



Mary Taylor, CPA  
Auditor of State



**CLINTON COUNTY**  
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CLINTON COUNTY

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Clinton County  
46 S. South Street  
Wilmington, Ohio 45177

To the Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities, the component units, each major fund, and the aggregate remaining fund information of Clinton County, Ohio (the County), as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Clinton Memorial Hospital, which is the County's enterprise fund and business type activity. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinions on the accompanying financial statements, insofar as it relates to the amounts included for the Clinton Memorial Hospital, are based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, the component units, each major fund, and the aggregate remaining fund information of Clinton County, Ohio, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, Children Services Board Fund, County Board of MRDD Fund, Motor Vehicle and Gas Tax Fund, and Public Assistance Fund 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 September 28, 2009, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Mary Taylor, CPA**  
Auditor of State

September 28, 2009

## CLINTON COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)

The management's discussion and analysis of Clinton County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the County's financial performance.

#### **Financial Highlights**

Key financial highlights for 2008 are as follows:

- The total net assets of the County increased \$1,534,678. Net assets of governmental activities increased \$2,938,035 which represents a 5.52% increase from fiscal year 2008 and net assets of business-type activities decreased \$1,403,357 which represents a 2.30% decrease from fiscal year 2007.
- General revenues accounted for \$18,883,825 or 50.19% of total governmental activities revenue. Program specific revenues accounted for \$18,741,015 or 49.81% of total governmental activities revenue.
- The County had \$34,686,805 in expenses related to governmental activities; \$18,741,015 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$18,883,825 were adequate to provide for these programs.
- The County has six major governmental funds. The general fund, the County's largest major governmental fund, had revenues of \$13,738,387 in 2008. The general fund had expenditures and other financing uses of \$14,231,928 in 2008. The general fund's fund balance decreased \$493,541 from 2007 to 2008.
- The children services board, a County major fund, had revenues of \$2,826,867 in 2008. The children services board had expenditures of \$2,621,673 in 2008. The children services board fund balance increased \$205,194 from 2007 to 2008.
- The County board of MRDD fund, a County major fund, had revenues of \$4,917,691 in 2008. The County board of MRDD fund had expenditures of \$4,061,215 in 2008. The County board of MRDD fund balance increased \$856,476 from 2007 to 2008.
- The motor vehicle and gas tax fund, a County major fund, had revenues and other financing sources of \$4,578,477 in 2008. The motor vehicle and gas tax fund had expenditures of \$4,458,257 in 2008. The motor vehicle and gas tax fund balance increased \$120,220 from 2007 to 2008.
- The public assistance fund, a County major fund, had revenues and other financing sources of \$6,157,651 and expenditures and other financing uses of \$5,924,390 in 2008. The public assistance fund balance increased \$233,261 from 2007 to 2008.
- The Martinsville-Midland project bond retirement fund, a County major fund, had revenues and other financing sources of \$15,009,821 and expenditures of \$10,100,736 in 2008. The Martinsville-Midland project bond retirement fund balance increased \$4,909,825 from 2007 to 2008.
- Net assets for business-type activities, which consist of the Clinton Memorial Hospital fund, had operating revenues of \$98,270,451 and total operating expenses of \$97,561,512.

## CLINTON COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)

- In the general fund, the actual revenues and other financing sources came in \$454,555 higher than they were originally budgeted and actual expenditures and other financing uses were \$239,966 more than the amount in the original budget. The County uses a conservative budgeting process.

#### **Using the Basic Financial Statements (BFS)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the County as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's most significant funds with all other nonmajor funds presented in total in one column. In the case of the County, there are six major governmental funds. The general fund is the largest major fund.

#### **Reporting the County as a Whole**

##### *Statement of Net Assets and the Statement of Activities*

The statement of net assets and the statement of activities answer the question, "How did we do financially during 2008?" These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the County's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the County as a whole, the financial position of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the County is divided into two distinct kinds of activities:

Governmental activities - Most of the County's programs and services are reported here including human services, health, public safety, public works and general government. These services are funded primarily by taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided.

#### **Reporting the County's Most Significant Funds**

##### *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

## CLINTON COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the general fund, children services board, County board of mental retardation and developmentally disabled (MRDD), motor vehicle and gas tax, public assistance, and Martinsville-Midland project bond retirement. The County's major enterprise fund is the Clinton Memorial Hospital. The analysis of the County's major governmental and proprietary funds begins on page 10.

#### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental financial statements can be found on pages 21-31 of this report.

#### ***Proprietary Funds***

The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for operations of the Clinton Memorial Hospital. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for a self-funded health insurance program for employees of the County and several governmental units within the County. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 32-35 of this report.

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 36-37 of this report.

#### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 38-74 of this report.

**CLINTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)**

**Government-Wide Financial Analysis**

The statement of net assets provides the perspective of the County as a whole. The County restated net assets as described in Note 3.A. The table below provides a summary of the County's net assets for 2008 and 2007.

	Governmental Activities		Business-Type Activities		Total	
	2008	(Restated) 2007	2008	(Restated) 2007	2008	2007
<b><u>Assets</u></b>						
Current and other assets	\$ 30,476,172	\$ 25,309,215	\$ 33,258,328	\$ 33,474,942	\$ 63,734,500	\$ 58,784,157
Capital assets, net	51,187,585	50,372,600	80,765,445	87,193,007	131,953,030	137,565,607
Total assets	81,663,757	75,681,815	114,023,773	120,667,949	195,687,530	196,349,764
<b><u>Liabilities</u></b>						
Long-term liabilities	18,011,522	14,301,696	42,671,675	45,920,155	60,683,197	60,221,851
Other liabilities	7,481,795	8,147,714	11,836,291	13,828,630	19,318,086	21,976,344
Total liabilities	25,493,317	22,449,410	54,507,966	59,748,785	80,001,283	82,198,195
<b><u>Net assets</u></b>						
Invested in capital assets, net of related debt	39,395,775	37,293,205	38,093,770	41,272,852	77,489,545	78,566,057
Restricted	14,197,354	12,887,540	4,694,019	7,119,529	18,891,373	20,007,069
Unrestricted	2,577,311	3,051,660	16,728,018	12,526,783	19,305,329	15,578,443
Total net assets	\$ 56,170,440	\$ 53,232,405	\$ 59,515,807	\$ 60,919,164	\$ 115,686,247	\$ 114,151,569

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2008, the County's assets exceeded liabilities by \$115,686,247. The County's finances remained stable during 2008.

Capital assets reported on the government-wide statements represent the largest portion of the County's net assets. At December 31, 2008, capital assets represented 67.43% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction in progress and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2008, were \$77,489,545. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. Net assets invested in capital assets, net of related debt for the County as a whole decreased \$1,076,512.

A portion of the County's net assets, \$18,891,373 or 16.33%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets is \$19,305,329. Unrestricted net assets increased \$3,726,886, or 23.92% during 2008.

**CLINTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)**

The table below shows the changes in net assets for fiscal years 2008 and 2007.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>(Restated) 2007</u>	<u>2008</u>	<u>(Restated) 2007</u>	<u>2008</u>	<u>2007</u>
<b><u>Revenues</u></b>						
Program revenues:						
Charges for services and sales	\$ 3,984,222	\$ 4,130,727	\$96,678,786	\$89,367,040	\$100,663,008	\$ 93,497,767
Operating grants and contributions	13,799,466	13,010,543	-	-	13,799,466	13,010,543
Capital grants and contributions	957,327	3,007,224	-	-	957,327	3,007,224
General revenues:						
Property taxes	7,062,592	6,532,548	-	-	7,062,592	6,532,548
Sales tax	7,197,247	7,886,266	-	-	7,197,247	7,886,266
Unrestricted grants	1,790,327	1,678,968	-	-	1,790,327	1,678,968
Investment earnings	592,326	977,428	-	145,358	592,326	1,122,786
Other	2,241,333	2,606,291	1,386,372	701,496	3,627,705	3,307,787
<b>Total revenues</b>	<b><u>37,624,840</u></b>	<b><u>39,829,995</u></b>	<b><u>98,065,158</u></b>	<b><u>90,213,894</u></b>	<b><u>135,689,998</u></b>	<b><u>130,043,889</u></b>
<b><u>Expenses</u></b>						
Program expenses:						
General government	9,502,436	8,622,902	-	-	9,502,436	8,622,902
Public safety	4,729,408	4,283,934	-	-	4,729,408	4,283,934
Public works	5,734,647	6,026,103	-	-	5,734,647	6,026,103
Health	4,334,329	3,920,640	-	-	4,334,329	3,920,640
Human services	8,754,662	8,493,286	-	-	8,754,662	8,493,286
Conservation and recreation	6,623	34,082	-	-	6,623	34,082
Economic development and assistance	325,593	349,811	-	-	325,593	349,811
Other	792,099	682,318	-	-	792,099	682,318
Interest and fiscal charges	507,008	614,111	-	-	507,008	614,111
Clinton Memorial Hospital	-	-	99,468,515	96,950,178	99,468,515	96,950,178
<b>Total expenses</b>	<b><u>34,686,805</u></b>	<b><u>33,027,187</u></b>	<b><u>99,468,515</u></b>	<b><u>96,950,178</u></b>	<b><u>134,155,320</u></b>	<b><u>129,977,365</u></b>
Change in net assets	2,938,035	6,802,808	(1,403,357)	(6,736,284)	1,534,678	66,524
Net assets at beginning of year	<u>53,232,405</u>	<u>46,429,597</u>	<u>60,919,164</u>	<u>67,655,448</u>	<u>114,151,569</u>	<u>114,085,045</u>
Net assets at end of year	<u><u>\$56,170,440</u></u>	<u><u>\$53,232,405</u></u>	<u><u>\$59,515,807</u></u>	<u><u>\$60,919,164</u></u>	<u><u>\$115,686,247</u></u>	<u><u>\$114,151,569</u></u>

**Governmental Activities**

Governmental activities increased \$2,938,035 or 5.52% during 2008.

Governmental activities charges for services revenue decreased 3.55% from \$4,130,727 to \$3,984,222 in 2008. The decrease is due to receiving a less amount of charges for services revenue in the areas of auditor's fees, recorder's fees, and geographic information fees.

## CLINTON COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)

The State and federal government contributed to the County revenues of \$13,799,466 in operating grants and contributions and \$957,327 in capital grants and contributions during 2008. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$2,828,984, or 20.50% subsidized public works programs and increased by 6.06% from 2007. This increase is due to more intergovernmental revenues received in the public assistance fund for 2008. Capital grants and contributions decreased 68.17% due to significantly less grant funding received for public works programs, in particular the Martinsville/Midland sewer project.

General revenues totaled \$18,883,825, and amounted to 50.19% of total revenues. These revenues primarily consist of property and sales tax revenue of \$14,259,839, or 75.51% of total general revenues in 2008. Property tax revenue increased by \$530,044 or 8.11%, as a result of the County receiving a full year of tax revenues at the new rate of \$11.40 per \$1,000 of assessed valuation. Sales tax revenue decreased \$689,019 or 8.74% during 2008. The other primary source of general revenues is grants and entitlements not restricted to specific programs, which makes up \$1,790,327, or 9.48% of total general revenues. Investment earnings decreased \$385,102 or 39.40% due to lower interest rates on the County's investments and less money held in interest-bearing accounts.

General government expenses include legislative and executive and judicial programs, and totaled \$9,502,436 or 27.39% of total governmental expenses. General government expenses were covered by \$1,519,382 of direct charges to users and \$124,579 in operating grants and contributions in 2008.

Public works expense decreased \$291,456 during 2008 from 2007 due to less maintenance and repair expenses during 2008. These expenses totaled \$5,734,647 in 2008 and were funded primarily by operating grants and contributions and capital grants and contributions of \$2,828,984 and \$957,327, respectively.

Human services expense supports the operations of Public Assistance and the Children Services Board, and accounts for \$8,754,662 of expenses, or 25.24% of total governmental expenses of the County. These expenses were funded by \$199,443 in charges to users of services and \$9,195,976 in operating grants and contributions in 2008.

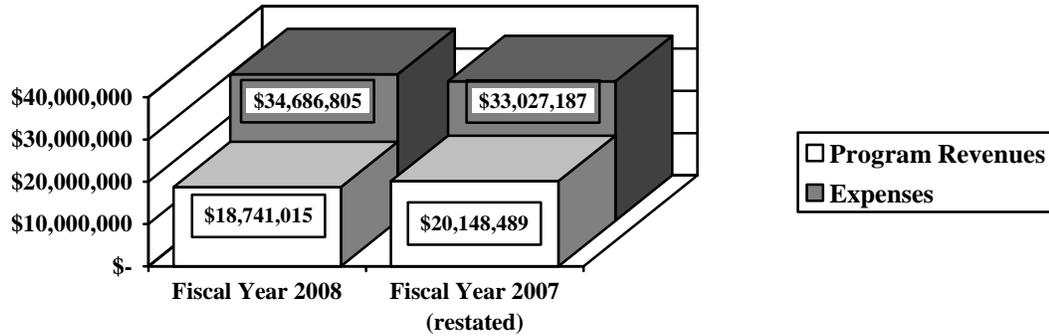
Economic development and assistance expense supports the County's Community Development Block Grant program, and was funded by \$419,941 in operating grants and contributions during 2008.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2008 and 2007. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

**CLINTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)

**Governmental Activities – Program Revenues vs. Total Expenses**



**Governmental Activities**

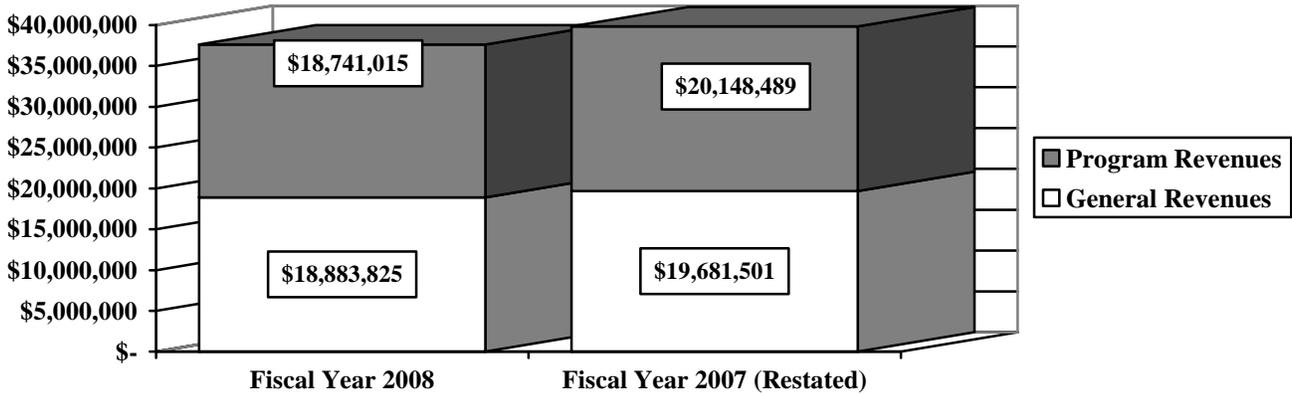
	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services Restated <u>2007</u>
Expenses:				
General government	\$ 9,502,436	\$ 7,858,475	\$ 8,622,902	\$ 7,086,854
Public safety	4,729,408	3,590,436	4,283,934	3,217,942
Public works	5,734,647	1,179,267	6,026,103	(2,425,201)
Health	4,334,329	2,750,456	3,920,640	2,391,203
Human services	8,754,662	(640,757)	8,493,286	1,579,860
Conservation and recreation	6,623	6,623	34,082	25,928
Economic development and assistance	325,593	(94,348)	349,811	(5,340)
Other	792,099	788,630	682,318	393,336
Interest and fiscal charges	<u>507,008</u>	<u>507,008</u>	<u>614,111</u>	<u>614,111</u>
Total expenses	<u>\$ 34,686,805</u>	<u>\$ 15,945,790</u>	<u>\$ 33,027,187</u>	<u>\$ 12,878,693</u>

The dependence upon general revenues for governmental activities is apparent, with 45.97% and 38.99% of expenses supported through taxes and other general revenues during 2008 and 2007, respectively.

**CLINTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)**

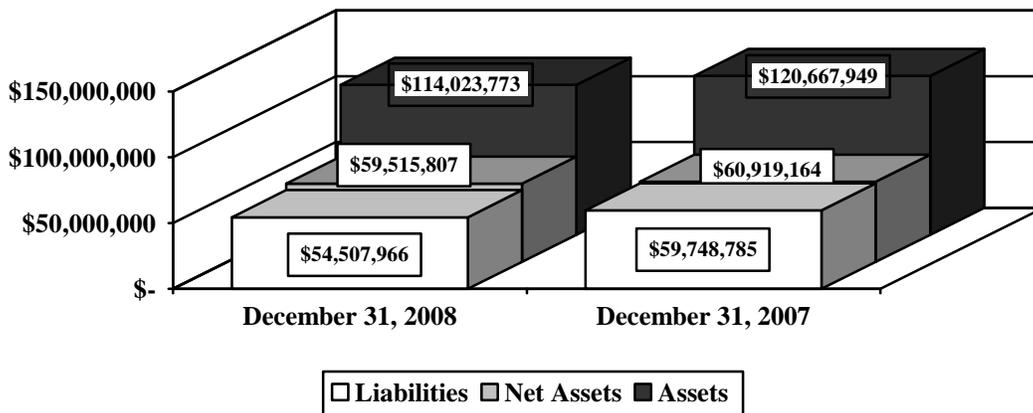
**Governmental Activities - General and Program Revenues**



**Business-Type Activities**

The Clinton Memorial Hospital fund is the County's major enterprise fund. For 2008, the Clinton Memorial Hospital reported operating income of \$708,939 after reporting an operating loss of \$6,662,913 in 2007. Net assets decreased \$1,403,357 or 2.30% from 2007 to 2008, after decreasing \$6,736,284 in the prior year. The primary contributions to this improvement in performance are a reduction in salaries of \$2,887,315 or 7.3% and a growth of approximately 8% in net patient service revenue. The increase in net patient service revenue is due to large revenue increases in the laboratory, FJ Boyd Cancer Center, pet CT, and interventional radiology areas. Operating expenses remained consistent with the prior year, increasing \$830,063 or 0.9%.

**Net Assets in Business - Type Activities**



**CLINTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)**

**Financial Analysis of the County's Funds**

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental Funds***

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at year-end.

The County's governmental funds (as presented on the balance sheet on pages 21-22) reported a combined fund balance of \$17,516,588 which is \$4,456,682 above last year's total of \$13,059,906. The County restated the fund balance as described in Note 3.A. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2008 for all major and nonmajor governmental funds.

	Fund Balance	(Restated) Fund Balance	Increase
	<u>December 31, 2008</u>	<u>December 31, 2007</u>	<u>(Decrease)</u>
Major Funds:			
General	\$ 2,358,791	\$ 2,852,332	\$ (493,541)
Children Services Board	1,100,258	895,064	205,194
County Board of MRDD	3,262,590	2,406,114	856,476
Motor Vehicle and Gas Tax	2,642,403	2,522,183	120,220
Public Assistance	444,129	210,868	233,261
Martinsville-Midland Bond Retirement	4,911,130	2,045	4,909,085
Other Nonmajor Governmental Funds	<u>3,152,066</u>	<u>4,171,300</u>	<u>(1,019,234)</u>
Total	<u>\$ 17,871,367</u>	<u>\$ 13,059,906</u>	<u>\$ 4,811,461</u>

***General Fund***

The general fund, the County's largest major governmental fund, had revenues of \$13,738,387 in 2008. The general fund had expenditures and other financing uses of \$14,231,928 in 2008. The general fund's fund balance decreased \$493,541 from 2007 to 2008.

***Children Services Board Fund***

The children services board, a County major fund, had revenues of \$2,826,867 in 2008. The children services board had expenditures of \$2,621,673 in 2008. The children services board fund balance increased \$205,194 from 2007 to 2008.

***County Board of MRDD***

The County board of MRDD fund, a County major fund, had revenues of \$4,917,691 in 2008. The County board of MRDD fund had expenditures of \$4,061,215 in 2008. The County board of MRDD fund balance increased \$856,476 from 2007 to 2008.

## CLINTON COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)

#### ***Motor Vehicle and Gas Tax Fund***

The motor vehicle and gas tax fund, a County major fund, had revenues and other financing sources of \$4,578,477 in 2008. The motor vehicle and gas tax fund had expenditures of \$4,458,257 in 2008. The motor vehicle and gas tax fund balance increased \$120,220 from 2007 to 2008.

#### ***Public Assistance Fund***

The public assistance fund, a County major fund, had revenues and other financing sources of \$6,157,651 and expenditures and other financing uses of \$5,924,390 in 2008. The public assistance fund balance increased \$233,261 from 2007 to 2008.

#### ***Martinsville-Midland Project Bond Retirement Fund***

The Martinsville-Midland project bond retirement fund, a County major fund, had revenues and other financing sources of \$15,009,821 and expenditures of \$10,100,736 in 2008. The Martinsville-Midland project bond retirement fund balance increased \$4,909,825 from 2007 to 2008.

#### ***Budgeting Highlights - General Fund***

The County's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the County's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the County's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

In the general fund, there were significant changes between the original and final budget. Final budgeted revenues and other financing sources increased \$415,356 over original budgeted revenues. Actual revenues of \$13,707,056 were \$39,199 more than final budgeted revenues. Actual expenditures and other financing uses were \$329,626 less than the final budgeted expenditures.

#### **Capital Assets and Debt Administration**

##### ***Capital Assets***

At the end of 2008, the County had \$131,953,030 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, equipment, vehicles, infrastructure and construction in progress (CIP).

**CLINTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)**

The following table shows fiscal 2008 balances compared to 2007:

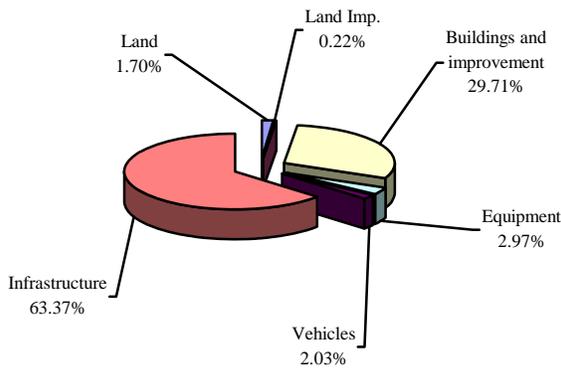
**Capital Assets at December 31  
(Net of Depreciation)**

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>	Business-Type Activities <u>2008</u>	Business-Type Activities <u>2007</u>	<u>Total</u> <u>2008</u>	<u>Total</u> <u>2007</u>
Land	\$ 871,880	\$ 871,880	\$ -	\$ -	\$ 871,880	\$ 871,880
Land improvements	114,204	120,442	2,103,803	2,251,387	2,218,007	2,371,829
Building and improvements	15,203,338	15,219,691	58,537,035	60,943,128	73,740,373	76,162,819
Equipment	1,520,072	1,564,706	19,410,587	23,459,301	20,930,659	25,024,007
Vehicles	1,041,044	1,145,463	-	-	1,041,044	1,145,463
Infrastructure	32,437,047	23,757,596	-	-	32,437,047	23,757,596
Construction in progress	-	7,692,822	714,020	539,191	714,020	8,232,013
<b>Total</b>	<b><u>\$ 51,187,585</u></b>	<b><u>\$ 50,372,600</u></b>	<b><u>\$ 80,765,445</u></b>	<b><u>\$ 87,193,007</u></b>	<b><u>\$ 131,953,030</u></b>	<b><u>\$ 137,565,607</u></b>

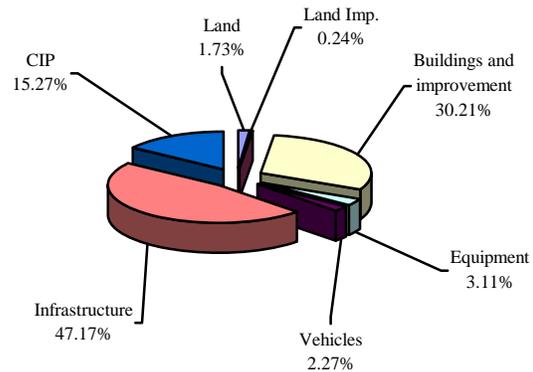
See Note 9 to the basic financial statements for detail on governmental and business-type activities capital assets.

The following graphs show the breakdown of governmental capital assets by category for 2008 and 2007.

**Capital Assets - Governmental Activities 2008**



**Capital Assets - Governmental Activities 2007**



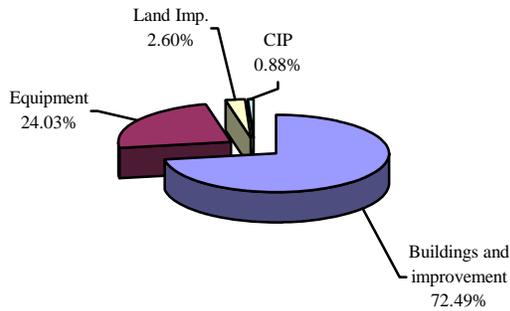
The County's largest governmental capital asset category is infrastructure which includes roads, bridges and culverts. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 63.37% of the County's total governmental capital assets.

**CLINTON COUNTY, OHIO**

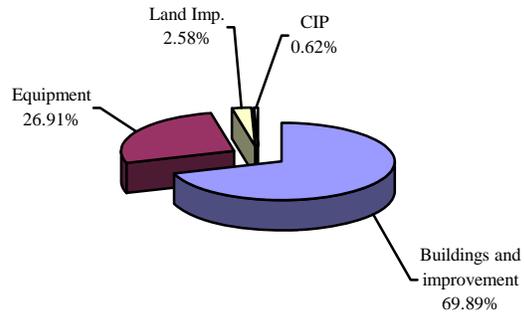
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)**

The following graphs show the breakdown of business-type capital assets by category for 2008 and 2007.

**Capital Assets - Business-Type Activities 2008**



**Capital Assets - Business-Type Activities 2007**



***Debt Administration***

At December 31, 2008, governmental activities had \$11,567,000 in general obligation bonds, bond anticipation notes of \$4,925,000, special assessment bonds of \$11,616, loans payable of \$195,000, compensated absences of \$1,181,261, and a capital lease of \$92,615 outstanding. Of this total, \$6,065,230 is due within one year and \$11,907,262 is due within greater than one year. At December 31, 2008, business-type activities had \$41,220,000 in hospital facilities revenue refunding and improvement bonds and \$1,451,675 in notes payable. The following table summarizes the debt obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>	Business-Type Activities <u>2008</u>	Business-Type Activities <u>2007</u>
Long-Term Obligations				
General obligation bonds	\$ 11,567,000	\$ 3,595,000	\$ -	\$ -
Revenue refunding bonds	-	-	41,220,000	42,860,000
Special Assessments	11,616	22,553	-	-
Note Payable	4,925,000	9,208,128	1,451,675	2,641,383
Loans Payable	195,000	143,745	-	-
Compensated Absences	1,181,261	1,222,301	-	-
Capital Leases	<u>92,615</u>	<u>109,969</u>	<u>-</u>	<u>418,772</u>
<b>Total</b>	<b><u>\$ 17,972,492</u></b>	<b><u>\$ 14,301,696</u></b>	<b><u>\$ 42,671,675</u></b>	<b><u>\$ 45,920,155</u></b>

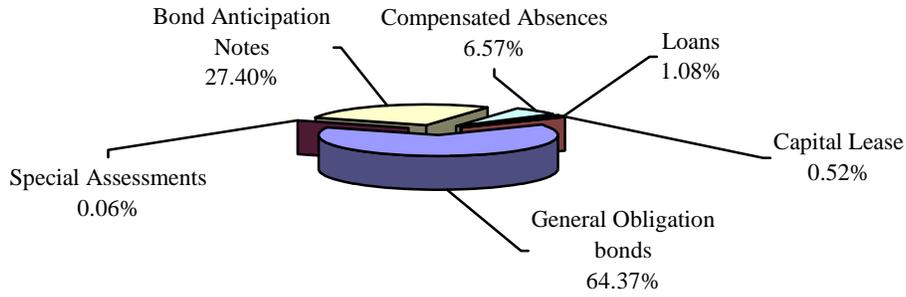
See Note 12 to the basic financial statements for detail on governmental activities outstanding debt.

**CLINTON COUNTY, OHIO**

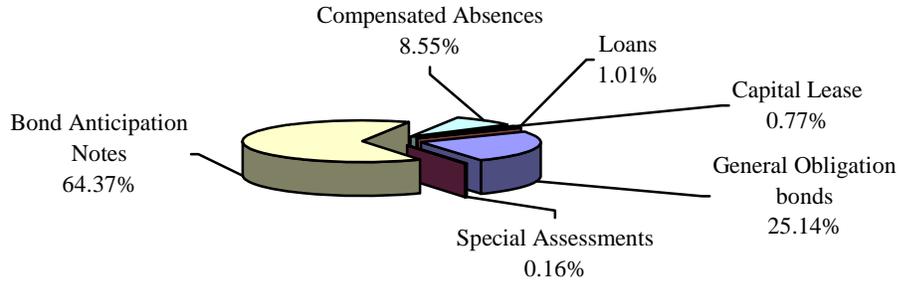
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)**

A comparison of the governmental long-term obligations by category is depicted in the chart below.

**Long-term obligations - 2008**

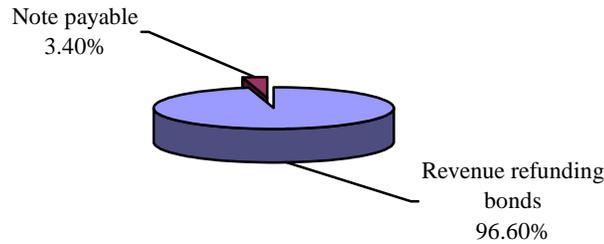


**Long-term obligations - 2007**



A comparison of the business-type long-term obligations by category is depicted in the chart below.

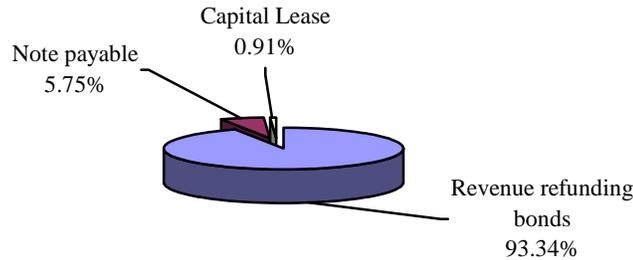
**Business-type long-term obligations - 2008**



## CLINTON COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)

#### Business-type long-term obligations - 2007



#### Economic Factors and Next Year's Budgets and Rates

The County's population is 40,543.

