

**MORROW COUNTY, OHIO**

**GENERAL-PURPOSE FINANCIAL STATEMENTS**

**DECEMBER 31, 2002**





**Auditor of State  
Betty Montgomery**

Board of County Commissioners  
Morrow County  
48 East Main Street  
Mt. Gilead, Ohio 43338

We have reviewed the Independent Auditor's Report of Morrow County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2002 to December 31, 2002. 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.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

August 4, 2003

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**MORROW COUNTY, OHIO**

**FOR THE YEAR ENDED DECEMBER 31, 2002**

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

CIUNI & PANICHI  
INC.

CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS CONSULTING FIRM

a C&P Advisors Company

## Independent Auditor's Report

Board of County Commissioners  
Morrow County, Ohio

We have audited the accompanying general-purpose financial statements of Morrow County, as of and for the year ended December 31, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of Morrow County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of Morrow County Hospital, which represent 98 percent and 99 percent, respectively, of the total assets and total revenue of the enterprise fund type. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Morrow County Hospital, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general-purpose 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, as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2003 on our consideration of Morrow County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Ciuni & Panichi, Inc.*

Cleveland, Ohio  
June 20, 2003



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# **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, AND DISCRETELY PRESENTED COMPONENT UNIT

**DECEMBER 31, 2002**

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b><u>ASSETS AND OTHER DEBITS</u></b>				
Assets:				
Equity in pooled cash and cash Equivalents	\$ 551,845	\$ 4,099,586	\$ 276,499	\$ 1,104,018
Cash in segregated accounts	-	-	-	-
Investments in segregated accounts	-	-	-	-
Receivables (net of allowances for uncollectibles):				
Taxes	2,117,699	1,287,043	-	-
Accounts	211,259	82,464	-	7,700
Accrued interest	19,630	3,718	-	-
Notes	-	400,949	-	-
Special assessments	-	-	47,844	-
Due from other funds	76,671	35,607	213,696	-
Due from other governments	401,083	2,766,790	-	-
Materials and supplies inventory	21,913	108,773	-	-
Prepayments	81,789	57,656	-	-
Deposits	-	-	-	-
Medicare and Medicaid third party settlements	-	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Accrued interest	-	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-
Other Debits:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	\$ <u>3,481,889</u>	\$ <u>8,842,586</u>	\$ <u>538,039</u>	\$ <u>1,111,718</u>

The notes to the Financial Statements are an integral part of these statements

**Exhibit 1**

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total Primary Government (Memorandum Only)</u>	<u>Component Unit</u>	<u>Total Reporting Entity (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>			
\$ 96,749	\$ 11,089	\$ 2,756,994	\$ -	\$ -	\$ 8,896,780	\$ -	\$ 8,896,780
655,389	-	1,041,782	-	-	1,697,171	81,814	1,778,985
2,854	-	-	-	-	2,854	10,861	13,715
1,150,000	-	20,512,914	-	-	25,067,656	-	25,067,656
3,293,693	-	-	-	-	3,595,116	3,247	3,598,363
-	-	-	-	-	23,348	-	23,348
114,820	-	-	-	-	515,769	-	515,769
-	-	47,844	-	-	95,688	-	95,688
-	-	16,452	-	-	342,426	-	342,426
-	-	1,174,255	-	-	4,342,128	-	4,342,128
376,943	-	-	-	-	507,629	26,450	534,079
153,243	-	-	-	-	292,688	-	292,688
-	-	-	-	-	-	333	333
67,793	-	-	-	-	67,793	-	67,793
1,307,562	-	-	-	-	1,307,562	-	1,307,562
577,719	-	-	-	-	577,719	-	577,719
10,845	-	-	-	-	10,845	-	10,845
12,072,593	-	-	16,341,269	-	28,413,862	17,532	28,431,394
-	-	-	-	490,195	490,195	-	490,195
-	-	-	-	3,894,450	3,894,450	-	3,894,450
<u>\$ 19,880,203</u>	<u>\$ 11,089</u>	<u>\$ 25,550,241</u>	<u>\$ 16,341,269</u>	<u>\$ 4,384,645</u>	<u>\$ 80,141,679</u>	<u>\$ 140,237</u>	<u>\$ 80,281,916</u>

Continued

# MORROW COUNTY, OHIO

## COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNIT (CONTINUED)

**DECEMBER 31, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
Liabilities:				
Accounts payable	\$ 106,501	\$ 353,292	\$ -	\$ -
Contracts payable	-	104,642	-	-
Retainage payable	-	-	-	9,000
Accrued interest payable	-	-	-	21,918
Accrued wages and benefits	167,530	215,142	-	-
Compensated absences payable	21,716	35,788	-	-
Deferred revenue	2,001,520	3,410,871	47,844	-
Due to other funds	51,493	77,237	-	213,696
Due to other governments	238,512	282,224	-	-
Notes payable	-	-	-	2,000,000
Special assessment note payable	-	-	-	-
Deed restriction on land	-	-	-	-
Loans payable	-	-	-	-
Undistributed assets	-	-	-	-
Claims payable	-	1,742	-	-
OWDA loan payable	-	-	-	-
General obligation bonds payable	-	-	-	-
Obligation under capital lease	-	-	-	-
Total liabilities	<u>2,587,272</u>	<u>4,480,938</u>	<u>47,844</u>	<u>2,244,614</u>
Equity And Other Credits:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings (accumulated deficit)				
Reserved	-	-	-	-
Unreserved	-	-	-	-
Fund Balances (deficit):				
Reserved for encumbrances	190,150	290,303	21,170	29,727
Reserved for materials and supplies inventory	21,913	108,773	-	-
Reserved for prepayments	81,789	57,656	-	-
Reserved for debt service	-	-	469,025	-
Reserved for notes receivable	-	400,949	-	-
Unreserved-undesignated	<u>600,765</u>	<u>3,503,967</u>	<u>-</u>	<u>(1,162,623)</u>
Total equity (deficit) and other credits	<u>894,617</u>	<u>4,361,648</u>	<u>490,195</u>	<u>(1,132,896)</u>
Total liabilities, equity and other credits	<u>\$ 3,481,889</u>	<u>\$ 8,842,586</u>	<u>\$ 538,039</u>	<u>\$ 1,111,718</u>

The notes to the Financial Statements are an integral part of these statements

**Exhibit 1 (continued)**

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Unit	Total Reporting Entity (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations			
\$ 1,170,317	\$ -	\$ 479	\$ -	\$ -	\$ 1,630,589	\$ 1,325	\$ 1,631,914
-	-	-	-	-	104,642	-	104,642
-	-	-	-	-	9,000	-	9,000
216,923	-	-	-	-	238,841	-	238,841
1,095,058	-	-	-	-	1,477,730	5,531	1,483,261
-	-	-	-	463,490	520,994	-	520,994
1,150,000	-	-	-	-	6,610,235	1,302	6,611,537
-	-	-	-	-	342,426	-	342,426
-	-	21,304,558	-	-	21,825,294	-	21,825,294
5,138,184	-	-	-	-	7,138,184	-	7,138,184
-	-	-	-	79,603	79,603	-	79,603
12,000	-	-	-	-	12,000	-	12,000
-	-	-	-	449,416	449,416	-	449,416
-	-	4,135,243	-	-	4,135,243	-	4,135,243
-	136,618	-	-	-	138,360	-	138,360
-	-	-	-	136,343	136,343	-	136,343
-	-	-	-	3,207,362	3,207,362	-	3,207,362
864,980	-	-	-	48,431	913,411	11,914	925,325
<u>9,647,462</u>	<u>136,618</u>	<u>25,440,280</u>	<u>-</u>	<u>4,384,645</u>	<u>48,969,673</u>	<u>20,072</u>	<u>48,989,745</u>
-	-	-	16,341,269	-	16,341,269	-	16,341,269
198,707	-	-	-	-	198,707	-	198,707
1,896,126	-	-	-	-	1,896,126	-	1,896,126
8,137,908	(125,529)	-	-	-	8,012,379	120,165	8,132,544
-	-	1,209	-	-	532,559	-	532,559
-	-	-	-	-	130,686	-	130,686
-	-	-	-	-	139,445	-	139,445
-	-	-	-	-	469,025	-	469,025
-	-	-	-	-	400,949	-	400,949
-	-	108,752	-	-	3,050,861	-	3,050,861
<u>10,232,741</u>	<u>(125,529)</u>	<u>109,961</u>	<u>16,341,269</u>	<u>-</u>	<u>31,172,006</u>	<u>120,165</u>	<u>31,292,171</u>
\$ <u>19,880,203</u>	\$ <u>11,089</u>	\$ <u>25,550,241</u>	\$ <u>16,341,269</u>	\$ <u>4,384,645</u>	\$ <u>80,141,679</u>	\$ <u>140,237</u>	\$ <u>80,281,916</u>

