

MORROW COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
(Audited)
FOR THE YEAR ENDED
DECEMBER 31, 2009

MARY M. HOLTREY, AUDITOR



Mary Taylor, CPA
Auditor of State

Board of County Commissioners
Morrow County
48 East High Street
Mount Gilead, Ohio 43338

We have reviewed the *Independent Auditor's Report* of Morrow County, prepared by Julian & Grube, Inc., for the audit period January 1, 2009 through December 31, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 12, 2010

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MORROW COUNTY

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Board of Commissioners
Morrow County
48 E. High Street
Mt. Gilead, OH 43338

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Morrow County, Ohio, as of and for the year ended December 31, 2009, which collectively comprise Morrow County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Morrow County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Morrow County Hospital, a major Enterprise Fund, which represents 98.74% of total assets, 98.16% of total net assets and 99.88% of total revenue of the business-type activities. We also did not audit the financial statements of Whetstone Industries, Inc. Morrow County's only discretely presented component unit. The financial statements of Morrow County Hospital and Whetstone Industries, Inc. were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Morrow County, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Morrow County, Ohio, as of December 31, 2009 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, Emergency Squad, Motor Vehicle and Gas Tax, Public Assistance, and County Board of Developmental Disabilities funds 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 29, 2010, on our consideration of Morrow County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Board of Commissioners
Morrow County Auditor
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The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise Morrow County's basic financial statements. The accompanying schedule of expenditures of federal awards provides additional information as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Morrow County. We subjected the schedule of expenditures of federal awards to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.
June 29, 2010

MORROW COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009 UNAUDITED

The management's discussion and analysis of Morrow County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- The total net assets of the County increased \$179,249. Net assets of governmental activities decreased \$105,674, which represents a 0.28% decrease from year 2008. Net assets of business-type activities increased \$284,923 or 1.98% from year 2008.
- General revenues accounted for \$10,137,666 or 40.20% of total governmental activities revenue. Program specific revenues accounted for \$15,081,955 or 59.80% of total governmental activities revenue.
- The County had \$25,325,295 in expenses related to governmental activities; \$15,081,955 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$10,137,666 were not adequate to provide for these programs.
- The general fund, the County's biggest major fund, had revenues of \$6,594,743 in 2009, a decrease of \$1,286,544 or 16.32% from 2008 revenues. The general fund had expenditures of \$6,652,293 in 2009, a decrease of \$1,395,340 or 17.34% from 2008. The net change in expenditures and decrease in revenues contributed to the general fund balance decrease of \$57,550 from 2008 to 2009.
- The emergency squad, a County major fund, had revenues of \$1,132,309 in 2009. The emergency squad fund, had expenditures of \$1,128,510 in 2009. The emergency squad fund balance increased \$3,799 from 2008 to 2009.
- The motor vehicle and gas tax, a County major fund, had revenues of \$4,206,605 in 2009. The motor vehicle and gas tax, had expenditures of \$3,635,746 in 2009. The motor vehicle and gas tax fund balance increased \$570,859 from 2008 to 2009.
- The public assistance fund, a County major fund, had revenues of \$4,905,283 in 2009. The public assistance fund, had expenditures of \$5,187,014 in 2009. The public assistance fund balance decreased \$281,731 from 2008 to 2009.
- The County board of developmental disabilities (DD) fund, a County major fund, had revenues of \$2,475,573 in 2009. The County board of DD fund, had expenditures of \$2,268,551 in 2009. The County board of DD fund balance increased \$207,022 from 2008 to 2009.
- Net assets for the business-type activities, which are made up of the Ketterman Project and Morrow County Hospital enterprise funds, increased in 2009 by \$284,923.
- In the general fund, the actual revenues and other financing sources came in \$445,118 higher than they were originally budgeted and actual expenditures and other financing sources were \$233,814 higher than the amount in the original budget. The County uses a conservative budgeting process.

MORROW COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009 UNAUDITED

Using this Basic Financial Statements (BFS)

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

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

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets and the statement of activities answer the question, "How did we do financially during 2009?" These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The County's statement of net assets and statement of activities can be found on pages 15-17 of this report.

Reporting the County's Most Significant Funds

Fund Financial Statements

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

MORROW COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009 UNAUDITED

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the general fund, emergency squad fund, motor vehicle and gas tax fund, public assistance fund, and the County board of developmental disabilities (DD). The analysis of the County's major governmental and proprietary funds begins on page 10.

Governmental Funds

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

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental financial statements can be found on pages 18-28 of this report.

Proprietary Funds

The County maintains proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Ketterman project and Morrow County Hospital operations. The basic proprietary fund financial statements can be found on pages 29-32 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on page 33 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government wide and fund financial statements. These notes to the basic financial statements can be found on pages 34-74 of this report.

MORROW COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the County as a whole. The table below provides a summary of the County's net assets at December 31, 2009 and December 31, 2008.

	Net Assets					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	Total	Total
	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Assets</u>						
Current and other assets	\$ 18,707,665	\$ 12,379,430	\$ 21,413,759	\$ 12,414,898	\$ 31,087,095	\$ 33,828,657
Capital assets, net	<u>31,370,655</u>	<u>9,133,434</u>	<u>30,182,346</u>	<u>9,942,399</u>	<u>40,504,089</u>	<u>40,124,745</u>
Total assets	<u>50,078,320</u>	<u>21,512,864</u>	<u>51,596,105</u>	<u>22,357,297</u>	<u>71,591,184</u>	<u>73,953,402</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	7,547,564	2,315,140	9,440,474	3,076,160	9,862,704	12,516,634
Other liabilities	<u>5,356,832</u>	<u>4,549,674</u>	<u>4,876,033</u>	<u>4,918,010</u>	<u>9,906,506</u>	<u>9,794,043</u>
Total liabilities	<u>12,904,396</u>	<u>6,864,814</u>	<u>14,316,507</u>	<u>7,994,170</u>	<u>19,769,210</u>	<u>22,310,677</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	24,653,374	7,293,159	21,575,572	7,330,457	31,946,533	28,906,029
Restricted	11,081,856	-	14,316,754	-	11,081,856	14,316,754
Unrestricted	<u>1,438,694</u>	<u>7,354,891</u>	<u>1,387,272</u>	<u>7,032,670</u>	<u>8,793,585</u>	<u>8,419,942</u>
Total net assets	<u>\$ 37,173,924</u>	<u>\$ 14,648,050</u>	<u>\$ 37,279,598</u>	<u>\$ 14,363,127</u>	<u>\$ 51,821,974</u>	<u>\$ 51,642,725</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2009, the County's assets exceeded liabilities by \$51,821,974. This amounts to \$37,173,924 in governmental activities and \$14,648,050 in business-type activities.