The County's unemployment rate is 10.3%, compared to the 9.7% State average and the 8.5% national average.

In 2008, DHL began pulling their operations from the Wilmington Air Park permanently. This has affected over 8,000 employees losing their jobs. Various other businesses have either closed or made layoffs within the last year. Currently, the County does not have another employer able to absorb the job loss. Accordingly, the County is expecting a reduction in the local sales tax and the possibility of increased delinquent taxes. Given the news concerning the State's general fund projections, the County also expects to receive less local government funds next year. Thus, the County is preparing for a reduction in expenses in the upcoming years as the revenue is expected to decrease an unknown amount.

These economic factors were considered in preparing the County's budget for fiscal year 2009. Budgeted revenues and other financing sources in the general fund for fiscal year 2009 budget are approximately \$12,500,000. With the continuation of conservative budgeting practices, the County's financial position should remain stable in future years.

#### Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Honorable Wanda Armstrong, Clinton County Auditor, at 46 S. South Street, Wilmington, Ohio 45177-2296.

**CLINTON COUNTY, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2008

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Orion Rehab Center	Port Authority
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 16,790,415	\$ 5,660,392	\$ 22,450,807	\$ 276,101	\$ 9,886
Short-term investments. . . . .	-	3,094,975	3,094,975	-	-
Receivables (net of allowances for uncollectibles)					
Sales taxes. . . . .	1,056,754	-	1,056,754	-	-
Real and other taxes . . . . .	6,861,863	-	6,861,863	-	-
Accounts. . . . .	281,256	11,377,384	11,658,640	27,964	-
Special assessments . . . . .	102,731	-	102,731	-	-
Accrued interest . . . . .	171,490	-	171,490	-	-
Notes and other receivables . . . . .	-	723,711	723,711	-	-
Due from other governments . . . . .	4,988,106	-	4,988,106	-	-
Prepayments . . . . .	81,660	2,887,187	2,968,847	-	-
Materials and supplies inventory . . . . .	28,446	2,202,556	2,231,002	-	-
Unamortized bond issue costs . . . . .	113,451	-	113,451	-	-
Assets whose use is limited - held by trustee . . . . .	-	741,466	741,466	-	-
Other assets:					
Investments . . . . .	-	6,025,693	6,025,693	-	-
Notes and other receivables . . . . .	-	544,964	544,964	-	-
Capital assets:					
Land and construction in progress . . . . .	871,880	714,020	1,585,900	-	-
Depreciable capital assets, net. . . . .	<u>50,315,705</u>	<u>80,051,425</u>	<u>130,367,130</u>	<u>16,981</u>	<u>-</u>
Total capital assets. . . . .	<u>51,187,585</u>	<u>80,765,445</u>	<u>131,953,030</u>	<u>16,981</u>	<u>-</u>
Total assets. . . . .	<u>\$ 81,663,757</u>	<u>\$ 114,023,773</u>	<u>\$ 195,687,530</u>	<u>\$ 321,046</u>	<u>\$ 9,886</u>

- Continued

CLINTON COUNTY, OHIO

STATEMENT OF NET ASSETS (CONTINUED)  
DECEMBER 31, 2008

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Orion Rehab Center	Port Authority
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 575,716	\$ 3,621,225	\$ 4,196,941	\$ 3,142	\$ 254,391
Accrued wages and benefits . . . . .	440,526	830,314	1,270,840	6,317	-
Due to other governments . . . . .	462,406	-	462,406	-	-
Accrued vacation . . . . .	-	2,318,845	2,318,845	-	-
Unearned revenue. . . . .	5,877,971	-	5,877,971	-	-
Accrued interest payable. . . . .	73,348	-	73,348	-	-
Amount to be repaid to claimants . . . . .	51,828	-	51,828	-	-
Other accrued expenses . . . . .	-	4,051,889	4,051,889	647	-
Estimated third-party settlements . . . . .	-	1,014,018	1,014,018	-	-
Long-term liabilities:					
Due within one year. . . . .	6,065,230	3,091,391	9,156,621	-	-
Due in more than one year . . . . .	11,946,292	39,580,284	51,526,576	-	-
Total liabilities. . . . .	25,493,317	54,507,966	80,001,283	10,106	254,391
<b>Net assets:</b>					
Invested in capital assets, net of related debt. . . . .	39,395,775	38,093,770	77,489,545	16,981	-
Restricted for:					
Capital projects . . . . .	275,344	64,616	339,960	-	-
Debt service. . . . .	589,006	-	589,006	-	-
Debt service - held by trustee . . . . .	-	741,466	741,466	-	-
Human services programs. . . . .	3,584,859	-	3,584,859	-	-
Public works . . . . .	4,464,658	-	4,464,658	-	-
Health programs. . . . .	3,814,862	-	3,814,862	-	-
Permanent endowment . . . . .	-	2,412,676	2,412,676	-	-
Other purposes . . . . .	1,468,625	1,475,261	2,943,886	-	-
Unrestricted (deficit). . . . .	2,577,311	16,728,018	19,305,329	293,959	(244,505)
Total net assets (deficit) . . . . .	\$ 56,170,440	\$ 59,515,807	\$ 115,686,247	\$ 310,940	\$ (244,505)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CLINTON COUNTY, OHIO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants Grants and Contributions</u>
<b>Governmental activities:</b>				
General government:				
Legislative and executive . . . . .	\$ 6,894,665	\$ 1,139,364	\$ -	\$ -
Judicial . . . . .	2,607,771	380,018	124,579	-
Public safety . . . . .	4,729,408	898,453	240,519	-
Public works . . . . .	5,734,647	769,069	2,828,984	957,327
Health . . . . .	4,334,329	596,960	986,913	-
Human services . . . . .	8,754,662	199,443	9,195,976	-
Conservation and recreation . . . . .	6,623	-	-	-
Economic development and assistance. . .	325,593	-	419,941	-
Other . . . . .	792,099	915	2,554	-
Interest and fiscal charges . . . . .	507,008	-	-	-
Total governmental activities. . . . .	<u>34,686,805</u>	<u>3,984,222</u>	<u>13,799,466</u>	<u>957,327</u>
<b>Business-type activities:</b>				
Clinton Memorial Hospital. . . . .	99,468,515	96,678,786	-	-
Total business-type activities . . . . .	<u>99,468,515</u>	<u>96,678,786</u>	<u>-</u>	<u>-</u>
Total primary government . . . . .	<u>\$ 134,155,320</u>	<u>\$ 100,663,008</u>	<u>\$ 13,799,466</u>	<u>\$ 957,327</u>
<b>Component units:</b>				
ORION Rehabilitation Center . . . . .	\$ 208,420	\$ 233,682	\$ 426	\$ -
Port Authority . . . . .	-	-	-	-
Total component units . . . . .	<u>\$ 208,420</u>	<u>\$ 233,682</u>	<u>\$ 426</u>	<u>\$ -</u>

**General revenues:**

Property taxes levied for:	
General fund . . . . .	
Legislative and executive - Real Estate Assessment . . . . .	
Legislative and executive - Other Purposes . . . . .	
Health - County Board of MRDD . . . . .	
Human services - Children Services . . . . .	
Debt service - Capital Purchases . . . . .	
Debt service - County Buildings . . . . .	
Debt service - Bypass Jail/Bond . . . . .	
Debt service - Martinsville-Midland Project . . . . .	
Public Works - Permanent Improvement. . . . .	
Sales and other taxes . . . . .	
Grants and entitlements not restricted to specific programs . .	
Investment earnings. . . . .	
Miscellaneous. . . . .	
Total general revenues . . . . .	
Change in net assets . . . . .	
Net assets at beginning of year (restated). . . . .	
Net assets (deficit) at end of year . . . . .	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue and Changes in Net Assets**

<b>Primary Government</b>			<b>Component Units</b>	
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Orion Rehab Center</b>	<b>Port Authority</b>
\$ (5,755,301)	\$ -	\$ (5,755,301)	\$ -	\$ -
(2,103,174)	-	(2,103,174)	-	-
(3,590,436)	-	(3,590,436)	-	-
(1,179,267)	-	(1,179,267)	-	-
(2,750,456)	-	(2,750,456)	-	-
640,757	-	640,757	-	-
(6,623)	-	(6,623)	-	-
94,348	-	94,348	-	-
(788,630)	-	(788,630)	-	-
(507,008)	-	(507,008)	-	-
<u>(15,945,790)</u>	<u>-</u>	<u>(15,945,790)</u>	<u>-</u>	<u>-</u>
-	(2,789,729)	(2,789,729)	-	-
-	(2,789,729)	(2,789,729)	-	-
<u>(15,945,790)</u>	<u>(2,789,729)</u>	<u>(18,735,519)</u>	<u>-</u>	<u>-</u>
			25,688	-
			-	-
			<u>25,688</u>	<u>-</u>
1,712,109	-	1,712,109	-	-
414,234	-	414,234	-	-
79,173	-	79,173	-	-
3,066,009	-	3,066,009	-	-
1,098,043	-	1,098,043	-	-
3,124	-	3,124	-	-
43,124	-	43,124	-	-
599,817	-	599,817	-	-
44,671	-	44,671	-	-
2,288	-	2,288	-	-
7,197,247	-	7,197,247	-	-
1,790,327	-	1,790,327	-	-
592,326	-	592,326	5,716	-
2,241,333	1,386,372	3,627,705	574	-
<u>18,883,825</u>	<u>1,386,372</u>	<u>20,270,197</u>	<u>6,290</u>	<u>-</u>
2,938,035	(1,403,357)	1,534,678	31,978	-
<u>53,232,405</u>	<u>60,919,164</u>	<u>114,151,569</u>	<u>278,962</u>	<u>(244,505)</u>
<u>\$ 56,170,440</u>	<u>\$ 59,515,807</u>	<u>\$ 115,686,247</u>	<u>\$ 310,940</u>	<u>\$ (244,505)</u>

**CLINTON COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2008

	<u>General</u>	<u>Children Services Board</u>	<u>County Board of MRDD</u>	<u>Motor Vehicle &amp; Gas Tax</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 1,055,168	\$ 1,132,871	\$ 3,310,828	\$ 2,152,965
Receivables (net of allowance for uncollectibles):				
Sales taxes . . . . .	1,051,461	-	-	5,293
Real and other taxes . . . . .	1,503,263	1,388,239	3,284,175	-
Accounts . . . . .	173,751	10,016	-	20,977
Special assessments . . . . .	-	-	-	-
Interfund receivable . . . . .	280,367	-	-	-
Due from other governments . . . . .	527,657	129,201	266,107	1,908,359
Accrued interest . . . . .	171,073	-	417	-
Due from other funds . . . . .	25,129	4,521	5,000	31,561
Advances to other funds . . . . .	125,614	-	-	-
Prepayments . . . . .	75,210	-	-	1,250
Materials and supplies inventory . . . . .	16,931	-	-	-
	<u>\$ 5,005,624</u>	<u>\$ 2,664,848</u>	<u>\$ 6,866,527</u>	<u>\$ 4,120,405</u>
<b>Total assets . . . . .</b>				
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 148,230	\$ 56,872	\$ 51,428	\$ 52,099
Accrued wages and benefits . . . . .	216,103	-	55,310	53,300
Interfund loans payable . . . . .	-	-	-	-
Due to other funds . . . . .	7,154	7,895	-	-
Due to other governments . . . . .	240,874	-	53,697	46,880
Advances from other funds . . . . .	-	-	-	-
Deferred revenue . . . . .	694,927	310,638	630,231	1,325,723
Unearned revenue . . . . .	1,287,717	1,189,185	2,813,271	-
Amount to be repaid to claimants . . . . .	51,828	-	-	-
	<u>2,646,833</u>	<u>1,564,590</u>	<u>3,603,937</u>	<u>1,478,002</u>
<b>Total liabilities . . . . .</b>				
<b>Fund balances:</b>				
Reserved for encumbrances . . . . .	276,395	-	-	141,471
Reserved for prepayments . . . . .	75,210	-	-	1,250
Reserved for materials and supplies inventory . . . . .	16,931	-	-	-
Reserved for advances . . . . .	125,614	-	-	-
Unreserved, undesignated, reported in:				
General fund . . . . .	1,864,641	-	-	-
Special revenue funds . . . . .	-	1,100,258	3,262,590	2,499,682
Debt service fund . . . . .	-	-	-	-
Capital projects funds . . . . .	-	-	-	-
	<u>2,358,791</u>	<u>1,100,258</u>	<u>3,262,590</u>	<u>2,642,403</u>
<b>Total fund balances . . . . .</b>				
<b>Total liabilities and fund balances . . . . .</b>	<u>\$ 5,005,624</u>	<u>\$ 2,664,848</u>	<u>\$ 6,866,527</u>	<u>\$ 4,120,405</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Public Assistance</b>	<b>Martinsville-Midland Project Bond Retirement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 274,841	\$ 4,969,135	\$ 3,487,868	\$ 16,383,676
-	-	-	1,056,754
-	261,783	424,403	6,861,863
15,217	-	55,074	275,035
-	-	102,731	102,731
-	-	-	280,367
1,610,879	-	545,903	4,988,106
-	-	-	171,490
-	-	837	67,048
-	-	-	125,614
2,645	-	2,555	81,660
5,343	-	6,172	28,446
<u>\$ 1,908,925</u>	<u>\$ 5,230,918</u>	<u>\$ 4,625,543</u>	<u>\$ 30,422,790</u>
\$ 130,381	\$ -	\$ 127,704	\$ 566,714
83,260	-	31,111	439,084
-	59,517	220,850	280,367
234	-	51,765	67,048
79,982	-	39,349	460,782
-	-	125,614	125,614
1,170,939	36,024	513,533	4,682,015
-	224,247	363,551	5,877,971
-	-	-	51,828
<u>1,464,796</u>	<u>319,788</u>	<u>1,473,477</u>	<u>12,551,423</u>
-	-	262,839	680,705
2,645	-	2,555	81,660
5,343	-	6,172	28,446
-	-	-	125,614
-	-	-	1,864,641
436,141	-	2,385,417	9,684,088
-	4,911,130	421,893	5,333,023
-	-	73,190	73,190
<u>444,129</u>	<u>4,911,130</u>	<u>3,152,066</u>	<u>17,871,367</u>
<u>\$ 1,908,925</u>	<u>\$ 5,230,918</u>	<u>\$ 4,625,543</u>	<u>\$ 30,422,790</u>

