



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

BROWN COUNTY
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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Brown County
800 Mt. Orab Pike
Georgetown, Ohio 45121

To the Board of County Commissioners:

We have audited the accompanying general purpose financial statements of Brown County, Ohio (the County), as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Brown County General Hospital – the Enterprise Fund. Those financial statements were audited by other auditors whose report has been furnished to us and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for the Enterprise Fund, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the County, as of December 31, 2001, and the results of its operations and the cash flows of its enterprise fund and discretely presented component unit for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2002, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the County, taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management & Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

August 27, 2002

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BROWN COUNTY, OHIO

Combined Balance Sheet

All Fund Types, Account Groups and Discretely Presented Component Unit

December 31, 2001

	<u>GOVERNMENTAL FUND TYPES</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Assets and Other Debits</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,493,726	\$12,740,743	\$573,654	\$913,294
Cash and Cash Equivalents in				
Segregated Accounts	33,522	50,489	0	0
Investments in Segregated Accounts	0	0	0	0
Receivables:				
Taxes	2,040,629	560,499	286,084	0
Accounts	17,494	44,836	0	0
Special Assessments	0	0	0	0
Interfund	54,235	0	0	0
Pledges	0	0	0	0
Accrued Interest	114,510	53,873	0	0
Due from Other Funds	9,815	1,137	0	0
Due from Other Governments	418,315	3,090,033	0	0
Materials and Supplies Inventory	11,678	138,281	0	0
Prepaid Items	60,631	2,170	0	0
Restricted Assets:				
Cash and Cash Equivalents Restricted for Plant				
Renewal and Replacement	0	0	0	0
Cash and Cash Equivalents Restricted for Debt Issuance	0	0	0	0
Investments Restricted for Debt Issuance	0	0	0	0
Cash and Cash Equivalents for Endowment Funds	0	0	0	0
Other Assets	0	0	0	0
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits</u>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>\$5,254,555</u>	<u>\$16,682,061</u>	<u>\$859,738</u>	<u>\$913,294</u>

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	ACCOUNT GROUPS		Totals (Memorandum Only) Primary Government	COMPONENT UNIT Grow, Inc.	Totals (Memorandum Only) Reporting Entity
		General Fixed Assets	General Long-Term Obligations			
<i>Enterprise</i>	<i>Agency</i>					
\$0	\$1,919,696	\$0	\$0	\$18,641,113	\$0	\$18,641,113
3,876,409	353,514	0	0	4,313,934	11,218	4,325,152
29,492	0	0	0	29,492	0	29,492
0	15,628,204	0	0	18,515,416	0	18,515,416
3,295,950	0	0	0	3,358,280	11,807	3,370,087
0	667,993	0	0	667,993	0	667,993
0	0	0	0	54,235	0	54,235
2,876	0	0	0	2,876	0	2,876
0	0	0	0	168,383	0	168,383
0	0	0	0	10,952	0	10,952
0	0	0	0	3,508,348	0	3,508,348
220,150	0	0	0	370,109	19,643	389,752
1,262,744	0	0	0	1,325,545	0	1,325,545
1,609,822	0	0	0	1,609,822	0	1,609,822
59,097	0	0	0	59,097	0	59,097
603,617	0	0	0	603,617	0	603,617
29,417	0	0	0	29,417	0	29,417
271,495	0	0	0	271,495	0	271,495
11,526,591	0	20,650,268	0	32,176,859	2,475	32,179,334
0	0	0	523,654	523,654	0	523,654
0	0	0	3,909,332	3,909,332	0	3,909,332
<u>\$22,787,660</u>	<u>\$18,569,407</u>	<u>\$20,650,268</u>	<u>\$4,432,986</u>	<u>\$90,149,969</u>	<u>\$45,143</u>	<u>\$90,195,112</u>

(continued)

BROWN COUNTY, OHIO
 Combined Balance Sheet
 All Fund Types, Account Groups and Discretely Presented Component Unit
 December 31, 2001
 (Continued)

	GOVERNMENTAL FUND TYPES			
	<i>General</i>	<i>Special Revenue</i>	<i>Debt Service</i>	<i>Capital Projects</i>
<u>Liabilities, Fund Equity and Other Credits</u>				
<i>Liabilities</i>				
Accounts Payable	\$70,786	\$170,985	\$0	\$0
Contracts Payable	0	0	0	25,646
Accrued Wages and Benefits	90,489	96,751	0	0
Compensated Absences Payable	3,979	21,513	0	0
Interfund Payable	0	54,235	0	0
Due to Other Funds	59	10,244	0	0
Due to Other Governments/Third-Party Payors	85,248	73,696	0	0
Deferred Revenue	2,169,159	3,311,325	286,084	0
Matured Bonds Payable	0	0	50,000	0
Deposits Held and Due to Others	266	0	0	0
Other Accrued Expenses	0	0	0	0
Capital Leases Payable	0	0	0	0
Undistributed Assets	0	0	0	0
Mortgage Revenue Bonds Payable	0	0	0	0
Forgivable Debt Payable	0	0	0	0
Mortgage Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>2,419,986</u>	<u>3,738,749</u>	<u>336,084</u>	<u>25,646</u>
<i>Fund Equity and Other Credits</i>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Reserved:				
Reserved for Future Debt Service	0	0	0	0
Reserved for Plant Renewal and Replacement	0	0	0	0
Reserved for Endowments	0	0	0	0
Reserved for Specific Purpose	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	65,176	357,646	0	101,554
Reserved for Inventory	11,678	138,281	0	0
Reserved for Claimants	129,427	0	0	0
Unreserved:				
Undesignated	2,628,288	12,447,385	523,654	786,094
Total Fund Equity and Other Credits	<u>2,834,569</u>	<u>12,943,312</u>	<u>523,654</u>	<u>887,648</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$5,254,555</u>	<u>\$16,682,061</u>	<u>\$859,738</u>	<u>\$913,294</u>