Capital assets reported on the government-wide statements represent the largest portion of the County's net assets. At year-end, capital assets represented 56.58% of total governmental and business-type assets. Capital assets include land, land improvements, buildings, buildings and improvements, furniture and equipment, vehicles, infrastructure and construction in progress. Capital assets, net of related debt to acquire the assets at December 31, 2009, were \$31,946,533. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2009, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the County's net assets, \$11,081,856 or 21.38%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$8,793,585, may be used to meet the government's on-going obligations to citizens and creditors. It is important to note that although the total unrestricted net assets are \$8,793,585, the unrestricted net assets of the County's business-type activities, \$7,354,891 may not be used to fund governmental activities.

MORROW COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

The table below shows the changes in net assets for 2009 and 2008.

	Change in Net Assets					
	Governmental	Business-type	Governmental	Business-type	Total	Total
	Activities	Activities	Activities	Activities	2009	2008
	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues						
Program revenues:						
Charges for services and sales	\$ 2,447,672	\$ 25,877,804	\$ 3,232,232	\$ 28,100,691	\$ 28,325,476	\$ 31,332,923
Operating grants and contributions	12,097,829	-	13,551,099	-	12,097,829	13,551,099
Capital grants and contributions	<u>536,454</u>	<u>-</u>	<u>438,974</u>	<u>-</u>	<u>536,454</u>	<u>438,974</u>
Total program revenues	<u>15,081,955</u>	<u>25,877,804</u>	<u>17,222,305</u>	<u>28,100,691</u>	<u>40,959,759</u>	<u>45,322,996</u>
General revenues:						
Property taxes	3,998,064	-	3,921,117	-	3,998,064	3,921,117
Sales tax	2,305,777	-	2,850,874	-	2,305,777	2,850,874
Unrestricted grants	2,142,503	-	1,396,908	-	2,142,503	1,396,908
Investment earnings	137,458	56,368	594,503	176,977	193,826	771,480
Other	<u>1,553,864</u>	<u>2,234,022</u>	<u>929,170</u>	<u>1,950,530</u>	<u>3,787,886</u>	<u>2,879,700</u>
Total general revenues	<u>10,137,666</u>	<u>2,290,390</u>	<u>9,692,572</u>	<u>2,127,507</u>	<u>12,428,056</u>	<u>11,820,079</u>
Total revenues	<u>25,219,621</u>	<u>28,168,194</u>	<u>26,914,877</u>	<u>30,228,198</u>	<u>53,387,815</u>	<u>57,143,075</u>
Expenses						
Program expenses:						
General government						
Legislative and executive	3,458,323	-	4,222,130	-	3,458,323	4,222,130
Judicial	1,500,944	-	1,574,971	-	1,500,944	1,574,971
Public safety	3,572,698	-	4,003,652	-	3,572,698	4,003,652
Public works	3,963,624	-	5,313,083	-	3,963,624	5,313,083
Health	2,490,643	-	2,193,528	-	2,490,643	2,193,528
Human services	7,961,679	-	8,229,295	-	7,961,679	8,229,295
Economic development and assistance	927,804	-	40,654	-	927,804	40,654
Intergovernmental	290,759	-	448,963	-	290,759	448,963
Other	869,264	-	1,009,007	-	869,264	1,009,007
Interest and fiscal charges	289,557	-	246,653	-	289,557	246,653
Morrow County Hospital	-	27,815,621	-	30,193,462	27,815,621	30,193,462
Ketterman Project	<u>-</u>	<u>67,650</u>	<u>-</u>	<u>24,740</u>	<u>67,650</u>	<u>24,740</u>
Total expenses	<u>25,325,295</u>	<u>27,883,271</u>	<u>27,281,936</u>	<u>30,218,202</u>	<u>53,208,566</u>	<u>57,500,138</u>
Change in net assets before transfers	(105,674)	284,923	(367,059)	9,996	179,249	(357,063)
Transfers	<u>-</u>	<u>-</u>	<u>13,903</u>	<u>(13,903)</u>	<u>-</u>	<u>-</u>
Change in net assets	(105,674)	284,923	(353,156)	(3,907)	179,249	(357,063)
Net assets at beginning of year	<u>37,279,598</u>	<u>14,363,127</u>	<u>37,632,754</u>	<u>14,367,034</u>	<u>51,642,725</u>	<u>51,999,788</u>
Net assets at end of year	<u>\$ 37,173,924</u>	<u>\$ 14,648,050</u>	<u>\$ 37,279,598</u>	<u>\$ 14,363,127</u>	<u>\$ 51,821,974</u>	<u>\$ 51,642,725</u>

MORROW COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED

Governmental Activities

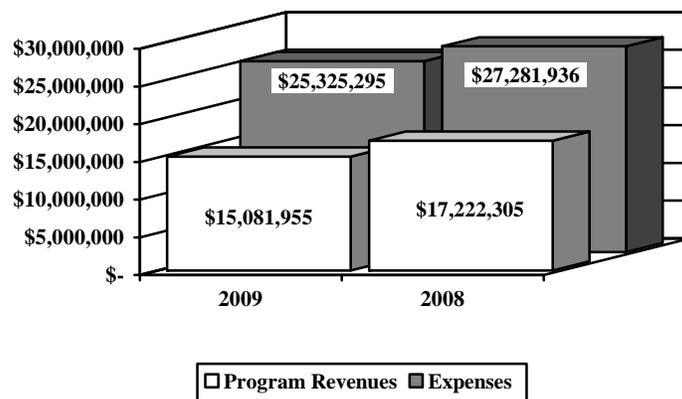
Governmental net assets decreased by \$105,674 in 2009. Human services accounts for \$7,961,679 of expenses, or 31.44% of total governmental expenses of the County. These expenses were funded by \$96,561 in charges to users of services and \$6,658,187 in operating grants and contributions in 2009. General government, which includes legislative and executive and judicial programs, expenses totaled \$4,959,267 or 19.58% of total governmental expenses. General government expenses were covered by \$1,602,940 of direct charges to users, \$410,339 in operating grants and contributions, and \$174,377 in capital grants and contributions in 2009.

The State and federal government contributed to the County revenues of \$12,097,829 in operating grants and contributions and \$536,454 in capital grants and contributions during 2009. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions \$6,658,187 or 55.03%, subsidized human services programs.

General revenues totaled \$10,137,666, and amounted to 40.20% of total revenues. These revenues primarily consist of property and sales tax revenue of \$6,303,841 or 62.18% of total general revenues in 2009. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with local government and local government revenue assistance making up \$2,142,503, or 21.13% of the total.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2009 and 2008. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the County is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.

