

**Morrow County, Ohio**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 1999**

**C**UNI & **P**ANICHI  
INC.  
CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS CONSULTING FIRM

**Morrow County, Ohio**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 1999**

# MORROW COUNTY, OHIO

FOR THE YEAR ENDED DECEMBER 31, 1999

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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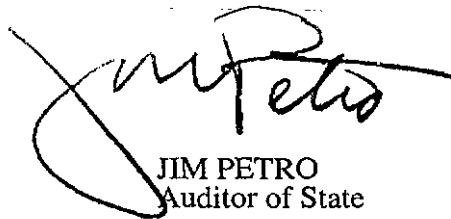
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Board of County Commissioners  
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We have reviewed the Independent Auditor's Report of Morrow County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 1999 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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



JIM PETRO  
Auditor of State

July 6, 2000

Creating economic value through  
knowledge, innovation, commitment, and service

**CIUNI & PANICHI**  
INC.  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

Board of County Commissioners  
Morrow County, Ohio

We have audited the accompanying general-purpose financial statements of Morrow County, Ohio as of and for the year ended December 31, 1999 as listed in the table of contents. These general-purpose financial statements are the responsibility of Morrow County, Ohio's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of the Morrow County Hospital, which represents 99% of the total assets and total revenue of the enterprise fund type. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Morrow County Hospital, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Morrow County, Ohio, as of December 31, 1999, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 26, 2000 on our consideration of Morrow County, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

*Ciuni & Panichi, Inc.*

Cleveland, Ohio  
June 26, 2000

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MORROW COUNTY, OHIO  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
DECEMBER 31, 1999

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Groups			Total	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General	Fixed Assets	Long-Term Obligations	Total Government (Memorandum Only)	Component Unit	Total (Memorandum Only)
<b>ASSETS AND OTHER DEBITS</b>												
<b>ASSETS:</b>												
Equity in pooled cash and investments	\$1,529,153	\$6,570,546	\$371,189	\$4,373,872	\$86,886	\$1,851,468				\$14,783,114		\$14,783,114
Cash in segregated accounts						830,605				830,605		862,293
Investments in segregated accounts						75,000				812,031		818,220
Receivables (net of allowances for uncollectibles):												
Taxes	1,596,206	2,502,107				15,395,958				19,494,271		19,494,271
Accounts	276,024	18,780		350	3,967,607	707				4,263,468		4,300,278
Accounts Interest	149,287	900		17,987	571					168,745		168,745
Notes		149,229			95,833					245,062		245,062
Special assessments						72,578				145,156		145,156
Due from other funds	27,345	5,838		7,533		2,566				148,823		148,823
Due from other governments	105,387	615,080								720,667		720,667
Prepayments	58,733									237,429		237,429
Deposits										833		833
Materials and supplies inventory	18,383	33,210								13,107		166,381
Restricted assets:												
Equity in pooled cash and cash equivalents										97,550		97,550
Investments										501,250		501,250
Accrued interest										12,381		12,381
Property, plant and equipment (net of accumulated depreciation where applicable)												
										\$11,713,949		18,110,780
												4,628
<b>OTHER DEBITS:</b>												
Amount available in debt service fund										\$476,730		476,730
Amount to be provided for retirement of general long-term obligations										2,061,930		2,061,930
Total assets and other debits	\$3,760,918	\$9,895,690	\$549,308	\$4,399,742	\$12,176,117	\$18,228,882				\$63,263,266	\$93,255	\$63,356,521

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

continued

# MORROW COUNTY, OHIO

## GENERAL PURPOSE FINANCIAL STATEMENTS

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The general purpose financial statements of Morrow County, Ohio include the basic combined financial statements, presented by fund type and account group, and notes to the financial statements that are essential to the fair presentation of financial position and results of operations and cash flows of proprietary fund types.



MORROW COUNTY, OHIO  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 DECEMBER 31, 1999

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Total Primary Government (Memorandum Only)	Component Unit	Total (Memorandum Only)		
	General	Debt Service				Capital Projects	Enterprise	Trust and Agency				General	
		Special Revenue	Debt									Service	Fixed Assets
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>													
<b>LIABILITIES:</b>													
Accounts payable	\$151,067	\$267,700	\$95,428	\$800,464	\$875			\$1,315,534	\$4,335	\$(319,869)			
Accrued wages and benefits	149,188	153,238		647,000				949,426	11,477	960,903			
Contracts payable	9,502	53,981	83,047					137,028		137,028			
Compensated absences payable	1,307,617	18,588					\$395,767	423,857		423,857			
Deferred revenue		2,502,107						3,882,302	31,344	3,913,646			
Accrued interest payable			40,822					40,822		40,822			
Due to other funds	3,006	12,000			28,276			148,823		148,823			
Due to other governments	152,477	210,080			16,204,667			16,387,224		16,387,224			
Notes payable			3,740,000	432,000				4,172,000	7,680	4,179,680			
Deed restriction on land				12,000				12,000		12,000			
Loans payable							538,165	538,165		538,165			
Undistributed assets					1,893,365			1,893,365		1,893,365			
Claims payable		11,063						11,063		11,063			
Credit line payable				250,000				250,000		250,000			
Medicare and Medicaid third party settlements													
Capital leases payable				122,376				122,376		122,376			
General obligation bonds payable				557,715				631,239		631,239			
OWDA loan payable								1,425,000		1,425,000			
								106,204		106,204			
<b>Total liabilities</b>	<b>1,772,857</b>	<b>3,248,757</b>	<b>72,578</b>	<b>2,821,555</b>	<b>18,127,183</b>		<b>2,538,660</b>	<b>32,646,428</b>	<b>54,836</b>	<b>12,701,264</b>			
<b>EQUITY AND OTHER CREDITS:</b>													
Investment in general fixed assets													
Contributed capital				214,088				214,088		214,088			
Retained earnings:													
Reserved				611,181				611,181		611,181			
Unreserved				8,529,293				8,529,293		8,529,293			
Fund balances:													
Reserved for encumbrances	336,958	666,569	244					1,050,400		1,050,400			
Reserved for materials and supplies inventory	18,583	33,210						51,793		51,793			
Reserved for notes receivable		149,229						149,229		149,229			
Reserved for prepayments	58,733							58,733		58,733			
Reserved for debt services			430,101					430,101		430,101			
Unreserved-undesignated	1,573,787	5,797,925	334,660		101,699			7,808,071		7,808,071			
<b>Total equity and other credits</b>	<b>1,988,061</b>	<b>6,646,933</b>	<b>476,730</b>	<b>9,354,562</b>	<b>101,699</b>		<b>11,713,949</b>	<b>30,616,838</b>	<b>38,419</b>	<b>30,655,257</b>			
<b>Total liabilities, equity and other credits</b>	<b>\$3,760,918</b>	<b>\$9,895,690</b>	<b>\$549,308</b>	<b>\$12,176,117</b>	<b>\$18,228,882</b>		<b>\$11,713,949</b>	<b>\$63,263,266</b>	<b>\$93,255</b>	<b>\$63,356,521</b>			

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**MORROW COUNTY, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
Property and other taxes . . . . .	\$1,296,528	\$2,331,682				\$3,628,210
Sales taxes . . . . .	2,333,726					2,333,726
Charges for services . . . . .	2,162,026	603,369				2,765,395
Licenses and permits . . . . .	3,408	52,758				56,166
Fines and forfeitures . . . . .	291,241	46,179				337,420
Special assessments . . . . .		137,197				137,197
Intergovernmental . . . . .	796,563	9,841,738		\$1,004,873		11,643,174
Investment income . . . . .	758,714	28,528		203,577		990,819
Other . . . . .	111,143	46,871	38,514	108,897	15,640	321,065
<b>Total revenue . . . . .</b>	<b>7,753,349</b>	<b>13,088,322</b>	<b>38,514</b>	<b>1,317,347</b>	<b>15,640</b>	<b>22,213,172</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>General government:</b>						
Legislative and executive . . . . .	2,283,891	418,732				2,702,623
Judicial . . . . .	655,908	49,546				705,454
Public safety . . . . .	3,058,768	735,564				3,794,332
Public works . . . . .		3,080,741				3,080,741
Health . . . . .	40,235	3,358,935				3,399,170
Human services . . . . .	194,198	4,476,390				4,670,588
Economic development and assistance . . . . .		1,054				1,054
Other . . . . .	371,354	244,986			30,703	647,043
Capital outlay . . . . .		280,521		2,139,350		2,419,871
<b>Debt service:</b>						
Principal retirement . . . . .			326,520			326,520
Interest and fiscal charges . . . . .			111,768	181,582		293,350
<b>Total expenditures . . . . .</b>	<b>6,604,354</b>	<b>12,646,469</b>	<b>438,288</b>	<b>2,320,932</b>	<b>30,703</b>	<b>22,040,746</b>
<b>Excess (deficiency) of revenues over (under) expenditures . . . . .</b>	<b>1,148,995</b>	<b>441,853</b>	<b>(399,774)</b>	<b>(1,003,585)</b>	<b>(15,063)</b>	<b>172,426</b>
<b>Other financing sources (uses):</b>						
Loan proceeds . . . . .		211,078				211,078
Other financing sources . . . . .	149,156	523,499				672,655
Other financing uses . . . . .	(505,998)					(505,998)
Proceeds from capital lease . . . . .		73,524				73,524
Operating transfers in . . . . .			377,320			377,320
Operating transfers out . . . . .	(237,699)	(139,621)				(377,320)
<b>Total other financing sources (uses) . . . . .</b>	<b>(594,541)</b>	<b>668,480</b>	<b>377,320</b>			<b>451,259</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses . . . . .</b>	<b>554,454</b>	<b>1,110,333</b>	<b>(22,454)</b>	<b>(1,003,585)</b>	<b>(15,063)</b>	<b>623,685</b>
Fund balances, January 1 . . . . .	1,431,888	5,542,829	499,184	1,338,489	116,762	8,929,152
Increase (decrease) in reserve for inventory . . . . .	1,719	(6,229)				(4,510)
<b>Fund balances, December 31 . . . . .</b>	<b>\$1,988,061</b>	<b>\$6,646,933</b>	<b>\$476,730</b>	<b>\$334,904</b>	<b>\$101,699</b>	<b>\$9,548,327</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