See Accompanying Notes to the General Purpose Financial Statements

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	ACCOUNT GROUPS		Totals (Memorandum Only) Primary Government	COMPONENT UNIT Grow, Inc.	Totals (Memorandum Only) Reporting Entity
		General Fixed Assets	General Long-Term Obligations			
<i>Enterprise</i>	<i>Agency</i>					
\$716,175	\$0	\$0	\$0	\$957,946	\$2,694	\$960,640
0	0	0	0	25,646	0	25,646
939,775	0	0	0	1,127,015	2,745	1,129,760
754,591	0	0	543,087	1,323,170	0	1,323,170
0	0	0	0	54,235	0	54,235
0	649	0	0	10,952	0	10,952
577,886	17,415,643	0	347,034	18,499,507	0	18,499,507
20,793	0	0	0	5,787,361	0	5,787,361
0	0	0	0	50,000	0	50,000
0	96,103	0	0	96,369	0	96,369
138,168	0	0	0	138,168	0	138,168
122,758	0	0	101,588	224,346	2,015	226,361
0	1,057,012	0	0	1,057,012	0	1,057,012
2,180,000	0	0	0	2,180,000	0	2,180,000
0	0	0	290,208	290,208	0	290,208
0	0	0	36,069	36,069	0	36,069
0	0	0	3,115,000	3,115,000	0	3,115,000
<u>5,450,146</u>	<u>18,569,407</u>	<u>0</u>	<u>4,432,986</u>	<u>34,973,004</u>	<u>7,454</u>	<u>34,980,458</u>
0	0	20,650,268	0	20,650,268	0	20,650,268
662,714	0	0	0	662,714	0	662,714
1,609,822	0	0	0	1,609,822	0	1,609,822
15,031,243	0	0	0	15,031,243	0	15,031,243
33,735	0	0	0	33,735	0	33,735
0	0	0	0	524,376	0	524,376
0	0	0	0	149,959	0	149,959
0	0	0	0	129,427	0	129,427
0	0	0	0	16,385,421	37,689	16,423,110
<u>17,337,514</u>	<u>0</u>	<u>20,650,268</u>	<u>0</u>	<u>55,176,965</u>	<u>37,689</u>	<u>55,214,654</u>
<u>\$22,787,660</u>	<u>\$18,569,407</u>	<u>\$20,650,268</u>	<u>\$4,432,986</u>	<u>\$90,149,969</u>	<u>\$45,143</u>	<u>\$90,195,112</u>

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BROWN COUNTY, OHIO
 Combined Statement of Revenues, Expenditures
 And Changes in Fund Balances
 All Governmental Fund Types
 For the Year Ended December 31, 2001

	Governmental Fund Types				<i>Totals (Memorandum Only)</i>
	<i>General</i>	<i>Special Revenue</i>	<i>Debt Service</i>	<i>Capital Projects</i>	
<u>Revenues:</u>					
Property Taxes	\$1,704,305	\$560,596	\$321,406	\$0	\$2,586,307
Permissive Sales Tax	2,315,126	576,537	0	0	2,891,663
Charges for Services	1,455,766	1,446,495	0	0	2,902,261
Licenses and Permits	4,345	0	0	0	4,345
Fines and Forfeitures	297,822	116,949	0	0	414,771
Intergovernmental	1,011,826	12,678,948	113,285	165,000	13,969,059
Interest	723,866	330,077	0	0	1,053,943
Other	295,554	149,274	19,000	0	463,828
Total Revenues	<u>7,808,610</u>	<u>15,858,876</u>	<u>453,691</u>	<u>165,000</u>	<u>24,286,177</u>
<u>Expenditures:</u>					
Current:					
General Government:					
Legislative and Executive	4,118,483	200,606	0	0	4,319,089
Judicial	1,090,518	378,246	0	0	1,468,764
Public Safety	2,058,155	1,012,715	0	0	3,070,870
Public Works	123,655	4,098,800	0	0	4,222,455
Health	42,360	3,923,849	0	0	3,966,209
Human Services	192,345	5,339,824	0	0	5,532,169
Economic Development and Assistance	0	240,192	0	0	240,192
Capital Outlay	108,907	20,131	0	207,789	336,827
Debt Service:					
Principal Retirement	23,855	3,595	271,051	0	298,501
Interest and Fiscal Charges	664	0	209,078	0	209,742
Total Expenditures	<u>7,758,942</u>	<u>15,217,958</u>	<u>480,129</u>	<u>207,789</u>	<u>23,664,818</u>
Excess of Revenues Over (Under) Expenditures	<u>49,668</u>	<u>640,918</u>	<u>(26,438)</u>	<u>(42,789)</u>	<u>621,359</u>
<u>Other Financing Sources (Uses):</u>					
Proceeds from Sale of Fixed Assets	1,019	0	0	0	1,019
Inception of Capital Lease	108,907	20,131	0	0	129,038
Operating Transfers - In	0	552,406	0	150,000	702,406
Operating Transfers - Out	(407,101)	(204,659)	0	(90,646)	(702,406)
Total Other Financing Sources (Uses)	<u>(297,175)</u>	<u>367,878</u>	<u>0</u>	<u>59,354</u>	<u>130,057</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(247,507)</u>	<u>1,008,796</u>	<u>(26,438)</u>	<u>16,565</u>	<u>751,416</u>
Fund Balances at Beginning of Year - Restated (Note 20)	3,087,449	11,944,306	550,092	871,083	16,452,930
Decrease in Reserve For Inventory	(5,373)	(9,790)	0	0	(15,163)
Fund Balances at End of Year	<u>\$2,834,569</u>	<u>\$12,943,312</u>	<u>\$523,654</u>	<u>\$887,648</u>	<u>\$17,189,183</u>

See Accompanying Notes to the General Purpose Financial Statements

BROWN COUNTY, OHIO
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Year Ended December 31, 2001