Governmental Activities - Program Revenues vs. Total Expenses



MORROW COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
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	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
Program Expenses:				
General government				
Legislative and executive	\$ 3,458,323	\$ 2,202,126	\$ 4,222,130	\$ 3,082,162
Judicial	1,500,944	569,485	1,574,971	526,217
Public safety	3,572,698	2,793,744	4,003,652	2,841,566
Public works	3,963,624	264,180	5,313,083	544,277
Health	2,490,643	1,824,862	2,193,528	1,468,954
Human services	7,961,679	1,206,931	8,229,295	503,494
Economic development and assistance	927,804	650,639	40,654	33,266
Intergovernmental	290,759	290,759	448,963	448,963
Other	869,264	151,057	1,009,007	364,079
Interest and fiscal charges	<u>289,557</u>	<u>289,557</u>	<u>246,653</u>	<u>246,653</u>
Total	<u>\$ 25,325,295</u>	<u>\$ 10,243,340</u>	<u>\$ 27,281,936</u>	<u>\$ 10,059,631</u>

The dependence upon general revenues for governmental activities is apparent, with 40.45% of expenses supported through taxes and other general revenues during 2009.

Business-Type Activities

The Morrow County Hospital and Ketterman Project are the County's only enterprise funds. These programs had revenues of \$28,168,194 and expenses of \$27,883,271 for 2009. The net assets of the enterprise funds increased \$284,923 or 1.98% during 2009.

Financial Analysis of the Government's Funds

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

Governmental Funds

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

The County's governmental funds (as presented on the balance sheet on pages (18-19) reported a combined fund balance of \$10,599,446, which is \$1,809,372 less than last year's total of \$12,408,818.

MORROW COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2009 for all major and non-major governmental funds.

	<u>Fund Balance</u> <u>December 31, 2009</u>	<u>Fund Balance</u> <u>December 31, 2008</u>	<u>Increase/</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 1,100,003	\$ 1,157,553	\$ (57,550)
Emergency Squad Fund	45,310	41,511	3,799
Motor Vehicle and Gas Tax	2,702,090	2,131,231	570,859
Public Assistance	712,187	993,918	(281,731)
County Board of DD	928,273	721,251	207,022
Other Nonmajor Governmental Funds	<u>5,111,583</u>	<u>7,363,354</u>	<u>(2,251,771)</u>
 Total	 <u>\$ 10,599,446</u>	 <u>\$ 12,408,818</u>	 <u>\$ (1,809,372)</u>

General Fund

The County's general fund balance decreased \$57,550. The table that follows assists in illustrating the revenues of the general fund.

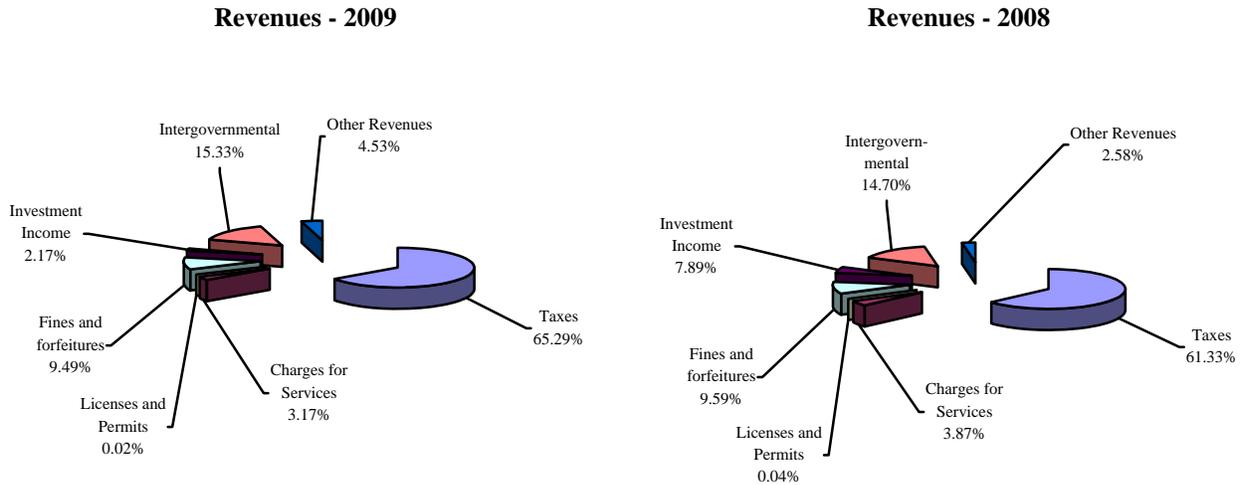
	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 4,305,296	\$ 4,819,549	(10.67) %
Charges for services	208,469	303,981	(31.42) %
Licenses and permits	1,645	3,309	(50.29) %
Fines and forfeitures	626,088	753,347	(16.89) %
Intergovernmental	1,011,053	1,155,415	(12.49) %
Investment income	143,210	620,358	(76.91) %
Other	<u>298,982</u>	<u>202,443</u>	47.69 %
 Total	 <u>\$ 6,594,743</u>	 <u>\$ 7,858,402</u>	 (16.08) %

Tax revenue represents 65.29% of all general fund revenue. Tax revenue decreased by 10.67% due to a decrease in sales taxes of \$516,114 from the prior year. The decrease in investment income is due to lower interest rates throughout the year. The decrease in intergovernmental revenues is due to a decrease in funding from state and federal sources. The increase in other revenue is caused by an increase in several miscellaneous revenue categories including reimbursements and unclaimed monies. All other revenue remained comparable to 2009.

MORROW COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED

The following graphs detail revenues by source for 2009 and 2008:



The table that follows assists in illustrating the expenditures of the general fund.

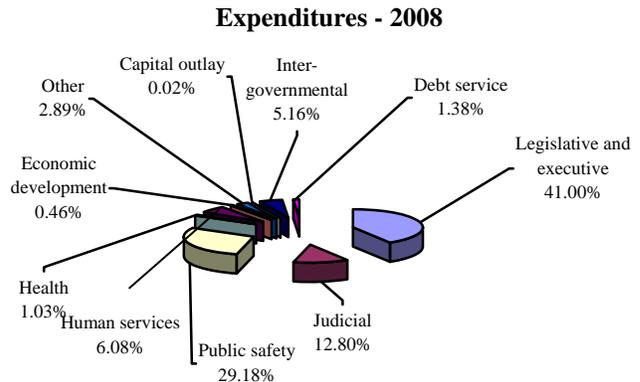
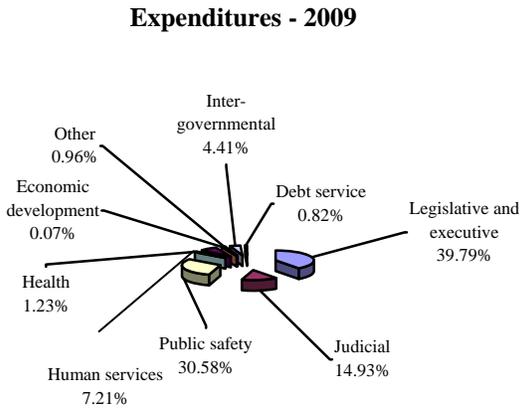
	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government			
Legislative and executive	\$ 2,574,619	\$ 3,280,762	(21.52) %
Judicial	966,387	1,024,370	(5.66) %
Public safety	1,979,293	2,334,104	(15.20) %
Health	79,342	82,292	(3.58) %
Human services	466,882	486,748	(4.08) %
Economic development and assistance	4,737	36,490	(87.02) %
Other	62,298	231,176	(73.05) %
Capital outlay	-	1,571	(100.00) %
Intergovernmental	285,145	412,723	(30.91) %
Debt service	52,997	110,099	(51.86) %
Total	<u>\$ 6,471,700</u>	<u>\$ 8,000,335</u>	(19.11) %