MORROW COUNTY, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 1999

	General				Special Revenue				Debt Service				Capital Projects				Total	
	Revised Budget	Actual	Variance:		Revised Budget	Actual	Variance:		Revised Budget	Actual	Variance:		Revised Budget	Actual	Variance:		Total	
			Favorable (Unfavorable)	(Unfavorable)			Favorable (Unfavorable)	(Unfavorable)			Favorable (Unfavorable)	(Unfavorable)						
Revenues:																		
Property taxes	\$1,079,000	\$1,292,446	\$213,446	\$2,331,682	\$135,682												\$3,275,000	
Sales taxes	1,810,000	2,027,936	217,936	44,018	(20,982)												1,871,000	
Charges for services	1,905,000	1,990,724	85,724	592,277	(127,004)												2,668,281	
Licenses and permits	3,800	3,408	(392)	46,588	(3,412)												53,800	
Fees and forfeitures	293,500	274,775	(18,725)	57,031	(34,079)												295,400	
Intergovernmental	580,687	808,138	227,451	9,391,189	146,650												12,025,826	
Special assessments	500,000	641,050	141,050	142,132	(2,815)												142,132	
Investment income	278,093	94,494	(183,599)	21,712	3,512												63,905	
Other	6,404,000	7,144,971	740,971	12,967,238	(100,667)												644,233	
Total revenues																	21,614,457	
Expenditures:																		
Current:																		
General government:																		
Legislative and executive	2,789,539	2,341,328	(448,211)	489,591	95,452												3,374,582	
Judicial	678,920	665,687	(13,233)	51,509	159,181												889,610	
Public safety	3,085,122	3,023,637	(61,485)	1,210,127	752,370												4,295,249	
Public works	47,103	46,572	(531)	3,466,007	3,354,071												3,466,007	
Health	219,989	211,812	(8,177)	3,605,895	3,276,199												3,652,998	
Human services	121,822	118,091	(3,731)	5,445,223	335,547												5,665,712	
Economic development and assistance	367,583	338,873	(28,710)	82,822	52,834												204,894	
Other	380,572	372,823	(7,749)	557,982	403,508												1,067,440	
Capital outlay				206,634	75,336												2,272,941	
Intergovernmental				19,621	131,298												2,175,870	
Debt service				15,391,544	13,565,569												3,800,572	
Interest and fiscal charges				637,692	570,837												7,736,436	
Total expenditures																	21,513,723	
Excess (deficiency) of revenues over (under) expenditures																	1,099,734	
Other financing sources (uses):																		
Proceeds of bonds																		
Operating transfers in																		
Operating transfers (out)																		
Other financing sources																		
Other financing uses																		
Total other financing sources (uses)																		
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)																		
Fund balances, January 1 (restated)																		
Prior year circumstances appropriated																		
Fund balances, December 31																		

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**MORROW COUNTY, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS/FUND EQUITY**  
**PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNIT**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Type	Total Primary Government (Memorandum Only)	Component Unit	Total (Memorandum Only)
	Enterprise			
<b>Operating revenues:</b>				
Charges for services . . . . .	\$35,381	535,381	\$412,220	\$447,601
Contributions from MRDD Board . . . . .	—	—	642,361	642,361
Patient service revenue, net . . . . .	12,999,916	12,999,916	—	12,999,916
Other operating revenues . . . . .	978,579	978,579	7,247	985,826
<b>Total operating revenues . . . . .</b>	<b>14,013,876</b>	<b>14,013,876</b>	<b>1,061,828</b>	<b>15,075,704</b>
<b>Operating expenses:</b>				
Personal services . . . . .	5,937,312	5,937,312	207,321	6,144,633
Contractual services . . . . .	3,360,725	3,360,725	123,052	3,483,777
Materials and supplies . . . . .	2,824,051	2,824,051	20,182	2,844,233
Depreciation . . . . .	739,667	739,667	1,384	741,051
Provision for bad debts . . . . .	1,416,770	1,416,770	—	1,416,770
Contributed services from MRDD Board . . . . .	—	—	642,361	642,361
Other operating expense . . . . .	351,075	351,075	36,424	387,499
<b>Total operating expenses . . . . .</b>	<b>14,629,600</b>	<b>14,629,600</b>	<b>1,030,724</b>	<b>15,660,324</b>
<b>Operating income (loss) . . . . .</b>	<b>(615,724)</b>	<b>(615,724)</b>	<b>31,104</b>	<b>(584,620)</b>
<b>Nonoperating revenues (expenses):</b>				
Contributions . . . . .	257,810	257,810	—	257,810
Gain or (loss) on sale of fixed assets . . . . .	817	817	—	817
Interest expense and fiscal charges . . . . .	(28,578)	(28,578)	—	(28,578)
Investment earnings . . . . .	161,723	161,723	—	161,723
Loss on sale of investments . . . . .	(7,439)	(7,439)	—	(7,439)
<b>Total nonoperating revenues (expenses) . . . . .</b>	<b>384,333</b>	<b>384,333</b>	<b>—</b>	<b>384,333</b>
<b>Net income (loss) . . . . .</b>	<b>(231,391)</b>	<b>(231,391)</b>	<b>31,104</b>	<b>(200,287)</b>
Depreciation on fixed assets acquired by contributed capital . . . . .	5,127	5,127	—	5,127
<b>Retained earnings, January 1 . . . . .</b>	<b>9,366,738</b>	<b>9,366,738</b>	<b>7,315</b>	<b>9,374,053</b>
<b>Retained earnings, December 31 . . . . .</b>	<b>9,140,474</b>	<b>9,140,474</b>	<b>38,419</b>	<b>9,178,893</b>
Contributed capital at beginning of year . . . . .	219,215	219,215	—	219,215
Depreciation on fixed assets acquired by contributed capital . . . . .	(5,127)	(5,127)	—	(5,127)
<b>Contributed capital at end of year . . . . .</b>	<b>214,088</b>	<b>214,088</b>	<b>—</b>	<b>214,088</b>
<b>Fund equity, December 31 . . . . .</b>	<b>\$9,354,562</b>	<b>\$9,354,562</b>	<b>\$38,419</b>	<b>\$9,392,981</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

MORROW COUNTY, OHIO  
 COMBINED STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNIT  
 FOR THE YEAR ENDED DECEMBER 31, 1999

	Proprietary Fund Type	Total Primary Government (Memorandum Only)	Component Unit	Total (Memorandum Only)
	Enterprise			
<b>Cash flows from operating activities:</b>				
Income (loss) from operations . . . . .	(\$615,724)	(\$615,724)	\$31,104	(\$584,620)
<b>Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities:</b>				
Depreciation . . . . .	739,667	739,667	1,384	741,051
Contributions . . . . .	257,810	257,810		257,810
<b>Changes in assets and liabilities:</b>				
(Increase) in accounts receivable . . . . .	(1,006,232)	(1,006,232)	(10,709)	(1,016,941)
(Increase) decrease in inventory . . . . .	15,107	15,107	(2,910)	12,197
Decrease in prepayments . . . . .	30,293	30,293		30,293
Increase (decrease) in accounts payable . . . . .	134,471	134,471	(1,769)	132,702
(Decrease) in accrued wages and benefits . . . . .	(100,968)	(100,968)	(2,853)	(103,821)
Increase in deferred revenue . . . . .			13,002	13,002
Increase in due to other governments . . . . .	63,451	63,451		63,451
Net cash provided by (used in) operating activities . . . . .	<u>(482,125)</u>	<u>(482,125)</u>	<u>27,249</u>	<u>(454,876)</u>
<b>Cash flows from investing activities:</b>				
Loss on sale of investments . . . . .	(7,439)	(7,439)		(7,439)
Interest received . . . . .	161,152	161,152	225	161,377
Net cash provided by investing activities . . . . .	<u>153,713</u>	<u>153,713</u>	<u>225</u>	<u>153,938</u>
<b>Cash flows from capital and related financing activities:</b>				
Net proceeds from line of credit . . . . .	250,000	250,000		250,000
Proceeds from sale of property and equipment . . . . .	1,500	1,500		1,500
Purchase of property and equipment . . . . .	(1,214,228)	(1,214,228)	(5,142)	(1,219,370)
Increase in notes receivable . . . . .	(35,167)	(35,167)		(35,167)
Decrease in assets whose use is limited . . . . .	312,826	312,826		312,826
Proceeds from issuance of long-term debt . . . . .	432,000	432,000	4,000	436,000
Proceeds from capital lease obligations . . . . .	557,715	557,715		557,715
Repayment of long-term debt . . . . .	(533,075)	(533,075)	(4,371)	(537,446)
Interest paid . . . . .	(28,578)	(28,578)		(28,578)
Net cash used in capital and related financing activities . . . . .	<u>(257,007)</u>	<u>(257,007)</u>	<u>(5,513)</u>	<u>(262,520)</u>
Net increase (decrease) in cash and cash equivalents . . . . .	(585,419)	(585,419)	21,961	(563,458)
Cash and cash equivalents at beginning of year . . . . .	769,855	769,855	9,727	779,582
Cash and cash equivalents at end of year . . . . .	<u>\$184,436</u>	<u>\$184,436</u>	<u>\$31,688</u>	<u>\$216,124</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