	General Fund			Special Revenue Funds		
	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues:						
Property Taxes	\$2,005,311	\$1,704,305	(\$301,006)	\$500,000	\$560,596	\$60,596
Permissive Sales Tax	2,040,000	2,270,521	230,521	500,000	565,592	65,592
Charges for Services	1,345,846	1,466,140	120,294	1,214,650	1,399,570	184,920
Licenses and Permits	4,900	4,395	(505)	0	0	0
Fines and Forfeitures	294,500	293,972	(528)	83,550	110,610	27,060
Intergovernmental	837,154	1,004,644	167,490	12,762,215	12,919,717	157,502
Interest	660,000	735,780	75,780	100,000	346,160	246,160
Other	4,800	295,269	290,469	287,627	150,756	(136,871)
Total Revenues	7,192,511	7,775,026	582,515	15,448,042	16,053,001	604,959
Expenditures:						
Current:						
General Government:						
Legislative and Executive	4,536,682	4,249,010	287,672	519,867	282,405	237,462
Judicial	1,103,472	1,087,111	16,361	450,786	382,154	68,632
Public Safety	2,062,032	2,052,829	9,203	1,149,073	996,239	152,834
Public Works	127,369	122,283	5,086	5,082,911	4,326,745	756,166
Health	43,676	42,434	1,242	4,634,209	4,002,528	631,681
Human Services	219,318	191,407	27,911	5,841,186	5,557,505	283,681
Economic Development and Assistance	0	0	0	242,000	239,951	2,049
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	8,092,549	7,745,074	347,475	17,920,032	15,787,527	2,132,505
Excess of Revenues Over (Under) Expenditures	(900,038)	29,952	929,990	(2,471,990)	265,474	2,737,464
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	1,019	1,019	0	0	0
Advances - In	0	73,000	73,000	0	383,375	383,375
Advances - Out	0	(75,375)	(75,375)	0	(381,000)	(381,000)
Operating Transfers - In	0	0	0	247,166	552,406	305,240
Operating Transfers - Out	(407,879)	(407,101)	778	(204,659)	(204,659)	0
Total Other Financing Sources (Uses)	(407,879)	(408,457)	(578)	42,507	350,122	307,615
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,307,917)	(378,505)	929,412	(2,429,483)	615,596	3,045,079
Fund Balances at Beginning of Year	2,239,984	2,239,984	0	10,200,259	10,200,259	0
Prior Year Encumbrances Appropriated	372,357	372,357	0	1,336,555	1,336,555	0
Fund Balances at End of Year	\$1,304,424	\$2,233,836	\$929,412	\$9,107,331	\$12,152,410	\$3,045,079

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Fund			Capital Projects Funds		
<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
\$358,279	\$321,406	(\$36,873)	\$0	\$0	\$0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
73,887	113,285	39,398	833,000	165,000	(668,000)
0	0	0	0	0	0
19,505	19,000	(505)	0	0	0
<u>451,671</u>	<u>453,691</u>	<u>2,020</u>	<u>833,000</u>	<u>165,000</u>	<u>(668,000)</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	600,000	0	600,000
0	0	0	150,000	136,400	13,600
0	0	0	0	0	0
0	0	0	237,050	172,006	65,044
0	0	0	937	937	0
271,051	221,051	50,000	0	0	0
<u>208,574</u>	<u>208,574</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>479,625</u>	<u>429,625</u>	<u>50,000</u>	<u>987,987</u>	<u>309,343</u>	<u>678,644</u>
<u>(27,954)</u>	<u>24,066</u>	<u>52,020</u>	<u>(154,987)</u>	<u>(144,343)</u>	<u>10,644</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	150,000	150,000	0
0	0	0	<u>(90,646)</u>	<u>(90,646)</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>59,354</u>	<u>59,354</u>	<u>0</u>
(27,954)	24,066	52,020	(95,633)	(84,989)	10,644
550,092	550,092	0	863,895	863,895	0
0	0	0	7,188	7,188	0
<u>\$522,138</u>	<u>\$574,158</u>	<u>\$52,020</u>	<u>\$775,450</u>	<u>\$786,094</u>	<u>\$10,644</u>

BROWN COUNTY, OHIO
Statement of Revenues, Expenses
And Changes in Retained Earnings
Enterprise Fund
For the Year Ended December 31, 2001

	<i>Brown County General Hospital</i>
<u>Operating Revenues:</u>	
Net Patient Service Revenue	\$26,225,731
Other Operating Revenues	383,778
Total Revenues	<u>26,609,509</u>
<u>Operating Expenses:</u>	
Personal Services	12,491,898
Contractual Services	1,990,585
Materials and Supplies	6,324,164
Provision for Bad Debts	2,293,558
Other Operating Expenses	695,302
Interest and Fiscal Charges	192,500
Depreciation	1,530,180
Total Operating Expenses	<u>25,518,187</u>
Operating Income	<u>1,091,322</u>
<u>Non-Operating Revenues and Expenses:</u>	
Interest	205,346
Donations of Equipment	135,927
Other Non-Operating Revenues	12,004
Total Non-Operating Revenues and Expenses	<u>353,277</u>
Net Income	1,444,599
Retained Earnings At Beginning of Year	<u>15,892,915</u>
Retained Earnings At End Of Year	<u><u>\$17,337,514</u></u>

See Accompanying Notes to the General Purpose Financial Statements

BROWN COUNTY, OHIO
Statement of Support and Revenues, Expenses
And Changes in Fund Balance
Discretely Presented Component Unit
For the Year Ended December 31, 2001

	<i>Grow, Inc.</i>
<u>Support and Revenues:</u>	
Brown County Board of Mental Retardation	\$1,502,812
Assembly Production	11,254
Services Contracted	95,419
Snack Bar	14,291
Thrift Store	271
Other	2,664
Total Support and Revenues	1,626,711
<u>Expenses:</u>	
Personal Services	755,161
Contractual Services	652,841
Materials and Supplies	88,735
Depreciation	3,470
Other Operating Expense	124,604
Total Expenses	1,624,811
Excess of Support and Revenues Over Expenses	1,900
<u>Non-Operating Revenues and Expenses:</u>	
Interest	145
Interest and Fiscal Charges	(751)
Total Non-Operating Revenues and Expenses	(606)
Net Revenues Over Expenses	1,294
Fund Balance At Beginning of Year	36,395
Fund Balance At End Of Year	\$37,689