# MORROW COUNTY, OHIO

## COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) – ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND

**FOR THE YEAR ENDED DECEMBER 31, 2002**

**Exhibit 2**

	Governmental Fund Types				Fiduciary	Total
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust	Reporting Entity (Memorandum Only)
<u>Revenues</u>						
Property and other taxes	\$ 1,720,264	\$ 1,900,175	\$ -	\$ -	\$ -	\$ 3,620,439
Sales taxes	2,320,572	57,131	-	-	-	2,377,703
Charges for services	1,864,651	843,273	-	-	-	2,707,924
Licenses and permits	2,699	72,386	-	-	-	75,085
Fines and forfeitures	293,573	54,165	-	-	-	347,738
Intergovernmental	934,262	10,678,448	-	231,862	-	11,844,572
Special assessments	-	103,130	35,169	-	-	138,299
Investment income	264,563	20,248	-	12,277	-	297,088
Rental income	207,883	57,508	-	-	-	265,391
Other	364,311	382,284	14,514	133,560	73,113	967,782
Total revenue	<u>7,972,778</u>	<u>14,168,748</u>	<u>49,683</u>	<u>377,699</u>	<u>73,113</u>	<u>22,642,021</u>
<u>Expenditures</u>						
Current:						
General government:						
Legislative and executive						
	2,934,313	502,720	-	-	-	3,437,033
Judicial	729,969	320,999	-	-	-	1,050,968
Public safety	3,519,349	896,231	-	-	-	4,415,580
Public works	-	2,819,670	-	-	-	2,819,670
Health	56,732	3,464,380	-	-	-	3,521,112
Human services	558,977	5,951,607	-	-	-	6,510,584
Economic development and assistance						
	59,950	-	-	-	-	59,950
Other	151,457	455,582	-	-	71,372	678,411
Capital outlay	-	126,852	-	992,207	-	1,119,059
Intergovernmental	373,083	-	-	-	-	373,083
Debt service:						
Principal retirement						
	-	38,134	493,970	-	-	532,104
Interest and fiscal charges						
	-	6,561	104,055	90,302	-	200,918
Total expenditures	<u>8,383,830</u>	<u>14,582,736</u>	<u>598,025</u>	<u>1,082,509</u>	<u>71,372</u>	<u>24,718,472</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(411,052)</u>	<u>(413,988)</u>	<u>(548,342)</u>	<u>(704,810)</u>	<u>1,741</u>	<u>(2,076,451)</u>

Continued

# MORROW COUNTY, OHIO

## COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) – ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND (CONTINUED)

**FOR THE YEAR ENDED DECEMBER 31, 2002**

**Exhibit 2 (continued)**

	Governmental Fund Types				Fiduciary Fund Type Expendable Trust	Total Reporting Entity (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects		
<u>Other financing sources (uses)</u>						
Proceeds from sale of bonds	-	-	-	2,287,459	-	2,287,459
Operating transfers in	-	-	429,540	-	-	429,540
Operating transfers out	<u>(217,446)</u>	<u>(212,094)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(429,540)</u>
Total other financing sources (uses)	<u>(217,446)</u>	<u>(212,094)</u>	<u>429,540</u>	<u>2,287,459</u>	<u>-</u>	<u>2,287,459</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(628,498)	(626,082)	(118,802)	1,582,649	1,741	211,008
Fund balances (deficit), January 1 (restated)	1,523,392	4,980,848	608,997	(2,715,545)	108,220	4,505,912
Increase (decrease) in reserve for inventory	<u>(277)</u>	<u>6,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,605</u>
Fund balances (deficit), December 31	\$ <u>894,617</u>	\$ <u>4,361,648</u>	\$ <u>490,195</u>	\$ <u>(1,132,896)</u>	\$ <u>109,961</u>	\$ <u>4,723,525</u>

The notes to the Financial Statements are an integral part of these statements

# 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, 2002**

**Exhibit 3**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property taxes	\$ 1,543,200	\$ 1,716,812	\$ 173,612	\$ 1,948,782	\$ 1,900,175	\$ (48,607)
Sales taxes	2,000,000	2,341,832	341,832	60,000	52,277	(7,723)
Charges for services	2,235,000	1,875,715	(359,285)	886,107	925,014	38,907
Licenses and permits	3,500	2,749	(751)	80,000	74,006	(5,994)
Fines and forfeitures	251,500	323,351	71,851	60,332	51,688	(8,644)
Intergovernmental	950,597	914,274	(36,323)	11,526,885	11,055,754	(471,131)
Special assessments	-	-	-	-	103,130	103,130
Investment income	600,000	243,159	(356,841)	20,400	16,217	(4,183)
Rental income	387,000	207,883	(179,117)	30,000	56,995	26,995
Other	408,454	308,618	(99,836)	617,171	361,586	(255,585)
Total revenues	<u>8,379,251</u>	<u>7,934,393</u>	<u>(444,858)</u>	<u>15,229,677</u>	<u>14,596,842</u>	<u>(632,835)</u>
<b>Expenditures:</b>						
Current:						
General government:						
Legislative and executive	3,766,136	3,395,352	370,784	678,298	526,554	151,744
Judicial	766,761	738,231	28,530	702,735	305,703	397,032
Public safety	3,738,319	3,574,074	164,245	1,149,500	920,352	229,148
Public works	-	-	-	3,063,420	2,886,547	176,873
Health	68,380	65,068	3,312	4,626,794	3,624,092	1,002,702
Human services	561,044	558,958	2,086	6,758,751	6,287,082	471,669
Economic development and assistance	63,915	60,688	3,227	109,649	107,907	1,742
Other	112,259	102,749	9,510	539,873	534,806	5,067
Capital outlay	-	-	-	431,908	362,557	69,351
Intergovernmental	374,914	373,223	1,691	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>9,451,728</u>	<u>8,868,343</u>	<u>583,385</u>	<u>18,060,928</u>	<u>15,555,600</u>	<u>2,505,328</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,072,477)</u>	<u>(933,950)</u>	<u>138,527</u>	<u>(2,831,251)</u>	<u>(958,758)</u>	<u>1,872,493</u>
<b>Other financing sources (uses):</b>						
Proceeds from sale of refunding bonds	-	-	-	-	-	-
Proceeds from sale of notes	-	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-
Operating transfers out	(231,003)	(217,446)	13,557	(222,094)	(212,094)	10,000
Other financing uses	(17,715)	(17,208)	507	-	-	-
Total other financing sources (uses)	<u>(248,718)</u>	<u>(234,654)</u>	<u>14,064</u>	<u>(222,094)</u>	<u>(212,094)</u>	<u>10,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,321,195)</u>	<u>(1,168,604)</u>	<u>152,591</u>	<u>(3,053,345)</u>	<u>(1,170,852)</u>	<u>1,882,493</u>
Fund balances, January 1 (restated)	868,399	868,399	-	3,932,412	3,932,412	-
Prior year encumbrances appropriated	506,802	506,802	-	724,634	724,634	-
Fund balances, December 31	<u>\$ 54,006</u>	<u>\$ 206,597</u>	<u>\$ 152,591</u>	<u>\$ 1,603,701</u>	<u>\$ 3,486,194</u>	<u>\$ 1,882,493</u>