## MORROW COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

#### NOTE 1 - DESCRIPTION OF THE COUNTY

Morrow County, Ohio (the County), was created in 1848. The County is governed by a board of three commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, and a Common Pleas/Probate/Juvenile Court Judge. Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body, and the chief administrators of public services for the entire County.

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

The general purpose financial statements (GPFS) of the County have been prepared in conformity with generally accepted accounting principles (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, except for the Hospital, applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), 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 GPFS include all funds, account groups, 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 GPFS to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of 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.

## MORROW COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

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

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the County. For the County, this includes the Morrow County Board of Mental Retardation and Developmental Disabilities (the MRDD Board); the Childrens' Services Board; Morrow County Hospital (the Hospital); and other departments and activities that are directly operated by the elected County officials.

Based on the foregoing criteria, the financial activities of the following PCUs have been reflected in the accompanying GPFS as follows:

#### *DISCRETELY PRESENTED COMPONENT UNIT*

Whetstone Industries - Whetstone Industries (the Industries) is a legally separate, not-for-profit corporation, served by a self-appointing Board of Trustees. The Industries, under a contractual agreement with the MRDD Board, provides sheltered, transitional, and outside employment for mentally retarded or handicapped adults in Morrow County. The MRDD Board provides the Industries with available resources and staff for operation of the Industries. Based on the significant resources and services provided by the county to the Industries and the Industries sole purpose of providing assistance to retarded and handicapped adults of the County, the Industries is reflected as a discretely presented component unit of the County.

#### *EXCLUDED POTENTIAL COMPONENT UNITS*

As counties are structured in Ohio, the County Auditor and County Treasurer, respectively, serve as fiscal officer and custodian of funds for various agencies, boards, and commissions. As fiscal officer, the County Auditor certifies the availability of cash and appropriations prior to the processing of payments and purchases. As the custodian of all public funds, the County Treasurer invests public monies held on deposit in the County Treasury.

In the case of the separate agencies, boards, and commissions listed below the County serves as fiscal agent and custodian, but is not accountable; therefore the operations of the following PCUs have been excluded from the County's GPFS, but the funds held on behalf of these PCUs in the County Treasury are included in the agency funds within the GPFS.

## MORROW COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

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

*Morrow County Soil and Water Conservation District*  
*Morrow County Disaster Services*  
*Morrow County Law Library*  
*Morrow County General Health District*

Information in the notes to the GPFS is applicable to the primary government. When information is provided relative to the component unit, it is specifically identified.

#### **JOINTLY GOVERNED ORGANIZATION**

County Risk Sharing Authority, Inc. (CORSA) - CORSA is jointly governed by forty-one 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.



## MORROW COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

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

##### *JOINT VENTURE WITHOUT EQUITY INTEREST*

Delaware-Morrow Mental Health and Recovery Services Board - The Delaware-Morrow Mental Health and Recovery Services Board is a joint venture between Delaware and Morrow Counties. The Board provides mental health and recovery services. Statutorily created, the Board is made up of eighteen members, with ten appointed by the County Commissioners, four by the State Director of Alcohol and Drug Addiction Services, and four by the State Director of Mental Health. The County Commissioners' appointments are based on county population. Four of the ten members are appointed by the County Commissioners from Morrow County while six are appointed by the County Commissioners of Delaware County. Revenues to provide mental health and recovery services are generated through a one mill district wide tax levy and through state and federal grants.

The Board does not have any outstanding debt. The Board is not accumulating significant financial resources nor experiencing fiscal stress that may cause an additional benefit or burden to the County. The existence of the Board depends upon the continuing participation of the County. Separate financial statements may be obtained by contracting the Delaware-Morrow Health and Recovery Services Board, 40 North Sandusky Street, Suite 301, Delaware, Ohio 43015.

#### **B. Basis of Presentation - Fund Accounting**

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

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

## MORROW COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

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

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

#### GOVERNMENTAL FUNDS

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

*General Fund* - The general fund is used to account for all activities of the County not required to be included in another fund. The general fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Special Revenue Funds* - The special revenue funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

*Debt Service Funds* - The debt service funds are used to account for the accumulation of financial resources for, and the payment of, general obligation long-term debt principal, interest and related costs.

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

## MORROW COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

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

##### PROPRIETARY FUNDS

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

Enterprise Funds - The enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of the County is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

##### FIDUCIARY FUNDS

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

Trust and Agency Funds - These funds include expendable trust funds and agency funds. The expendable trust funds are accounted for in essentially the same manner as governmental funds. The agency funds are purely custodial in nature (assets equal liabilities) and thus do not involve the measurement of operations. The agency funds are presented on a budget basis, with note disclosure, if applicable, regarding items which, in other fund types, would be subject to accrual (See Note 3).

##### ACCOUNT GROUPS

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

General Fixed Assets Account Group - The general fixed assets account group is used to account for all general fixed assets of the County, other than those fixed assets accounted for in the proprietary funds.

General Long-Term Obligations Account Group - The general long-term obligations account group is used to account for all long-term obligations of the County, except those accounted for in the proprietary funds.

## MORROW COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

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

##### COMPONENT UNITS

*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 Whetstone Industries, Inc. to be a separate discretely presented component unit of the County.

##### C. Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The modified accrual basis of accounting is followed for governmental and expendable trust funds. Revenues are recognized in the period when measurable and available to meet obligations incurred during the year. The County defines measurable as meaning collectible within 60 days of year end. Revenues which are accrued include earnings on investments; fines and forfeitures; sales and use taxes; federal and state grants and entitlements; and charges for current services.

Deferred revenues, as reported on the combined balance sheet, arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Special assessments are recorded as deferred revenue because they do not meet the availability criteria. Property taxes that are measurable as of December 31, 1999, but are intended to finance 2000 operations and delinquent property taxes, whose availability is interminable, have been recorded as deferred revenue. Special assessments are also recorded as deferred revenue because they do not meet the availability criteria.

## MORROW COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

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

Expenditures are recognized when the related liability is expected to be liquidated with expendable available financial resources with the following exceptions: general long term obligation principal and interest is reported only when paid, and the costs of accumulated unpaid vacation and sick leave are reported in the period due and payable rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The proprietary funds are accounted for on the accrual basis of accounting. The component unit is also accounted for using the accrual basis of accounting in accordance with Statement of Accounting Standards Nos. 116 and 117. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Unbilled service charges receivable are recognized as revenue at year end.

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

All proprietary funds and the component unit are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

#### **D. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations 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, legally are required to be budgeted and appropriated.

## MORROW COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

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

Budgetary information for the Industries and the Hospital are not reported because it is not included in the entity for which the "appropriated budget" is adopted.

##### Tax Budget

A budget of estimated revenues and expenditures 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. The budget includes proposed expenditures and the means of financing for all funds. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

##### Estimated Resources

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the County must revise its budget so the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include the actual unencumbered fund balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the County Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 1999.

##### Appropriations

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

## MORROW COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

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

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

#### Budgeted Level of Expenditures

Administrative control is maintained through the establishment of detailed line-item budgets. The legal level of budgetary control is at the object level within each department. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation. Appropriations are made to fund, department, and object level (i.e., general fund - Commissioners - salaries, supplies, equipment, contract repairs and services, travel, and other expenses). Advances-in and advances-out are not required to be budgeted since they represent a short-term cash flow resource and are intended to be repaid.

#### Encumbrances

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

#### Lapsing of Appropriations

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

## MORROW COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

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

##### E. Notes Receivable

Notes receivable represent the right to receive repayment for certain loans made by the County. These loans are based upon written agreements between the County and the various loan recipients.