See Accompanying Notes to the General Purpose Financial Statements

BROWN COUNTY, OHIO
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2001

	<i>Brown County General Hospital</i>
<hr/>	
<u>Cash Flows from Operating Activities:</u>	
Income from Operations	\$1,091,322
<hr/>	
<u>Adjustments to Reconcile Revenues and Gains in Excess of Expenses to Net Cash Provided by Operating Activities:</u>	
Depreciation and Amortization	1,530,180
<hr/>	
<u>Changes in Assets and Liabilities:</u>	
Decrease in Accounts Receivable	842,959
Decrease in Materials and Supplies Inventory	11,124
Increase in Prepaid Expenses and Other Assets	(881,351)
Decrease in Accounts Payable and Other Accrued Expenses	(417,835)
Increase in Settlement Amounts Payable to Third Parties	214,228
<hr/>	
<i>Net Cash Provided by Operating Activities</i>	<u>2,390,627</u>
<hr/>	
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Other	13,092
<hr/>	
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Capital Expenditures	(702,341)
Donation for Capital Additions	18,000
Proceeds from Disposal of Equipment	10
Payments on Capital Lease Obligations	(92,423)
Repayment of Long-Term Debt	(490,000)
<hr/>	
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(1,266,754)</u>
<hr/>	
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	205,346
<hr/>	
Net Increase in Cash and Cash Equivalents	1,342,311
Cash and Cash Equivalents at Beginning of Year	4,203,017
<hr/>	
Cash and Cash Equivalents at End of Year	<u>\$5,545,328</u>
<hr/>	
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:	
Cash and Cash Equivalents in Current Assets	\$3,876,409
Cash and Cash Equivalents Restricted for Plant Renewal and Replacement	1,609,822
Cash and Cash Equivalents Restricted for Debt Issuance	59,097
Total Cash and Cash Equivalents	<u>\$5,545,328</u>
<hr/>	
Supplemental Disclosures:	
Interest Paid During the Year	<u>\$178,501</u>

See Accompanying Notes to the General Purpose Financial Statements

BROWN COUNTY, OHIO
Statement of Cash Flows
Discretely Presented Component Unit
For the Year Ended December 31, 2001

	<i>Grow, Inc.</i>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$117,375
Cash Payments to Suppliers for Goods and Services	(60,068)
Cash Payments to Employees for Services	(58,785)
<i>Net Cash Used for Operating Activities</i>	(1,478)
<u>Cash Flows from Capital and Related</u>	
<u>Financing Activities:</u>	
Principal Payments made on Capital Leases	(1,860)
Interest Payments made on Capital Leases	(751)
<i>Net Cash Used for Capital and Related Financing Activities</i>	(2,611)
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	145
<i>Net Cash Provided by Investing Activities</i>	145
Net Decrease in Cash and Cash Equivalents	(3,944)
Cash and Cash Equivalents at Beginning of Year	15,162
Cash and Cash Equivalents at End of Year	\$11,218
<u>Reconciliation of Excess of Support and Revenues</u>	
<u>Over Expenses to Cash Used for Operating Activities:</u>	
Excess of Support and Revenues Over Expenses	\$1,900
<i>Adjustments to Reconcile Excess of Support and Revenues</i>	
<u>Over Expenses to Net Cash Used For Operating Activities:</u>	
Depreciation	3,470
<u>Changes in Assets and Liabilities:</u>	
Increase in Accounts Receivable	(6,524)
Decrease in Materials and Supplies Inventory	408
Decrease in Accounts Payable	(414)
Decrease in Accrued Wages and Benefits	(318)
Total Adjustments	(3,378)
Net Cash Used for Operating Activities	(\$1,478)

See Accompanying Notes to the General Purpose Financial Statements

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BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

Brown County, Ohio (The County), was created in 1817. The County is governed by a board of three Commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, a Probate Court Judge, and two County Court Judges.

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

Reporting Entity

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

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

Discretely Presented Component Unit

The component unit column in the combined financial statements identifies the financial data of the County's discretely presented component unit, Grow, Inc. It is reported separately to emphasize that it is legally separate from the County.

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

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

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

The Brown County Board of MR/DD 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 Brown County, the workshop is presented as a component unit of Brown County. Grow, Inc. operates on a fiscal year ending December 31. Separately issued financial statements can be obtained from Grow, Inc., 9116 Hamer Rd., Georgetown, Ohio 45121.

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

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

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

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

The information in Notes 2 through 20 relate to the primary government. Information related to the discretely presented component unit is presented in Note 21.

Basis of Presentation - Fund Accounting

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

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

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

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

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

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

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

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

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

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

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

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

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

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

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

Budgetary Process

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

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

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

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

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

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources: The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include actual unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

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

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

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

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

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and Cash Equivalents

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

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

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

During fiscal year 2001, investments were limited to certificates of deposit, common stock, Federal Farm Credit Bank bonds, Federal Home Loan Bank bonds, Federal Home Loan Mortgage Bonds, Federal Home Loan Mortgage Corporation bonds, Federal National Mortgage Association bonds, Federal Home Loan Mortgage Association Bonds, repurchase agreements, money market accounts, and Star Ohio.

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

Brown County invested funds in the State Treasury Asset Reserve of Ohio (Star Ohio) during fiscal year 2001. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2001.

Interest is distributed to the General Fund, Special Revenue Funds, and the Brown County General Hospital Enterprise Fund. Interest earned during 2001 amounted to \$723,866 for the County General Fund, which includes \$675,794 assigned from other County funds.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Charity Care

Hospital patients who meet certain criteria under its charity care policy are provided care without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue. Hospital services at normal established rates totaled approximately \$534,000 for the year ended December 31, 2001.

Net Patient Service Revenue

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

Substantially all revenue is recognized when service is rendered.

Inventory of Supplies

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2001, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets

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

Interfund Assets and Liabilities

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

Accrued and Long-Term Liabilities

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

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds. Long-term liabilities are being repaid from the following funds:

Obligation	Fund
Bonds Payable	Debt Service Fund and Enterprise Fund
Mortgage Loan Payable	Debt Service Fund

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets and Depreciation

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

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

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

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

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

<u>Descriptions</u>	<u>Estimated Life</u>
Buildings and Building Improvements	30-40 years
Equipment	5-20 years

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The County and the Brown County Hospital follow the provisions of GASB Statement No. 16 "Accounting for Compensated Absences". Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributed to services already rendered and it is probable that the County will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31, by those employees who are eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future. The amount is based on accumulated sick leave and employee wage rates at year end, taking into consideration any limits specified in the County's termination policy.

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

Reserves of Fund Equity

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

Gifts and Donated Services

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

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

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

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

Estimates

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

Total Columns on General Purpose Financial Statements

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

NOTE 3 - BUDGET TO GAAP RECONCILIATION

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

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

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 3 - BUDGET TO GAAP RECONCILIATION (Continued)

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance for governmental funds (GAAP basis).
4. Advances - In and Advances - Out are operating transactions (budget) as opposed to a balance sheet transactions (GAAP).