**CLINTON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2008

<b>Total governmental fund balances</b>		\$ 17,871,367
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		51,187,585
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 944,254	
Special assessments	102,731	
Intergovernmental revenues	3,515,945	
Interest	119,085	
Total		4,682,015
Internal service funds are used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund is included in governmental activities on the statement of net assets. The net assets of the internal service fund are:		396,059
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(73,348)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	11,567,000	
Notes payable	4,925,000	
Special assessments	11,616	
Compensated absences	1,176,428	
Loans payable	195,000	
Capital lease payable	92,615	
Total		(17,967,659)
Unamortized premium on bond issuance is not recognized in the funds.		(39,030)
Unamortized bond issue costs are not recognized in the funds.		113,451
<b>Net assets of governmental activities</b>		<b>\$ 56,170,440</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CLINTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>General</u>	<u>Children Services Board</u>	<u>County Board of MRDD</u>	<u>Motor Vehicle &amp; Gas Tax</u>
<b>Revenues:</b>				
Property taxes . . . . .	\$ 1,713,909	\$ 1,092,308	\$ 3,052,637	\$ -
Sales taxes . . . . .	7,128,232	-	-	69,015
Charges for services . . . . .	1,730,058	44,138	473,636	-
Licenses and permits . . . . .	3,062	-	-	-
Fines and forfeitures . . . . .	134,180	-	-	277,845
Intergovernmental . . . . .	1,262,814	1,626,164	1,348,131	3,827,095
Special assessments . . . . .	-	-	-	-
Investment income . . . . .	576,486	-	9,706	-
Rental income . . . . .	235,144	-	-	-
Other . . . . .	954,502	64,257	33,581	364,194
Total revenues . . . . .	<u>13,738,387</u>	<u>2,826,867</u>	<u>4,917,691</u>	<u>4,538,149</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	6,174,965	-	-	-
Judicial . . . . .	2,645,685	-	-	-
Public safety . . . . .	4,107,875	-	-	-
Public works . . . . .	91,341	-	-	4,458,257
Health . . . . .	87,909	-	4,061,215	-
Human services . . . . .	363,711	2,621,673	-	-
Conservation and recreation . . . . .	-	-	-	-
Economic development and assistance . . . . .	-	-	-	-
Other . . . . .	714,723	-	-	-
Capital outlay . . . . .	-	-	-	-
Debt service:				
Principal retirement . . . . .	1,125	-	-	-
Interest and fiscal charges . . . . .	147	-	-	-
Bond issue costs . . . . .	-	-	-	-
Total expenditures . . . . .	<u>14,187,481</u>	<u>2,621,673</u>	<u>4,061,215</u>	<u>4,458,257</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(449,094)</u>	<u>205,194</u>	<u>856,476</u>	<u>79,892</u>
<b>Other financing sources (uses):</b>				
Bond issue . . . . .	-	-	-	-
Loan issue . . . . .	-	-	-	-
Note issue . . . . .	-	-	-	-
Premium on sale of bonds . . . . .	-	-	-	-
Transfers in . . . . .	-	-	-	40,328
Transfers out . . . . .	(44,447)	-	-	-
Other financing sources . . . . .	-	-	-	-
Other financing uses . . . . .	-	-	-	-
Total other financing sources (uses) . . . . .	<u>(44,447)</u>	<u>-</u>	<u>-</u>	<u>40,328</u>
Net change in fund balances . . . . .	(493,541)	205,194	856,476	120,220
<b>Fund balances at beginning of year (restated) .</b>	<u>2,852,332</u>	<u>895,064</u>	<u>2,406,114</u>	<u>2,522,183</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 2,358,791</u>	<u>\$ 1,100,258</u>	<u>\$ 3,262,590</u>	<u>\$ 2,642,403</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Public Assistance</b>	<b>Martinsville-Midland Project Bond Retirement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 8,647	\$ 1,167,250	\$ 7,034,751
-	-	-	7,197,247
-	-	932,050	3,179,882
-	-	17,543	20,605
-	-	33,618	445,643
3,980,063	-	3,990,186	16,034,453
-	-	98,338	98,338
-	-	1,754	587,946
-	-	-	235,144
4,469	184,174	661,156	2,266,333
<u>3,984,532</u>	<u>192,821</u>	<u>6,901,895</u>	<u>37,100,342</u>
-	-	517,768	6,692,733
-	-	41,015	2,686,700
-	-	622,672	4,730,547
-	-	434,004	4,983,602
-	-	144,816	4,293,940
3,751,271	-	2,045,438	8,782,093
-	-	6,623	6,623
-	-	325,593	325,593
-	-	54,193	768,916
-	-	1,958,480	1,958,480
-	9,855,000	7,412,922	17,269,047
-	245,736	448,235	694,118
-	-	117,949	117,949
<u>3,751,271</u>	<u>10,100,736</u>	<u>14,129,708</u>	<u>53,310,341</u>
<u>233,261</u>	<u>(9,907,915)</u>	<u>(7,227,813)</u>	<u>(16,209,999)</u>
-	4,967,000	3,560,000	8,527,000
-	-	56,255	56,255
-	9,850,000	2,547,628	12,397,628
-	-	40,577	40,577
-	-	29,286	69,614
-	-	(25,167)	(69,614)
2,173,119	-	-	2,173,119
(2,173,119)	-	-	(2,173,119)
<u>-</u>	<u>14,817,000</u>	<u>6,208,579</u>	<u>21,021,460</u>
233,261	4,909,085	(1,019,234)	4,811,461
210,868	2,045	4,171,300	13,059,906
<u>\$ 444,129</u>	<u>\$ 4,911,130</u>	<u>\$ 3,152,066</u>	<u>\$ 17,871,367</u>

**CLINTON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008

<b>Net change in fund balances - total governmental funds</b>		\$ 4,811,461
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which apital outlays exceeded depreciation expense in the current period.		
Capital asset additions	\$ 2,792,206	
Current year depreciation	<u>(1,962,684)</u>	829,522
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(14,537)
Proceeds of notes and loans are recorded as revenue in the funds, however in the statement of activitites, they are not reported as revenue as they increase the liabilities on the statement of net assets.		(20,980,883)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property and other taxes	27,841	
Intergovernmental	487,667	
Special assessments	4,610	
Accrued interest	<u>4,334</u>	524,452
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		17,269,047
Premiums on bonds issued are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		(40,577)
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		117,949
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
Accrued interest	190,061	
Bond premium	1,547	
Bond issuance costs	<u>(4,498)</u>	187,110
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		1,275
The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund is allocated among the governmental activities.		<u>233,216</u>
<b>Change in net assets of governmental activities.</b>		<u><u>\$ 2,938,035</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Property taxes . . . . .	\$ 1,941,414	\$ 1,710,894	\$ 1,710,895	\$ 1
Sales taxes . . . . .	6,787,469	7,163,430	7,186,914	23,484
Charges for services . . . . .	1,624,011	1,713,966	1,719,585	5,619
Licenses and permits. . . . .	2,673	2,821	2,830	9
Fines and forfeitures. . . . .	127,524	134,588	135,029	441
Intergovernmental . . . . .	1,220,951	1,288,580	1,292,804	4,224
Investment income . . . . .	584,852	617,247	619,271	2,024
Rental income . . . . .	222,075	234,376	235,144	768
Other . . . . .	759,866	801,955	804,584	2,629
Total revenues. . . . .	<u>13,270,835</u>	<u>13,667,857</u>	<u>13,707,056</u>	<u>39,199</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	6,210,984	6,669,594	6,488,825	180,769
Judicial . . . . .	2,772,823	2,734,408	2,705,934	28,474
Public safety . . . . .	4,461,342	4,322,916	4,251,386	71,530
Public works . . . . .	102,639	108,682	92,935	15,747
Health . . . . .	54,334	97,400	94,238	3,162
Human services . . . . .	410,168	408,673	386,842	21,831
Other . . . . .	911,459	723,168	715,055	8,113
Total expenditures . . . . .	<u>14,923,749</u>	<u>15,064,841</u>	<u>14,735,215</u>	<u>329,626</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(1,652,914)</u>	<u>(1,396,984)</u>	<u>(1,028,159)</u>	<u>368,825</u>
<b>Other financing sources (uses):</b>				
Transfers out . . . . .	(166,569)	(44,447)	(44,447)	-
Advances in . . . . .	311,543	329,877	329,877	-
Advances out. . . . .	-	(550,622)	(550,622)	-
Total other financing sources (uses). . . . .	<u>144,974</u>	<u>(265,192)</u>	<u>(265,192)</u>	<u>-</u>
Net change in fund balance. . . . .	(1,507,940)	(1,662,176)	(1,293,351)	368,825
<b>Fund balance at beginning of year . . . . .</b>	1,475,176	1,475,176	1,475,176	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>416,896</u>	<u>416,896</u>	<u>416,896</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 384,132</u>	<u>\$ 229,896</u>	<u>\$ 598,721</u>	<u>\$ 368,825</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 CHILDREN SERVICES BOARD  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Property taxes . . . . .	\$ 1,047,868	\$ 1,070,209	\$ 1,087,872	\$ 17,663
Charges for services . . . . .	42,024	42,920	43,628	708
Intergovernmental . . . . .	1,557,409	1,590,614	1,616,866	26,252
Other . . . . .	59,172	60,434	61,431	997
Total revenues. . . . .	<u>2,706,473</u>	<u>2,764,177</u>	<u>2,809,797</u>	<u>45,620</u>
<b>Expenditures:</b>				
Current:				
Human services . . . . .	<u>2,890,000</u>	<u>2,953,500</u>	<u>2,660,631</u>	<u>292,869</u>
Total expenditures . . . . .	<u>2,890,000</u>	<u>2,953,500</u>	<u>2,660,631</u>	<u>292,869</u>
Net change in fund balance . . . . .	(183,527)	(189,323)	149,166	338,489
<b>Fund balance at beginning of year. . . . .</b>	<u>945,870</u>	<u>945,870</u>	<u>945,870</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 762,343</u>	<u>\$ 756,547</u>	<u>\$ 1,095,036</u>	<u>\$ 338,489</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 COUNTY BOARD OF MRDD  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes . . . . .	\$ 1,747,555	\$ 3,056,459	\$ 3,042,187	\$ (14,272)
Charges for services . . . . .	408,002	468,937	473,636	4,699
Intergovernmental . . . . .	1,084,350	1,246,299	1,260,322	14,023
Investment income . . . . .	8,728	10,031	10,132	101
Other . . . . .	24,620	28,297	28,581	284
Total revenues. . . . .	<u>3,273,255</u>	<u>4,810,023</u>	<u>4,814,858</u>	<u>4,835</u>
<b>Expenditures:</b>				
Current:				
Health . . . . .	<u>4,373,835</u>	<u>4,925,325</u>	<u>4,105,712</u>	<u>819,613</u>
Total expenditures . . . . .	<u>4,373,835</u>	<u>4,925,325</u>	<u>4,105,712</u>	<u>819,613</u>
Net change in fund balance . . . . .	(1,100,580)	(115,302)	709,146	824,448
<b>Fund balance at beginning of year. . . . .</b>	2,472,839	2,472,839	2,472,839	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>39,336</u>	<u>39,336</u>	<u>39,336</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,411,595</u>	<u>\$ 2,396,873</u>	<u>\$ 3,221,321</u>	<u>\$ 824,448</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 MOTOR VEHICLE AND GAS TAX  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Sales taxes . . . . .	\$ 79,551	\$ 65,784	\$ 68,492	\$ 2,708
Fines and forfeitures. . . . .	334,336	276,478	287,857	11,379
Intergovernmental . . . . .	4,484,561	3,708,483	3,861,119	152,636
Other. . . . .	400,712	331,366	345,005	13,639
Total revenues. . . . .	<u>5,299,160</u>	<u>4,382,111</u>	<u>4,562,473</u>	<u>180,362</u>
<b>Expenditures:</b>				
Current:				
Public works . . . . .	<u>6,333,811</u>	<u>6,333,811</u>	<u>4,677,933</u>	<u>1,655,878</u>
Total expenditures . . . . .	<u>6,333,811</u>	<u>6,333,811</u>	<u>4,677,933</u>	<u>1,655,878</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(1,034,651)</u>	<u>(1,951,700)</u>	<u>(115,460)</u>	<u>1,836,240</u>
<b>Other financing sources:</b>				
Transfers in . . . . .	<u>46,840</u>	<u>40,328</u>	<u>40,328</u>	<u>-</u>
Total other financing sources. . . . .	<u>46,840</u>	<u>40,328</u>	<u>40,328</u>	<u>-</u>
Net change in fund balance . . . . .	(987,811)	(1,911,372)	(75,132)	1,836,240
<b>Fund balance at beginning of year. . . . .</b>	1,810,050	1,810,050	1,810,050	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>226,670</u>	<u>226,670</u>	<u>226,670</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,048,909</u>	<u>\$ 125,348</u>	<u>\$ 1,961,588</u>	<u>\$ 1,836,240</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 PUBLIC ASSISTANCE  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental . . . . .	\$ 3,834,444	\$ 3,535,700	\$ 3,540,123	\$ 4,423
Other . . . . .	4,024	3,710	3,715	5
Total revenues. . . . .	<u>3,838,468</u>	<u>3,539,410</u>	<u>3,543,838</u>	<u>4,428</u>
<b>Expenditures:</b>				
Current:				
Human services . . . . .	3,946,293	4,062,591	3,792,209	270,382
Total expenditures . . . . .	<u>3,946,293</u>	<u>4,062,591</u>	<u>3,792,209</u>	<u>270,382</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(107,825)</u>	<u>(523,181)</u>	<u>(248,371)</u>	<u>274,810</u>
<b>Other financing sources (uses):</b>				
Other financing sources. . . . .	2,261,417	2,173,119	2,173,119	-
Other financing uses . . . . .	<u>(2,261,417)</u>	<u>(2,173,119)</u>	<u>(2,173,119)</u>	<u>-</u>
Total other financing sources (uses) . . . . .	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance . . . . .	(107,825)	(523,181)	(248,371)	274,810
<b>Fund balance at beginning of year. . . . .</b>	<u>523,212</u>	<u>523,212</u>	<u>523,212</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 415,387</u>	<u>\$ 31</u>	<u>\$ 274,841</u>	<u>\$ 274,810</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON COUNTY, OHIO**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2008**