One of the significant decreases was in the area of other expenses due to a lower amount of miscellaneous expense than in the previous year. Public safety decreased due to less money spent by the County sheriff department. All other expenditures remained comparable to 2009. The largest expenditure line item, legislative and executive decreased, which is primarily attributed to wage and benefit controls by the County.

MORROW COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

The graphs below detail expenditures by function for 2009 and 2008:



Emergency Squad Fund

The emergency squad, a County major fund, had revenues of \$1,132,309 in 2009. The emergency squad fund, had expenditures of \$1,128,510 in 2009. The emergency squad fund balance increased \$3,799 from 2008 to 2009.

Motor Vehicle and Gas Tax

The motor vehicle and gas tax, a County major fund, had revenues of \$4,206,605 in 2009. The motor vehicle and gas tax, had expenditures of \$3,635,746 in 2009. The motor vehicle and gas tax fund balance increased \$570,859 from 2008 to 2009. This increase is due to lower expenditures for public works.

Public Assistance Fund

The public assistance fund, a County major fund, had revenues of \$4,905,283 in 2009. The public assistance fund, had expenditures of \$5,187,014 in 2009. The public assistance fund balance decreased \$281,731 from 2008 to 2009.

County Board of DD

The County Board of DD fund, a County major fund, had revenues of \$2,475,573 in 2009. The County Board of DD fund, had expenditures of \$2,268,551 in 2009. The County Board of DD fund balance increased \$207,022 from 2008 to 2009.

Budgeting Highlights - General Fund

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

MORROW COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

Budgetary information is presented for the general fund, emergency squad, motor vehicle license and gas tax, public assistance and the County board of DD. In the general fund, actual revenues and other financing sources of \$6,876,053 exceeded final budgeted revenues and other financing sources by \$396,253 or 6.12%. This increase is due to the County's conservative approach to budgeting. Another significant difference between the final budget and actual expenditures was a \$157,645 increase in expenditures.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail.

Capital Assets and Debt Administration

Capital Assets

At the end of 2009, the County had \$40,504,089 (net of accumulated depreciation) invested in land, land improvements, buildings, buildings and improvements, equipment, vehicles, infrastructure and construction in progress. Of this total, \$31,370,655 was reported in governmental activities and \$9,133,434 was reported in business-type activities. The following table shows December 31, 2009 balances compared to December 31, 2008:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 736,057	\$ 727,557	\$ 191,995	\$ 191,995	\$ 928,052	\$ 919,552
Land Improvements	14,138	16,023	-	1,066	14,138	17,089
Buildings	5,592,257	5,752,127	2,311,848	2,523,152	7,904,105	8,275,279
Building Improvements	273,598	291,162	-	-	273,598	291,162
Equipment	583,270	711,460	6,353,584	6,745,327	6,936,854	7,456,787
Vehicles	858,688	1,059,356	-	-	858,688	1,059,356
Infrastructure	20,039,103	21,036,167	194,846	199,973	20,233,949	21,236,140
Construction in progress	3,273,544	588,494	81,161	280,886	3,354,705	869,380
Total	\$ 31,370,655	\$ 30,182,346	\$ 9,133,434	\$ 9,942,399	\$ 40,504,089	\$ 40,124,745

Debt Administration

At December 31, 2009 the County had \$6,746,414 in general obligation bonds, notes, loans payable, OWDA loans, and capital leases outstanding in governmental activities. Of this total, \$424,735 is due within one year and \$6,321,679 is due within greater than one year. Business-type activities had \$1,830,895 in capital leases, and a master lease purchase agreement outstanding at December 31, 2009. See Note 14 to the basic financial statements for detail. The following table summarizes the bonds, notes and loan outstanding at December 31, 2009 and December 31, 2008.

MORROW COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009 UNAUDITED

Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Long-Term Obligations				
General obligation bonds	\$ 5,665,000	\$ 5,900,000	\$ -	\$ -
Notes	-	1,760,000	-	-
Loans payable	627,000	736,000	-	-
OWDA loans	365,443	85,393	-	-
Capital leases	88,971	155,728	69,700	277,789
Master lease and purchase agreement	-	-	1,761,195	2,334,153
Total	<u>\$ 6,746,414</u>	<u>\$ 8,637,121</u>	<u>\$ 1,830,895</u>	<u>\$ 2,611,942</u>

At December 31, 2009 the County's overall legal debt margin was \$9,683,598.

Economic Factors and Next Year's Budget

Morrow County, Ohio is strategically located in north central Ohio and is home to a diverse manufacturing and agricultural base which includes fabricated and primary metals, polymers, automotive parts, and household goods and appliances. While primarily a rural community, Morrow County has easy access to all major city amenities from its two interchanges on Interstate 71, the major north-south transportation link between Cincinnati, Columbus and Cleveland.

Location is also the key to Morrow County's future. Over 900 acres of industrial and commercial development opportunities are situated at the interchanges of Interstate 71 offering easy access for transportation of goods, materials and workers. There are three industrial based businesses opened in the facilities at State Route 61 and Interstate 71. While the County's 2009 overall unemployment rate 10.9% was the same as the State's average of 10.9%, most of the County's major industrial companies increased employment levels.

Location also plays a key role in residential growth in the County. With an estimated 2009 population of 34,500, new home construction continues to increase.

Thirteen out of sixteen townships have approved county-wide zoning which will enable the County to better guide future growth, better coordinate capital improvement plans, and serve as a catalyst for quality development.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Holtrey, County Auditor at 48 East Main Street, Mount Gilead, Ohio 43338.