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$247,507)	\$1,008,796	(\$26,438)	\$16,565
Revenue Accruals	(225,484)	134,949	0	0
Expenditure Accruals	175,861	(27,472)	50,504	25,646
Increase in Fair Value of Investments	82,993	39,045	0	0
Advances	(2,375)	2,375	0	0
Encumbrances	(161,993)	(542,097)	0	(127,200)
Budget Basis	(\$378,505)	\$615,596	\$24,066	(\$84,989)

NOTE 4 - ACCOUNTABILITY

The Dare Grant, Proactive Grant and Diversion Grant Special Revenue Funds have deficit fund balances of \$39, \$17,784 and \$1,209 respectively. These deficits are due to adjustments for accrued liabilities which generate expenditures that are greater than those recognized on a cash basis. The general fund is liable for the deficit and provides operating transfers when cash is required, not when accruals occur.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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.

Monies held by the County which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the Federal Government Agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

At year-end, the County had \$5,500 of undeposited cash on hand which is included on the balance sheet of the County as part of "Equity in Pooled Cash and Cash Equivalents" and the Hospital had \$2,387 of undeposited cash on hand which is included on the balance sheet of the County as part of "Cash and Cash Equivalents in Segregated Accounts".

Deposits: At year-end, the carrying amount of the County's deposits was \$5,321,025 and the bank balance was \$7,229,639. Of the bank balance, \$766,231 was covered by federal depository insurance. For the Hospital, \$5,713,890 of bank deposits were collateralized with pooled securities held by financial institutions but not in the Hospital's name. The remainder of \$749,518 were considered uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institutions' trust department in the County's name and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the County to a successful claim by the Federal Deposit Insurance Corporation.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

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

The Brown County General Hospital has investments in common stock totaling \$29,492 at December 31, 2001, included as "Investments in Segregated Accounts" in the accompanying combined balance sheet.

	Category 1	Category 2	Category 3	Unclassified	Carrying and Fair Value
Common Stock	\$29,492	\$0	\$0	\$0	\$29,492
U.S. Treasury Notes	0	603,617	0	0	603,617
Federal Farm Credit Bank Bonds	0	0	1,433,950	0	1,433,950
Federal Home Loan Bank Bonds	0	0	4,104,098	0	4,104,098
Federal Home Loan Mortgage Bonds			794,360		794,360
Federal Home Loan					
Mortgage Corporation Bonds	0	0	2,848,588	0	2,848,588
Federal National Mortgage					
Association Bonds	0	0	1,802,356	0	1,802,356
Federal Home Loan Mortgage					
Association Bonds	0	0	500,000	0	500,000
Repurchase Agreements	0	1,299,837	0	0	1,299,837
Money Market Accounts	0	0	0	1,533,124	1,533,124
Star Ohio	0	0	0	5,008,158	5,008,158
Total Investments	<u>\$29,492</u>	<u>\$1,903,454</u>	<u>\$11,483,352</u>	<u>\$6,541,282</u>	<u>\$19,957,580</u>

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	<u>Cash & Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$24,653,383	\$633,109
Cash on Hand	(7,887)	0
Federal Farm Credit Bank Bonds	(1,433,950)	1,433,950
Federal Home Loan Bank Bonds	(4,104,098)	4,104,098
Federal Home Loan Mortgage Bonds	(794,360)	794,360
Federal Home Loan Mortgage Corporation Bonds	(2,848,588)	2,848,588
Federal National Mortgage Association Bonds	(1,802,356)	1,802,356
Federal Home Loan Mortgage Association	(500,000)	500,000
Repurchase Agreements	(1,299,837)	1,299,837
Money Market Accounts	(1,533,124)	1,533,124
Star Ohio	(5,008,158)	5,008,158
GASB Statement No. 3	<u>\$5,321,025</u>	<u>\$19,957,580</u>

NOTE 6 - NET PATIENT SERVICE REVENUE

The Brown County General Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Total gross patient services revenue and related allowances at December 31, 2001 were as follows:

Gross patient service revenue at established rates (including charity care)	\$37,925,295
Less:	
Contractual allowances	(11,165,974)
Charity care	(533,590)
Net patient service revenue	<u>\$26,225,731</u>

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 6 - NET PATIENT SERVICE REVENUE (Continued)

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services, certain outpatient services, and defined capital costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology, subject to certain limitations. Effective August 1, 2000, Medicare changed its method of paying for outpatient services to a prospective payment methodology based on a system of ambulatory payment classifications ("APC"). The Hospital is reimbursed for cost-reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports prior to January 1, 1999 have been audited and finalized by the Medicare fiscal intermediary. Revenue from participation in the Medicare program amounted to 37% and 38% of operating revenue in 2001 and 2000, respectively.

Medicaid - Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under cost reimbursement and fee schedule methodologies. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports prior to January 1, 1997 have been audited and finalized by the Medicaid fiscal intermediary. Revenue from participation in the Medicaid program amounted to 21% and 19% of operating revenue in 2001 and 2000, respectively.

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

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

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Property tax revenue received during 2001 for real and public utility property taxes represents collections of 2000 taxes. Property tax payments received during 2001 for tangible personal property (other than public utility property) are for 2001 taxes.

2001 real property taxes are levied after October 1, 2001 on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2001 real property taxes are collected in and intended to finance 2002.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 7 - PROPERTY TAXES (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after October 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after October 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are 25 percent of true value.

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

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

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

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

The full tax rate for all County operations for the year ended December 31, 2001, was \$5.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

Real Estate	\$441,126,220
Public Utility Personal Property	26,791,920
Tangible Personal Property	<u>27,257,923</u>
Total Assessed Value	<u><u>\$495,176,063</u></u>

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 7 - PROPERTY TAXES (Continued)

Property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of December 31, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2001 operations. The receivable is therefore offset by a credit to deferred revenue.