##### F. Cash and Investments

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, 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 Investments" on the combined balance sheet.

During fiscal year 1999, investments were limited to certificates of deposit, U.S. Government Securities, U.S. Treasury Notes and Bonds and investments in the State Treasurer's Investment Pool (STAR Ohio).

Investments in nonparticipating interest-earning investment contracts, such as certificates of deposit, are reported at cost. All other investments are reported at fair market value.

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 fiscal 1999 amounted to \$758,714 which includes \$660,344 assigned from other County funds.

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

For purpose of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.



## MORROW COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

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

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

#### **G. Inventories of Materials and Supplies**

Inventories of materials and supplies of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when used. The total of inventories at year end is reported as a reservation of fund balance in the governmental funds because it does not represent available, spendable resources.

#### **H. Property, Plant, Equipment, and Depreciation**

The fixed asset values were initially determined at December 31, 1996, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at their fair market value on the date donated.

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

##### *1. General Fixed Assets Account Group*

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and disposals during the year in the general fixed assets account group. Contributed fixed assets are recorded at their fair market values as of the date donated. The County follows a policy of not capitalizing infrastructure, which is defined as assets that are immovable and of value only to the County, (i.e. roads, bridges, etc.), ornamental artifacts, or any asset with a cost of less than \$500. No depreciation is recognized for assets in the account group. Interest on debt issued to construct general fixed assets is not capitalized in the account group.

MORROW COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999

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

2. *Enterprise Funds*

Property, plant, and equipment reflected in the enterprise funds are stated at cost (or estimated historical) and updated for the cost of additions and disposals during the year. Contributed fixed assets are recorded at their fair market value as of the date donated. Depreciation and amortization have been provided on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Life</u>
Land Improvements	5-25 years
Equipment	10-50 years
Sewer Lines	50 years

The County also capitalizes the cost of major renovations which extend the useful life of an asset or which enable it to perform new or more valuable services. Interest on tax exempt debt issued to construct enterprise fund fixed assets is capitalized, net of interest earned on the proceeds of such debt.

I. **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 is 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 the balance sheet date 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 County records a liability for accumulated unused vested sick leave after fifteen years of service with the County or over fifty-five years of age.

## MORROW COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of vacation and sick leave accumulated by governmental fund type employees has been recorded in the general long-term obligations account group because it will not be liquidated with expendable, available resources. General long-term obligations are not limited to liabilities arising from debt issuances, but may also include non-current liabilities and other commitments that are not current liabilities properly recorded in governmental funds. Vacation and sick leave for governmental fund type employees is recognized as an expenditure when used. Vacation and sick leave in the proprietary fund types is recorded as an expense when earned, and the liability for unused amounts is shown as a fund liability.

#### **J. Intergovernmental Revenues**

Unrestricted intergovernmental revenues received on the basis of entitlement are recorded as receivables and revenues when the entitlement occurs. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for proprietary fund operations are recognized as revenue when measurable and earned.

#### **K. Long-Term Obligations**

Long-term obligations for general obligation bonds, Engineers Vehicle loans, Ohio Water Development Authority (OWDA) loans, vested sick and vacation leave and capital lease obligations that are expected to be paid from the governmental funds are shown in the general long-term obligations account group, while those expected to be paid from proprietary funds are shown as a liability of those funds.

## MORROW COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

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

Under Ohio law, a debt retirement fund must be created and used for the payment of all debt principal and interest. GAAP requires the allocation of the debt liability among the capital projects and enterprise funds, and the general long-term obligations account group, with principal and interest payments on matured general obligation long-term debt being reported in the debt service fund. To comply with GAAP reporting requirements, the County's debt retirement fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

#### **L. Interfund Transactions**

During the course of normal operations, the County has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/ expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund balances, related to charges for goods and services rendered, are reflected as "due to/from other funds".
4. Short-term interfund loans, accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable/payable." The County had no interfund loans receivable or payable at December 31, 1999.
5. Long-term interfund loans that will be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The County had no long-term advances at December 31, 1999.

**MORROW COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999**

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

See Note 5 for an analysis of the County's interfund transactions.

**M. Fund Balance Reserves**

Reserved fund balances indicate that portion of fund equity which 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 material and supply inventories, prepayments, encumbrances outstanding, debt service, and notes receivable as reservations of fund balance in the governmental funds.

**N. Prepayments**

Prepayments for governmental funds represent cash disbursements that are not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**O. Net Patient Service Revenue**

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

**MORROW COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999**

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

**P. Estimates**

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

**Q. Contributed Capital**

Contributed capital represents grants restricted for capital construction. These assets are recorded at their fair market value on the date contributed and are not subject to repayment. Depreciation on those proprietary fund type assets acquired or constructed with contributed resources is expensed and closed to contributed capital at year-end.

**R. Total Columns on General Purpose Financial Statements**

Total columns on the GPFS are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**MORROW COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Prior Period Adjustment to Budgetary-Basis Statement**

The following differences in the budgetary statement beginning balances occurred due to the County's treatment of encumbrances. The effect of this adjustment on fund balances as previously reported is as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Fund balances as previously reported	\$1,552,445	\$5,072,513	\$499,184	\$4,572,607
Restatement for encumbrances	<u>(1,399,479)</u>	<u>33,259</u>	<u>(20,185)</u>	<u>411</u>
Fund balances as of January 1, 1999	<u>\$ 152,966</u>	<u>\$5,105,772</u>	<u>\$478,999</u>	<u>\$4,573,018</u>

**B. Prior Period Adjustment**

The County understated the liability for Engineer Vehicles loans payable at December 31, 1998. The effect of this adjustment on the balance of the general long-term obligations group as previously reported as of December 31, 1998 is as follows:

	<u>General Long-Term Obligations Account Group</u>
Account balance as previously reported	\$2,603,409
Restatement for understated loans payable liability	<u>168,405</u>
Restated account balance as of January 1, 1999	<u>\$2,771,814</u>

MORROW COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Agency Funds

The following are accruals for agency fund types, which, in other fund types, would be recognized in the combined balance sheet:

LIABILITIES

Accrued wages and benefits	\$ 2,850
Due to other governments	<u>159,102</u>
Total	<u>\$161,952</u>

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

A. Primary Government

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

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

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

15. 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;



## MORROW COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

#### NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. *The State Treasurer's Investment Pool (STAR Ohio);*
8. Securities lending agreements in which the County lends securities and the eligible *institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;*
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

## MORROW COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

#### NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

*Cash on Hand:* At year end, the County had \$22,216 in undeposited cash on hand which is included on the combined balance sheet of the County as part of "Equity in Pooled Cash and Investments."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

*Deposits:* At year end, the carrying amount of the County's deposits, including nonnegotiable certificates of deposit, was \$11,719,328 and the bank balance was \$12,445,317. Of the bank balance:

1. \$1,354,023 was covered by federal depository insurance; and
2. \$11,091,294 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

MORROW COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

*Investments:* The County's investments are required to be categorized to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the County's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>1</u>	Category <u>2</u>	<u>3</u>	Fair Value
U.S. Government Securities	\$1,238,281	\$ ---	\$ ---	\$1,238,281
U.S. Treasury Notes and Bonds	<u>75,000</u>	<u>---</u>	<u>---</u>	75,000
	<u>\$1,313,281</u>	<u>\$ ---</u>	<u>\$ ---</u>	
Investment in State				
- Treasurer's Investment Pool				<u>3,991,941</u>
Total Investments				<u>\$5,305,222</u>

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 1999.

**MORROW COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999**

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 4,903,243	\$12,099,091
Cash on Hand	22,216	---
Investments of the Cash Management Pool:		
Certificates of Deposit	10,785,810	(10,785,810)
State Treasurer's Investment Pool	<u>(3,991,941)</u>	<u>3,991,941</u>
 GASB Statement No. 3	 <u>\$11,719,328</u>	 <u>\$5,305,222</u>

**B. Component Unit**

At December 31, 1999, the carrying amount of the component unit's demand deposits, including a nonnegotiable certificate of deposit, was \$37,877 and the bank balance was \$42,351. The entire bank balance was covered by FDIC. In accordance with GASB Statement No. 9, the certificate of deposit is reported as an "Investment in Segregated Accounts" on the combined balance sheet since the maturity is greater than ninety days from the date of purchase. In addition, the component unit has \$2,300 of undeposited cash on hand which is included in "Cash in Segregated Accounts". There are no statutory guidelines regarding the deposit and investment of funds by a not-for-profit corporation.