The notes to the Financial Statements are an integral part of these statements



**Exhibit 3 (continued)**

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,491,982	\$ 3,616,987	\$ 125,005
-	-	-	-	-	-	2,060,000	2,394,109	334,109
-	-	-	-	-	-	3,121,107	2,800,729	(320,378)
-	-	-	-	-	-	83,500	76,755	(6,745)
-	-	-	-	-	-	311,832	375,039	63,207
-	-	-	-	-	-	12,477,482	11,970,028	(507,454)
35,169	35,169	-	-	-	-	35,169	138,299	103,130
-	-	-	147,000	24,774	(122,226)	767,400	284,150	(483,250)
-	-	-	-	-	-	417,000	264,878	(152,122)
<u>29,514</u>	<u>14,514</u>	<u>(15,000)</u>	<u>95,000</u>	<u>160,938</u>	<u>65,938</u>	<u>1,150,139</u>	<u>845,656</u>	<u>(304,483)</u>
<u>64,683</u>	<u>49,683</u>	<u>(15,000)</u>	<u>242,000</u>	<u>185,712</u>	<u>(56,288)</u>	<u>23,915,611</u>	<u>22,766,630</u>	<u>(1,148,981)</u>
-	-	-	-	-	-	4,444,434	3,921,906	522,528
-	-	-	-	-	-	1,469,496	1,043,934	425,562
-	-	-	-	-	-	4,887,819	4,494,426	393,393
-	-	-	-	-	-	3,063,420	2,886,547	176,873
-	-	-	-	-	-	4,695,174	3,689,160	1,006,014
-	-	-	-	-	-	7,319,795	6,846,040	473,755
-	-	-	-	-	-	173,564	168,595	4,969
-	-	-	-	-	-	652,132	637,555	14,577
-	-	-	1,011,092	986,402	24,690	1,443,000	1,348,959	94,041
-	-	-	-	-	-	374,914	373,223	1,691
640,845	527,763	113,082	4,095,000	4,083,000	12,000	4,735,845	4,610,763	125,082
94,663	91,432	3,231	456,719	204,459	252,260	551,382	295,891	255,491
<u>735,508</u>	<u>619,195</u>	<u>116,313</u>	<u>5,562,811</u>	<u>5,273,861</u>	<u>288,950</u>	<u>33,810,975</u>	<u>30,316,999</u>	<u>3,493,976</u>
<u>(670,825)</u>	<u>(569,512)</u>	<u>101,313</u>	<u>(5,320,811)</u>	<u>(5,088,149)</u>	<u>232,662</u>	<u>(9,895,364)</u>	<u>(7,550,369)</u>	<u>2,344,995</u>
-	-	-	2,083,000	2,287,459	204,459	2,083,000	2,287,459	204,459
-	-	-	2,000,000	2,000,000	-	2,000,000	2,000,000	-
551,269	429,540	(121,729)	-	-	-	551,269	429,540	(121,729)
-	-	-	-	-	-	(453,097)	(429,540)	23,557
-	-	-	-	-	-	(17,715)	(17,208)	507
<u>551,269</u>	<u>429,540</u>	<u>(121,729)</u>	<u>4,083,000</u>	<u>4,287,459</u>	<u>204,459</u>	<u>4,163,457</u>	<u>4,270,251</u>	<u>106,794</u>
(119,556)	(139,972)	(20,416)	(1,237,811)	(800,690)	437,121	(5,731,907)	(3,280,118)	2,451,789
373,898	373,898	-	1,046,196	1,046,196	-	6,220,905	6,220,905	-
<u>21,403</u>	<u>21,403</u>	<u>-</u>	<u>828,296</u>	<u>828,296</u>	<u>-</u>	<u>2,081,135</u>	<u>2,081,135</u>	<u>-</u>
\$ <u>275,745</u>	\$ <u>255,329</u>	\$ <u>(20,416)</u>	\$ <u>636,681</u>	\$ <u>1,073,802</u>	\$ <u>437,121</u>	\$ <u>2,570,133</u>	\$ <u>5,021,922</u>	\$ <u>2,451,789</u>

# 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, 2002**

**Exhibit 4**

	<u>Proprietary Fund Types</u>		<u>Total Primary Government (Memorandum Only)</u>	<u>Component Unit</u>	<u>Total Reporting Entity (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>			
<u>Operating revenues:</u>					
Charges for services	\$ 33,700	\$ 590,816	\$ 624,516	\$ 157,908	\$ 782,424
Contributions from MRDD Board	-	-	-	763,232	763,232
Patient service revenue, net	20,373,255	-	20,373,255	-	20,373,255
Other operating revenues	<u>1,488,401</u>	<u>-</u>	<u>1,488,401</u>	<u>10,669</u>	<u>1,499,070</u>
Total operating revenues	<u>21,895,356</u>	<u>590,816</u>	<u>22,486,172</u>	<u>931,809</u>	<u>23,417,981</u>
<u>Operating expenses:</u>					
Personal services	9,331,999	-	9,331,999	105,365	9,437,364
Contractual services	5,180,730	-	5,180,730	-	5,180,730
Materials and supplies	3,598,850	-	3,598,850	32,299	3,631,149
Depreciation	1,111,738	-	1,111,738	1,490	1,113,228
Provision for bad debts	1,401,375	-	1,401,375	-	1,401,375
Contributed services from MRDD Board	-	-	-	763,232	763,232
Claims expense	-	715,572	715,572	-	715,572
Administrative costs	-	773	773	-	773
Other operating expense	<u>493,227</u>	<u>-</u>	<u>493,227</u>	<u>26,925</u>	<u>520,152</u>
Total operating expenses	<u>21,117,919</u>	<u>716,345</u>	<u>21,834,264</u>	<u>929,311</u>	<u>22,763,575</u>
Operating income (loss)	<u>777,437</u>	<u>(125,529)</u>	<u>651,908</u>	<u>2,498</u>	<u>654,406</u>
<u>Nonoperating revenues (expenses):</u>					
Contributions	20,585	-	20,585	-	20,585
Earnings on investments	128,401	-	128,401	-	128,401
Loss on disposal of fixed assets	(34,043)	-	(34,043)	-	(34,043)
Interest expense and fiscal charges	(430,848)	-	(430,848)	-	(430,848)
Loss on sale of investments	<u>(6,563)</u>	<u>-</u>	<u>(6,563)</u>	<u>-</u>	<u>(6,563)</u>
Total nonoperating revenues (expenses)	<u>(322,468)</u>	<u>-</u>	<u>(322,468)</u>	<u>-</u>	<u>(322,468)</u>
Net income (loss)	454,969	(125,529)	329,440	2,498	331,938
Depreciation on fixed assets acquired by contributed capital	5,127	-	5,127	-	5,127
<u>Discontinued Operations:</u>					
Loss from operations of discontinued recycling center	-	-	-	(3,749)	(3,749)
Retained earnings, January 1	<u>9,573,938</u>	<u>-</u>	<u>9,573,938</u>	<u>121,416</u>	<u>9,695,354</u>
Retained earnings, (accumulated deficit) December 31	<u>10,034,034</u>	<u>(125,529)</u>	<u>9,908,505</u>	<u>120,165</u>	<u>10,028,670</u>
Contributed capital, January 1	203,834	-	203,834	-	203,834
Depreciation on fixed assets acquired by contributed capital	<u>(5,127)</u>	<u>-</u>	<u>(5,127)</u>	<u>-</u>	<u>(5,127)</u>
Contributed capital, December 31	<u>198,707</u>	<u>-</u>	<u>198,707</u>	<u>-</u>	<u>198,707</u>
Fund equity (accumulated deficit) December 31	\$ <u>10,232,741</u>	\$ <u>(125,529)</u>	\$ <u>10,107,212</u>	\$ <u>120,165</u>	\$ <u>10,227,377</u>

The notes to the Financial Statements are an integral part of these statements

# MORROW COUNTY, OHIO

## COMBINED STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNIT

**FOR THE YEAR ENDED DECEMBER 31, 2002**

**Exhibit 5**

	<u>Proprietary Fund Types</u>		Total Primary Government (Memorandum Only)	Component Unit	Total Reporting Entity (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>			
Cash flows from operating activities:					
Income (loss) from operations	\$ 777,437	\$ (125,529)	\$ 651,908	\$ 2,498	\$ 654,406
Adjustments to reconcile income from operations to net cash provided by operating activities:					
Depreciation	1,111,738	-	1,111,738	1,490	1,113,228
Loss on disposal of fixed assets	34,043	-	34,043	-	34,043
Loss from operations of discontinued Center	-	-	-	(3,749)	(3,749)
Contributions	20,585	-	20,585	-	20,585
Interest income	-	-	-	(1,034)	(1,034)
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(563,231)	-	(563,231)	31,661	(531,570)
Increase in levied taxes receivable	(200,000)	-	(200,000)	-	(200,000)
(Increase) decrease in inventory	(169,294)	-	(169,294)	1,294	(168,000)
Increase in prepayments	(29,348)	-	(29,348)	-	(29,348)
Decrease in other receivables	1,562	-	1,562	-	1,562
Decrease in deposits	-	-	-	500	500
Increase (decrease) in accounts payable	535,158	-	535,158	(1,041)	534,117
Increase (decrease) in accrued wages and benefits	392,985	-	392,985	(10,282)	382,703
Increase in deferred revenue	200,000	-	200,000	442	200,442
Increase in accrued interest	132,442	-	132,442	-	132,442
Decrease in due to other governments	(203,249)	-	(203,249)	-	(203,249)
Increase in claims payable	-	136,618	136,618	-	136,618
Net cash provided by operating activities	<u>2,040,828</u>	<u>11,089</u>	<u>2,051,917</u>	<u>21,779</u>	<u>2,073,696</u>
Cash flows from investing activities:					
Purchase of investments	-	-	-	(303)	(303)
Interest received	<u>122,437</u>	<u>-</u>	<u>122,437</u>	<u>1,034</u>	<u>123,471</u>
Net cash provided by investing activities	<u>122,437</u>	<u>-</u>	<u>122,437</u>	<u>731</u>	<u>123,168</u>

