Homeland Security Program(See Note F)				
	2006-GET60051	97.067	12,233	
	2007-GET70030	97.067	43,129	
Total Homeland Security Cluster			55,362	
Total U.S. Department of Homeland Security			79,908	0
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
<i>Passed Through Ohio Department of Development</i>				
Community Development Block Grant				
	B-F-07-001-1	14.228	96,091	
	B-F-06-001-1	14.228	19,898	
	B-C-05-001-1	14.228	39,000	
	B-W-06-001-1	14.228	33,170	
			188,159	0
Home Investment Partnerships Program				
	B-C-05-001-2	14.239	47,301	
Total U.S. Department of Housing and Urban Development			235,460	0

(Continued)

ADAMS COUNTY

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Social Services Block Grant	N/A	93.667	25,295	
Medical Assistance Program - TCM	N/A	93.778C	24,513	
Medical Assistance Program - Day hab-L1 Waiver	N/A	93.778B	149,971	
Medical Assistance Program - Day Hab - I/O Waiver	N/A	93.778B	45,821	
			<u>220,305</u>	<u>0</u>
<i>Passed through Ohio Secretary of State</i>				
Voting Access For Individuals With Disabilities - Grants to States	06-SOSHHHS-01	93.617	12,763	
Total U.S. Department of Health and Human Services			258,363	0
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	6BSF-2009P	84.027	6,331	
	6BSF-2008P	84.027	12,066	
			<u>18,397</u>	<u>0</u>
Total Special Education Cluster			18,397	0
Innovative Education Program Strategies	C2S1-2008	84.298	<u>10</u>	<u>0</u>
<i>Passed Through Ohio Department of Health:</i>				
Special Education Grants for Infants and Families with Disabilities	00110021HG0108	84.181	20,722	0
	00110021HG0209	84.181	11,893	0
			<u>32,615</u>	
Total U.S. Department of Education			51,022	0
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Federal Aviation Administration- Airport Improvement Program	N/A	20.106	<u>209,068</u>	
<i>Passed Through the Ohio Department of Transportation:</i>				
Capitol Assistance Program for Elderly Persons and Persons with Disabilities	PNP-2001-001-071	20.513	25,000	
Total U.S. Department of Transportation			234,068	0
TOTALS			\$ 866,952	\$ 4,886

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

ADAMS COUNTY

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low and moderate income households and to eligible persons. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County pass through the Ohio Department of Development. The initial loan of this money, administrative fees, and interest subsidies (if applicable) are recorded as disbursements on the accompanying Federal Awards Expenditures Schedule (the Schedule). Loans repaid, including interest, are used to make additional loans. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans, but are not included as disbursements on the Federal Schedule. Prior year outstanding loan balances are reported in the schedule below.

This loan is collateralized by mortgages on the land and by equipment.
Activity in the CDBG revolving loan fund during 2008 is as follows:

Beginning loans receivable balance as of January 1, 2008:	\$63,520
Loans made:	-
Loan principal repaid on loans issued prior to 2008:	(3,766)
Loans principal repaid on 2008 loans issued:	-
Ending loans receivable balance as of December 31, 2008	\$59,754
Cash balance on hand in the revolving loan fund as of December 31, 2008:	\$29,774
Interest subsidies and administrative cost expended during 2008	\$4,884
Total value of RLF portion of the CDBG 14.228 program	\$94,412
Other grants administered through the 14.228 program	188,159
Total CDBG 14.228 program	\$282,571

NOTE C - MATCHING REQUIREMENTS

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

NOTE D – FOOD DONATION

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

NOTE E – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAM

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

NOTE F – HOMELAND SECURITY CLUSTER

The County reported the following federal programs for the Homeland Security Cluster on the Schedule of Expenditures of Federal Awards. The program for federal fiscal year 2006 (97.073) was incorporated into Homeland Security Grant Program (97.067) in accordance with the guidance from the U.S. Department of Homeland Security.



Mary Taylor, CPA

Auditor of State

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

Adams County
110 West Main Street
West Union, Ohio 45693

To the Board of Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and discretely presented component unit of Adams 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 March 8, 2010, wherein we noted the County, except for Adams County Hospital, (the Hospital), a county enterprise fund, prepared its financial statements on a basis of accounting other than accounting principles generally accepted in the United States of America, the County's cash basis financial statements do not include amounts related to the Hospital in its proprietary fund statements or its entity-wide statements, and the County did not include all receipts, disbursements and cash balances related to the Ambulance and EMS Special Revenue Fund (010) in its fund statements or entity wide statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of Adams County Hospital, which are presented as stand-alone statements, as described in our opinion on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the County's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement. We consider finding 2008-002 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We believe finding 2008-002 is also a material weakness.

We also noted certain internal control matters that we reported to the County's management in a separate letter dated March 8, 2010.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2008-001 and 2008-002.