	<b>Business-Type Activity - Clinton Memorial Hospital Enterprise Fund</b>	<b>Governmental Activity - Health Insurance Depository Fund</b>
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents . . . . .	\$ 5,660,392	\$ 406,739
Short-term investments . . . . .	3,094,975	-
Receivables (net of allowance for uncollectibles):		
Accounts . . . . .	11,377,384	6,221
Notes and other receivables . . . . .	723,711	-
Materials and supplies inventory . . . . .	2,202,556	-
Prepayments . . . . .	2,887,187	-
Total current assets . . . . .	<u>25,946,205</u>	<u>412,960</u>
Noncurrent assets:		
Assets whose use is limited - held by trustee . . . . .	741,466	-
Other assets:		
Investments . . . . .	6,025,693	-
Notes and other receivables . . . . .	544,964	-
Capital assets:		
Depreciable capital assets, net . . . . .	80,765,445	-
Total noncurrent assets . . . . .	<u>88,077,568</u>	<u>-</u>
Total assets . . . . .	<u>114,023,773</u>	<u>412,960</u>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable . . . . .	3,621,225	9,002
Accrued wages and benefits . . . . .	830,314	1,442
Due to other governments . . . . .	-	1,624
Compensated absences payable . . . . .	-	4,833
Accrued vacation . . . . .	2,318,845	-
Other accrued expenses . . . . .	4,051,889	-
Estimated third-party settlements . . . . .	1,014,018	-
Interfund loans payable . . . . .	-	-
Current portion of revenue and refunding bonds . . . . .	2,715,000	-
Current portion of notes payable . . . . .	376,391	-
Total current liabilities . . . . .	<u>14,927,682</u>	<u>16,901</u>
Long-term liabilities:		
Revenue and refunding bonds . . . . .	38,505,000	-
Notes payable . . . . .	1,075,284	-
Total long-term liabilities . . . . .	<u>39,580,284</u>	<u>-</u>
Total liabilities . . . . .	<u>54,507,966</u>	<u>16,901</u>
<b>Net assets:</b>		
Unrestricted . . . . .	16,728,018	396,059
Invested in capital assets, net of related debt . . . . .	38,093,770	-
Restricted . . . . .	4,694,019	-
Total net assets . . . . .	<u>\$ 59,515,807</u>	<u>\$ 396,059</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<b>Business-Type Activity - Clinton Memorial Hospital Enterprise Fund</b>	<b>Governmental Activity - Health Insurance Depository Fund</b>
<b>Operating revenues:</b>		
Charges for services . . . . .	\$ -	\$ 2,627,850
Net patient service revenue . . . . .	96,678,786	-
Other . . . . .	<u>1,591,665</u>	<u>1,126,123</u>
Total operating revenues . . . . .	<u>98,270,451</u>	<u>3,753,973</u>
<b>Operating expenses:</b>		
Personal services . . . . .	48,771,027	63,877
Contract services . . . . .	11,341,309	6,268
Materials and supplies . . . . .	15,149,963	250
Depreciation . . . . .	8,335,642	-
Rent . . . . .	1,413,599	-
Occupancy . . . . .	3,534,912	-
Repairs and maintenance . . . . .	666,208	-
Physician fees . . . . .	4,581,215	-
Insurance . . . . .	1,205,425	2,828,837
Claims . . . . .	-	581,193
Administrative costs . . . . .	-	26,099
Other . . . . .	<u>2,562,212</u>	<u>14,279</u>
Total operating expenses . . . . .	<u>97,561,512</u>	<u>3,520,803</u>
Operating income . . . . .	<u>708,939</u>	<u>233,170</u>
<b>Nonoperating revenues (expenses):</b>		
Interest revenue . . . . .	-	46
Change in unrealized gains and losses on investments . . . . .	(770,392)	-
Net nonoperating losses . . . . .	<u>(1,341,904)</u>	<u>-</u>
Total nonoperating revenues (expenses) . . . . .	<u>(2,112,296)</u>	<u>46</u>
Changes in net assets . . . . .	(1,403,357)	233,216
<b>Net assets at beginning of year . . . . .</b>	<u>60,919,164</u>	<u>162,843</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 59,515,807</u>	<u>\$ 396,059</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<b>Business-Type Activity - Clinton Memorial Hospital Enterprise Fund</b>	<b>Governmental Activity - Health Insurance Depository Fund</b>
<b>Cash flows from operating activities:</b>		
Cash received from service charges . . . . .	\$ -	\$ 2,627,850
Cash received from patients and third party payors . . . . .	97,383,902	-
Cash received from other receipts, net . . . . .	1,591,665	1,130,874
Cash payments for personal services . . . . .	(48,820,973)	(63,747)
Cash payments for goods and services . . . . .	(44,579,552)	(518)
Cash payments for insurance . . . . .	-	(2,826,470)
Cash payments for claims . . . . .	-	(581,193)
Cash payments for administrative costs . . . . .	-	(25,837)
Cash payments for other expenses . . . . .	-	(14,279)
Net cash provided by operating activities . . . . .	<u>5,575,042</u>	<u>246,680</u>
<b>Cash flows from noncapital financing activities:</b>		
Cash payments to other funds . . . . .	-	(59,622)
Net cash used in noncapital financing activities . . . . .	<u>-</u>	<u>(59,622)</u>
<b>Cash flows from capital and related financing activities:</b>		
Repayment of long-term debt . . . . .	(3,248,480)	-
Proceeds from sale of capital assets . . . . .	29,900	-
Interest expense and other nonoperating losses . . . . .	(1,854,948)	-
Acquisition of property and equipment . . . . .	(2,026,215)	-
Net cash used in capital and related financing activities . . . . .	<u>(7,099,743)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>		
Change in investments, net . . . . .	630,512	-
Notes and other receivables . . . . .	561,135	-
Interest received . . . . .	513,044	46
Net cash provided by investing activities . . . . .	<u>1,704,691</u>	<u>46</u>
Net increase in cash and cash equivalents . . . . .	179,990	187,104
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<u>7,203,292</u>	<u>219,635</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u>\$ 7,383,282</u>	<u>\$ 406,739</u>
<b>Cash and cash equivalents include the following:</b>		
Cash and cash equivalents . . . . .	\$ 5,660,392	\$ 406,739
Investments and assets whose use is limited . . . . .	1,722,890	-
Total cash and cash equivalents . . . . .	<u>\$ 7,383,282</u>	<u>\$ 406,739</u>

- Continued

**CLINTON COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<b>Business-Type Activity - Clinton Memorial Hospital Enterprise Fund</b>	<b>Governmental Activity - Health Insurance Depository Fund</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income . . . . .	\$ 708,939	\$ 233,170
Adjustments:		
Depreciation . . . . .	8,335,642	-
Change in unrealized gains and losses on investments . . . . .	(770,392)	-
Loss on sale of assets . . . . .	88,235	-
Bad debts . . . . .	6,323,248	-
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable . . . . .	(6,164,098)	4,751
(Increase) in materials and supplies inventory . . . . .	(645,727)	-
(Increase) in prepayments . . . . .	(308,466)	-
Increase (decrease) in accounts payable . . . . .	(2,488,359)	8,629
Increase (decrease) in accrued wages and benefits . . . . .	(49,946)	206
Increase in estimated third-party settlements . . . . .	545,966	-
(Decrease) in due to other governments . . . . .	-	(1,139)
Increase in compensated absences payable . . . . .	-	1,063
Net cash provided by operating activities . . . . .	<u>\$ 5,575,042</u>	<u>\$ 246,680</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest . . . . .	\$ 1,801,132	\$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2008

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 8,413	\$ 3,697,360
Cash in segregated accounts . . . . .	-	1,070,690
Receivables:		
Real and other taxes. . . . .	-	32,437,183
Accounts . . . . .	-	47,449
Special assessments. . . . .	-	381,015
Due from other governments . . . . .	-	2,461,840
	<hr/>	<hr/>
Total assets . . . . .	8,413	\$ 40,095,537
	<hr/>	<hr/>
<b>Liabilities:</b>		
Due to other governments . . . . .	-	\$ 1,941,209
Deposits held and due to others . . . . .	-	38,154,328
	<hr/>	<hr/>
Total liabilities . . . . .	-	\$ 40,095,537
	<hr/>	<hr/>
<b>Net assets:</b>		
Held in trust for other purposes . . . . .	8,413	
	<hr/>	
Total net assets . . . . .	\$ 8,413	
	<hr/>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Interest . . . . .	\$ 133
Gifts and contributions. . . . .	<u>40,000</u>
Total additions. . . . .	<u>40,133</u>
<b>Deductions:</b>	
Benefits. . . . .	<u>39,122</u>
Changes in net assets . . . . .	1,011
<b>Net assets at the beginning of the year. . . . .</b>	<u>7,402</u>
<b>Net assets at the end of the year . . . . .</b>	<u><u>\$ 8,413</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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## CLINTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 1 - DESCRIPTION OF THE COUNTY

Clinton County, Ohio (the "County") was created in 1812. The County is governed by a Board of three commissioners elected by the voters of the County. The County Commissioners serve as the taxing authority, the contracting body, and the chief administrators of public services for the County. Other officials elected by the voters of the County that manage various segments of the County's operations are: the county auditor, county treasurer, recorder, clerk of courts, coroner, engineer, prosecuting attorney, sheriff, two common pleas court judges, a probate court judge and a county municipal court judge.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The County has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The County has elected not to apply these FASB Statements and Interpretations.

The Clinton Memorial Hospital (the "Hospital") enterprise fund's financial information is presented in conformity with generally accepted accounting principles as recommended by the Audit Guide (Health Care Organizations) published by the American Institute of Certified Public Accountant's. The Hospital applies the provisions of all relevant pronouncements, including those issued after November 30, 1989.

The most significant of the County's accounting policies are described below.

##### **A. Reporting Entity**

The County's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The basic financial statements include all funds, agencies, boards, commissions, and component units for which the County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's basic financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of the PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County.

Based on the foregoing criteria, the financial activities of the following PCU's have been reflected in the accompanying basic financial statements as:

##### ***BLENDED COMPONENT UNITS***

Certain funds are legally separate from the County; however, their activity is so intertwined with that of the County that they are reported as part of the County. The following funds have been included or blended into the County's basic financial statements:

## CLINTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

Local Emergency Planning Commission (LEPC) - The LEPC is a legally separate entity from the County. The County Commissioners do not appoint a voting majority of the LEPC's Board. The LEPC is fiscally independent from the County; however, it would be misleading to exclude the LEPC's operations from that of the County since the LEPC provides services entirely for the benefit of the County. The operations of the LEPC are accounted for as a separate special revenue fund.

Clinton County Solid Waste District (District) - The District is a legally separate entity from the County. By state statute, the County Commissioners comprise the District's entire Board. The County is able to impose its will upon the District as the County Commissioners approve and/or modify the District's budget. The District's Board is substantively the same as the County's. The operations of the District are accounted for as a separate special revenue fund.

#### **DISCRETELY PRESENTED COMPONENT UNITS**

ORION Rehabilitation Center, Inc. - The ORION Rehabilitation Center, Inc. (the "Workshop") is a legally separate, nonprofit corporation, served by a self-appointing board of trustees. The Workshop, under a contractual agreement with the Clinton County Board of Mental Retardation and Developmental Disabilities (MRDD), provides sheltered employment for adults with mental retardation or developmental disabilities in Clinton County. The Clinton County Board of MRDD provides the Workshop staff, salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as 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 mentally retarded or developmentally disabled adults of Clinton County, the Workshop is reflected as a component unit of the County. It is reported separately to emphasize that it is legally separate from the County.

Clinton County Port Authority - The Clinton County Port Authority (the "Authority") was created by the Clinton County Board of Commissioners in September 2004 to enhance economic development in Clinton County. The Authority is created in accordance with Section 4582.22 of the Ohio Revised Code. The purpose of the Authority is to undertake projects that create or preserve jobs and employment opportunities; that improve and sustain the economic welfare of Clinton County and its residents, and that enhance, aid and promote transportation, housing, recreation, education, governmental, operations and culture within the territory served. The Authority is considered a component unit of the County as the County can impose its will on the Authority through the appointment of the members of the Board of Directors. The Authority reported deficit net assets of \$244,505 at December 31, 2008, due to start-up expenses which management expects to be eliminated in future years through operating revenue.

#### **RELATED ORGANIZATIONS**

County officials are also responsible for appointing the members of the Boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments of the following organizations:

Clinton County Regional Planning Commission - The Board of County Commissioners appoints 11 of the 20 board members.

Clinton County Regional Airport Authority - The Board of County Commissioners appoints all five of the Board members.

**CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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

***POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS***

In the case of the separate agencies, boards, and commissions listed below, the County serves as fiscal agent and custodian, but is not accountable as defined in GASB Statement No. 14; therefore, the operations of the following PCUs have been excluded from the County's BFS, but the funds held on behalf of these PCUs in the County Treasury are included in the agency funds.

*Clinton County Emergency Management*  
*Clinton County Soil and Water Conservation District*  
*Clinton County Board of Health*  
*Clinton County Regional Planning Commission*  
*Clinton County Law Library*

Information in the notes to the BFS is applicable to the primary government. When information is provided relative to component units, they are specifically identified.

***JOINTLY GOVERNED ORGANIZATION***

The County is a member of the Southern Ohio Council of Governments (the Council), which is a jointly governed organization under Ohio Revised Code Section 167.01. The governing body consists of a fifteen member board with each participating County represented by its Director of its Board of Mental Retardation and Developmental Disabilities (MRDD). Member counties include: Adams, Athens, Brown, Clinton, Fayette, Gallia, Highland, Jackson, Lawrence, Meigs, Pickaway, Pike, Ross, Scioto and Vinton Counties. The Council acts as fiscal agent for the Clinton County MRDD's supportive living program monies. During 2008, the Council received \$203,095 of supportive living monies from Clinton County and as of December 31, 2008, the County had a \$330,334 balance on hand with the Council. Financial statements can be obtained from the Council at 43 N. Paint St., Chillicothe, Ohio, 45601.

***JOINT VENTURE WITHOUT EQUITY INTEREST***

*Warren/Clinton Counties Community Alcoholism, Drug Addiction and Mental Health Services Board (ADAMHS Board)* - The County is a member of the Warren/Clinton Counties Community Alcoholism, Drug Addiction and Mental Health Services Board (ADAMHS Board), which is a joint venture between Warren and Clinton Counties. The purpose of the board is to provide aid, support and education for alcohol and drug dependent citizens, as well as those who are mentally handicapped.

The Warren/Clinton Counties ADAMHS Board is governed by a board appointed by the Ohio Director of Alcohol and Drug Addiction Services, the Ohio Director of Mental Health Services, and Clinton and Warren Counties. The main sources of revenue for this Board are grants from the two previously named state departments and a property tax levy in each of the counties. Outside agencies are contracted by the Board to provide services for the Board. Financial records are maintained by the Warren County Auditor and Treasurer. Pursuant to Section 340.016 of the Ohio Revised Code, any withdrawing county would be required to submit a comprehensive plan that provides for the equitable adjustment and division of debts and obligations of the Joint County District to the State Director of Mental Health.

## CLINTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

##### ***RISK POOL***

*County Risk Sharing Authority, Inc. (CORSA)* - CORSA is jointly governed by 41 counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees. This program is more fully described in Note 13.

##### **B. Basis of Presentation**

***Government-wide Financial Statements*** - The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the County's proprietary funds are charges for services. Operating expenses for the enterprise fund includes personnel, medical and drug supplies, and other expenses related to Hospital operations and operating expenses for the internal service fund include claims and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

**C. Fund Accounting**

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

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

General - This is the primary operating fund of the County. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Children Services Board - This fund accounts for revenue received from a countywide tax levy, grants and charges for services to provide for the care of children of the County.

County Board of Mental Retardation and Developmentally Disabled (MRDD) - This fund accounts for the operation of a school and the costs of administering a workshop for the mentally retarded and developmentally disabled. Revenue sources include a countywide property tax levy and federal and State grants.

Motor Vehicle and Gas Tax - This fund accounts for monies received by the County for State gasoline tax and vehicle registration fees used for County road and bridge maintenance, construction and improvements.

Public Assistance - This fund accounts for various federal and State grants, as well as transfer from the general fund used to provide public assistance to general relief recipients, pay their providers for medical assistance, and for certain public social services.

Martinsville-Midland Project Bond Retirement - This fund accounts for the accumulation of resources (primarily property tax revenues) used to retire the Martinsville-Midland Project USDA bonds.

Other governmental funds of the County are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds and (b) for grants and other resources, the use of which is restricted to a particular purpose.

## CLINTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

***Proprietary Fund*** - Proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. The following are the County's proprietary fund types:

***Enterprise Fund*** - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The County has presented the following major enterprise fund:

***Clinton Memorial Hospital*** - This fund accounts for the operations of the hospital.

***Internal Service Fund*** - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The County's internal service fund accounts for self-funded health insurance program for employees of the County and several governmental units within the County.

***Fiduciary Funds*** - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's fiduciary funds are private-purpose trust and agency funds.