MORROW COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a summarized breakdown of the County's operating transfers for 1999:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ ---	\$(237,699)
<u>Special Revenue Funds</u>		
Motor Vehicle and Gas Tax		(139,621)
<u>Debt Service Funds</u>		
Motor Vehicle Bond Retirement	139,621	---
Jail Bond Retirement	<u>237,699</u>	<u>---</u>
Total	<u>\$377,320</u>	<u>\$(377,320)</u>

B. Interfund balances, related to charges for goods and services rendered, at December 31, 1999, consist of the following amounts due to and due from other funds:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$27,345	\$ 3,006
<u>Special Revenue Funds</u>		
Law Enforcement	---	8,000
Marriage Licenses	849	---
Indigent Guardianship	600	---
Court Computerization	3,818	---
DRETAC	---	4,000
OMVI	571	---
<u>Debt Service Funds</u>		
MRDD Health Bond Retirement	105,541	---

**MORROW COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<u>Capital Projects Funds</u>		
County Court Special Projects	\$ 7,533	---
Children and Family Center	---	\$105,541
 <u>Agency Funds</u>		
County Highway	2,566	---
County Court Agency	---	<u>28,276</u>
Total	<u>\$148,823</u>	<u>\$148,823</u>

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 50% of cost). Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 1999 taxes were collected was \$319,900,850. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 1999, was \$17.10 per \$1,000 of assessed valuation.

MORROW COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values of real and tangible personal property upon which 1999 property tax receipts were based are as follows:

<u>Real Property</u>	
Agricultural/Residential	\$236,225,180
Commercial/Industrial/Mineral	23,258,780
Tangible Personal Property	24,856,660
Public Utility	<u>35,560,230</u>
Total Assessed Value	<u>\$319,900,850</u>

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 and the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

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

Tangible personal property taxes for unincorporated and single county businesses are due semi-annually, with the first payment due April 30 and the remainder payable by September 20. Due dates are normally extended an additional 30 days. The due date for the entire tax for inter-county businesses is September 20 or the extended date. The first \$10,000 of taxable value is exempt from taxation for each business by state law. The lien date is either December 31 or the end of their fiscal year (for incorporated businesses in operation more than one year). Since each business must file a return to the County Auditor, the tangible personal taxes are not known until all the returns are received.

"Real and Other Taxes" receivable represents delinquent real and tangible personal property and public utility taxes outstanding as of the last settlement (net of allowances for estimated uncollectibles) and real and public utility taxes which were measurable as of the year end.

## MORROW COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

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

Since the current levy is not intended to finance 1999 operations, the receivable is offset by a credit to "Deferred Revenue". The delinquent real, public utility and tangible personal property taxes that will become available to the County within the first 60 days of 2000 are shown as 1999 revenue; the remainder is shown as "Deferred Revenue".

The eventual collection of significantly all real and public utility property taxes (both current and delinquent) is reasonably assured due to the County's ability to force foreclosure of the properties on which the taxes are levied.

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

The County Commissioners, by resolution, imposed a 1.5 percent tax on all retail sales made in the County, except sales of motor vehicles and on the storage, use, or consumption of tangible personal property in the County, including motor vehicles not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited entirely to the general fund. Amounts that are measurable and available at year end are accrued as revenue. Sales and use tax for 1999 amounted to \$2,333,726.

#### NOTE 8 - RECEIVABLES

Receivables at December 31, 1999, consisted of taxes, interest, notes, accounts (billings for user charged services), special assessments, interfund transactions related to charges for goods and services rendered and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the combined balance sheet and all interfund transactions related to charges for goods and services rendered have been classified as "Due From Other Funds" on the combined balance sheet. Receivables have been recorded to the extent that they are both measurable and available at December 31, 1999, as well as intended to finance fiscal 1999 operations.



## MORROW COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

#### NOTE 8 - RECEIVABLES - (Continued)

A summary of the principal items of receivables follows:

<u>Fund/Description</u>	<u>Amount</u>
<u>General Fund</u>	
Sales taxes	\$ 305,790
Real and other taxes	1,290,416
Accounts	276,024
Accrued interest	149,287
Due from other funds	27,345
Intergovernmental	105,587
<u>Special Revenue Funds</u>	
Real and other taxes	2,502,107
Accounts	18,780
Accrued interest	900
Due from other funds	5,838
Intergovernmental	615,080
Notes	149,229
<u>Debt Service Funds</u>	
Special assessments	72,578
Due from other funds	105,541
<u>Capital Projects Funds</u>	
Accounts	350
Accrued interest	17,987
Due from other funds	7,533
<u>Enterprise Funds</u>	
Accounts	3,967,607
Accrued interest	571
Notes	95,833
<u>Agency Funds</u>	
Special assessments	72,578
Real and other taxes	15,395,958
Accounts	707
Due from other funds	2,566

**MORROW COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999**

**NOTE 9 - NOTES RECEIVABLE**

A summary of the changes in notes receivable reported in the special revenue funds during 1999 follows:

	<u>Balance at</u> <u>12/31/98</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance at</u> <u>12/31/99</u>
<u>Special Revenue Funds</u>				
Community Development Block Grant Commercial Loans	\$ 79,559	\$ ---	\$ (6,148)	\$ 73,411
Water/Sewer Revolving Loans	48,153	2,412	(5,527)	45,038
Rural Hardship Revolving Loans	<u>0</u>	<u>31,668</u>	<u>(888)</u>	<u>30,780</u>
	<u>\$127,712</u>	<u>\$34,080</u>	<u>\$(12,563)</u>	<u>\$149,229</u>

**NOTE 10 - RESTRICTED ASSETS**

Assets whose use is limited consists of invested funds securing bank debt and invested funds designated by the Hospital's Board of Trustees for the replacement, improvement, and expansion of the Hospital's facilities. Investments consist principally of U.S. Government Securities and are recorded at cost which approximates market. The composition of assets whose use is limited at December 31, 1999, is set forth in the following table:

Board Restricted for capital improvements:	
Cash and cash equivalents	\$ 97,550
Accrued interest receivable	12,381
Investments	<u>501,250</u>
	<u>\$611,181</u>

**MORROW COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999**

**NOTE 11 - FIXED ASSETS**

**A. Enterprise Fund Fixed Assets**

A summary of the enterprise fund fixed assets at December 31, 1999 is as follows:

Land and improvements	\$ 469,409
Buildings	3,748,964
Equipment	9,660,446
Construction in progress	413,851
Sewer lines	<u>256,370</u>
Total gross assets	14,549,040
Less: accumulated depreciation	<u>(8,152,209)</u>
 Total net assets	 <u>\$ 6,396,831</u>

**B. General Fixed Assets**

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	<u>Balance at</u> <u>12/31/98</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at</u> <u>12/31/99</u>
Land	\$ 510,544	\$ ---	\$ ---	\$ 510,544
Land improvements	145,697	---	---	145,697
Buildings	2,007,283	2,075,722	---	4,083,005
Building improvements	973,497	---	---	973,497
Furniture, fixtures and equipment	2,231,586	493,476	(25,350)	2,699,712
Vehicles	3,052,427	253,692	(4,625)	3,301,494
Construction in progress	<u>339,964</u>	<u>1,735,758</u>	<u>(2,075,722)</u>	<u>0</u>
 Total	 <u>\$9,260,998</u>	 <u>\$4,558,648</u>	 <u>\$(2,105,697)</u>	 <u>\$11,713,949</u>

MORROW COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 12 - CAPITALIZED LEASES - LESSEE DISCLOSURE

- A. During 1999, the County entered into a capital lease for the acquisition of an asphalt roller. This lease meets 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.

This equipment has been capitalized in the general fixed assets account group in the amount of \$73,524. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. There were no principal payments in fiscal year 1999.

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, 1999:

<u>Fiscal Year Ending December 31,</u>	<u>Amount</u>
2000	\$17,464
2001	17,464
2002	17,464
2003	17,464
2004	<u>17,463</u>
Total	87,319
Less: amount representing interest	<u>(13,795)</u>
Present value of net minimum lease payments	<u>\$73,524</u>

- B. During 1999, the Hospital entered into capital leases for a computer hardware and software system. The obligations under these capital leases have been recorded at the present value of future minimum lease payments, discounted at appropriate interest rates. The capitalized costs of \$684,780 less accumulated depreciation of \$69,041 are included in property and equipment, in the accompanying combined financial statements. The liability for the obligation under capital lease at December 31, 1999 was \$557,715.

MORROW COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 13 - OPERATING LEASES - LESSEE DISCLOSURE

Whetstone Industries has entered into an operating lease agreement for store space located in Mt. Gilead, Ohio for its basket weaving activities. The terms of the lease require the Industries to make monthly payments of \$500 until July 31, 2001, the termination date of the lease. The Industries has the option to renew the lease for an additional two years. The Industries also leases facilities located in Edison, Ohio for its recycling activities. The terms of the lease require the Industries to make monthly payments of \$750 until October 31, 2000, the termination date of the lease. Lease expense for 1999 amounted to \$15,000. Future minimum lease payments are as follows:

<u>Fiscal Year Ending December 31,</u>	<u>Amount</u>
2000	\$13,500
2001	<u>3,500</u>
Total	<u>\$17,000</u>

NOTE 14 - COMPENSATED ABSENCES LIABILITY

Vacation and sick leave accumulated by governmental fund type employees has been recorded in the general long-term obligations account group. Vacation and sick leave earned by proprietary funds type employees is expensed when earned.