Continued

# MORROW COUNTY, OHIO

## COMBINED STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNIT (CONTINUED)

**FOR THE YEAR ENDED DECEMBER 31, 2002**

**Exhibit 5 (Continued)**

	<u>Proprietary Fund Types</u>		<u>Total Primary Government (Memorandum Only)</u>	<u>Component Unit</u>	<u>Total Reporting Entity (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>			
Cash flows from capital and related financing activities:					
Purchase of property and equipment	(2,591,351)	-	(2,591,351)	(13,950)	(2,605,301)
Purchase of construction in progress	(191,170)	-	(191,170)	-	(191,170)
Proceeds of investments	257,110	-	257,110	-	257,110
Increase in notes receivable	11,814	-	11,814	-	11,814
Decrease in assets whose use is limited	820,700	-	820,700	-	820,700
Proceeds from capital lease obligations	46,129	-	46,129	13,950	60,079
Repayment of long-term debt	(410,897)	-	(410,897)	(601)	(411,498)
Repayment of capital lease	-	-	-	(2,036)	(2,036)
Interest paid	<u>(430,848)</u>	<u>-</u>	<u>(430,848)</u>	<u>-</u>	<u>(430,848)</u>
Net cash used in capital and related financing activities	<u>(2,488,513)</u>	<u>-</u>	<u>(2,488,513)</u>	<u>(2,637)</u>	<u>(2,491,150)</u>
Net increase (decrease) in cash and cash equivalents	(325,248)	11,089	(314,159)	19,873	(294,286)
Cash and cash equivalents at beginning of year	<u>1,077,386</u>	<u>-</u>	<u>1,077,386</u>	<u>61,941</u>	<u>1,139,327</u>
Cash and cash equivalents at end of year	\$ <u>752,138</u>	\$ <u>11,089</u>	\$ <u>763,227</u>	\$ <u>81,814</u>	\$ <u>845,041</u>

The notes to the Financial Statements are an integral part of these statements

# **MORROW COUNTY, OHIO**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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#### **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 accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County, except for the Morrow County Hospital (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 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.

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 Children Services Board; the Morrow County 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:

# **MORROW COUNTY, OHIO**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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

##### **A. Reporting Entity (Continued)**

###### **DISCRETELY PRESENTED COMPONENT UNIT**

Whetstone Industries, Inc. - Whetstone Industries, Inc. (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. It is reported separately to emphasize that it is legally separate from the County. Separately issued financial statements can be obtained from Whetstone Industries, Inc., Mt. Gilead, Ohio.

###### **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 Soil and Water Conservation District*

*Morrow County Disaster Services*

*Morrow County Law Library*

*Morrow County General Health District*

*Morrow County Air Facility*

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

# **MORROW COUNTY, OHIO**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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

##### **A. Reporting Entity (Continued)**

###### **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.

###### **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.

# MORROW COUNTY, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2002

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

##### **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.

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 projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary funds).



# **MORROW COUNTY, OHIO**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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

##### **B. Basis of Presentation - Fund Accounting (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 are the County's proprietary fund types:

*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.

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

###### **FIDUCIARY FUNDS**

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

###### **ACCOUNT GROUPS**

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

*General Fixed Assets Account Group* - 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 GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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

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

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

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

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Governmental, expendable trust and agency funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting. The component unit is also accounted for using the accrual basis of accounting in accordance with Statement of Financial Accounting Standards Nos. 116 and 117. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the reporting of expenses and expenditures.

# **MORROW COUNTY, OHIO**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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

##### **C. Basis of Accounting and Measurement Focus (Continued)**

###### **REVENUES - EXCHANGE AND NON-EXCHANGE TRANSACTIONS**

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

###### **DEFERRED REVENUE**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2002, but which were levied to finance year 2003 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

# **MORROW COUNTY, OHIO**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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

##### **C. Basis of Accounting and Measurement Focus (Continued)**

###### **EXPENSES/EXPENDITURES**

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

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

##### **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, are legally required to be budgeted and appropriated.

Budgetary information for the Industries and the Hospital are not reported because they are 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.

# **MORROW COUNTY, OHIO**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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

##### **D. Budgetary Process (Continued)**

###### **ESTIMATED RESOURCES**

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The 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 2002.

###### **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.

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.

# **MORROW COUNTY, OHIO**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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

##### **D. Budgetary Process (Continued)**

###### **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 legal level of budgetary control. 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.

###### **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.

##### **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 Cash Equivalents" on the combined balance sheet.

# **MORROW COUNTY, OHIO**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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

##### **F. Cash and Investments (Continued)**

During fiscal year 2002, investments were limited to certificates of deposit, U.S. Government securities, U.S. Treasury notes and bonds, U.S. Government money market mutual funds, 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.

During 2002, the County had invested funds in State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2002.

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 2002 amounted to \$264,563 which includes \$237,305 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.

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

# **MORROW COUNTY, OHIO**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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

##### **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 GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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

##### **H. Property, Plant, Equipment, and Depreciation (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 GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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

##### **I. Compensated Absences (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. Long-Term Obligations**

Long-term obligations for general obligation bonds, Engineers Vehicle loans, building loans, Court Computerization loans, Ohio Water Development Authority (OWDA) loans, special assessment notes payable, 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.

##### **K. 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.

# **MORROW COUNTY, OHIO**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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

##### **K. Interfund Transactions (Continued)**

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, 2002.
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, 2002.

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

##### **L. 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.

##### **M. 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 benefiting 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.

# **MORROW COUNTY, OHIO**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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

##### **N. Net Patient Service Revenue**

The Hospital has agreements with third-party payers 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 payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. 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.

##### **O. 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.

##### **P. 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. There were no additions to contributed capital in 2002.

##### **Q. Bond Discounts, Premiums and Issuance Costs**

When the proceeds from general obligation bonded debt are placed in a governmental type fund, any bond issuance costs are shown as "Capital Outlay". Any premium or discount is included in "Other Financing Sources – Bond Proceeds" on the Statement of Revenues, Expenditures and Changes in Fund Balances. The long-term debt that appears in the general long-term obligations account group would always be reported at the bond's face value.

##### **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 GENERAL PURPOSE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2002

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#### NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

##### **Deficit Fund Balances/Retained Earnings**

The following funds had a deficit fund balance/retained earnings as of December 31, 2002:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Partnership/Americorp	\$ 51
JAIBG	38
Department of Justice/Weapons of Mass Destruction	36,976
Court Support Diversion	876
<u>Capital projects Funds</u>	
Social Services Bond Retirement	1,630,402
Children and Family Center	213,696
<u>Internal Service Fund</u>	
Self-Insurance	125,529

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit fund balances in the Partnership/Americorp, JAIBG, Department of Justice/Weapons of Mass Destruction, and Court Support Diversion special revenue funds are due to the application of GAAP in the reporting of accrued wages and benefits, accounts payable, compensated absences and due to other governments at December 31 as a fund liability. These deficit balances will be eliminated by anticipated future revenues or other subsidies not recognized and recorded at December 31.

The deficit fund balance in the Social Services Bond Retirement capital projects fund is primarily due to the reporting of bond anticipation notes and related accrued interest payable as a liability in the fund which received the proceeds. This deficit fund balance will be alleviated as bonds are issued or the notes are "rolled over" in future periods.

The deficit fund balance in the Children and Family Center capital projects is a result of the application of GAAP, namely in the recognition of a liability for amounts due to other funds. This deficit balance will be eliminated once resources become available to repay the liability.

The accumulated deficit in the Self-Insurance internal service fund is a result of the application of GAAP, namely in the recognition of a liability for claims payable. This deficit will be eliminated through future user charges.

# **MORROW COUNTY, OHIO**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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#### **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:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;

# **MORROW COUNTY, OHIO**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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

##### **A. Primary Government (Continued)**

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 for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or 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 \$61,474 in undeposited cash on hand which is included on the combined balance sheet of the County as part of "Equity in Pooled Cash and Cash Equivalents."

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".

# MORROW COUNTY, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2002

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

##### A. Primary Government (Continued)

*Deposits:* At year-end, the carrying amount of the County's deposits, including nonnegotiable certificates of deposit, was \$11,152,363 and the bank balance was \$12,162,480. Of the bank balance:

1. \$685,108 was covered by federal depository insurance; and
2. \$11,477,372 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.