NOTE 8 - PERMISSIVE SALES TAX

In 1990, in accordance with Sections 5739.02 and 5741.02 of the Revised Code, the County Commissioners, by resolution, imposed a one percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. In 1993, an additional one-half percent sales and use tax was passed by the voters for the purpose of the funding and operation of a 9-1-1 system in the County. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited to the General Fund and the 9-1-1 Emergency Special Revenue Fund. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. Permissive sales tax revenue for 2001 amounted to \$2,891,663.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2001, consisted of taxes, accounts (billings for user charged services), special assessments, interfund activity, interest on investments and intergovernmental receivables arising from grants and shared revenues. All receivables, except those of the Brown County General Hospital Enterprise Fund, are considered collectible in full. The Hospital has accounts receivable in the amount of \$3,295,950, which is net after an allowance for doubtful accounts of \$3,060,723. The Hospital also has pledges receivable.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 9 – RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables is as follows:

Fund/Type	Amount
<i>General Fund</i>	\$418,315
<i>Special Revenue Funds</i>	
Mental Health	840,637
Mental Retardation	3,443
Human Services	191,543
Child Support Enforcement Agency	6,199
Auto and Gas	1,675,303
Custody Care	175,108
Proactive Grant	120,595
Children's Services	59,038
Victim's Advocate	18,167
<i>Total Special Revenue Funds</i>	3,090,033
<i>Total All Funds</i>	\$3,508,348

NOTE 10 - FIXED ASSETS

General Fixed Assets

A summary of the changes in general fixed assets during 2001 is as follows:

Asset Category	Balance for the Year Ended 12/31/00	Additions	Deletions	Balance for the Year Ended 12/31/01
Land	\$446,784	\$0	\$0	\$446,784
Buildings	9,198,171	80,000	0	9,278,171
Machinery and Equipment	5,119,184	576,752	2,800	5,693,136
Furniture and Fixtures	991,873	67,016	0	1,058,889
Vehicles	3,854,800	830,591	512,103	4,173,288
Total	\$19,610,812	\$1,554,359	\$514,903	\$20,650,268

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 10 - FIXED ASSETS (Continued)

Fund Fixed Assets

All fund fixed assets relate to the Brown County General Hospital Enterprise Fund. The balance as of December 31, 2001, is as follows:

Land and Land Improvements	\$921,083
Buildings and Building Improvements	11,232,462
Equipment	13,566,281
Construction in Progress	70,540
Total	25,790,366
Less: Accumulated Depreciation	(14,263,775)
Net Fund Fixed Assets	\$11,526,591

NOTE 11- RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. By participating in the County Risk Sharing Authority (CORSA), a risk sharing pool (See Note 18), for liability, property, auto, and crime insurance, the County has addressed these various types of risk.

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

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

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in coverage from last year.

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

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 11- RISK MANAGEMENT *(Continued)*

Workers' compensation benefits are provided through the Ohio Bureau of Workers' Compensation. For 2001, the County participated in the County Commissioner's Association of Ohio Workers' Compensation Group Rating Program (CCAO), a workers' compensation group purchasing pool (See Note 18). The intent of the CCAO is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the CCAO. Each participant pays its workers' compensation premium to the State based on the rate for the CCAO rather than its individual rate.

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

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

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

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

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 12 - DEFINED BENEFIT RETIREMENT PLANS

Public Employees Retirement System

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2001 employer pension contribution rate for the County was 9.25 percent of covered payroll, increased from 6.54 percent in 2000. For 2000, PERS instituted a temporary employer rate rollback for state and local governments. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2001, 2000, and 1999 \$797,571, \$442,730, and \$602,279, respectively. The full amount has been contributed for 2000 and 1999. 83.97 percent was contributed for 2001 with the remainder being reported as a fund liability and within the general long-term obligations account group. The Hospital's required contributions to PERS for the years ended December 31, 2001, 2000 and 1999 were \$1,355,249, \$1,021,610, and \$1,163,365, respectively.

NOTE 13 - POSTEMPLOYMENT BENEFITS

Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

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

The number of active contributing participants was 411,076. The County's actual contributions for 2001 which were used to fund postemployment benefits were \$370,763. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

NOTE 14 - OTHER EMPLOYEE BENEFITS

Compensated Absences

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

Accumulated, unused sick leave is paid up to a maximum of 240 hours, depending on length of service, to employees who retire. As of December 31, 2001, the liability for compensated absences was \$1,323,170 for the County, including \$754,591 for the Brown County Hospital.

Insurance Benefits

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

Deferred Compensation

County employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

During the year, the County entered into capital leases for vehicles and equipment. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13 "Accounting for Leases"*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the combined financial statements for the governmental funds. The equipment, machinery and vehicles acquired by lease have been capitalized in the general fixed assets account group in the amount of \$129,038 which equals the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in 2001 totaled \$27,450. For the enterprise fund, the capital lease payment is reflected as a reduction in the enterprise fund liability.

The following is a schedule of the future long-term minimum lease payments required for capital leases reported in the General Long-Term Obligations Account Group and enterprise fund, and the present value of the minimum lease payments as of December 31, 2001.

Fiscal Year Ending December 31,	General Long- Term Obligations Account Group	Enterprise
2002	\$46,090	\$97,319
2003	46,090	33,834
2004	17,976	0
Total	110,156	131,153
Less Amount Representing Interest	(8,568)	(8,395)
Present Value of Minimum Lease Payments	<u>\$101,588</u>	<u>\$122,758</u>

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 16 - LONG-TERM DEBT

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

	Principal Outstanding at 12/31/00	Additions	Deletions	Principal Outstanding at 12/31/01
<i><u>Enterprise Fund Obligations</u></i>				
<i><u>Mortgage Revenue Bonds</u></i>				
Hospital Revenue Bonds				
1995 5.5%	\$500,000	\$0	\$100,000	\$400,000
Hospital Improvement Bonds				
1993 2.8%-5.3%	2,170,000	0	390,000	1,780,000
Total Enterprise Obligations	<u>2,670,000</u>	<u>0</u>	<u>490,000</u>	<u>2,180,000</u>
<i><u>General Long-Term Obligations</u></i>				
<i><u>General Obligation Bonds</u></i>				
Brown County Public Library District Bonds				
1996 5.4% - 5.8%	2,625,000	0	110,000	2,515,000
Adult Detention Center Bonds				
1983 9.13%	290,000	0	95,000	195,000
Human Services Bonds				
1998 5.25%	455,000	0	50,000	405,000
Total General Obligation Bonds	<u>3,370,000</u>	<u>0</u>	<u>255,000</u>	<u>3,115,000</u>
<i><u>Other Long-Term Obligations</u></i>				
Forgivable Debt	298,958	0	8,750	290,208
Mortgage Loan Payable				
1994 7.90%	52,120	0	16,051	36,069
Due to Other Governments (Pension Obligation)	178,795	347,034	178,795	347,034
Capital Leases	0	129,038	27,450	101,588
Compensated Absences	570,538	0	27,451	543,087
Total Other Long-Term Obligations	<u>1,100,411</u>	<u>476,072</u>	<u>258,497</u>	<u>1,317,986</u>
Total General Long-Term Obligations	<u>\$4,470,411</u>	<u>\$476,072</u>	<u>\$513,497</u>	<u>\$4,432,986</u>

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 16 - LONG-TERM DEBT (Continued)

The County's total legal debt margin was \$7,058,809 with an unvoted debt margin of \$2,374,850 at December 31, 2001.