**BASIC
FINANCIAL STATEMENTS**

MORROW COUNTY, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets:				
Equity in pooled cash and cash equivalents	\$ 8,941,900	\$ 76,125	\$ 9,018,025	\$ -
Cash and cash equivalents in segregated accounts.	-	15,750	15,750	98,142
Investments in segregated accounts	-	834,013	834,013	-
Receivables (net of allowances for uncollectibles):				
Property and other local taxes.	4,250,927	1,250,000	5,500,927	-
Sales taxes	145,518	-	145,518	-
Accounts	547,842	4,229,637	4,777,479	6,413
Special assessments.	8,566	-	8,566	-
Accrued interest	29,759	-	29,759	-
Physicians advances.	-	76,457	76,457	-
Due from other governments	3,516,989	-	3,516,989	-
Prepayments.	265,126	465,121	730,247	-
Deposits.	-	-	-	332
Materials and supplies inventory.	114,556	469,133	583,689	27,063
Loans receivable	764,441	-	764,441	-
Unamortized bond issue costs	122,041	-	122,041	-
Restricted assets:				
Cash and cash equivalents in segregated accounts	-	1,560,167	1,560,167	-
Investments in segregated accounts.	-	3,403,027	3,403,027	-
Capital assets:				
Land and construction in progress.	4,009,601	273,156	4,282,757	-
Depreciable capital assets, net	27,361,054	8,860,278	36,221,332	31,583
Total capital assets.	31,370,655	9,133,434	40,504,089	31,583
Total assets.	50,078,320	21,512,864	71,591,184	163,533
Liabilities:				
Accounts payable.	965,145	1,753,808	2,718,953	4,589
Contracts payable.	112,743	-	112,743	-
Accrued wages and benefits	315,151	1,012,395	1,327,546	-
Due to other governments	286,897	577	287,474	-
Third-party payor settlements payable.	-	7,077	7,077	-
Deferred revenue.	-	1,250,000	1,250,000	-
Unearned revenue.	3,653,965	-	3,653,965	-
Accrued interest payable.	22,931	9,380	32,311	-
Other accrued liabilities.	-	516,437	516,437	2,035
Long-term liabilities:				
Due within one year.	594,599	1,115,827	1,710,426	3,776
Due in more than one year	6,952,965	1,199,313	8,152,278	9,589
Total liabilities	12,904,396	6,864,814	19,769,210	19,989
Net assets:				
Invested in capital assets, net of related debt	24,653,374	7,293,159	31,946,533	-
Restricted for:				
Capital projects.	825,984	-	825,984	-
Debt service	279,996	-	279,996	-
Public safety	605,876	-	605,876	-
Public works	3,832,351	-	3,832,351	-
Human services.	1,993,899	-	1,993,899	-
Other purposes	3,543,750	-	3,543,750	-
Unrestricted.	1,438,694	7,354,891	8,793,585	143,544
Total net assets	\$ 37,173,924	\$ 14,648,050	\$ 51,821,974	\$ 143,544

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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MORROW COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General government:				
Legislative and executive	\$ 3,458,323	\$ 1,081,820	\$ -	\$ 174,377
Judicial	1,500,944	521,120	410,339	-
Public safety	3,572,698	197,231	581,723	-
Public works	3,963,624	401	3,407,776	291,267
Health	2,490,643	341,195	324,586	-
Human services	7,961,679	96,561	6,658,187	-
Economic development and assistance	927,804	97,291	109,064	70,810
Intergovernmental	290,759	-	-	-
Other.	869,264	112,053	606,154	-
Interest and fiscal charges	289,557	-	-	-
Total governmental activities	<u>25,325,295</u>	<u>2,447,672</u>	<u>12,097,829</u>	<u>536,454</u>
Business-type Activities:				
Morrow County Hospital	27,815,621	25,843,574	-	-
Ketterman Project	67,650	34,230	-	-
Total business-type activities	<u>27,883,271</u>	<u>25,877,804</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 53,208,566</u>	<u>\$ 28,325,476</u>	<u>\$ 12,097,829</u>	<u>\$ 536,454</u>
Component Unit:				
Whetstone Industries, Inc.	<u>\$ 645,813</u>	<u>\$ 64,407</u>	<u>\$ 577,315</u>	<u>\$ -</u>

General Revenues:

Property taxes levied for:

 General purposes.

 Special purposes.

Sales taxes levied for:

 General purposes.

Grants and entitlements not restricted to specific programs

Investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets, January 1

Net assets, December 31

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (2,202,126)	\$ -	\$ (2,202,126)	\$ -
(569,485)	-	(569,485)	-
(2,793,744)	-	(2,793,744)	-
(264,180)	-	(264,180)	-
(1,824,862)	-	(1,824,862)	-
(1,206,931)	-	(1,206,931)	-
(650,639)	-	(650,639)	-
(290,759)	-	(290,759)	-
(151,057)	-	(151,057)	-
(289,557)	-	(289,557)	-
<u>(10,243,340)</u>	<u>-</u>	<u>(10,243,340)</u>	<u>-</u>
-	(1,972,047)	(1,972,047)	-
-	(33,420)	(33,420)	-
-	(2,005,467)	(2,005,467)	-
<u>(10,243,340)</u>	<u>(2,005,467)</u>	<u>(12,248,807)</u>	<u>-</u>
-	-	-	(4,091)
2,115,664	-	2,115,664	-
1,882,400	-	1,882,400	-
2,305,777	-	2,305,777	-
2,142,503	-	2,142,503	-
137,458	56,368	193,826	-
<u>1,553,864</u>	<u>2,234,022</u>	<u>3,787,886</u>	<u>6,641</u>
10,137,666	2,290,390	12,428,056	6,641
(105,674)	284,923	179,249	2,550
<u>37,279,598</u>	<u>14,363,127</u>	<u>51,642,725</u>	<u>140,994</u>
<u>\$ 37,173,924</u>	<u>\$ 14,648,050</u>	<u>\$ 51,821,974</u>	<u>\$ 143,544</u>

MORROW COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	<u>General</u>	<u>Emergency Squad</u>	<u>Motor Vehicle & Gas Tax</u>	<u>Public Assistance</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 986,090	\$ 45,310	\$ 2,154,112	\$ 572,372
Receivables (net of allowance for uncollectibles):				
Sales taxes	145,518	-	-	-
Real and other taxes	2,065,480	1,253,724	-	-
Accounts	62,811	-	24	236,382
Special assessments	-	-	-	-
Accrued interest	29,748	-	-	-
Due from other funds	6,903	-	1,522	2,127
Due from other governments	368,708	69,580	1,867,954	373,751
Loans receivable	-	-	-	-
Prepayments	127,637	-	19,467	65,762
Materials and supplies inventory	16,481	-	87,889	7,746
Total assets	<u>\$ 3,809,376</u>	<u>\$ 1,368,614</u>	<u>\$ 4,130,968</u>	<u>\$ 1,258,140</u>
Liabilities:				
Accounts payable	\$ 91,118	\$ -	\$ 73,745	\$ 210,902
Contracts payable	-	-	-	-
Accrued wages and benefits	128,984	-	44,787	48,296
Compensated absences payable	-	-	-	5,071
Due to other funds	1,722	-	42	-
Due to other governments	118,422	-	35,111	50,351
Deferred revenue	588,549	247,900	1,275,193	231,333
Unearned revenue	1,780,578	1,075,404	-	-
Total liabilities	<u>2,709,373</u>	<u>1,323,304</u>	<u>1,428,878</u>	<u>545,953</u>
Fund Balances:				
Reserved for encumbrances	198,131	-	507,268	295,765
Reserved for materials and supplies inventory	16,481	-	87,889	7,746
Reserved for debt service	-	-	-	-
Reserved for prepayments	127,637	-	19,467	65,762
Reserved for loans receivable	-	-	-	-
Reserved for unclaimed monies	56,393	-	-	-
Unreserved, undesignated, reported in:				
General fund	701,361	-	-	-
Special revenue funds	-	45,310	2,087,466	342,914
Capital projects funds	-	-	-	-
Total fund balances	<u>1,100,003</u>	<u>45,310</u>	<u>2,702,090</u>	<u>712,187</u>
Total liabilities and fund balances	<u>\$ 3,809,376</u>	<u>\$ 1,368,614</u>	<u>\$ 4,130,968</u>	<u>\$ 1,258,140</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