*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 and U.S. Government money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category <u>1</u>	Category <u>2</u>	Category <u>3</u>	Fair <u>Value</u>
U. S. Government securities	<u>\$ 580,573</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 580,573
Investment in STAR Ohio				604,692
U.S. Government money market mutual fund				<u>82,984</u>
Total Investments				<u>\$1,268,249</u>



# MORROW COUNTY, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2002

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#### 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:

	Equity in Pooled Cash	
	<u>Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 11,901,513	\$ 580,573
Cash on hand	(61,474)	-
Investments of the cash management pool:		
Investment in Star Ohio	(604,692)	604,692
U.S. Government money market	<u>(82,984)</u>	<u>82,984</u>
GASB Statement No. 3	<u>\$ 11,152,363</u>	<u>\$1,268,249</u>

#### **B. Component Unit**

At December 31, 2002, the carrying amount of the component unit's demand deposits, including a nonnegotiable certificate of deposit, was \$81,604 and the bank balance was \$81,604. 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 \$210 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 GENERAL PURPOSE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2002**

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**NOTE 5 - INTERFUND TRANSACTIONS**

A. The following is a summarized breakdown of the County's operating transfers for 2002:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 217,446
<u>Special Revenue Fund</u>		
Motor Vehicle and Gas Tax	-	212,094
<u>Debt Service Funds</u>		
Motor Vehicle Bond Retirement	212,094	-
Jail Bond Retirement	109,000	-
Walnut Street Building Note Retirement	<u>108,446</u>	<u>-</u>
Total	<u>\$429,540</u>	<u>\$ 429,540</u>

# MORROW COUNTY, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2002

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

- B. Interfund balances, related to charges for goods and services rendered, at December 31, 2002, consist of the following due to and due from other funds:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 76,671	\$ 51,493
<b>Special Revenue Funds</b>		
Motor Vehicle and Gas Tax	72	387
Dog and Kennel	-	613
Real Estate Assessments	-	-
DRETAC	14	-
Marriage License	765	72,050
Child Support Enforcement Agency	-	-
Settlement Week Program	950	-
Indigent Guardianship	480	3,621
Help Me Grow GRF Part C	-	-
Certificate of Title Administration	26,230	566
Court Support Services	-	-
Juvenile Probation Fees	583	-
Recorder Fees	3,816	-
Computerization Fund	1,290	-
Computer Fund - Common Pleas Court	348	-
Computer Fund - Probate Court	429	-
Computer Fund - Juvenile Court	364	-
County Probation Fees	<u>266</u>	<u>-</u>
Total special revenue funds	<u>35,607</u>	<u>77,237</u>
<b>Debt Service Fund</b>		
MRDD Health Bond Retirement	<u>213,696</u>	<u>-</u>
<b>Capital Projects Fund</b>		
Children and Family Center	<u>-</u>	<u>213,696</u>
<b>Expendable Trust Fund</b>		
Foster Care Donations	<u>140</u>	<u>-</u>
<b>Agency Funds</b>		
County Highway Maintenance and Repair	3,077	-
Insurance Clearing	<u>13,235</u>	<u>-</u>
Total agency funds	<u>16,312</u>	<u>-</u>
Total	<u>\$ 342,426</u>	<u>\$ 342,426</u>

# MORROW COUNTY, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2002

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#### 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 88% of true value for taxable transmission and distribution property and 25% of true value for all other taxable property. 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 2002 taxes were collected was \$455,907,144. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2002, was \$11.70 per \$1,000 of assessed valuation.

The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

#### Real Property

Agricultural/residential	\$ 366,101,080
Commercial/industrial/mineral	35,339,410
Tangible personal property	18,393,954
Public utility	<u>36,072,700</u>
Total assessed value	<u>\$ 455,907,144</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.

# **MORROW COUNTY, OHIO**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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

"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.

The delinquent real, public utility and tangible personal property taxes that will become available to the County within the first 60 days of 2003 are shown as 2002 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. A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2002 and amounts that are measurable and available at year-end are accrued as revenue. Amounts received outside the available period are recorded as deferred revenue. Sales and use tax for 2002 amounted to \$2,377,703.

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

Receivables at December 31, 2002, consisted of taxes, accrued 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 as described in Note 2.C. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

# **MORROW COUNTY, OHIO**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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#### **NOTE 8 – RECEIVABLES (Continued)**

A summary of the principal items of receivables follows:

<u>Fund/Description</u>	<u>Amount</u>
<b>General Fund</b>	
Sales taxes	\$ 366,407
Real and other taxes	1,751,292
Accounts	211,259
Accrued interest	19,630
Due from other funds	76,671
Due from other governments	401,083
<b>Special Revenue Funds</b>	
Real and other taxes	1,287,043
Accounts	82,464
Accrued interest	3,718
Notes	400,949
Due from other funds	35,607
Due from other governments	2,766,790
<b>Debt Service Funds</b>	
Special assessments	47,844
Due from other funds	213,696
<b>Capital Projects Funds</b>	
Accounts	7,700
<b>Enterprise Funds</b>	
Taxes	1,150,000
Accounts	3,293,693
Notes	114,820
<b>Agency Funds</b>	
Taxes	20,512,914
Special assessments	47,844
Due from other funds	16,452
Due from other governments	1,174,255

# MORROW COUNTY, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2002

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#### NOTE 9 - NOTES RECEIVABLE

A summary of the changes in notes receivable reported in the special revenue funds during 2002 follows:

	<u>Balance at</u> <u>01/01/02</u>	<u>Loans</u> <u>Issued</u>	<u>Principal</u> <u>Received</u>	<u>Balance at</u> <u>12/31/02</u>
<u>Special Revenue Funds</u>				
Community Development Block				
Grant Commercial Loans	\$ 83,622	\$ 16,000	\$ (8,336)	\$ 91,286
Water/Sewer Revolving Loans	84,530	26,045	(15,773)	94,802
Rural Hardship				
Revolving Loans	<u>123,227</u>	<u>132,260</u>	<u>(40,626)</u>	<u>214,861</u>
Total	<u>\$ 291,379</u>	<u>\$ 174,305</u>	<u>\$ (64,735)</u>	<u>\$400,949</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, 2002, is set forth in the following table:

Board restricted for capital improvements:	
Cash and cash equivalents	\$ 1,307,562
Investments	577,719
Accrued interest receivable	<u>10,845</u>
Total	<u>\$ 1,896,126</u>

# MORROW COUNTY, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2002

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#### NOTE 11 - FIXED ASSETS

##### A. Enterprise Fund Fixed Assets

A summary of the enterprise fund fixed assets at December 31, 2002 is as follows:

Land and improvements	\$ 576,852
Buildings	5,249,544
Equipment	14,955,591
Construction in progress	233,587
Sewer lines	<u>256,370</u>
Total gross assets	21,271,944
Less: accumulated depreciation	<u>(9,199,351)</u>
Total net assets	<u>\$ 12,072,593</u>

Construction in progress primarily consists of hospital facility improvements for water systems, building addition, heating, electrical and emergency generator systems.

##### 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>01/01/02</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/02</u>
Land	\$ 624,248	\$ -	\$ -	\$ 624,248
Land improvements	145,697	-	-	145,697
Buildings	4,346,705	3,707,342	-	8,054,047
Building improvements	973,497	-	-	973,497
Furniture, fixtures and equipment	2,965,199	10,939	-	2,976,138
Vehicles	3,683,503	4,900	(120,761)	3,567,642
Construction in progress	<u>3,193,532</u>	<u>-</u>	<u>(3,193,532)</u>	<u>-</u>
Total	<u>\$ 15,932,381</u>	<u>\$ 3,723,181</u>	<u>\$ (3,314,293)</u>	<u>\$ 16,341,269</u>



# MORROW COUNTY, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2002

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#### NOTE 12 - CAPITALIZED LEASES - LESSEE DISCLOSURE

- A. During prior fiscal years, the County entered into capital leases for the acquisition of an asphalt roller and a street sweeper. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease as one which transfers benefits and risks of ownership to the lessee.

Both pieces of equipment have been capitalized in the general fixed assets account group in the amount of \$101,658. 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. Principal and interest payments for fiscal year 2002 were \$22,166 and \$4,211, respectively. These amounts are reported as debt service expenditures in the special revenue funds.

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, 2002:

Fiscal Year Ending <u>December 31,</u>	<u>Amount</u>
2003	\$ 26,377
2004	<u>26,375</u>
Total future minimum lease payments	52,752
Less: amount representing interest	<u>(4,321)</u>
Present value of net minimum lease payments	<u>\$ 48,431</u>

- B. At December 31, 2002, the Hospital has capital leases for a computer hardware and software system, the CT scanner system and other medical equipment. 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 \$1,696,637 less accumulated depreciation of \$918,012 are included in property and equipment, in the accompanying combined financial statements. The liability for the obligation under capital lease at December 31, 2002 was \$864,980.