County employees earn vacation at varying rates ranging from two to five weeks per year. Vacation is to be taken within one year of the employee's anniversary date. In certain cases, vacation can accumulate up to three times the annual vacation rate for an employee. All accumulated, unused vacation time is paid upon separation from the County. Sick leave is accumulated at the rate of .0575/hour for every hour worked. Upon retirement, employees with ten years of service are entitled to 25 percent of their accumulated sick leave up to a maximum of 30 days. At December 31, 1999 vested benefits for vacation leave for governmental fund type employees totaled \$295,183 and vested benefits for sick leave totaled \$39,563. In accordance with GASB Statement No. 16, an additional liability of \$61,021 was accrued to record termination (severance) payments expected to become eligible to retire in the future for the governmental fund type employees.

MORROW COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 15 - LONG-TERM OBLIGATIONS

A. General Long-Term Obligations

The changes in the County's long-term obligations during 1999 consisted of the following:

	Maturity Date	Interest Rates	Restated Balance at 12/31/98	Additions	Reductions	Balance at 12/31/99
<b>General Obligation Bonds:</b>						
Jail Bond Retirement	2013	4.875%	\$1,248,000	\$ ---	\$(178,000)	\$1,070,000
MRDD Building Bonds	2011	6-2 - 7.95%	<u>375,000</u>	<u>---</u>	<u>(20,000)</u>	<u>355,000</u>
<b>Total General Obligation Bonds</b>			<u>\$1,623,000</u>	<u>\$ ---</u>	<u>\$(198,000)</u>	<u>\$1,425,000</u>
<b>Loans Payable:</b>						
Engineers Vehicles #2	---	5.65%	\$ 22,445	\$ ---	\$ (22,445)	\$ 0
Engineers Vehicles #3	2001	6.00%	79,335	---	(26,444)	52,891
Engineers Vehicles #4	2002	5.75%	85,800	---	(21,450)	64,350
Engineers Vehicles #5	2003	5.513%	168,405	---	(33,681)	134,724
Engineers Vehicles #6	2003	5.44%	93,903	---	(18,781)	75,122
Engineers Vehicles #7	2004	4.90%	<u>0</u>	<u>211,078</u>	<u>---</u>	<u>211,078</u>
<b>Total Loans Payable</b>			<u>\$ 449,888</u>	<u>\$211,078</u>	<u>\$(122,801)</u>	<u>\$ 538,165</u>
OWDA Loans Payable	2013	7.50%	<u>\$ 111,923</u>	<u>\$ ---</u>	<u>\$ (5,719)</u>	<u>\$ 106,204</u>
<b>Other Long-Term Obligations:</b>						
Compensated Absences Payable			\$ 352,042	\$ 43,725	\$ ---	\$ 395,767
Capital Lease Payable			0	73,524	---	73,524
Due to Other Governments			<u>234,961</u>	<u>---</u>	<u>(234,961)</u>	<u>0</u>
<b>Total Other Long-Term Obligations</b>			<u>\$ 587,003</u>	<u>\$117,249</u>	<u>\$(234,961)</u>	<u>\$ 469,291</u>
<b>Total General Long-Term Obligations</b>			<u>\$2,771,814</u>	<u>\$328,327</u>	<u>\$(561,481)</u>	<u>\$2,538,660</u>

*General Obligation Bonds:* The general obligation bonds are supported by the full faith and credit of the County. The bonds were issued to provide resources for building renovations and improvements including energy conservation measures. These bonds are being retired through rental charges and other County operating sources.

MORROW COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 15 - LONG-TERM OBLIGATIONS - (Continued)

*Loans Payable:* Loans payable consist of money owed to the Ohio Water Development Authority for construction a sanitary sewer from the City of Galion to the Ketterman Subdivision and bank loans for vehicles used by the County's Engineer's Office. These loans are retired through the debt service with transfers from the motor vehicle gas tax special revenue fund. OWDA loans will be paid from the Ketterman debt service fund. The loans for the engineers vehicles will be paid from the motor vehicle bond retirement debt service fund.

*Compensated Absences:* Sick leave and vacation benefits are presented net of actual increases and decreases because of the practicality of determining these values. The benefits will be paid from the fund from which the person is paid.

*Future Debt Service Requirements:* The following is a summary of the County's future annual debt service principal and interest requirements for general long-term obligations:

Year Ended	General Obligation Bonds			Engineers Vehicle Loans		
	Principal	Interest	Total	Principal	Interest	Total
2000	\$ 84,000	\$ 72,153	\$ 156,153	\$142,573	\$24,852	\$167,425
2001	87,000	68,083	155,083	142,573	16,985	159,558
2002	96,000	63,483	159,483	116,127	10,408	126,535
2003	99,000	58,639	157,639	94,677	4,516	99,193
2004	102,000	53,621	155,621	42,215	517	42,732
2005 - 2009	609,000	178,076	787,076	---	---	---
2010 - 2013	<u>348,000</u>	<u>22,715</u>	<u>370,715</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total	<u>\$1,425,000</u>	<u>\$516,770</u>	<u>\$1,941,770</u>	<u>\$538,165</u>	<u>\$57,278</u>	<u>\$595,443</u>

Year Ended	OWDA Loan		
	Principal	Interest	Total
2000	\$ 6,148	\$ 7,965	\$ 14,113
2001	6,609	7,504	14,113
2002	7,104	7,009	14,113
2003	7,637	6,476	14,113
2004	8,210	5,903	14,113
2005 - 2009	51,263	19,302	70,565
2010 - 2013	<u>19,233</u>	<u>1,935</u>	<u>21,168</u>
Total	<u>\$106,204</u>	<u>\$56,094</u>	<u>\$162,298</u>

MORROW COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 15 - LONG TERM OBLIGATIONS - (Continued)

B. 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 one percent 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 three percent 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 net in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. Based on this calculation, the County's legal debt margin was \$5,443,710 as of December 31, 1999.

C. Enterprise Fund Obligations

The County had the following capital lease obligations, revenue notes and installment loans payable outstanding at year end related to enterprise fund operations:

	<u>Interest Rate</u>	<u>Balance at 12/31/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/99</u>
Capital Lease Obligations		\$ 14,472	\$557,715	\$ (14,472)	\$ 557,715
Deed Restriction on Land		12,000	---	---	12,000
Hospital Improvement Revenue Notes	5.97	465,499	---	(465,499)	0
Hospital Facilities Revenue Notes	5.90	---	432,000	---	432,000
Installment Loans Payable	4.45 - 5.00	<u>53,104</u>	<u>---</u>	<u>(53,104)</u>	<u>0</u>
Total Enterprise Fund Obligations		<u>\$545,075</u>	<u>\$989,715</u>	<u>\$(533,075)</u>	<u>\$1,001,715</u>

Capital Leases Payable: Capital lease obligation represents the leases entered into during fiscal year 1999 for a computer and hardware system for the Hospital. The lease for Laboratory Equipment for the hospital, which expired in fiscal year 1999, was repaid from Hospital operating revenue.

Deed Restriction on Land: The Hospital has a deed restriction of \$12,000 for a donation of land. Payment is based on fulfillment of physician contract and disposal of land by the Hospital Foundation. Land is restricted for use of medical buildings and is unsecured.



MORROW COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 15 - LONG TERM OBLIGATIONS - (Continued)

Hospital Improvement Revenue Note: The Hospital Improvement Revenue Notes were issued for a five year period and matured on December 1, 1999. The notes were retired from Hospital operating revenue.

Hospital Facilities Refunding Revenue Note: The Hospital Facilities Refunding Revenue Notes were issued for a five year period and will mature December 1, 2005. The notes will be retired from Hospital operating revenue.

Installment Loans Payable: The installment loans were used to acquire equipment for the Hospital. The loans were secured by the related equipment. The loans were paid off during fiscal year 1999 with Hospital operating revenues.

The following is a summary of the future debt requirements of the hospital:

<u>Fiscal Year Ending December 31,</u>	<u>Amount</u>
2000	\$ 76,540
2001	81,180
2002	86,101
2003	91,321
2004	96,858
Thereafter	<u>12,000</u>
Total	<u>\$444,000</u>

- D. During the year, the Hospital entered into a line of credit agreement with First-Knox Bank with a maximum line of \$433,000 at an interest rate of prime, or 8.50% at December 31, 1999 (\$250,000 outstanding). The line of credit matures on August 16, 2000. The agreement requires that the principal plus all accrued interest be paid on the maturity date.

MORROW COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 15 - LONG TERM OBLIGATIONS - (Continued)

E. The Industries had the following notes payable to First-Knox National Bank outstanding at December 31, 1999:

<u>Balance at 12/31/99</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Monthly Payment</u>
\$3,465	8.75%	8/20/01	\$190
915	8.75%	6/30/00	157
<u>3,300</u>	Prime	4/26/02	127
<u>\$7,680</u>			

The following is a summary of the Industries future debt requirements:

<u>Fiscal Year Ending December 31,</u>	<u>Amount</u>
2000	\$4,264
2001	2,886
2002	<u>530</u>
Total	<u>\$7,680</u>

NOTE 16 - BOND ANTICIPATION NOTE PAYABLE

The County had the following bond anticipation note outstanding at December 31, 1999 in the capital projects funds. Bond anticipation notes are reported as a liability in the fund that received the proceeds.