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

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the County's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

March 8, 2010



Mary Taylor, CPA

Auditor of State

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

Adams County
110 West Main Street
West Union, Ohio 45693

To the Board of Commissioners:

Compliance

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

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings as item 2008-003 through 2008-004.

In a separate letter to the County's management dated March 8, 2010 we reported a matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

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

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

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that the County's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as findings 2008-003 and 2008-004 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We consider findings 2008-003 and 2008-004 to be material weaknesses.

The County's responses to the findings we identified are described in the accompanying schedule of findings. We did not audit the County's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

March 8, 2010

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Qualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Development Block Grant CFDA# 14.228 Home Investment Partnership Program CFDA# 14.239 Airport Improvement Program CFDA# 20.106
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**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 with accounting principles generally accepted in the United States of America. However, the County prepared its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP).

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 for its failure to file the required financial report. We recommend the County prepare its financial statements in accordance with generally accepted accounting principles.

Officials’ Response:

County officials have reviewed the cost of converting to GAAP and have concluded that such conversion would not be financially feasible. Therefore, the county will continue on the OCBOA basis of financial reporting.

FINDING NUMBER 2008-002

Noncompliance Citation/Material Weakness

Ohio Rev. Code, Section 307.05 and 9.60, provide authority for the County to contract for emergency medical services with private organizations or with another political subdivision. Ohio Revised Code Section 307.05 also provides the authority for the County to operate an ambulance service organization or emergency medical service organization. A contract for services shall include the terms, conditions, and stipulations as agreed to by the parties to the contract. It may provide for a fixed annual charge to be paid or for compensation to be based upon a stipulated per service fee, number of persons served, elapsed time of services, pieces of apparatus employed, or any combination thereof. The County has used up to five separate nonprofit organizations to operate their emergency medical services. However, there were no written contracts between the County and the nonprofit organizations as provided by the above section of law. Ohio Revised Code Section 307.05 requires contracts shall not be entered into with a nonprofit corporation that receives more than half of its operating funds from governmental entities with intention of directly competing with the operation of other ambulance service organizations unless the contract is awarded after submission of bids and awarding to the lowest and best bid.

**FINDING NUMBER 2008-002
(Continued)**

Adams County operates emergency medical services under a voted tax levy which funds these services provided to County residents. There are five separate EMS organizations that service the County. Each of the five EMS organizations have separate bank accounts which includes funds each EMS organization has collected for billing to individuals of EMS services they provide. Some of the EMS organizations bank accounts also contain funds they have obtained via fundraising activities of the organization. These bank accounts are not currently held by the County and the funds are not deposited into the County's Ambulance and EMS Fund. Thus the financial statements of the County do not include the receipts, disbursements or cash balances related to these bank accounts. Based on available documentation, had the omitted funds been included in the remaining fund information, the governmental activities net assets, and all other governmental funds balance as of December 31, 2008 would have increased approximately \$ 497,364 and governmental activities and all other governmental funds receipts and disbursements would have increased approximately \$ 918,448 and \$ 812,579 respectively.

We recommend the County Commissioners consult with their legal counsel (the County Prosecutor) to assure they are in compliance with the requirements of this statute, which may include the establishment of contracts or inclusion of these funds in the County financials. Should the County determine to enter into contracts with outside organizations for EMS services, we suggest inclusion of the following items:

- Due to weaknesses in not segregating the accounting for the County tax levy funds, we recommend the contract require that the EMS organizations not commingle those public tax levy funds with any private funds. The public funds should be accounted for separately from the private funds to provide accountability to the taxpayers of the County that levy funds are being used in accordance with the actual tax levy language.
- The EMS organizations should be required to provide annual financial statements to the County to provide accountability of the use of public tax levy funds. In order to provide additional assurance regarding these financial statements, the County may require audits of the financial statements.
- The County should annually evaluate the need for the county wide tax levy, based upon review of the operations of these EMS organizations and review of those revenues each organization generates as a result of billings for EMS transports or other income generating methods. Additionally the County may require the individual EMS organization to submit yearly budgets which detail the needs of levy funds for the upcoming contract year.
- The County should include in the contract a policy provision regarding the use of public tax levy funds. Policies should be set in accordance with Auditor of State Bulletin #2003-005 and 2004-002 which discusses the allowable use of public funds.
- Each EMS organization should consult with its legal counsel to determine its legal rights and responsibilities regarding billing individuals for transport services.
- The contract should detail specifically the services, considerations, responsibilities and other contractual issues expected of the parties.
- The contract should address the status, supervision and management of the 21 individuals currently on the County payroll who are dispatchers/EMTs for the various organizations. Specifically, the contract should also address whether the individuals are contractors or County employees, compensation levels, PERS, etc.
- The contract should address the employment status of the Squad Chiefs. Currently the Chiefs receive a monthly pay from the County; however PERS is not withheld. We were unable to find written contracts with the County outlining the Chief's duties, employee status, management responsibilities, or compensation levels.