Annual minimum lease payments of the capital leases required for the five years subsequent to December 31, 2002 for the Hospital are as follows:

# MORROW COUNTY, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2002

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#### NOTE 12 - CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)

Fiscal Year Ending <u>December 31,</u>	<u>Amount</u>
2003	\$ 413,870
2004	299,740
2005	246,002
2006	12,159
2007	<u>1,708</u>
Total minimum lease payments	973,479
Amounts representing interest	<u>(108,499)</u>
Present value of net minimum payments	\$ <u>864,980</u>

- C. At December 31, 2002, the Whetstone Industries has a capital lease for a walk-behind fork lift. The obligation under this capital lease has been recorded at the present value of future minimum lease payments, discounted at appropriate interest rates. The capitalized costs of \$13,950 less accumulated depreciation of \$698 are included in property and equipment. The interest expense for this capital lease for the year ended December 31, 2002 was \$800. Annual minimum lease payments of the capital lease required for the five years subsequent to December 31, 2002 are as follows:

Fiscal Year Ending <u>December 31,</u>	<u>Amount</u>
2003	\$ 4,176
2004	4,176
2005	4,176
2006	<u>1,740</u>
Total minimum lease payments	14,268
Amounts representing interest	<u>(2,354)</u>
Present value of net minimum payments	\$ <u>11,914</u>

# **MORROW COUNTY, OHIO**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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#### **NOTE 13 - OPERATING LEASES - LESSEE DISCLOSURE**

- A. The Hospital has entered into an operating lease agreement for medical equipment. Future minimum lease payments are as follows:

Fiscal Year Ending <u>December 31,</u>	<u>Amount</u>
2003	\$ 151,179
2004	145,979
2005	130,293
2006	55,078
2007	<u>51,328</u>
Total minimum lease payments	<u>\$ 533,857</u>

- B. The Whetstone Industries had an operating lease for the recycling facility. The lease was renewed in November 2001 for five years with monthly lease payments of \$750. As a part of the discontinuation of the recycling center the remainder of this lease was transferred to Mid Ohio Recycling with out recourse. Lease expense for the year ended December 31, 2002 was \$3,600.

#### **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, 2002 vested benefits for vacation leave for governmental fund type employees totaled \$353,054 and vested benefits for sick leave totaled \$52,638. In accordance with GASB Statement No. 16, an additional liability of \$57,798 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 GENERAL PURPOSE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2002

#### NOTE 15 - LONG-TERM OBLIGATIONS

##### A. General Long-Term Obligations

The changes in the County's long-term obligations during 2002 consisted of the following:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance at 01/01/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/02</u>
<u>General obligation bonds:</u>						
Jail bond retirement	2013	4.875%	\$ 794,362	\$ -	\$ (177,000)	\$ 617,362
MRDD building bonds	2011	6.2-7.95%	315,000	-	(25,000)	290,000
County services building	2022	1.5-4.8%	-	<u>2,300,000</u>	-	<u>2,300,000</u>
Total general obligation bonds			<u>\$ 1,109,362</u>	<u>\$ 2,300,000</u>	<u>\$ (202,000)</u>	<u>\$ 3,207,362</u>
<u>Loans payable:</u>						
Engineers vehicles #4	2002	5.75%	\$ 21,450	\$ -	\$ (21,450)	\$ -
Engineers vehicles #5	2003	5.513%	67,362	-	(33,681)	33,681
Engineers vehicles #6	2004	5.44%	37,561	-	(18,780)	18,781
Engineers vehicles #7	2005	4.90%	126,646	-	(42,216)	84,430
Engineers vehicles #9	2005	5.90%	170,539	-	(42,635)	127,904
Building - Walnut Place	2004	5.00%	253,146	-	(97,452)	155,694
Court computerization	2004	6.15%	44,894	-	(15,968)	28,926
Total loans payable			<u>\$ 721,598</u>	<u>\$ -</u>	<u>\$ (272,182)</u>	<u>\$ 449,416</u>
OWDA loan payable	2011	7.50%	\$ 93,447	\$ -	\$ (7,104)	\$ 86,343
OWDA loan payable	2023	0.00%	50,000	-	-	50,000
Total OWDA loans payable			<u>\$ 143,447</u>	<u>\$ -</u>	<u>\$ (7,104)</u>	<u>\$ 136,343</u>
Special assessment note payable	2005	6.00%	<u>\$ 108,255</u>	<u>\$ -</u>	<u>\$ (28,652)</u>	<u>\$ 79,603</u>
<u>Other long-term obligations:</u>						
Compensated absences payable			\$ 473,618	\$ -	\$ (10,128)	\$ 463,490
Capital lease payable			70,597	-	(22,166)	48,431
Total other long-term obligations			<u>\$ 544,215</u>	<u>\$ -</u>	<u>\$ (32,294)</u>	<u>\$ 511,921</u>
Total general long-term obligations			<u>\$ 2,626,877</u>	<u>\$ 2,300,000</u>	<u>\$ (542,232)</u>	<u>\$ 4,384,645</u>

*General Obligation Bonds:* The general obligation bonds are supported by the full faith and credit of the County. The Jail bond and MRDD building bonds were issued to provide resources for building renovations and improvements including energy conservation measures. Additionally, in August 2002, the County issued bonds in the amount of \$2,300,000 to pay off the Social Services building notes. These bonds are being retired through rental charges and other County operating sources.

# **MORROW COUNTY, OHIO**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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#### **NOTE 15 - LONG-TERM OBLIGATIONS - (Continued)**

##### **A. General Long-Term Obligations (Continued)**

Loans Payable: Loans payable consist of money owed to the Ohio Water Development Authority for construction of 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. In June 2001, the County issued a loan to purchase a building on Walnut Place for \$300,000. Proceeds of this loan were recorded in the general fund with the payments being made from the Walnut Place Building Loan retirement debt service fund. In August 2001, the County issued a loan through a line of credit to purchase computer equipment for the County courts in the amount of \$50,000. Payments will be made from the Common Pleas Court Information Systems special revenue fund.

Special Assessment Note: On July 17, 2000, the County issued a note for the purpose of obtaining 911 equipment. The note is payable as to principal and interest solely from 911 property tax assessments and other receipts. The special assessments are receipted into the 911 Note Retirement debt service fund and the subsequent principal and interest payments are made from this fund. In the event that special assessments are not sufficient to pay the annual principal and interest payments, the County is responsible for providing the resources to meet the payments as the full faith and credit of the County has been pledged for repayment.

OWDA Loans Payable: The OWDA loans were acquired to provide for County sewer improvements and to finance septic system replacements. Repayment of the 7.5% OWDA loan is being made from the debt service fund. As of December 31, 2002, the 0% OWDA loan is not closed with \$50,000 of the \$75,000 loan amount having been disbursed. Once closed (payments are estimated to begin on 1/1/2004), this loan will be repaid from the CDBG special revenue fund. Future debt service requirements are presented for closed loans only and will not agree to the loan balance outstanding at year-end.

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.

Capital Leases Payable: Capital lease principal and interest payments are being made from the Motor Vehicle and Gas Tax special revenue fund. See Note 12.A. for further detail on the capital lease obligations.

# MORROW COUNTY, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2002

#### NOTE 15 - LONG-TERM OBLIGATIONS - (Continued)

##### A. General Long-Term Obligations

*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, Building and Court Loans		
	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 159,000	\$ 164,884	\$ 323,884	\$ 256,790	\$ 18,090	\$ 274,880
2004	187,000	133,194	320,194	149,990	5,586	155,576
2005	201,000	126,134	327,134	42,636	1,258	43,894
2006	205,000	118,325	323,325	-	-	-
2007	209,000	109,949	318,949	-	-	-
2008-2012	876,362	402,749	1,279,111	-	-	-
2013-2017	610,000	226,800	836,800	-	-	-
2018-2022	<u>760,000</u>	<u>109,590</u>	<u>869,590</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$3,207,362</u>	<u>\$1,391,625</u>	<u>\$4,598,987</u>	<u>\$ 449,416</u>	<u>\$ 24,934</u>	<u>\$ 474,350</u>

  

Year Ended	OWDA Loans			Special Assessment Note		
	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 7,637	\$ 6,476	\$ 14,113	\$ 30,419	\$ 4,381	\$ 34,800
2004	8,210	5,903	14,113	32,296	2,505	34,801
2005	8,826	5,287	14,113	16,888	513	17,401
2006	9,488	4,625	14,113	-	-	-
2007	10,199	3,914	14,113	-	-	-
2008-2011	<u>41,983</u>	<u>7,411</u>	<u>49,394</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 86,343</u>	<u>\$ 33,616</u>	<u>\$ 119,959</u>	<u>\$ 79,603</u>	<u>\$ 7,399</u>	<u>\$ 87,002</u>

# MORROW COUNTY, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2002

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#### 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 \$8,331,758 as of December 31, 2002.