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance Outstanding 12/31/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 12/31/99</u>
Social Services Building - 4.150%	9/27/99	9/27/00	<u>\$3,600,000</u>	<u>\$3,740,000</u>	<u>\$(3,600,000)</u>	<u>\$3,740,000</u>

MORROW COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 17 - NET PATIENT SERVICE REVENUE AND CHARITY CARE

The Hospital provides services to certain patients covered by various third party payor arrangements that provide for payments to the Hospital at amounts different than its established rates. Gross patient service revenues and the allowances to reconcile to net patient services revenue for the year ended December 31, 1999 are as follows:

	<u>1999</u>
Gross patient service revenue	\$17,939,452
Less contractual allowances:	
Medicare	3,554,004
Medicaid and other	<u>1,385,532</u>
Total contractual allowances	<u>4,939,536</u>
Net patient service revenue	<u>\$12,999,916</u>

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under the charity care policy. Charity care, based on estimated rates, totaled approximately \$104,795 and \$121,896 during years ended December 31, 1999 and 1998, respectively.

NOTE 18 - MEDICARE AND MEDICAID THIRD PARTY SETTLEMENTS

Reimbursement for Medicare and Medicaid patients is subject to audit and final settlement by the respective intermediaries. At December 31, 1999, final settlements have been reached with Medicare through 1996 and with Medicaid through 1995. The liability amount of \$122,376 reported on the combined balance sheet represents the estimated settlements outstanding at December 31, 1999, which Hospital management believes will approximate final settlements after audit by the respective agencies.

NOTE 19 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintains two enterprise funds, the Ketterman Sewer fund and Morrow County Hospital fund which are intended to be self-supporting through user fees charged for services. In addition, the County reports the activity of Whetstone Industries as a discretely presented component unit. Financial information for the year ended December 31, 1999, is as follows:

**MORROW COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999**

**NOTE 19 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS - (Continued)**

	<u>Ketterman Sewer</u>	<u>Morrow County Hospital</u>	<u>Total Primary Government</u>	<u>Component Unit</u>	<u>Total Reporting Entity</u>
Operating revenue	\$35,381	\$13,978,495	\$14,013,876	\$1,061,828	\$15,075,704
Operating expenses before depreciation	34,126	13,855,807	13,889,933	1,029,340	14,919,273
Depreciation expense	5,127	734,540	739,667	1,384	741,051
Operating income (loss)	(3,872)	(611,852)	(615,724)	31,104	(584,620)
Net income (loss)	(1,131)	(230,260)	(231,391)	31,104	(200,287)
Property, plant and equipment (net of accumulated depreciation)	246,116	6,150,715	6,396,831	4,628	6,401,459
Net working capital	88,515	3,426,931	3,515,446	33,791	3,549,237
Total assets	334,539	11,841,486	12,176,117	93,255	12,269,372
Total liabilities	---	2,821,555	2,821,555	54,836	2,876,391
Retained earnings	120,543	9,019,931	9,140,474	38,419	9,178,893
Contributed capital	214,088	---	214,088	---	214,088
Total equity	334,631	9,019,931	9,354,562	38,419	9,392,981

**NOTE 20 - RISK MANAGEMENT**

**A. Property and Liability Insurance**

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

During 1999, the County contracted with the County Risk Sharing Authority, Inc. (CORSA) for liability, property, automotive, and crime insurance. The CORSA program has a \$2,500 deductible. Coverage provided by CORSA are as follows:

**MORROW COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999

**NOTE 20 - RISK MANAGEMENT - (Continued)**

	<u>Amount</u>
General Liability (per occurrence)	\$3,000,000
Law Enforcement Liability (per occurrence)	3,000,000
Automobile Liability and Physical Damage Liability (per occurrence)	3,000,000
Medical Payments	
Per Person	5,000
Per Occurrence	50,000
Uninsured Motorist (per person)	250,000
Physical Damage	
	Actual Cost
Flood and Earthquake (pool limit)	100,000,000
Other Property Insurance:	
Extra Expense	1,000,000
EDP Media	Replacement Cost
Contractors' Equipment	Actual Cash Value
Valuable Papers and Records	1,000,000
Inland Marine	Actual Cash Value
Automatic Acquisition	3,000,000
Motor Truck Cargo	100,000
Crime Insurance:	
Faithful Performance	1,000,000
Money and Securities (inside and outside)	1,000,000
Depositor's Forgery	1,000,000
Money Orders and Counterfeit Paper Currency	1,000,000
Boiler and Machinery	100,000,000
Public Officials (per occurrence)	1,000,000
Umbrella (per occurrence)	5,000,000

There has been no significant reduction in insurance coverage from 1996, and settled claims have not exceeded this coverage in the past three years. The County pays all elected officials' bonds by statute.

## MORROW COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

#### NOTE 20 - RISK MANAGEMENT - (Continued)

##### **B. Malpractice and General Patient Liability Insurance**

The Hospital is at all time subject to pending and threatened legal actions which arise in the normal course of its activities. The Hospital purchases, through a commercial carrier, professional liability insurance on an occurrence basis without co-insurance. This insurance is subject to deductibles and covers claims up to specified policy limits per medical incident and in the aggregate.

##### **C. Hospital Self-Insurance Program**

Effective June 1, 1990, the Hospital began participating in a self-funded health and dental insurance plan. In addition, the Hospital purchases stop-loss insurance that provides coverage of claims in excess of certain amounts on individual claims. The self-funded plan is administered by a third party administrator which determines the current funding requirement of participants under the terms of the plan and the liability for claims and assessments that would be payable at any given point in time. In connection therewith, the Hospital charged to operations a provision of \$305,449 for 1999 and \$391,324 for 1998 which represents the sum of actual claims paid and estimates for incurred but unreported claims, resulting from incidents that occurred during the year. As of December 31, 1999 and 1998, the Hospital had estimated its outstanding loss claims at \$44,500 for each year, which is reported as a current liability at year end. Subsequent adjustment of insurance plan liabilities based on claims experience is treated as an adjustment to expense.

#### NOTE 21 - DEFINED BENEFIT PENSION PLANS

##### **A. Public Employees Retirement System**

All Morrow County full-time employees, other than teachers, participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple-employer public employee retirement system created by the State of Ohio. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

## MORROW COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

#### NOTE 21 - DEFINED BENEFIT PENSION PLANS - (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 1999 was 8.5 percent for employees other than law enforcement. Law enforcement employees contribute 9.0 percent of covered salary. The employer contribution rate was 13.55 percent of covered payroll; 9.35 percent was the portion used to fund pension obligations for 1999. The law enforcement employer rate was 16.7 percent of covered payroll and 12.5 percent was the portion used to fund pension obligations for 1999. The County's contributions for pension obligations to PERS for the years ended December 31, 1999, 1998, and 1997 were \$736,032, \$676,025, and \$544,278 respectively; 68.2 percent has been contributed for 1999 and 100 percent for 1998 and 1997. \$233,408, representing the unpaid portion for 1999 is recorded as a liability within the respective funds. The Hospital's contributions to PERS for the years ended December 31, 1999, 1998, and 1997 were \$605,594, \$602,700, and \$534,000 respectively, which were equal to the required contributions for each year. The unpaid contribution for 1999 is recorded as a liability within the respective funds.

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

*Certified teachers employed by the school for the Mental Retarded/Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.*

STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

## MORROW COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

#### NOTE 21 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the County is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's contributions for pension obligations to STRS for the years ended December 31, 1999, 1998, and 1997 were \$34,156, \$35,388 and \$26,121, respectively, 91.9 percent has been contributed for 1999 and 100 percent for the years 1998 and 1997. \$2,761, representing the unpaid contributions for 1999, is recorded as a liability within the respective funds.

#### NOTE 22 - POSTEMPLOYMENT BENEFITS

##### A. Public Employees Retirement System

PERS provides post retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1999 employer contribution rate for local employers was 13.55% of covered payroll; 4.2% was the portion that was used to fund health care. The law enforcement employer rate for 1999 was 16.7% of covered payroll; 4.2% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The County's contribution actually made to fund postemployment benefits was \$320,718.

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



## MORROW COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

#### NOTE 22 - POSTEMPLOYMENT BENEFITS - (Continued)

Expenditures for OPEB during 1999 were \$523.599 million. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9.870 billion. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

Additional information on the PERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the PERS December 31, 1999, Comprehensive Annual Financial Report.

#### B. State Teachers Retirement System

*Comprehensive health care benefits are provided to retired teachers and their dependents through the STRS. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by STRS based on authority granted by State statute.*

All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to the System equal to 3.5% of covered payroll. For the County this amount equaled \$8,539 during 1999. As of June 30, 1999, the balance in the Health Care Reserve Fund was \$2.783 billion and eligible benefit recipients statewide totaled 95,796 for STRS as a whole. Net health care costs paid by STRS statewide were \$249.929 million.