***Component Units*** - Component units are either legally separate organizations for which the elected officials of the County are not financially accountable, or legally separate organizations for which the nature and significance of its relationship with the County is such that exclusion would not cause the County's financial statement to be misleading or incomplete. The County considers Orion Rehabilitation Center and the Clinton County Port Authority to be separate discretely presented component units of the County.

#### **D. Measurement Focus**

***Government-wide Financial Statements*** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the County are included on the statement of net assets.

***Fund Financial Statements*** - All governmental funds 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. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

## CLINTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

Private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

#### **E. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. Government-wide financial statements are prepared using the full accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the full accrual basis of accounting. Differences in the full accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Non-exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the full 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 sixty days of year-end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On a full accrual basis, revenue from sales taxes is recognized in the year in which the sales are made. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal 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 all other nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales tax (see Note 7), interest, federal and State grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals.

**Unearned Revenue and Deferred Revenue** - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance 2009 operations, and other revenues received in advance of the year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2008 are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

*Expense/Expenditures* - On the full accrual basis of accounting, expenses are recognized at the time they are incurred.

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.

**F. Budgetary Data**

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 appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution 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 required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the County Commissioners.

Budgetary information for the Workshop and certain other funds is not reported because it is not included in the entity for which the "appropriated budget" is adopted and separate budgetary financial records are not maintained.

*Tax Budget* - A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except agency funds, are legally required to be budgeted. The expressed purpose of the Tax Budget is to reflect the need for existing (or increased) tax rates.

*Estimated Resources* - The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. 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 projected revenue of each fund.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the County Auditor determines that revenue to be collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent estimates from the final amended certificate issued during 2008.

*Appropriations* - A temporary appropriation resolution to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual Appropriation Resolution must be passed by April 1 of each year for the period January 1 to December 31. The Appropriation Resolution may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The County legally adopted several supplemental appropriations during the year. The original budget and all budgetary amendments and supplemental appropriations necessary during 2008 are included in the final budget amounts in the budget-to-actual comparisons.

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

**G. Cash and Investments**

To improve cash management, cash received by the County is pooled. Monies for all funds, including the proprietary fund, are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During 2008, investments were limited to federal agency securities, U.S. Treasury notes, U.S. Government money market mutual funds, U.S. obligations and repurchase agreements.

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, are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during 2008 amounted to \$576,486 which includes \$528,859 assigned from other County funds.

The County has segregated bank accounts for monies held separately from the County's central bank account. These interest-bearing depository accounts are presented on the combined balance sheet as "cash in segregated accounts" since they are not required to be deposited into the County treasury.

For presentation on the basic financial statements, investments of the cash management pool and investments are considered to be cash equivalents.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

**CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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

**H. Net Patient Service Revenue and Patient Accounts Receivable**

Net patient service revenue is reported at estimated net realizable amounts. Revenue from the Medicare and Medicaid programs accounted for approximately 55% of the Hospital's net patient service revenue for the year ended December 31, 2008. Payment for the majority of Medicare and Medicaid inpatient services is based on a prospectively determined fixed price, based on the discharge diagnosis per patient case. Certain other Medicare and Medicaid outpatient services are also reimbursed on a prospectively determined fixed price. The Hospital receives reimbursement for other Medicaid and Medicare outpatient services at amounts which approximate the cost of provided the services.

Final determination of amounts earned is subject to review by the fiscal intermediary. Medicare reports have been settled through 2006, while Medicaid reports have been settled through 2002.

The Hospital has also entered into other contractual arrangements that provide a discount from full established rates for patients enrolled in these plans. Determination of amounts due the Hospital or payable to the third-party payor is subject to audit by the responsible payor. Management believes that adequate provisions have been made for any adjustments that may result from final settlement under these programs.

The Hospital estimates an allowance for doubtful accounts based on an evaluation of historical losses, current economic conditions, and factors unique to their operations.

**I. Inventories of Materials and Supplies**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventories of the Hospital are stated at the lower of cost or market value determined by the first-in, first-out method and is expensed when used.

Inventory consists of expendable supplies held for consumption.

**J. Capital Assets**

Governmental capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets utilized by the proprietary fund are reported both in the business-type activities column of the government-wide statement of net assets and in the respective fund.

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of \$5,000. The County's infrastructure consists of roads, bridges, culverts, and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated except for land and construction in process. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacements. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land Improvements	-	15 years
Buildings and Improvements	70 years	40 years
Machinery and Equipment	4 - 20 years	7-10 years
Infrastructure	30 - 50 years	-
Vehicles	8 years	-

The County's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period.

The Hospital did not have any capitalized interest for the year ended December 31, 2008. Capitalized interest is amortized on the straight-line method over the estimated useful life of the asset.

**K. Compensated Absences**

Compensated absences of the County consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the County and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2008, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Sick leave benefits are accrued using the "vesting" method.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at December 31, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

**CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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

County employees earn vacation at varying rates ranging from two to five weeks per year. Sick leave is accumulated at the rate of three weeks per year. Vacation and sick leave is accumulated on an hours worked basis. Accumulated vacation cannot exceed three times the annual accumulation rate for an employee. The County does not accrue a liability for non-vested sick leave or vacation benefits.

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

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the accounts "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**L. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2008, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**M. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported in the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability in the fund financial statements when due.

**N. Interfund Transactions**

During the normal course of operations, the County has numerous transactions between funds. Transfers represent movement of resources from a fund receiving revenue to a fund through which those resources will be expended and are recorded as other financing sources (uses) in governmental funds and as transfers in proprietary funds. Interfund transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the County are treated similarly when involving other funds of the County.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivable/interfund payable" for the current portion of interfund loans or advances to/from other funds for the non-current portion of interfund loans. All other outstanding balances outstanding between funds are reported as "due to/from other funds." These amounts are eliminated on the statement of net assets.

**CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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

Advances between funds, as reported in the governmental fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

**O. Fund Balance Reserves**

Reserved fund balances indicate that a portion of fund equity is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The County reports amounts representing encumbrances outstanding, prepayments, materials and supplies inventories, and advances as reservations of fund balance in the governmental funds.

**P. Charity Care**

The Hospital treats patients regardless of their ability to pay. Amounts not collected under indigent care programs are considered to be charity care. Charity care measured at established rates approximated \$5,559,000 in 2008.

**Q. Assets Whose Use is Limited**

Assets whose use is limited consists of investments that are held by the trustee of Hospital revenue bonds and are to be utilized for construction costs and related capital expenditures.

**R. Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. During 2008, the County did not receive capital contributions.

**S. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**T. Estimates**

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

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Fund Reclassification and Restatement of Fund Balance and Net Assets**

A fund reclassification is required to report the Martinsville-Midland sanitary sewer fund previously reported as a nonmajor enterprise fund as a nonmajor special revenue fund. The fees received by this fund are not designed to cover all costs associated with the operations of the sanitary sewer, including capital costs such as depreciation and debt service. This fund reclassification had the following effect on the County's governmental fund balances and enterprise fund net assets as previously reported:

	<u>Total Governmental</u>	<u>Total Enterprise</u>
Fund balance/net assets as previously reported	\$ 13,021,400	\$ 60,957,670
Fund reclassification:		
Net assets of the Martinsville-Midland sanitary sewer fund at December 31, 2007	38,506	(38,506)
Restated fund balance/net assets at January 1, 2008	\$ 13,059,906	\$ 60,919,164

The fund reclassification had the following effect on the governmental activities and business-type activities net assets as previously reported:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net assets at December 31, 2007	\$ 53,193,899	\$ 60,957,670
Fund reclassification	38,506	(38,506)
Restated net assets at January 1, 2008	\$ 53,232,405	\$ 60,919,164

**B. Change in Accounting Principles**

For 2008, the County has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the County; however, certain disclosures related to postemployment benefits (see Note 15) have been modified to conform to the new reporting requirements.

GASB Statement No. 49 establishes the enhancement of the usefulness and comparability of pollution remediation obligations. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the County.

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the County.

**C. Deficit Fund Balances**

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Dog and kennel	\$ 74,480
Family and systems together	3,275
Clinton County Park Board	20,671
County recorder equipment	27,637
Fairground building and public service agency building bond retirement	123,087
 <u>Nonmajor capital projects fund</u>	
Martinsville-Midland Sanitary Project	72,261

All funds complied with Ohio State law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 - 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.

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 any 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;

## CLINTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 1 or 2 above 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 Asset Reserve of Ohio Investment Pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in 1 or 2 above or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio; and,
10. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five 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.

#### **A. Cash on Hand**

At year-end, the County had \$72,393 in undeposited cash on hand which is included on the financial statements of the County as part of "equity in pooled cash and cash equivalents".

#### **B. Cash in Segregated Accounts**

At year-end, the County had \$1,070,690 in cash and cash equivalents deposited separate from the County's internal investment pool. This amount is included in the amount of deposits with fiscal institutions below.

#### **C. Deposits with Financial Institutions**

At December 31, 2008, the carrying amount of all County deposits was \$23,677,311. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2008, \$11,616,374 of the County's bank balance of \$24,903,201 was exposed to custodial risk as discussed below, while \$13,286,827 was covered by the Federal Deposit Insurance Corporation.

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the County's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the County. The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

**D. Investments**

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FHLMC	\$ 503,120	\$ -	\$ -	\$ -	\$ -	\$ 503,120
FHLB	1,212,266	-	-	506,485	-	705,781
Repurchase agreement	2,250,142	2,250,142	-	-	-	-
U.S. Obligations	7,373,404	-	1,145,817	-	-	6,227,587
U.S. Government money market mutual funds	<u>2,000,768</u>	<u>2,000,768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 13,339,700</u>	<u>\$ 4,250,910</u>	<u>\$ 1,145,817</u>	<u>\$ 506,485</u>	<u>\$ -</u>	<u>\$ 7,436,488</u>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the County's investment policy limits investment portfolio maturities to five years or less. The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the County's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in a name of the County. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the County's name.

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

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLMC	\$ 503,120	3.77
FHLB	1,212,266	9.09
Repurchase agreement	2,250,142	16.87
U.S. obligations	7,373,404	55.27
U.S. Government money market mutual funds	<u>2,000,768</u>	<u>15.00</u>
	<u>\$ 13,339,700</u>	<u>100.00</u>

**E. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 23,677,311
Investments	13,339,700
Cash on hand	<u>72,393</u>
Total	<u>\$ 37,089,404</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 16,790,415
Business type activities	15,522,526
Fiduciary funds	<u>4,776,463</u>
Total	<u>\$ 37,089,404</u>

**F. Component Units**

At December 31, 2008, the carrying amount of the Workshop's demand deposits, including nonnegotiable certificates of deposit, was \$276,101 and the bank balance, including nonnegotiable certificates of deposit, was \$275,951. Of the bank balance, \$128,569 was insured by the FDIC. The Workshop had \$150 of cash on hand at December 31, 2008, which is included in "equity in pooled cash and cash equivalents". At December 31, 2008, the Workshop had an investment in the amount of \$147,382 in a money market mutual fund. Money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

At December 31, 2008, the carrying amount and bank balance of the Authority's demand deposits was \$9,886. The entire bank balance was insured by the FDIC.

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the year ended December 31, 2008, consisted of the following, as reported on the fund financial statements:

Transfers to motor vehicle & gas tax fund from:		
General fund	\$	40,328
Transfers to nonmajor governmental funds from:		
General fund		4,119
Nonmajor governmental funds		25,167

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

- B.** Short term interfund loans consisted of the following at December 31, 2008, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Martinsville-Midland project bond retirement	\$ 59,517
	Nonmajor governmental funds	220,850

This interfund balance will be repaid in the next year as resources become available.

- C.** Long-term advances to and from other funds at December 31, 2008, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 125,614

The balance in the general fund represents amounts due from other funds that are not expected to be repaid within the next year.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

D. Due from/to other funds consisted of the following at December 31, 2008, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Children services	\$ 7,895
	Nonmajor governmental funds	17,234
Children services	Nonmajor governmental fund	4,521
Motor vehicle & gas tax	General	7,154
	Public assistance	234
	Nonmajor governmental funds	24,173
Nonmajor governmental fund	Nonmajor governmental funds	5,837

The balances resulted from the time lag between the dates that payments between the funds are made.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the County. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. 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.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 6.25% for 2008. This percentage will be reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the County due to the phasing out of the tax. In calendar years 2008-2010, the County will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

## CLINTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### **NOTE 6 - PROPERTY TAXES - (Continued)**

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2008 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all County operations for the year ended December 31, 2008 was \$11.40 per \$1,000 of assessed value. The assessed value upon which 2008 property taxes were collected was \$984,625,760.

#### **NOTE 7 - PERMISSIVE SALES AND USE TAX**

In 1977, the County Commissioners by resolution imposed a 0.5% 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 1988, the County Commissioners added an additional 0.5% tax to the existing tax. On October 1, 2005, the County Commissioners imposed a 0.5% tax to the existing tax for a period of five years. Vendor collections of the tax are paid to the State Treasurer by the 23<sup>rd</sup> 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 45 days after the end of the month following collection. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited entirely to the general fund and special revenue funds. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue to the extent that they are intended to finance 2008 operations. Sales and use tax revenue for 2008 amounted to \$7,197,247.

#### **NOTE 8 - RECEIVABLES**

Receivables at December 31, 2008, consisted of taxes, accounts (billings for user charged services), accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the balance sheet. Receivables have been recorded to the extent that they are measurable at December 31, 2008, as well as intended to finance fiscal 2008 operations.

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 8 - RECEIVABLES - (Continued)**

A summary of the receivables reported on the statement of net assets follows:

**Governmental activities:**

Sales taxes	\$ 1,056,754
Real estate and other taxes	6,861,863
Accounts	281,256
Special assessments	102,731
Accrued interest	171,490
Due from other governments	4,988,106

**Business-type activities:**

Gross accounts receivable	14,844,384
Less: allowance for doubtful accounts	<u>(3,467,000)</u>
Net accounts receivable	<u>11,377,384</u>
Notes and other receivables	723,711

Receivables have been disaggregated on the face of the balance sheet. The only receivable not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment.