County Board of Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
\$ 755,012	\$ 4,429,004	\$ 8,941,900
-	-	145,518
931,723	-	4,250,927
94,330	154,295	547,842
-	8,566	8,566
-	11	29,759
5,629	-	16,181
240,229	596,767	3,516,989
-	764,441	764,441
21,145	31,115	265,126
2,091	349	114,556
<u>\$ 2,050,159</u>	<u>\$ 5,984,548</u>	<u>\$ 18,601,805</u>
\$ 27,881	\$ 561,499	\$ 965,145
-	112,743	112,743
41,543	51,541	315,151
-	9,186	14,257
-	14,417	16,181
35,686	47,327	286,897
218,793	76,252	2,638,020
797,983	-	3,653,965
<u>1,121,886</u>	<u>872,965</u>	<u>8,002,359</u>
106,099	945,290	2,052,553
2,091	349	114,556
-	190,264	190,264
21,145	31,115	265,126
-	764,441	764,441
-	-	56,393
-	-	701,361
798,938	2,503,583	5,778,211
-	676,541	676,541
<u>928,273</u>	<u>5,111,583</u>	<u>10,599,446</u>
<u>\$ 2,050,159</u>	<u>\$ 5,984,548</u>	<u>\$ 18,601,805</u>

MORROW COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009

Total governmental fund balances		\$ 10,599,446
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		31,370,655
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$ 596,962	
Accounts receivable	231,333	
Special assessments receivable	8,566	
Accrued interest receivable	28,826	
Intergovernmental receivable	<u>1,772,333</u>	
Total		2,638,020
Unamortized bond issuance costs are not recognized in the funds.		122,041
Unamortized bond discounts are not recognized in the funds.		29,133
Long-term liabilities, including bonds, accrued interest, and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest payable	(22,931)	
General obligation bonds payable	(5,665,000)	
Loans payable	(992,443)	
Capital lease payable	(88,971)	
Compensated absences payable	<u>(816,026)</u>	
Total		<u>(7,585,371)</u>
Net assets of governmental activities		<u><u>\$ 37,173,924</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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MORROW COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>General</u>	<u>Emergency Squad</u>	<u>Motor Vehicle & Gas Tax</u>	<u>Public Assistance</u>
Revenues:				
Property taxes	\$ 2,089,139	\$ 993,149	\$ -	\$ -
Sales taxes	2,216,157	-	-	-
Charges for services	208,469	-	-	96,459
Licenses and permits	1,645	-	-	-
Fines and forfeitures	626,088	-	401	-
Intergovernmental	1,011,053	139,160	4,040,281	4,724,592
Investment income	143,210	-	-	-
Rental income	-	-	-	-
Other	298,982	-	165,923	84,232
Total revenues	<u>6,594,743</u>	<u>1,132,309</u>	<u>4,206,605</u>	<u>4,905,283</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	2,574,619	-	-	-
Judicial	966,387	-	-	-
Public safety	1,979,293	1,128,510	-	-
Public works	-	-	3,293,730	-
Health	79,342	-	-	-
Human services	466,882	-	-	5,180,148
Economic development and assistance	4,737	-	-	-
Other	62,298	-	-	-
Capital outlay	-	-	222,198	-
Intergovernmental	285,145	-	-	-
Debt service:				
Principal retirement	46,817	-	100,000	5,787
Interest and fiscal charges	6,180	-	19,818	1,079
Total expenditures	<u>6,471,700</u>	<u>1,128,510</u>	<u>3,635,746</u>	<u>5,187,014</u>
Excess (deficiency) of revenues over (under) expenditures	<u>123,043</u>	<u>3,799</u>	<u>570,859</u>	<u>(281,731)</u>
Other financing sources (uses):				
Loan issuance	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(180,593)	-	-	-
Total other financing sources (uses)	<u>(180,593)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(57,550)	3,799	570,859	(281,731)
Fund balances at beginning of year	<u>1,157,553</u>	<u>41,511</u>	<u>2,131,231</u>	<u>993,918</u>
Fund balances at end of year	<u>\$ 1,100,003</u>	<u>\$ 45,310</u>	<u>\$ 2,702,090</u>	<u>\$ 712,187</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

County Board of Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
\$ 860,022	\$ -	\$ 3,942,310
-	89,620	2,305,777
5,492	1,140,865	1,451,285
-	112,963	114,608
-	93,358	719,847
1,173,544	5,137,912	16,226,542
-	15,289	158,499
161,932	-	161,932
274,583	735,214	1,558,934
<u>2,475,573</u>	<u>7,325,221</u>	<u>26,639,734</u>
-	805,187	3,379,806
-	524,622	1,491,009
-	381,468	3,489,271
-	-	3,293,730
2,181,019	228,362	2,488,723
25,481	2,064,552	7,737,063
-	923,067	927,804
11,216	805,395	878,909
-	2,042,449	2,264,647
-	5,614	290,759
12,834	2,020,855	2,186,293
3,001	286,600	316,678
<u>2,233,551</u>	<u>10,088,171</u>	<u>28,744,692</u>
<u>242,022</u>	<u>(2,762,950)</u>	<u>(2,104,958)</u>
-	295,586	295,586
-	215,593	215,593
(35,000)	-	(215,593)
<u>(35,000)</u>	<u>511,179</u>	<u>295,586</u>
207,022	(2,251,771)	(1,809,372)
721,251	7,363,354	12,408,818
<u>\$ 928,273</u>	<u>\$ 5,111,583</u>	<u>\$ 10,599,446</u>

MORROW COUNTY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

Net change in fund balances - total governmental funds \$ (1,809,372)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital asset additions	\$ 3,079,447	
Current year depreciation	(1,891,138)	
Total	1,188,309	1,188,309

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent property taxes	55,754	
Intergovernmental	(1,696,378)	
Accounts receivable	231,333	
Special assessments	(5,070)	
Interest	(5,752)	
Total	(1,420,113)	(1,420,113)

Loans provide current financial resources to governmental funds, but issuing debt increases long-term liabilities on the statement of net assets.