MORROW COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 23 - BUDGETARY BASIS OF ACCOUNTING

The County's budgetary process is based upon accounting for transactions on the cash basis. The differences between the cash basis (budget basis) and the modified accrual basis (GAAP basis) are that revenues are recorded when actually received (budget) as opposed to when susceptible to accrual (GAAP) and the expenditures are recorded when paid (budget) as opposed to when incurred (GAAP). Additionally, the County reflects outstanding encumbrances as expenditures on the budgetary basis of accounting. Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis are as follows:

EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING  
SOURCES OVER (UNDER) EXPENDITURES  
AND OTHER FINANCING USES

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ (526,587)	\$ (84,421)	\$ (174,624)	\$ (208,955)
Net adjustment for revenue accruals	608,378	221,751	---	(574,992)
Net adjustment for expenditure accruals	430,374	(22,419)	85,920	3,510,640
Net adjustment for other financing sources (uses) accruals	(461,006)	53,903	19,621	(3,740,000)
Encumbrances (budget basis)	<u>503,295</u>	<u>941,519</u>	<u>46,629</u>	<u>9,722</u>
GAAP basis	<u>\$ 554,454</u>	<u>\$ 1,110,333</u>	<u>\$ (22,454)</u>	<u>\$ (1,003,585)</u>

## MORROW COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

#### NOTE 24 - CONTINGENCIES

##### A. Grants

The County receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 1999.

##### B. Morrow County Hospital

At December 31, 1999, management is aware of certain asserted and unasserted malpractice and general patient liability claims and assessments against the Hospital. Future liability of the Hospital related to these claims and assessments is unknown. Accordingly, no amounts have been accrued for malpractice and general patient liability claims.

There may be unknown incidents arising from services provided to patients. However, because the annual insurance policy only covers claims that have been asserted and incidents reported to the insurance carrier, these unknown incidents are not yet covered by insurance. Management has no basis to estimate the ultimate cost, if any, of the settlement of such potential claims and, accordingly, has not accrued for them. In addition, management intends to maintain the current occurrence basis insurance coverage to cover any unknown incidents that may be asserted.

##### C. Litigation

At December 31, 1999, there were several claims and lawsuits pending against the County. In the opinion of the County Prosecutor, no material liability is anticipated.

## MORROW COUNTY, OHIO

### NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

#### NOTE 25 - RELATED PARTY TRANSACTION

Whetstone Industries, Inc., a discretely presented component unit of the County, received contributions from the County for certain personnel salaries. The contributions are reflected as non-operating revenues in the GPFS. For the fiscal year ended December 31, 1999, the contributions were \$642,361.

#### NOTE 26 - FEDERAL TRANSACTIONS

The Morrow County Department of Human Services (Welfare Department) distributes federal food stamps to entitled recipients within the County. The receipt and issuance of these stamps have the characteristics of federal grants. However, the Welfare Department merely acts in an intermediary capacity. Therefore, the inventory value of the stamps is not reflected in the accompanying financial statements as the only economic interest related to the stamps rest with the ultimate recipient.

**Report On Compliance And On Internal Control Over Financial  
Reporting Based On An Audit Of Financial Statements Performed  
In Accordance With Government Auditing Standards**

Board of County Commissioners  
Morrow County, Ohio

We have audited the financial statements of Morrow County, Ohio as of and for the year ended December 31, 1999, and have issued our report thereon dated June 26, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Morrow County, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the management of Morrow County, Ohio in a separate letter dated June 26, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Morrow County, Ohio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Morrow County, Ohio in a separate letter dated June 26, 2000.

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

*Ciuni & Panichi, Inc.*

Cleveland, Ohio  
June 26, 2000

**Report On Compliance With Requirements Applicable To Each  
Major Program And Internal Control Over Compliance And  
On The Schedule Of Expenditures Of Federal Awards In  
Accordance With OMB Circular A-133**

Board of County Commissioners  
Morrow County, Ohio

Compliance

We have audited the compliance of Morrow County, Ohio with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 1999. Morrow County, Ohio's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Morrow County, Ohio's management. Our responsibility is to express an opinion on Morrow County, Ohio's compliance based on our audit.

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

In our opinion, Morrow County, Ohio complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 1999.

Internal Control Over Compliance

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

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

Schedule of Expenditures of Federal Awards

We have audited the general-purpose financial statements of Morrow County, Ohio as of and for the year ended December 31, 1999, and have issued our report thereon dated June 26, 2000. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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

*Cimi P. Panichi, Jr.*

Cleveland, Ohio  
June 26, 2000

# MORROW COUNTY, OHIO

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### FOR THE YEAR ENDED DECEMBER 31, 1999

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:			
Pass-Through Ohio Department of Education			
National School Lunch	10.555	066167	\$ <u>3,835</u>
U.S. Department of Education:			
Pass-Through Ohio Department of Education			
Preschool Grant	84.173	066167-PG-SI-989P	9,126
Handicapped Preschool Grant	84.027	066167-6B-6SF-699P	14,948
Title VI	84.323	066167-CZ-WS-1-99	<u>851</u>
Total U.S. Department of Education			<u>24,925</u>
U.S. Department of Housing and Urban Development:			
Pass-Through Ohio Department of Development			
Community Development Block Grant	14.228	B-C-98-054-1	14,316
Community Development Block Grant	14.228	B-F-98-054-1	132,887
Community Development Block Grant	14.228	B-F-97-054-1	<u>6,838</u>
Total U.S. Department of Housing and Urban Development			<u>154,041</u>
Federal Emergency Management Agency:			
Pass-Through Ohio Emergency Management Agency			
Emergency Management – State and Local Assistance	83.534	98-PPACA	<u>8,404</u>
U.S. Department of Transportation:			
Pass-Through Department of Public Safety			
Safe Communities	20.600	0871.0	<u>17,130</u>
U.S. Department of Justice:			
Pass-Through Ohio Attorney General's Office			
Byrne Formula Grant (LEBG)	16.579	98-LF-LUB-3053	5,000
DARE Grant	16.579	99-59-01	15,458
Public Safety Partnership and Community			
Policing Grants (COPS)	16.710	96-UM-WK-0919	<u>49,330</u>
Total U.S. Department of Justice			<u>69,788</u>
U.S. Department of Health and Human Services:			
Pass-Through Ohio Department of Human Services			
Social Services Block Grant	93.667	G-99-010HSOSR	41,991
Child Care Development Fund	93.575	G-99-010HCCDF	8,224
Family Violence	93.671	G-99-010HFVPS	1,800
Title IV-B	93.645	G-99-010H1400	<u>34,568</u>
Total U.S. Department of Health and Human Services			<u>86,583</u>
Total Expenditures of Federal Awards			\$ <u>364,706</u>

The accompanying notes are an integral part of this schedule



## MORROW COUNTY, OHIO

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

#### **FOR THE YEAR ENDED DECEMBER 31, 1999**

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##### NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Morrow County, Ohio and is presented using the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

##### NOTE 2 - LOANS OUTSTANDING

The County administers two loan programs with funds provided by the U.S. Department of Housing and Urban Development, through the Ohio Department of Development under Community Development Block Grant. As of December 31, 1999, the amount of the loans outstanding was \$73,411 for the Economic Development Revolving Loan Program and \$45,038 for the Water and Sewer Revolving Loan Program.

# MORROW COUNTY, OHIO

## SCHEDULE OF FINDINGS OMB CIRCULAR A-133 SECTION .505

DECEMBER 31, 1999

### 1. SUMMARY OF AUDITOR'S RESULTS

(d)(I)(i)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(iii)	Was there any material reported noncompliance at the financial statement level (GAGAS)?	No
(d)(I)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(I)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(I)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(I)(vi)	Are there any reportable findings under Section .501?	No
(d)(I)(vii)	Major Programs	Community Development Block Grant CFDA No. 14.228 Public Safety Partnership and Community Policing Grants (COPS) CFDA No. 16.710
	Dollar Threshold: Type A/B Programs	Type A:>\$300,000 Type B:>All Others
(d)(I)(ix)	Low Risk Auditee?	No

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

There were no findings noted relating to the financial statements that would be required to be reported in accordance with generally accepted government auditing standards.

**MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505**

**DECEMBER 31, 1999**

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**3. FINDINGS FOR FEDERAL AWARDS**

There were no findings for federal awards to report in 1999.

**MORROW COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 SECTION .315(b)**

**DECEMBER 31, 1999**

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There were no prior audit findings or questioned costs for federal awards reported in 1998.

**MORROW COUNTY, OHIO**  
**48 EAST HIGH STREET**  
**MT. GILEAD, OHIO 43338**  
**(419) 946-8055**

**Response To Findings Associated With Audit Conducted**  
**In Accordance With *Government Auditing Standards***  
**For The Year Ended December 31, 1999**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
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Not  
applicable



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

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MORROW COUNTY FINANCIAL CONDITION

MORROW 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.

By: Susan Babbitt

Date: JUL 25 2000