#### C. Enterprise Fund Obligations

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

	Interest <u>Rate</u>	Balance at <u>1/1/02</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>12/31/02</u>
Capital lease payable		\$ 1,143,630	\$ -	\$ (278,650)	\$ 864,980
Deed restriction on land		12,000	-	-	12,000
Hospital facilities revenue notes	5.90%	274,302	-	(86,118)	188,184
Facility improvements					
Lease and purchase agreement	5.89%	<u>4,950,000</u>	<u>-</u>	<u>-</u>	<u>4,950,000</u>
Total enterprise fund obligations		<u>\$ 6,379,932</u>	<u>\$ -</u>	<u>\$ (364,768)</u>	<u>\$ 6,015,164</u>

Capital Leases Payable: The capital lease obligation represents the leases entered into for a computer and hardware system, a CT scanner and medical equipment for the Hospital. The leases are being retired 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.

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.

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 15 - LONG-TERM OBLIGATIONS - (Continued)**

**C. Enterprise Fund Obligations (Continued)**

*Hospital Facility Improvement Lease and Purchase Agreement:* The lease and purchase agreement was issued during 2001 for the financing of the construction of facility improvements. The financing was provided by the issuance of 10 year tax-exempt hospital bonds maturing August 28, 2012 with an interest rate of 5.89%.

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

Year Ended <u>December 31,</u>	<u>Amount</u>
2003	\$ 296,221
2004	523,836
2005	453,472
2006	480,783
2007	509,738
Thereafter	<u>2,886,134</u>
Total	<u>\$ 5,150,184</u>

The \$12,000 reported in the future debt service requirements represents the deed restriction on the land. This is reported as a separate liability from the Hospital Facilities Refunding Revenue Note on the combined financial statements.

**NOTE 16 - BOND ANTICIPATION NOTES PAYABLE**

The County had the following bond anticipation note activity during fiscal year 2002 in the capital projects funds. Bond anticipation notes are reported as a liability in the Social Services Bond Retirement capital projects fund, the fund that received the proceeds.

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at 01/01/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/02</u>
Social services building - 2.90%	09/07/01	09/06/02	\$ 4,083,000	\$ -	\$ (4,083,000)	\$ -
Social services building - 2.00%	07/24/02	07/23/03	-	<u>2,000,000</u>	-	<u>2,000,000</u>
Total			<u>\$ 4,083,000</u>	<u>\$ 2,000,000</u>	<u>\$ (4,083,000)</u>	<u>\$ 2,000,000</u>



# **MORROW COUNTY, OHIO**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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#### **NOTE 17 - NET PATIENT SERVICE REVENUE AND CHARITY CARE**

The Hospital provides services to certain patients covered by various third party payer 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, 2002 are as follows:

	<u>2002</u>
Gross patient service revenue	\$ 28,735,362
Less contractual allowances:	
Medicare	(5,222,323)
Medicaid and other	<u>(3,139,784)</u>
Total contractual allowances	<u>(8,362,107)</u>
Net patient service revenue	<u>\$ 20,373,255</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 \$151,032 during the year ended December 31, 2002.

#### **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, 2002, final settlements have been reached with Medicare through 1999 and with Medicaid through 1997. The receivable amount of \$67,793 reported on the combined balance sheet represents the estimated settlements outstanding at December 31, 2002, which Hospital management believes will approximate final settlements after audit by the respective agencies.

# MORROW COUNTY, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2002

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#### 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, Inc. as a discretely presented component unit. Financial information for the year-ended December 31, 2002, is as follows:

	<u>Ketterman Sewer</u>	<u>Morrow County Hospital</u>	<u>Total Primary Government</u>
Operating revenues	\$ 33,700	\$ 21,861,656	\$ 21,895,356
Operating expenses before depreciation	34,127	19,972,054	20,006,181
Depreciation expense	5,127	1,106,611	1,111,738
Operating income/(loss)	(5,554)	782,991	777,437
Net income	770	454,199	454,969
Property, plant and equipment (net of accumulated depreciation)	230,735	11,841,858	12,072,593
Net working capital	96,749	2,182,437	2,279,186
Total assets	327,484	19,552,719	19,880,203
Total liabilities	-	9,647,462	9,647,462
Retained earnings	128,777	9,905,257	10,034,034
Contributed capital	198,707	-	198,707
Total equity	327,484	9,905,257	10,232,741

# MORROW COUNTY, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2002

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#### 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 2002, 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 is as follows:

	<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

# MORROW COUNTY, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2002

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

##### A. Property and Liability Insurance (Continued)

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

##### B. Health, Prescription Drug, Dental and Vision Insurance

The County purchases commercial health insurance coverage through Medical Mutual, which includes prescription drug and vision coverage and dental coverage through Delta Dental. The County pays a majority of the monthly premiums; however, the percentage varies by department. As of September 1, 2002, the County has converted the traditionally funded plan to a self-insured plan. Medical Mutual provides administrative services in approving the claims, but the County is responsible for the payment of the claims.

The balance of the self-insurance claims liabilities during 2002 is as follows:

	Beginning of Year <u>Liability</u>	Current Year Claims and Changes in <u>Estimates</u>	Claim Payments	End of Year <u>Liability</u>
2002	\$ -	\$ 715,572	\$(578,954)	\$136,618

The County offers life insurance, however, this is at the cost of the employee if they choose to participate. The entire risk of loss transfers to the commercial insurance carrier.

##### C. 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.

# **MORROW COUNTY, OHIO**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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

##### **D. Hospital Self-Insurance Program (Continued)**

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 \$1,100,743 for 2002, 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, 2002, the Hospital had estimated its outstanding loss claims at \$123,161, 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. Ohio Public Employees Retirement System**

All County full-time employees, other than teachers, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. OPERS 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. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

# **MORROW COUNTY, OHIO**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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

##### **A. Ohio Public Employees Retirement System (Continued)**

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2002 was 8.5% for employees other than law enforcement and public safety. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. Public safety division members contribute at 9%. The employer contribution rate for employees other than law enforcement and public safety division was 13.55% of covered payroll and 8.55% was the portion used to fund pension obligations for 2002. The employer contribution rate for law enforcement and public safety divisions was 16.70% of covered payroll and 11.70% was the portion used to fund pension obligations for 2002. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The County's contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$823,901, \$865,493, and \$603,724, respectively; 73.08% has been contributed for 2002 and 100% for 2001 and 2000. \$221,828, representing the unpaid contribution for 2002, is recorded as a liability within the respective funds.

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

Certified teachers employed by the school for the Mental Retarded/Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides 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 Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2002 Comprehensive Annual Financial Report may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the County is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio Retirement Board, 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 Ohio for the years ended December 31, 2002, 2001, and 2000 were \$16,107, \$26,012, and \$31,015, respectively, 94.34% percent has been contributed for 2002 and 100 percent for the years 2001 and 2000. \$912 representing the unpaid contributions for 2002, is recorded as a liability within the respective funds.

# **MORROW COUNTY, OHIO**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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#### **NOTE 22 - POSTEMPLOYMENT BENEFITS**

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

OPERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (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 OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2002 employer contribution rate for local government employers was 13.55% of covered payroll and 5.00% was the portion that was used to fund health care. For both the public safety and law enforcement divisions the 2002 employer rate was 16.70% of covered payroll and 5.00% 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 OPERS. The County's contribution actually made to fund postemployment benefits was \$341,574.

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

As of December 31, 2001 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively, at December 31, 2001 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2001 (the latest information available) was 402,041.

In December 2001, the OPERS Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

# **MORROW COUNTY, OHIO**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

---

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

##### **A. Ohio Public Employees Retirement System (Continued)**

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

Additional information on the OPERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the OPERS December 31, 2002, Comprehensive Annual Financial Report.

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

Comprehensive health care benefits are provided to retired teachers and their dependents through the STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by the State Teachers Retirement Board 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 Health Care Stabilization Fund equal to 4.5% of covered payroll for the fiscal year ended June 30, 2002. Effective July 1, 2002, 1% of covered payroll was allocated to the Health Care Stabilization Fund. For the County, this amount equaled \$7,630 during calendar year 2002. As of June 30, 2002, the balance in the Health Care Stabilization Fund was \$3.011 billion and eligible benefit recipients totaled 105,300 for STRS Ohio as a whole. For the fiscal year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354.697 million.