(295,586)

Repayment of bonds, loans, notes and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

2,186,293

In the statement of activities, interest is accrued on outstanding bonds, loans and notes, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:

Decrease in accrued interest payable	33,420	
Amortization of bond discounts	(1,214)	
Amortization of bond issue costs	(5,085)	
Total	27,121	27,121

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

17,674

Change in net assets of governmental activities \$ (105,674)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 1,834,721	\$ 1,850,769	\$ 2,083,165	\$ 232,396
Sales taxes	2,481,147	2,500,000	2,450,252	(49,748)
Charges for services	174,684	176,011	205,980	29,969
Licenses and permits.	1,722	1,735	1,645	(90)
Fines and forfeitures.	552,800	557,000	636,772	79,772
Intergovernmental	1,113,576	1,119,931	1,071,814	(48,117)
Investment income	148,869	150,000	147,261	(2,739)
Other	118,255	119,154	272,923	153,769
Total revenues.	<u>6,425,774</u>	<u>6,474,600</u>	<u>6,869,812</u>	<u>395,212</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	2,828,603	2,853,523	2,840,745	12,778
Judicial.	868,098	897,145	1,010,006	(112,861)
Public safety	1,929,940	1,898,106	1,951,517	(53,411)
Health	71,953	78,014	83,218	(5,204)
Human services	502,900	504,933	500,238	4,695
Economic development and assistance	13,577	13,577	12,777	800
Other	20,338	66,280	70,722	(4,442)
Intergovernmental	285,145	285,145	285,145	-
Total expenditures	<u>6,520,554</u>	<u>6,596,723</u>	<u>6,754,368</u>	<u>(157,645)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(94,780)</u>	<u>(122,123)</u>	<u>115,444</u>	<u>237,567</u>
Other financing sources (uses):				
Sale of assets	5,161	5,200	6,241	1,041
Transfers out	(180,593)	(180,593)	(180,593)	-
Total other financing sources (uses)	<u>(175,432)</u>	<u>(175,393)</u>	<u>(174,352)</u>	<u>1,041</u>
Net change in fund balance	(270,212)	(297,516)	(58,908)	238,608
Fund balance at beginning of year	546,458	546,458	546,458	-
Prior year encumbrances appropriated	<u>195,688</u>	<u>195,688</u>	<u>195,688</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 471,934</u>	<u>\$ 444,630</u>	<u>\$ 683,238</u>	<u>\$ 238,608</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 EMERGENCY SQUAD FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues:				
Property taxes	\$ 1,020,840	\$ 1,028,829	\$ 989,350	\$ (39,479)
Intergovernmental	139,160	139,160	139,160	-
Total revenues.	<u>1,160,000</u>	<u>1,167,989</u>	<u>1,128,510</u>	<u>(39,479)</u>
Expenditures:				
Current:				
Public safety	1,160,000	1,167,989	1,128,510	39,479
Total expenditures	<u>1,160,000</u>	<u>1,167,989</u>	<u>1,128,510</u>	<u>39,479</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 MOTOR VEHICLE AND GAS TAX FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures.	\$ -	\$ -	\$ 429	\$ 429
Intergovernmental	3,600,000	3,600,000	3,746,153	146,153
Investment income	60,000	60,000	-	(60,000)
Other.	54,500	54,500	165,923	111,423
Total revenues	3,714,500	3,714,500	3,912,505	198,005
Expenditures:				
Current:				
Public works	4,742,047	4,742,047	3,707,050	1,034,997
Capital outlay.	383,816	383,816	238,153	145,663
Total expenditures	5,125,863	5,125,863	3,945,203	1,180,660
Net change in fund balance	(1,411,363)	(1,411,363)	(32,698)	1,378,665
Fund balance at beginning of year	1,108,380	1,108,380	1,108,380	-
Prior year encumbrances appropriated	512,456	512,456	512,456	-
Fund balance at end of year.	\$ 209,473	\$ 209,473	\$ 1,588,138	\$ 1,378,665

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 PUBLIC ASSISTANCE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ -	\$ -	\$ 94,962	\$ 94,962
Intergovernmental	4,477,443	4,967,954	4,853,543	(114,411)
Other	40,557	45,000	85,431	40,431
Total revenues.	<u>4,518,000</u>	<u>5,012,954</u>	<u>5,033,936</u>	<u>20,982</u>
Expenditures:				
Current:				
Human services	5,100,010	5,648,165	5,632,148	16,017
Total expenditures	<u>5,100,010</u>	<u>5,648,165</u>	<u>5,632,148</u>	<u>16,017</u>
Net change in fund balance	(582,010)	(635,211)	(598,212)	36,999
Fund balance at beginning of year	285,510	285,510	285,510	-
Prior year encumbrances appropriated	<u>373,288</u>	<u>373,288</u>	<u>373,288</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 76,788</u>	<u>\$ 23,587</u>	<u>\$ 60,586</u>	<u>\$ 36,999</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 COUNTY BOARD OF DEVELOPMENTAL DISABILITIES FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Property taxes	\$ 767,560	\$ 767,560	\$ 857,232	\$ 89,672
Charges for services	14,000	14,000	6,855	(7,145)
Intergovernmental	766,440	793,547	924,038	130,491
Rental income	150,000	150,000	161,932	11,932
Other	200,000	200,000	274,583	74,583
Total revenues.	<u>1,898,000</u>	<u>1,925,107</u>	<u>2,224,640</u>	<u>299,533</u>
Expenditures:				
Current:				
Health	2,413,706	2,413,706	2,289,309	124,397
Human services	23,292	53,400	30,289	23,111
Other	5,000	19,181	11,723	7,458
Total expenditures	<u>2,441,998</u>	<u>2,486,287</u>	<u>2,331,321</u>	<u>154,966</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(543,998)</u>	<u>(561,180)</u>	<u>(106,681)</u>	<u>454,499</u>
Other financing uses:				
Transfers out	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>
Total other financing uses	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>
Net change in fund balance	(578,998)	(596,180)	(141,681)	454,499
Fund balance at beginning of year	595,189	595,189	595,189	-
Prior year encumbrances appropriated	133,288	133,288	133,288	-
Fund balance at end of year.	<u>\$ 149,479</u>	<u>\$ 132,297</u>	<u>\$ 586,796</u>	<u>\$ 454,499</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY, OHIO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009