**FINDING NUMBER 2008-002
 (Continued)**

Officials' Response:

The County has corrected this finding according to Res# 2008-348 – EMS Services to be administered by Commissioners effective 1-1-09.

3. FINDINGS FOR FEDERAL AWARDS

Cash Management

Finding Number	2008-003
CFDA Title and Number	Community Development Block Grant - CFDA# 14.228 Home Investment Partnership Program - CFDA# 14.239
Federal Award Number / Year	2008
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance/Material Weakness

The State of Ohio Department of Development, Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook, Section (A)(3)(f), states the grantees must develop a cash management system to ensure compliance with the 15-day rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds. Lump sum draw downs are not permitted. Escrow accounts are permitted only in the case of rehabilitation of private property. For the purpose of the 15-day rule only, funds deposited into an escrow account will be considered expended, but it should be noted that funds may only be in an escrow account for 20 days.

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

Community Development Block Grant - CFDA# 14.228

Draw Date	Receipt Date	Receipt Date +15 days	Draw Amount	Balance remaining
12/18/07	01/23/08	2/7/08	\$13,000	\$79,792
2/10/08	3/14/08	3/29/08	49,600	77,355
2/26/08	3/28/08	4/12/08	37,900	39,139
11/19/08	12/31/08	1/15/09	56,000	54,056

Home Investment Partnership Program - CFDA# 14.239

From Grant BC-05-001-2, Home Investment Partnership Program, the one drawdown of grant funding received during the audit period (#229) dated December 18, 2007 was requested in the amount of \$58,000 and was received January 23, 2008, however it was not expended within 15 days to a fund balance of less than \$5,000. Drawdowns should be monitored to ensure that funds are expended within 15 days of receipt.

**FINDING NUMBER 2008-003
 (Continued)**

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

In addition, the State of Ohio Department of Development, the Office of Housing and Community Partnership (OHCP) Financial Management Rules and Regulations Handbook, Section (A)(3)(I), states that the grantee should deposit federal funds received from OHCP in a non-interest bearing account. If the grantee deposits funds in an interest bearing account, the grantee must remit to OHCP, on at least a quarterly basis, any interest earned that totals more than \$100 per year. The check must be made payable to the U.S. Department of Housing and Urban Development. In addition, the grantee must, on a monthly basis, credit any interest earned to the appropriate grant. The only exception is an escrow account for rehabilitation of private property.

The County deposited federal funds in interest bearing accounts, but did not credit the grant fund(s) with any interest generated by the deposits. During 2008, the County's Small Cities Community Development Block Grants and Home Investment Partnership Program Fund potentially earned interest in excess of \$100.

Officials' Response:

Efforts will be made to monitor drawdowns to ensure funds are expended within the 15 day period.

Period of Availability of Federal Funds

Finding Number	2008-004
CFDA Title and Number	Home Investment Partnership Program - CFDA# 14.239
Federal Award Number / Year	2008
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance/Material Weakness

2 C.F.R. Section 215.28 provides that federal awards may specify a time period during which the non-Federal entity may use the Federal Funds. Where a funding period is specified, a recipient may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award cost authorized by the Federal Awarding agency (A-102 Common Rule (24 CFR 85.23). During 2008, the County had 5 of 21 (24%) expenditures which were not incurred by the February 28, 2008 project completion date as stated on the approved extension form for the related grant to which it was charged. The amount of these expenditures totaled \$7,126.

Program related charges should be monitored to ensure that they are incurred within the available period specified by the grant agreement.

Officials' Response:

Efforts will be made to monitor program related charges as specified by the grant agreement.

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ADAMS COUNTY

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Admin Code Section 117-6-01 requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. The County filed its report using the cash basis of accounting.	No	Not corrected. Reissued as 2008-001
2007-002	Contrary to ORC 307.05 and 9.60, the County did not have written contracts between the County and non profit organizations providing emergency medical services.	No	Not corrected. Reissued as 2008-002
2007-003	Lack of a contract with non profit organizations providing EMS services and lack of appropriate reviews of the financial information.	No	Not Corrected. Reissued as part of 2008-002
2007-004	All five EMS organizations had expenditures which were not covered under any written or adopted policy to assure that public funds were expended for a proper public purpose.	No	Not Corrected. Reissued as management letter comment
2007-005	Sheriff Department leave records had discrepancies that led to overpayment and no indication of reviews performed.	No	Partially Corrected, reviews being performed, however errors were noted and corrected in current test, reissued as management letter comment.

2007-006	Adjustments were required to the Schedule of Federal Awards Expenditures due to lack of/or failure of controls over this reporting	No	Not Corrected. Reissued as management letter comment
2007-007	Office of Housing and Community Partnership Financial Management Rules and Regulations, Section (A)(3)(f), states the grantees must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds.	No	Not Corrected. Reissued as 2008-003



Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

ADAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 13, 2010**