#### **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:



# MORROW COUNTY, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2002

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#### NOTE 23 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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	\$ (1,168,604)	\$(1,170,852)	\$(139,972)	\$ (800,690)
Net adjustment for revenue accruals	38,385	(428,094)	-	191,987
Net adjustment for expenditure accruals	154,552	359,471	-	4,161,625
Net adjustment for other financing sources/(uses) accruals	17,208	-	-	(2,000,000)
Encumbrances (budget basis)	<u>329,961</u>	<u>613,393</u>	<u>21,170</u>	<u>29,727</u>
GAAP basis	<u>\$ (628,498)</u>	<u>\$ (626,082)</u>	<u>\$(118,802)</u>	<u>\$1,582,649</u>

#### 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, 2002.

##### B. Morrow County Hospital

At December 31, 2002, 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.

# **MORROW COUNTY, OHIO**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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#### **NOTE 24 – CONTINGENCIES (Continued)**

##### **B. Morrow County Hospital (Continued)**

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, 2002, there were several claims and lawsuits pending against the County. In the opinion of the County Prosecutor, no material liability is anticipated.

#### **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 operating revenues in the GPFS. For the year ended December 31, 2002, the contributions were \$763,232.

#### **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.

#### **NOTE 27 - DISCONTINUED OPERATIONS**

On February 26, 2002, the Board of Directors of Whetstone Industries decided to discontinue operations at the recycling center and the satellite facilities that are operated in conjunction with the recycling center. Operations ceased on April 30, 2002. Whetstone Industries transferred the Recycling Center to Mid Ohio Sanitation, who has contracted with DKMM Solid Waste District to operate the Recycling Center after April 30, 2002. Upon termination of the contract or successor contracts, all equipment purchased with grant funds were surrendered to the DKMM Solid Waste District. Mid Ohio Sanitation will retain all current staff and equipment that was used in the recycling operation. Whetstone did not incur any expenses or liabilities associated with the discontinuation of the recycling operation.



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**CIUNI & PANICHI**  
INC.

CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS CONSULTING FIRM

*a C&P Advisors Company*

**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, 2002, and have issued our report thereon dated June 20, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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*.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Morrow County, Ohio's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as item 02-1.



Board of County Commissioners  
Morrow County, Ohio

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended for the information and use of the Morrow County Board of County Commissioners, Audit Committee, 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.

*Cini & Paricki, Inc.*

Cleveland, Ohio  
June 20, 2003



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CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS CONSULTING FIRM

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**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 each of its major federal programs for the year ended December 31, 2002. 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 each of 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 each of its major federal programs for the year ended December 31, 2002. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings as item 02-2.



Board of County Commissioners  
Morrow County, Ohio

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, 2002, and have issued our report thereon dated June 20, 2003. 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 Morrow County Board of County Commissioners, Audit Committee, 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.

*Cini & Panichi, Inc.*

Cleveland, Ohio  
June 20, 2003

# MORROW COUNTY, OHIO

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### FOR THE YEAR ENDED DECEMBER 31, 2002

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<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 Child and Adult Care Food Program	10.558	066167	\$ <u>17,110</u>
U.S. Department of Education: Pass-Through Ohio Department of Education Title VI-B	84.027	6B-SF-01P	<u>1,440</u>
U.S. Department of Housing and Urban Development: Pass-Through Ohio Department of Development Home Investment Partnerships Program	14.239	B-C-00-054-2	113,360
Community Development Block Grant	14.228	B-C-00-054-1	12,530
Community Development Block Grant	14.228	B-F-00-054-1	35,726
Community Development Block Grant	14.228	B-F-01-054-1	<u>120,957</u>
Total U.S. Department of Housing and Urban Development			<u>282,573</u>
Federal Emergency Management Agency: Pass-Through Ohio Emergency Management Agency Emergency Management – Performance Grant	83.552	EMC-2002-GR-7005	11,529
State Domestic Preparedness Program	16.007	2002-TE-CS-0099	<u>18,947</u>
Total Federal Emergency Management Agency			<u>30,476</u>
U.S. Department of Transportation: Pass-Through Department of Public Safety Safe Communities	20.600	1721.0	10,645
Safe Communities	20.600	3071.0	<u>1,114</u>
Total U.S. Department of Transportation			<u>11,759</u>
U.S. Department of Justice: Pass-Through Ohio Attorney General's Office COPS	16.710	96-UM-WX-0919	45,428
COPS & More Grant	16.710	00-CM-WXZ-0451	9,124
Crime Victim Assistance	16.575	2002VAGENE069	11,384
Crime Victim Assistance	16.575	2003VAGENE069	<u>6,236</u>
Total U.S. Department of Justice			<u>72,172</u>
U.S. Department of Health and Human Services: Pass-Through Ohio Department of Human Services Title IV-B	93.645	G-00-010H1400	<u>23,795</u>
Total Expenditures of Federal Awards			\$ <u>439,325</u>

## **MORROW COUNTY, OHIO**

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

#### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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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, 2002, the amount of the loans outstanding was \$91,286 for the Economic Development Revolving Loan Program and \$94,802 for the Water and Sewer Revolving Loan Program.



# **MORROW COUNTY, OHIO**

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

**DECEMBER 31, 2002**

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### **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)?	Yes
(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 .510?	Yes
(d)(I)(vii)	Major Programs	Community Development Block Grant – CFDA No. 14.228 Home Investment Partnerships Program – CFDA No. 14.239
(d)(I)(viii)	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**

- 02-1 During our testing of expenditures, we noted an instance in the Morrow County Department of Human Services in which an invoice in the amount of \$8,000 was paid for services that had not been performed. The check was authorized and paid during June 2002. The services for which the money was paid have begun as of the date of this letter.

# **MORROW COUNTY, OHIO**

## **SCHEDULE OF FINDINGS (CONTINUED) OMB CIRCULAR A-133 SECTION .505**

**DECEMBER 31, 2002**

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

The Department of Human Services should follow the existing Procurement Plan that was adopted during May 2001. The Department Supervisor authorizing an invoice for payment should investigate as to whether or not the corresponding goods were received and/or services were performed before authorizing payment.

### **3. FINDINGS FOR FEDERAL AWARDS**

02-2 Non-Compliance:

Cash Management – Home Investment Partnerships Program – CFDA No. 14.239 – U.S. Department of Housing and Urban Development – Pass-Through Ohio Department of Development.

The OHCP Financial Management Rules and Regulations Handbook states that grantees receiving federal funds must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. Federal regulations 24 CFR 92 and 502 (c)(2) require that Non-Federal entities must expend funds which they receive from HUD within fifteen days of receipt of the funds. There were several instances throughout 2002 when the balance of funds was greater than \$5,000 after fifteen days of receipt of funds.

The County's Economic Development Office should review the amounts of incoming funds and the related projects, so that amounts are expended to the correct parties within the required time limit.

**MORROW COUNTY, OHIO**

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

**DECEMBER 31, 2002**

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Finding No.	Finding Summary	Fully Corrected?	Explanation
01-1	<p>Notice of Unclaimed Funds – Per Ohio Revised Code Section 1907.20(D), on the first Monday in January of each year, the clerk of a county court shall make a list of the unclaimed funds in the county court that were determined to be more than one year outstanding.</p> <p>The clerk shall then give notice of the monies to the parties entitled to them or to their attorneys of record. All the monies remaining unclaimed on the first day of April of each year shall be paid by the clerk to the county treasurer. The courts did not give notice to parties for unclaimed funds during 2002.</p>	Yes	List of unclaimed funds was made.
01-2	<p>Cash Management – Home Investment Partnerships Program – CFDA No. 14.239 – U.S. Department of Housing and Urban Development – Pass-Through Ohio Department of Development.</p> <p>The OHCP Financial Management Rules and Regulations Handbook states that grantees receiving federal funds must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. Federal Regulations 24 CFR 92 and 502 (c)(2) require that Non-Federal entities must expend funds which they receive from HUD within fifteen days of receipt of the funds. There were several instances throughout 2001 when the balance of funds was greater than \$5,000 after fifteen days of receipt of funds.</p> <p>The County’s Economic Development Office should review the amounts of incoming funds and the related projects, so that amounts are expended to the correct parties within the required time limit.</p>	No	The County had noncompliance in this area again in 2002.

**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, 2002**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
02-1	Procurement procedures were reviewed at Job and Family Services Manager's meeting.	Immediately	Don Wake, Director of Job and Family Services
02-2	Staff meet on a monthly basis to review program budget and current cash balances to ensure compliance.	Ongoing	Kevin Carney, Development Director



**Auditor of State  
Betty Montgomery**

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

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

## **FINANCIAL CONDITION**

### **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.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 26, 2003**