The Adult Detention Center and Human Services Bonds will be paid from the debt service fund. The Brown County Public Library District Bonds will be retired from proceeds of a voted tax levied upon the County residents living in the Library District and will be paid from the Debt Service Fund. Compensated absences and the pension liability will be paid from the funds from which the employees' salary is paid.

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

Forgivable debt consists of construction loans and a loan contract made between the Brown County Community Board of Alcohol, Drug Addiction, and Mental Health Services (the Board) and the Ohio Department of Mental Health (ODMH), for the purchase of land and building construction thereon for the use in providing mental health services to the residents of the County. The terms of the contract are essentially equivalent to a mortgage on the property, with the Board being obligated to provide mental health services for a period of 40 years from the inception of the contract. Should the Board discontinue mental health services at the facility, the balance of the contract would become due immediately. Failure to pay the balance could result in foreclosure by ODMH. The balance due is reduced on a month-by-month basis over the term of the contract as long as the facility is used for mental health services. During 2001, \$8,750 was forgiven by the ODMH. The mortgage loan payable represents twenty-five percent of the land purchase and construction costs which the County was required to pay.

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

<u>Fiscal Year</u> <u>Ending December 31,</u>	<u>Forgivable Debt</u> <u>(No Interest)</u>	<u>Mortgage Loan</u> <u>Payable Principal</u>	<u>Mortgage Loan</u> <u>Payable Interest</u>
2002	\$8,750	\$17,331	\$2,174
2003	8,750	18,738	792
2004	8,750	0	0
2005	8,750	0	0
2006	8,750	0	0
2007-2011	43,750	0	0
2012-2016	43,750	0	0
2017-2021	43,750	0	0
2022-2026	43,750	0	0
2027-2031	43,750	0	0
2032-2035	27,708	0	0
Total	<u>\$290,208</u>	<u>\$36,069</u>	<u>\$2,966</u>

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 16 - LONG-TERM DEBT (Continued)

Principal and interest requirements to retire the general obligation bonds outstanding at December 31, 2001 are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2002	\$260,000	\$188,006	\$448,006
2003	275,000	170,100	445,100
2004	180,000	151,187	331,187
2005	195,000	141,113	336,113
2006	205,000	130,200	335,200
2007-2011	935,000	480,125	1,415,125
2012-2016	<u>1,065,000</u>	<u>198,600</u>	<u>1,263,600</u>
Total	<u><u>\$3,115,000</u></u>	<u><u>\$1,459,331</u></u>	<u><u>\$4,574,331</u></u>

Principal requirements to retire the mortgage revenue bonds outstanding at December 31, 2001 are as follows:

Fiscal Year Ending December 31,	Principal
2002	\$510,000
2003	535,000
2004	555,000
2005	<u>580,000</u>
Total	<u><u>\$2,180,000</u></u>

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

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 17 - INTERFUND TRANSACTIONS

Interfund balances at December 31, 2001, consist of the following individual fund receivables and payables:

Fund Type/Fund	Asset		Liability	
	Interfund Receivable	Due From Other Funds	Interfund Payable	Due To Other Funds
<i>General Fund</i>	\$54,235	\$9,815	\$0	\$59
<i>Special Revenue Funds</i>				
Auto and Gas	0	1,137	0	0
Dog and Kennel	0	0	0	697
Sheriff Commisary	0	0	0	203
Prosecutor DTAC	0	0	0	59
Juvenile Court Security	0	0	0	49
Solid Waste	0	0	0	9,236
Proactive Grant	0	0	15,375	0
Ohio 4-H Carateens	0	0	38,860	0
<i>Total Special Revenue Funds</i>	0	1,137	54,235	10,244
<i>Agency Funds</i>				
Sheriff	0	0	0	162
County Court	0	0	0	487
<i>Total Agency Funds</i>	0	0	0	649
<i>Total All Funds</i>	\$54,235	\$10,952	\$54,235	\$10,952

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

Ohio Valley Resource Conservation and Development Area, Inc.

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

Each entity contributes \$100 annually; other revenues are from USDA grants. Brown County does not have any ongoing financial interest or responsibilities nor can it significantly influence management.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

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

Job Training Partnership Consortium

The Job Training Partnership Consortium is a jointly governed organization. The Governor has designated Brown, Scioto, Adams, Jackson, Highland and Pike Counties as a Service Delivery Area.

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

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

Private Industry Council

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

County Risk Sharing Authority (CORSA)

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

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

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

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

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

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

NOTE 19 - CONTINGENT LIABILITIES

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the county commissioners believe such disallowances, if any, will be immaterial. The Hospital maintains malpractice insurance coverage under a per occurrence basis with Ohio Hospital Insurance Company. Professional liability claims are currently pending against the Hospital. No provision for loss has been made in the accompanying financial statements because management is of the opinion that the ultimate liability, if any, resulting from the lawsuits would be adequately covered by insurance, and would not adversely affect the financial position of the Hospital.

BROWN COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 20 - RESTATEMENT OF FUND BALANCES AND ACCOUNT GROUP BALANCES

For fiscal year 2001, the County has implemented *GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions,"* and *GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues,"* which changes how the County recognizes certain types of revenues. Changes to the December 31, 2000 Fund Balance related to the implementation of GASB statements 33 and 36 were not material. In addition, the balance for deposits held and due to others at December 31, 2000 was overstated and cash in the special revenue funds was understated.

The implementation of the GASB pronouncements, along with the errors cited above, caused the following changes to the prior year's ending Fund Balances.

	General	Special Revenue
Balance at December 31, 2000	\$2,985,995	\$11,906,349
GASB 33 Adjustments	48,623	32,390
Deposits Held and Due to Others	52,831	0
Cash	0	5,567
Restated Balance at December 31, 2000	\$3,087,449	\$11,944,306

NOTE 21 - GROW, INC.

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

Basis of Accounting

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

Deposits

At year end, the carrying amount of Grow, Inc.'s deposits was \$11,218 and the bank balance was \$11,218. The entire bank balance was covered by federal depository insurance. Grow, Inc. did not have any investments at year end. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporation.