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 9 - CAPITAL ASSETS**

**A. Primary Government**

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

<b><u>Governmental activities:</u></b>	<u>Balance</u> 12/31/07	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 12/31/08
<i>Capital assets, not being depreciated:</i>				
Land	\$ 871,880	\$ -	\$ -	\$ 871,880
Construction in progress	7,692,822	1,070,804	(8,763,626)	-
Total capital assets, not being depreciated	<u>8,564,702</u>	<u>1,070,804</u>	<u>(8,763,626)</u>	<u>871,880</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	201,001	-	-	201,001
Buildings and improvements	20,196,450	368,982	-	20,565,432
Equipment	3,643,401	287,878	(75,364)	3,855,915
Vehicles	3,136,214	145,424	(96,312)	3,185,326
Infrastructure	<u>32,792,072</u>	<u>9,682,744</u>	<u>-</u>	<u>42,474,816</u>
Total capital assets, being depreciated	<u>59,969,138</u>	<u>10,485,028</u>	<u>(171,676)</u>	<u>70,282,490</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(80,559)	(6,238)	-	(86,797)
Buildings and improvements	(4,976,759)	(385,335)	-	(5,362,094)
Equipment	(2,078,695)	(318,419)	61,271	(2,335,843)
Vehicles	(1,990,751)	(249,399)	95,868	(2,144,282)
Infrastructure	<u>(9,034,476)</u>	<u>(1,003,293)</u>	<u>-</u>	<u>(10,037,769)</u>
Total accumulated depreciation	<u>(18,161,240)</u>	<u>(1,962,684)</u>	<u>157,139</u>	<u>(19,966,785)</u>
Total capital assets, being depreciated net	<u>41,807,898</u>	<u>8,522,344</u>	<u>(14,537)</u>	<u>50,315,705</u>
Governmental activities capital assets, net	<u>\$ 50,372,600</u>	<u>\$ 9,593,148</u>	<u>\$ (8,778,163)</u>	<u>\$ 51,187,585</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Legislative and executive	\$ 295,740
Judicial	5,618
Public safety	149,308
Public works	1,328,642
Health	88,142
Human services	70,699
Other	<u>24,535</u>
Total depreciation expense - governmental activities	<u>\$ 1,962,684</u>

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 9 - CAPITAL ASSETS - (Continued)**

	Balance	Additions/		Balance
	<u>12/31/07</u>	<u>Transfers</u>	<u>Retirements</u>	<u>12/31/08</u>
<b><u>Business-type activities:</u></b>				
<i>Capital assets, not being depreciated:</i>				
Construction in progress	\$ 539,191	\$ 174,829	\$ -	\$ 714,020
Total capital assets not being depreciated	<u>539,191</u>	<u>174,829</u>	<u>-</u>	<u>714,020</u>
<i>Capital assets, being depreciated:</i>				
Land and land improvements	3,528,984	13,019	-	3,542,003
Buildings and improvements	85,780,805	660,360	-	86,441,165
Equipment	<u>51,942,688</u>	<u>1,178,007</u>	<u>(267,084)</u>	<u>52,853,611</u>
Total capital assets, being depreciated	<u>141,252,477</u>	<u>1,851,386</u>	<u>(267,084)</u>	<u>142,836,779</u>
<i>Less: accumulated depreciation:</i>				
Land and land improvements	(1,277,597)	(160,603)	-	(1,438,200)
Buildings and improvements	(24,837,677)	(3,066,453)	-	(27,904,130)
Equipment	<u>(28,483,387)</u>	<u>(5,108,586)</u>	<u>148,949</u>	<u>(33,443,024)</u>
Total accumulated depreciation	<u>(54,598,661)</u>	<u>(8,335,642)</u>	<u>148,949</u>	<u>(62,785,354)</u>
Business-type activities capital assets, net	<u>\$ 87,193,007</u>	<u>\$ (6,309,427)</u>	<u>\$ (118,135)</u>	<u>\$ 80,765,445</u>

**B. Component Unit Capital Assets**

A summary of the changes in the component unit capital assets during the fiscal year follows:

<i>Capital assets, being depreciated:</i>				
Land improvements	\$ 12,761	\$ -	\$ -	\$ 12,761
Buildings and improvements	36,993	-	-	36,993
Furniture and equipment	34,293	-	(12,689)	21,604
Vehicles	<u>23,990</u>	<u>-</u>	<u>-</u>	<u>23,990</u>
Total capital assets being depreciated	<u>108,037</u>	<u>-</u>	<u>(12,689)</u>	<u>95,348</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(6,941)	(1,004)	-	(7,945)
Buildings and improvements	(35,178)	(758)	-	(35,936)
Furniture and equipment	(30,353)	(1,362)	12,689	(19,026)
Vehicles	<u>(12,278)</u>	<u>(3,182)</u>	<u>-</u>	<u>(15,460)</u>
Total accumulated depreciation	<u>(84,750)</u>	<u>(6,306)</u>	<u>12,689</u>	<u>(78,367)</u>
Total capital assets, being depreciated, net	<u>\$ 23,287</u>	<u>\$ (6,306)</u>	<u>\$ -</u>	<u>\$ 16,981</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 10 - CAPITAL LEASE - LESSEE DISCLOSURE

A. Governmental Activities Capital Lease

During prior years, the County entered into capitalized leases for the acquisition of copiers. The leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Governmental activities capital assets consisting of equipment have been capitalized in the amount of \$131,918. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in the amount of \$17,354 were made during 2008.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2008:

<u>Year Ending December 31,</u>	<u>Amount</u>
2009	\$ 25,524
2010	24,252
2011	24,252
2012	24,252
2013	<u>12,126</u>
Total	110,406
Less: amount representing interest	<u>(17,791)</u>
Present value of net minimum lease payments	<u>\$ 92,615</u>

B. Business-Type Activities Capital Lease

Capital assets have been capitalized in the Hospital enterprise fund. The lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13 "Accounting for Leases", which defines a capital lease as one which transfers benefits and risks of ownership to the lessee. The present value of the minimum lease payments at the time of acquisition was capitalized at the time of acquisition and a corresponding liability was recorded in the Hospital enterprise fund. The net carrying value of the assets recorded under capital lease was \$418,772 at December 31, 2008. The final lease payments were made during 2008.

**CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 11 - COMPENSATED ABSENCES**

Vacation and sick leave accumulated by governmental fund type employees is recorded on the statement of net assets. Vacation and sick leave earned by proprietary fund type employees is expensed when earned.

Upon termination of County service, a fully vested employee is entitled to a percentage of their accumulated sick leave based on their years of service not to exceed 30 days and all accumulated vacation. At December 31, 2008, vested benefits for vacation leave for governmental fund type employees totaled \$814,409 and vested benefits for sick leave totaled \$362,019. For the proprietary fund type, vested benefits for vacation leave totaled \$4,833 and there were no vested benefits for sick leave.

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 12 - LONG-TERM OBLIGATIONS**

**A. Governmental Activities Long-Term Obligations**

During 2008, the following changes occurred in the County's governmental long-term obligations:

<b>Governmental activities:</b>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at 12/31/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/08</u>	<u>Amount Due in One Year</u>
<b>General Obligation Bonds:</b>							
County Building Improvement Bonds - 5.42%	7/14/1993	6/1/2008	\$ 120,000	\$ -	\$ (120,000)	\$ -	\$ -
Bypass/Jail Construction Bond 4.0-5.75%	12/1/1999	12/1/2019	3,400,000	-	(260,000)	3,140,000	270,000
Haines Ditch Project Bonds - 5.25-6.00%	12/1/2006	12/1/2014	75,000	-	(10,000)	65,000	10,000
Martinsville-Midland Project USDA Bonds 3.625-4.25%	12/18/2008	12/1/2048	-	4,967,000	-	4,967,000	49,650
Fairground/Public Service Agency Building Bond - 3.73-4.125%	3/27/2008	12/1/2027	-	3,560,000	(165,000)	3,395,000	130,000
<b>Total general obligation bonds</b>			<u>3,595,000</u>	<u>8,527,000</u>	<u>(555,000)</u>	<u>11,567,000</u>	<u>459,650</u>
<b>Bond Anticipation Notes:</b>							
Property Acquisition & Renovation - 4.31%	5/10/2007	1/24/2008	2,547,628	-	(2,547,628)	-	-
Property Acquisition & Renovation - 3.875%	1/24/2008	4/10/2008	-	2,547,628	(2,547,628)	-	-
Annex Addition - 4.34%	5/10/2007	1/24/2008	690,600	-	(690,600)	-	-
Various County Improvement - 4.34%	5/9/2007	1/24/2008	540,900	-	(540,900)	-	-
Capital Purchases Improvement - 4.35%	4/12/2007	4/10/2008	504,000	-	(504,000)	-	-
Martinsville-Midland Sanitary Project - 3.75%	4/25/2007	4/24/2008	4,925,000	-	(4,925,000)	-	-
Martinsville-Midland Sanitary Project - 2.50%	4/24/2008	10/23/2008	-	4,925,000	(4,925,000)	-	-
Martinsville-Midland Sanitary Project - 4.375%	10/23/2008	1/22/2009	-	4,925,000	-	4,925,000	4,925,000
<b>Total bond anticipation notes</b>			<u>9,208,128</u>	<u>12,397,628</u>	<u>(16,680,756)</u>	<u>4,925,000</u>	<u>4,925,000</u>
<b>Special Assessment Bond</b>							
Ditch Construction Bonds - 6.20%	8/1/2001	8/1/2009	22,553	-	(10,937)	11,616	11,616
<b>Total special assessment bond</b>			<u>22,553</u>	<u>-</u>	<u>(10,937)</u>	<u>11,616</u>	<u>11,616</u>
<b>Other Long-Term Obligations:</b>							
OPWC loan			143,745	56,255	(5,000)	195,000	5,000
Compensated absences			1,222,301	785,183	(831,056)	1,181,261	645,170
Capital lease			109,969	-	(17,354)	92,615	18,794
<b>Total other long-term obligations</b>			<u>1,476,015</u>	<u>841,438</u>	<u>(853,410)</u>	<u>1,468,876</u>	<u>668,964</u>
<b>Total general long-term obligations</b>			<u>\$ 14,301,696</u>	<u>\$ 21,766,066</u>	<u>\$ (18,100,103)</u>	17,972,492	<u>\$ 6,065,230</u>
Add: unamortized premium on bond issue						39,030	
<b>Total reported on the statement of net assets</b>						<u>\$ 18,011,522</u>	

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 12 - LONG TERM OBLIGATIONS - (Continued)**

General Obligation Bonds: General obligation bonds are direct obligations of the County for which its full faith and credit are pledged for repayment. Principal and interest payments on the general obligation bonds are made from the debt service funds.

Special Assessment Bond: The special assessment bond is supported by the full faith and credit of the County. The bond was issued to provide resources for the Upper Middle Fork Group ditch construction. The bond is being retired through special assessments levied against benefited property owners.

Bond Anticipation Notes: In accordance with FASB Statement No. 6 "Classification of Short-Term Obligations Expected to Be Refinanced", the bond anticipation notes were classified as long-term obligations because they have been replaced with general obligation bonds or bond anticipation notes before the financial statements have been issued.

OPWC Loan: The County was approved for a \$200,000 loan from Ohio Public Works Commission (OPWC) with a 0% interest rate and payable over 20 years. The proceeds were used towards the construction of the Martinsville-Midland Sewer Project.

Compensated Absences: Vested sick leave and vacation benefits will be paid from the fund from which the employee is paid.

The following is a summary of the County's future principal and interest debt service requirements for the general long-term obligations outstanding:

Year Ending December 31,	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 459,650	\$ 501,994	\$ 961,644	\$ 11,616	\$ 730	\$ 12,346
2010	446,750	491,545	938,295	-	-	-
2011	443,930	472,039	915,969	-	-	-
2012	451,210	452,911	904,121	-	-	-
2013	468,580	433,182	901,762	-	-	-
2014 - 2018	2,677,030	1,813,542	4,490,572	-	-	-
2019 - 2023	1,738,190	1,217,829	2,956,019	-	-	-
2024 - 2028	1,426,810	891,232	2,318,042	-	-	-
2029 - 2033	616,940	679,020	1,295,960	-	-	-
2034 - 2038	758,530	537,441	1,295,971	-	-	-
2039 - 2043	932,620	363,329	1,295,949	-	-	-
2044 - 2048	1,146,760	149,207	1,295,967	-	-	-
Total	<u>\$ 11,567,000</u>	<u>\$ 8,003,271</u>	<u>\$ 19,570,271</u>	<u>\$ 11,616</u>	<u>\$ 730</u>	<u>\$ 12,346</u>

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 12 - LONG TERM OBLIGATIONS - (Continued)**

Year Ending December 31,	OPWC Loan Payable		
	Principal	Interest	Total
2009	\$ 5,000	\$ -	\$ 5,000
2010	10,000	-	10,000
2011	10,000	-	10,000
2012	10,000	-	10,000
2013	10,000	-	10,000
2014 - 2018	50,000	-	50,000
2019 - 2023	50,000	-	50,000
2024 - 2028	50,000	-	50,000
Total	<u>\$ 195,000</u>	<u>\$ -</u>	<u>\$ 195,000</u>

**B. Business-Type Activities Long-Term Obligations**

During 2008, the following changes occurred in the County's business-type long-term obligations:

<b>Business-type activities:</b>	Balance at 12/31/07	Additions	Reductions	Balance at 12/31/08	Amount Due in One Year
Hospital Facilities Revenue	\$ 42,860,000	\$ -	\$ (1,640,000)	\$ 41,220,000	\$ 2,715,000
Refunding and Improvement Bonds					
Series 2006A Note Payable	2,074,241	-	(622,566)	1,451,675	376,391
Installment Note Payable	567,142	-	(567,142)	-	-
Capital Lease Obligation	418,772	-	(418,772)	-	-
Total business-type long-term obligations	<u>\$ 45,920,155</u>	<u>\$ -</u>	<u>\$ (3,248,480)</u>	<u>\$ 42,671,675</u>	<u>\$ 3,091,391</u>

*Hospital Facilities Revenue Refunding and Improvements Bonds:* The 2002 Clinton County adjustable rate demand hospital facilities revenue refunding and improvement bonds were used to refund and retire the 1992 and 1998 bonds and to finance the acquisition, construction, equipping, and installation of new hospital facilities. Under the terms of the 2002 revenue bonds, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included in assets whose use is limited. The bonds also place limits on the incurrence of additional borrowings and requires the Hospital satisfy certain measures of financial performance. The Hospital was not in compliance with the financial measures as of December 31, 2008. The Hospital obtained a waiver from the respective lending institution.

*Hospital Facilities Revenue Refunding and Improvements Bonds:* The 2005 Clinton County adjustable rate demand hospital facilities revenue refunding and improvement bonds were used to finance the acquisition, construction and equipping of Hospital facilities. Under the terms of the 2005 revenue bonds, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included in assets whose use is limited. The bonds also place limits on the incurrence of additional borrowings and requires the Hospital satisfy certain measures of financial performance. The Hospital was not in compliance with the financial measures as of December 31, 2008. The Hospital obtained a waiver from the respective lending institution.

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 12 - LONG TERM OBLIGATIONS - (Continued)**

The Hospital uses derivative financial instruments principally to manage the risk of change in interest rates. During 2005, the Hospital entered into a cash flow hedge interest rate swap agreement with Fifth Third Bank. As a result of the swap, the Hospital locked into an interest rate of 4.23% on \$12,200,000 of the Series 2005 adjustable demand hospital facilities revenue improvement bonds. The fair value of the interest rate swap at December 31, 2008 was a liability of \$1,243,160. This liability has been recorded in accounts payable and accrued expenses with the related loss on this arrangement deferred as a component of unrestricted net assets. This agreement expires on December 1, 2015.

As of December 31, 2008, the Hospital was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Hospital would be exposed to credit risk in the amount of the derivative's fair value.

Series 2006A Note Payable: This note bears an interest rate of 5.015% and matures October 4, 2011.

Installment Note Payable: The installment note pertains to the purchase of certain real estate and is collateralized by a lien on the real estate. The note matured on July 1, 2008.

The following is a summary of the County's future principal and interest debt service requirements for the business-type activities long-term obligations outstanding:

Year Ending December 31,	Bonds and Notes			
	Principal	Interest	Interest Rate Swap, Net	Total
2009	\$ 3,091,391	\$ 1,203,206	\$ 163,170	\$ 4,457,767
2010	3,309,247	1,103,056	153,846	4,566,149
2011	2,411,037	999,679	144,078	3,554,794
2012	1,945,000	931,150	133,866	3,010,016
2013	2,030,000	877,663	123,136	3,030,799
2014 - 2018	11,555,000	3,500,888	203,667	15,259,555
2019 - 2023	11,935,000	1,798,638	-	13,733,638
2024 - 2027	6,395,000	368,638	-	6,763,638
Total	\$ 42,671,675	\$ 10,782,918	\$ 921,763	\$ 54,376,356

**C. Legal Debt Margin**

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 1% of the total assessed valuation of the County.