Accounts Receivable

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

Capital Leases

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

BROWN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Direct from the Federal Government</i>			
Emergency Conservation Program	50-5E34-1-161	10.054	23,821
	50-5E34-1-132	10.054	83,655
Total U.S. Department of Agriculture			107,476
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addiction Services:</i>			
<i>Block Grants for Prevention and Treatment of Substance Abuse</i>			
Alcohol, Drug and Mental Health Services Block Grant	N/A	93.959	135,953
Social Services Block Grant - Title XX	N/A	93.992	45,038
Medical Assistance Program - Title XIX	N/A	93.667	39,441
	N/A	93.778	512,674
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>			
Social Services Block Grant - Title XX	N/A	93.667	27,518
Medical Assistance Program - Title XIX	N/A	93.778	318,822
Total U.S. Department of Health and Human Services			1,079,446
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through the Ohio Department of Development:</i>			
<i>Community Development Block Grants/State's Program</i>			
	B-E-97-008-1	14.228	77,500
	B-P-98-008-1	14.228	34,506
	B-F-98-008-1	14.228	55,191
	B-N-99-008-1	14.228	2,724
	B-F-00-008-1	14.228	179,075
	B-N-01-008-1	14.228	6,356
Total U.S. Department of Housing and Urban Development			355,352
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through the Ohio Attorney General:</i>			
Crime Victim Assistance	2002-VAGENI-308	16.575	28,059
<i>Direct from the Federal Government</i>			
Law Enforcement Block Grants Program	2000-LE-LEB-3451	16.592	19,398
Community Oriented Policing Services	1999-SH-WX-0578	16.710	52,958
Total U.S. Department of Justice			100,415
FEDERAL EMERGENCY MANAGEMENT AGENCY			
<i>Passed Through the Ohio Emergency Management Agency</i>			
Public Assistance Grants	DSR-1164	83.544	201,466
Public Assistance Grants	DSR-1122	83.544	23,122
Public Assistance Grants		83.544	1,463
			226,051
Emergency Management Performance Grants		83.552	14,549
Total Federal Emergency Management Agency			240,600
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through the Ohio Department of Transportation</i>			
Federal-Highway Program	2001-STP-613	20.205	50,880
Federal-Highway Program	LPA-9438	20.205	93,748
Federal-Highway Program	LPA-9439	20.205	76,084
Federal-Highway Program	LPA-9440	20.205	18,768
Total U.S. Department of Transportation			239,480
U.S. DEPARTMENT OF PUBLIC SAFETY			
<i>Passed Through the Ohio Department of Public Safety:</i>			
State and Community Highway Safety	N/A	20.600	328
TOTAL FEDERAL ASSISTANCE			\$2,123,097

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

BROWN COUNTY

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

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

NOTE C - MATCHING REQUIREMENTS

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

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

Brown County
800 Mt. Orab Pike
Georgetown, Ohio 45121

To the Board of County Commissioners:

We have audited the financial statements of Brown County, Ohio (the County), as of and for the year ended December 31, 2001, and have issued our report thereon dated August 27, 2002, wherein we noted that the financial statements of the Brown County General Hospital (the Enterprise Fund) were audited by other auditors. The report of the other auditors has been furnished to us, and our report on compliance, insofar as it relates to the Enterprise Fund, is based on the compliance report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated August 27, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated August 27, 2002.

Brown County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jim Petro
Auditor of State

August 27, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

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

Brown County
800 Mt. Orab Pike
Georgetown, Ohio 45121

To the Board of County Commissioners:

Compliance

We have audited the compliance of Brown County, Ohio (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2001. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2001. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in accompanying Schedule of Findings as items 2001-60408-001 and 2001-60408-002. We also noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the County in a separate letter dated August 27, 2002.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Brown County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

August 27, 2002

BROWN COUNTY

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	U.S. Department of Health and Human Services Title XIX (Medicaid) - CFDA #93.778 U.S. Department of Housing and Urban Development Community Development Block Grant CFDA# 14.228
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A > \$300,000 Type B - all other programs
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 2001-60408-001

CFDA Title and Number	Small Cities Community Development Block Grant – 14.228
Federal Award Number/Year	B-E-97-008-1 B-F-98-008-1 B-P-98-008-1 B-F-00-008-1
Federal Agency	U.S. Department of Housing and Urban Development (HUD)
Pass-Through Agency	Ohio Department of Development (ODOD)

Noncompliance Citation

According to the State of Ohio, Department of Development, Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook, Section (A)(3)(f), the grantee must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds. Drawdowns for the grants listed above during 2001 ranging from \$16,000 to \$77,500 were not expended within fifteen days. We recommend the County monitor grant funds and limit draw downs to amounts that will enable the County to disburse funds within fifteen days.

FINDING NUMBER 2001-60408-002

CFDA Title and Number	Small Cities Community Development Block Grant – 14.228
Federal Award Number/Year	B-E-97-008-1 B-F-98-008-1 B-P-98-008-1 B-N-99-008-1 B-F-00-008-1 B-F-01-008-1
Federal Agency	U.S. Department of Housing and Urban Development (HUD)
Pass-Through Agency	Ohio Department of Development (ODOD)

Noncompliance Citation

According to the State of Ohio, Department of Development, Office of Housing and Community Partnership (OHCP) Financial Management Rules and Regulations Handbook, Section (A)(3)(1), 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. In addition, the grantee must, on a monthly basis credit any interest earned to the appropriate grant. The County deposited all monies, including CDBG federal funds into interest bearing checking accounts and certificates of deposits. Furthermore, interest on these federal funds were posted to the General Fund rather than allocated to each individual CDBG federal grant fund. We calculated the average fund balance for all funds, including the CDBG funds, and the average interest rate and then allocated the total interest that should have been earned by the CDBG funds which is approximately \$4,158.

We recommend the county properly allocate interest to the federal funds and submit the required amounts to the proper authorities.

BROWN COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: <i>Explain:</i>
2000-60408-001	Ohio Rev. Code, Section 5705.36, requires the amount available for expenditure in each fund plus the unencumbered balances that existed at the end of the preceding year be certified. January 1, 2000 cash fund balances were not decreased by the prior year carryover encumbrances. This resulted in incorrect amounts being certified.	Yes	
2000-60408-002	Ohio Rev. Code, Section 5705.39, appropriations exceeded total estimated revenue in several funds.	Yes	



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

FINANCIAL CONDITION

BROWN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 12, 2002