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to 3% of the first \$100,000,000, of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000 plus 2-1/2% of such valuation in excess of \$300,000,000. Based on this calculation, the County's legal debt margin was \$11,958,202 as of December 31, 2008.

**CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 13 - RISK MANAGEMENT**

**A. General Insurance**

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

The County is a member of County Risk Sharing Authority, Inc. (CORSA), which is a shared risk pool of 41 counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

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

The County pays the State Workers' Compensation System a premium based on a rate per \$100 of employee compensation. The rate is calculated based on accident history and administrative costs. Settled claims have not exceeded this coverage in any of the past three fiscal years.

**B. Health Care, Vision and Dental Insurance**

The County has elected to provide medical, vision and dental benefits to employees through a partially self-insured plan. The County pays a portion of the deductibles for employees. The County is insured through United Health Care with an HRA account for medical, United Health Care for dental and VSP for vision.

**C. Professional Liability Insurance**

The Hospital's professional liability insurance coverage is provided up to \$1 million per occurrence with an annual aggregate of \$3 million and excess insurance of \$10 million for professional and general liability risks through a private insurer.

## CLINTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 14 - PENSION PLANS

##### A. Ohio Public Employees Retirement System

Plan Description - The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2008 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%.

The County's contribution rate for 2008 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.40% of covered payroll. For 2008, a portion equal to 7.00% of covered payroll was allocated to fund the post-employment health care plan.

The County's contribution rate for pension benefits for 2008 was 7.00%, except for those plan members in law enforcement and public safety. For those classifications, the County's pension contributions were 10.40% of covered payroll. The County's required contributions for pension obligations, excluding the Hospital, to the Traditional Pension and Combined Plans for the years ended December 31, 2008, 2007, and 2006 were \$1,021,178, \$1,055,097, and \$1,081,753, respectively; 92.52% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

The Hospital's contributions for pension obligations were \$2,442,941, \$3,157,195 and \$3,421,750 for the years ending December 31, 2008, 2007 and 2006, respectively.

## CLINTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 14 - PENSION PLANS - (Continued)

##### **B. State Teachers Retirement System**

Plan Description - Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.50% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For 2008, plan members were required to contribute 10.00% of their annual covered salaries. The County was required to contribute 14.00%; 13.00% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2008, 2007, and 2006 were \$26,605, \$25,281, and \$22,854, respectively; 100 % has been contributed for fiscal years 2008, 2007 and 2006. There were no contributions to the DC and Combined Plans for fiscal year 2008.

## CLINTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 15 - POSTRETIREMENT BENEFIT PLANS

##### A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14.00% of covered payroll (17.40% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The amount of the employer contributions which was allocated to fund post-employment healthcare for 2008 was 7.00% of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The County's contributions allocated to fund post-employment health care benefits, excluding the Hospital, for the years ended December 31, 2008, 2007, and 2006 were \$964,107, \$825,803, and \$529,118, respectively; 92.52% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

The Hospital's contributions allocated to fund postemployment health care benefits were approximately \$2,619,000, \$2,080,000 and \$1,674,000 for the years ended December 31, 2008, 2007 and 2006, respectively.

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

**CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

**B. State Teachers Retirement System**

Plan Description - The County contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1.00% of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the fiscal years ended December 31, 2008, 2007, and 2006 were \$2,047, \$1,945, and \$1,758, respectively; 100 % has been contributed for fiscal years 2008, 2007 and 2006.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and major special revenue funds are 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:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis); and,
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as payables (GAAP basis).

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and major special revenue funds are as follows:

**Net Change in Fund Balances**

	Governmental Fund Types				
	<u>General</u>	<u>Children Services Board</u>	<u>County Board of MRDD</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Public Assistance</u>
Budget basis	\$ (1,293,351)	\$ 149,166	\$ 709,146	\$ (75,132)	\$ (248,371)
Net adjustment for revenue accruals	31,331	17,070	102,833	(24,324)	440,694
Net adjustment for expenditure accruals	147,643	38,958	44,497	28,299	40,938
Net adjustment for other financing sources/(uses) accruals	220,745	-	-	-	-
Encumbrances (budget basis)	<u>400,091</u>	<u>-</u>	<u>-</u>	<u>191,377</u>	<u>-</u>
GAAP basis	<u>\$ (493,541)</u>	<u>\$ 205,194</u>	<u>\$ 856,476</u>	<u>\$ 120,220</u>	<u>\$ 233,261</u>

**NOTE 17 - CONTINGENT LIABILITIES**

**A. Grants**

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 the terms of the grant. Based on prior experience, the County Commissioners believe such disallowance, if any, will be immaterial.

**B. Litigation**

Several claims and lawsuits are pending against the County. No liability has been accrued on the balance sheet. In the opinion of the County Prosecutor, the likelihood of a liability for the County cannot reasonably be estimated at this time.

**CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 18 - CONCENTRATIONS OF CREDIT RISK**

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. This mix of receivables from self-pay patients and third-party payors as of December 31, 2008, was as follows:

	<u>Amount</u>
Medicare	35%
Medicaid	13%
Other third-party payors	33%
Self pay patients	<u>19%</u>
Total	<u>100%</u>

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. The Hospital believes that it is in compliance with all applicable laws and regulations but has had inquiries from the programs related specifically to the billing of laboratory services. In the opinion of management, the ultimate outcome of these matters will not have a material effect on the financial position of the Hospital. However, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near future.

**NOTE 19 - CONDUIT DEBT OBLIGATIONS**

The County has served as the issuer of \$14,298,685 in industrial revenue bonds. The proceeds were used by private corporations and community organizations to fund various endeavors. The industrial revenue bonds do not constitute a general obligation, debt or bonded indebtedness of the County. Neither is the full faith and credit to taxing power of the County pledged to make repayment.

To provide for the financing of certain expenditures at Clinton Memorial Hospital, the Hospital has issued special facility revenue bonds. These consist of \$35,000,000 in 2002 Clinton County, Ohio, Variable Rate Demand Hospital Improvement Revenue Bonds, with final maturity in February, 2012 and \$12,200,000 in 2005 Clinton County, Ohio, Variable Rate Demand Hospital Improvement Revenue Bonds, with final maturity in December, 2015. These bonds do not constitute a debt or pledge of the faith and credit of the County. As of December 31, 2008, \$41,220,000 was outstanding.

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CLINTON COUNTY

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

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through the Ohio Department of Education</i>			
Rehabilitation Services	N/A	84.126	\$3,300
Special Education - Grants to States	6B-SF-2007	84.027	12,471
Special Education - Preschool Grants	PG-S1-2007	84.173	4,352
Total Special Education			<u>16,823</u>
Total U.S. Department of Education			<u>20,123</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>			
Title XX - Social Services Block Grant: Social Services Block Grant	N/A	93.667	26,643
State Children's Health Insurance Program (SCHIP)	N/A	93.767	140
<i>Passed Through Ohio Department of Mental Health</i>			
Medical Assistance Program - Title XIX: Targeted Case Management (TCM)	N/A	93.778	124,094
Waiver Administration Claiming	N/A	93.778	278,288
Total Title XIX			<u>402,382</u>
<i>Passed through the Ohio Secretary of State</i>			
Polling Place Accessibility Program	06-SOS-HHHS-14	93.617	2,554
Total U.S. Department of Health and Human Services			<u>431,719</u>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
<i>Passed Through the Ohio Department of Transportation</i>			
Highway Planning and Construction: CLI - Guardrails	PID #79080	20.205	176,505
Pavement Marking Phase II	PID #79081	20.205	104,001
Sign Upgrade Project	N/A	20.205	
Total U.S. Department of Transportation			<u>280,506</u> (Continued)

CLINTON COUNTY

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

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed Through the Ohio Department of Development</i>			
Community Development Block Grants:			
Community Housing Improvement Program	B-C-07-014-1	14.228	81,578
Small Cities Program Grant (Formula)	B-F-06-014-1		2,615
	B-F-07-014-1		93,445
	B-F-08-014-1		7,300
			<u>103,360</u>
Water & Sanitary Sewer Competitive Grant	B-W-03-014-1		19,773
	B-W-03-014-2		1,500
			<u>21,273</u>
Home Investment Partnerships Program	B-C-07-014-2	14.239	131,305
Total U.S. Department of Housing and Urban Development			<u><b>337,516</b></u>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>			
<i>Passed Through the Ohio Department of Public Safety</i>			
Emergency Management Public Assistance Grant	FEMA-OH-EM-3286	97.036	40,409
Emergency Management Public Assistance Grant	FEMA-1805-DR-OH	97.036	23,744
			<u>64,153</u>
State Homeland Security Program	N/A	97.073	2,131
Total U.S. Department of Homeland Security			<u><b>66,284</b></u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Water and Waste Disposal Systems for Rural Communities	N/A	10.760	481,901
Total U.S. Department of Agriculture			<u><b>481,901</b></u>
<b><u>U.S. DEPARTMENT OF DEFENSE</u></b>			
<i>Passed Through the US Army Corp of Engineers</i>			
Water Resources Development Act of 1999			
Section 594 Ohio	N/A	12.XXX	489,982
Total U.S. Department of Defense			<u><b>489,982</b></u>

(Continued)

CLINTON COUNTY

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

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF LABOR</u></b>			
<i>Passed Through the Ohio Department of Jobs and Family Services via Ohio Area 7 Workforce Investment Board</i>			
Workforce Investment Act Cluster:			
WIA - Adult	N/A	17.258	65,921
WIA - Adult Administration			4,727
WIA - Adult Total			<u>70,648</u>
WIA - Youth	N/A	17.259	106,734
WIA - Youth Administration			2,378
WIA - Youth Total			<u>109,112</u>
WIA - Dislocated Workers	N/A	17.260	155,233
WIA - DW, Rapid Response			416,600
WIA - Dislocated Workers Administration			7,827
WIA - Dislocated Workers Total			<u>579,660</u>
WIA - Career Advancement	N/A	17.261	53,148
WIA - Career Advancement Administration			2,791
WIA - Career Advancement Total			<u>55,939</u>
Total Workforce Investment Act Cluster			<u>815,359</u>
Total U.S. Department of Labor			<u>815,359</u>
Total Federal Expenditures			<u><u>\$2,923,390</u></u>

**CLINTON COUNTY, OHIO**

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

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B—SUBRECIPIENTS**

The County passes through certain Federal assistance received from the Ohio Department of Mental Health 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 that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.



# Mary Taylor, CPA

## Auditor of State

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

Clinton County  
46 S. South Street  
Wilmington, Ohio 45177

To the Board of Commissioners:

We have audited the financial statements of the governmental activities, business type activities, the component units, each major fund, and the aggregate remaining fund information of Clinton County, Ohio (the County), as of and for the year ended December 31, 2008; which collectively comprise the County's basic financial statements and have issued our report thereon dated September 28, 2009, wherein we noted the Clinton Memorial Hospital financial statements were audited by other auditors whose report, thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Hospital, is based on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

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

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

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

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses, as defined above. We do not believe the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the County's management in a separate letter dated September 28, 2009.

#### **Compliance and Other Matters**

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

We also noted certain noncompliance or other matters that we reported to the County's management in a separate letter dated September 28, 2009.

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



**Mary Taylor, CPA**  
Auditor of State

September 28, 2009



# Mary Taylor, CPA

## Auditor of State

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

Clinton County  
46 S. South Street  
Wilmington, Ohio 45177

To the Board of Commissioners:

#### Compliance

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

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

In our opinion, Clinton County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as item 2008-002.

#### Internal Control Over Compliance

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

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

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as finding 2008-002 to be a significant deficiency.

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

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

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



**Mary Taylor, CPA**  
Auditor of State

September 28, 2009

**CLINTON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2008**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	<b>Unqualified</b>
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	<b>Yes</b>
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	<b>Yes</b>
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	<b>No</b>
<i>(d)(1)(iv)</i>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	<b>Yes</b>
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	<b>Unqualified</b>
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	<b>Yes</b>
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	CFDA #17.258, #17.258, # 17.259, #17.260, #17.261 – Workforce Investment Act – DW, Rapid Response, Adult and Youth – Dislocated Workers CFDA # 93.778 -Title XIX. CFDA #12.XXX - Army Corps of Engineers, Water Resources Development Act of 1999, Section 594
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	<b>No</b>

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

**FINDING NUMBER 2008-001**

**Material Noncompliance/Significant Deficiency**

Finding Number 2008-002 describes deficiencies in preparing the County’s schedule of expenditures of federal awards. We believe this finding also represents material noncompliance and a significant deficiency in internal control under auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States’ Government Auditing Standards.

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2008-002
<b>CFDA Title and Number</b>	Water Resources Development Act of 1999, Section 594, # 12.XXX
<b>Federal Award Number / Year</b>	2005
<b>Federal Agency</b>	United States Department of Defense
<b>Pass-Through Agency</b>	United States Army Corp of Engineers

**Noncompliance Citation/Significant Deficiency**

OMB Circular A-133§\_300(a) requires recipients of Federal Awards to prepare a *Schedule of Expenditures of Federal Awards* and provide it to the auditor. The schedule should show the name of the program, the Catalog of Federal Domestic Assistance number, the Federal Agency, and the amount of federal expenditures by program. For Federal Awards received as a sub-recipient, the name of the pass through entity and the identifying number assigned by the pass-through entity shall be included.

The County does not have a system in place to identify and monitor the federal award expenditures. The County relies on the various departments that manage each award to provide expenditure data and grant agreements to the accounting firm which compile the information for the schedule. The procedures utilized to prepare the County’s *Schedule of Expenditures of Federal Awards* were inadequate, as such, the County’s Schedule of Federal Awards Expenditures presented for audit did not list all federal expenditures expended by the County. The schedule initially presented by the County, did not include expenditures related to grants received from the United States Army Corp. of Engineers in the amount of \$489,982. An incomplete and inaccurate schedule could result in the loss of federal funds or jeopardize future federal funding. The County has posted audit adjustments to the schedule to properly reflect these expenditures. We recommend that the County develop a system to identify federal award expenditures and monitor its agreements for federal programs periodically during the year to ensure that all federal funds are being properly reported on the schedule.

**Officials’ Response:**

The federal grant reporting process will be reviewed and a determination made to track the federal grants by one office. By tracking at one predetermined location all grants received will be recorded for records.

Additionally, multiple attempts were made to obtain the tracking number for the Army Corp of Engineers Grant, however, the Army Corp of Engineers had no number to report.

**CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2007-001	Ohio Rev. Code Section 321.09, requires the Treasurer to reconcile with the Auditor on a daily basis.	No	Partially Corrected, reissued in management letter
2007-002	The County did not properly maintain their capital asset listing.	No	Partially Corrected, reissued in management letter
2007-003	The County did not prepare an accurate Schedule of Federal Financial Expenditures.	No	Reissued as Finding 2008-002
2007-004	The County did not maintain accurate records to support federal grant and loan transactions.	Yes	





Mary Taylor, CPA  
Auditor of State

**FINANCIAL CONDITION**

**CLINTON 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  
OCTOBER 13, 2009**