	Business-type Activities - Enterprise Funds		
	Morrow County		
	Hospital	Nonmajor	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ -	\$ 76,125	\$ 76,125
Cash and cash equivalents in segregated accounts . . .	15,750	-	15,750
Investments in segregated accounts	500,000	-	500,000
Receivables (net of allowance for uncollectibles):			
Real and other taxes.	1,250,000	-	1,250,000
Accounts	4,229,637	-	4,229,637
Physician advances.	61,680	-	61,680
Materials and supplies inventory	469,133	-	469,133
Prepayments.	465,121	-	465,121
Total current assets.	<u>6,991,321</u>	<u>76,125</u>	<u>7,067,446</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents in segregated accounts. .	1,560,167	-	1,560,167
Investments in segregated accounts	3,403,027	-	3,403,027
Investments in segregated accounts	334,013	-	334,013
Physician advances.	14,777	-	14,777
Capital assets:			
Land and construction in progress	273,156	-	273,156
Depreciable capital assets, net	8,665,432	194,846	8,860,278
Total capital assets	<u>8,938,588</u>	<u>194,846</u>	<u>9,133,434</u>
Total noncurrent assets	<u>14,250,572</u>	<u>194,846</u>	<u>14,445,418</u>
Total assets	<u>21,241,893</u>	<u>270,971</u>	<u>21,512,864</u>
Liabilities:			
Current liabilities:			
Accounts payable	1,753,808	-	1,753,808
Accrued wages and benefits	1,011,596	799	1,012,395
Third-party payor settlements payable	7,077	-	7,077
Due to other governments.	-	577	577
Deferred revenue	1,250,000	-	1,250,000
Accrued interest payable	9,380	-	9,380
Other accrued liabilities.	516,437	-	516,437
Compensated absences.	484,245	-	484,245
Lease purchase agreement - current	607,464	-	607,464
Capital lease payable - short term.	24,118	-	24,118
Total current liabilities	<u>5,664,125</u>	<u>1,376</u>	<u>5,665,501</u>
Noncurrent liabilities:			
Lease purchase agreement - long term	1,153,731	-	1,153,731
Capital lease obligations - long term	45,582	-	45,582
Total noncurrent liabilities	<u>1,199,313</u>	<u>-</u>	<u>1,199,313</u>
Total liabilities	<u>6,863,438</u>	<u>1,376</u>	<u>6,864,814</u>
Net assets:			
Invested in capital assets, net of related debt	7,098,313	194,846	7,293,159
Unrestricted	7,280,142	74,749	7,354,891
Total net assets	<u>\$ 14,378,455</u>	<u>\$ 269,595</u>	<u>\$ 14,648,050</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-type Activities - Enterprise Funds		
	Morrow County		
	Hospital	Nonmajor	Total
Operating revenues:			
Charges for services	\$ -	\$ 34,230	\$ 34,230
Patient service revenue, net	25,839,574	-	25,839,574
Other operating revenue	891,366	-	891,366
Total operating revenues	<u>26,730,940</u>	<u>34,230</u>	<u>26,765,170</u>
Operating expenses:			
Personal services	12,761,203	23,639	12,784,842
Contractual services.	7,442,536	38,774	7,481,310
Materials and supplies	5,373,989	-	5,373,989
Depreciation	1,294,818	5,127	1,299,945
Other	797,910	110	798,020
Total operating expenses.	<u>27,670,456</u>	<u>67,650</u>	<u>27,738,106</u>
Operating loss	<u>(939,516)</u>	<u>(33,420)</u>	<u>(972,936)</u>
Nonoperating revenues (expenses):			
Interest and fiscal charges	(145,165)	-	(145,165)
Property taxes	1,342,656	-	1,342,656
Interest income.	56,368	-	56,368
Sale of assets.	4,000	-	4,000
Total nonoperating revenues (expenses)	<u>1,257,859</u>	<u>-</u>	<u>1,257,859</u>
Changes in net assets	318,343	(33,420)	284,923
Net assets , January 1.	<u>14,060,112</u>	<u>303,015</u>	<u>14,363,127</u>
Net assets, December 31	<u>\$ 14,378,455</u>	<u>\$ 269,595</u>	<u>\$ 14,648,050</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-type Activities - Enterprise Funds		
	Morrow County		
	Hospital	Nonmajor	Total
Cash flows from operating activities:			
Cash received from customers	\$ -	\$ 34,230	\$ 34,230
Cash received from patients and third-party payers. . .	25,867,497	-	25,867,497
Cash received from other operations.	891,365	-	891,365
Cash payments to suppliers for services and goods. . .	(13,567,622)	(38,774)	(13,606,396)
Cash payments for employees for services.	(13,155,291)	(22,263)	(13,177,554)
Cash payments for other expenses.	-	(110)	(110)
	<u>35,949</u>	<u>(26,917)</u>	<u>9,032</u>
Net cash provided by (used in) operating activities . .			
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(490,980)	-	(490,980)
Property tax levy.	1,342,654	-	1,342,654
Repayment of note and capital lease obligations.	(781,047)	-	(781,047)
Proceeds from sale of capital assets	4,000	-	4,000
Interest and fiscal charges.	(147,837)	-	(147,837)
	<u>(73,210)</u>	<u>-</u>	<u>(73,210)</u>
Net cash used in capital and related financing activities			
Cash flows from investing activities:			
Interest received.	56,367	-	56,367
Purchase of investments.	(3,748,723)	-	(3,748,723)
Assets limited as to use.	(1,325,032)	-	(1,325,032)
Proceeds from sale of investments	4,985,859	-	4,985,859
	<u>(31,529)</u>	<u>-</u>	<u>(31,529)</u>
Net cash used in investing activities.			
Net decrease in cash and cash equivalents.	(68,790)	(26,917)	(95,707)
Cash and cash equivalents at beginning of year. . .	<u>1,978,720</u>	<u>103,042</u>	<u>2,081,762</u>
Cash and cash equivalents at end of year.	<u>\$ 1,909,930</u>	<u>\$ 76,125</u>	<u>\$ 1,986,055</u>

-- continued

MORROW COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Morrow County</u>		
	<u>Hospital</u>	<u>Nonmajor</u>	<u>Total</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	\$ (939,516)	\$ (33,420)	\$ (972,936)
Adjustments:			
Depreciation	1,294,818	5,127	1,299,945
Provision for bad debts	2,742,449	-	2,742,449
Forgiveness of physician advances	(296)	-	(296)
Changes in assets and liabilities:			
(Increase) in materials and supplies inventory	(37,682)	-	(37,682)
Decrease in other current assets	44,790	-	44,790
(Increase) in patient accounts receivable	(2,814,919)	-	(2,814,919)
Decrease in third party settlement receivables	93,315	-	93,315
Increase in accrued wages and benefits	-	799	799
Increase in due to other governments	-	577	577
Increase in third party settlements payable	7,077	-	7,077
(Decrease) in accounts payable	(195,951)	-	(195,951)
(Decrease) in accrued expenses	(158,136)	-	(158,136)
Net cash provided by (used in) operating activities	<u>\$ 35,949</u>	<u>\$ (26,917)</u>	<u>\$ 9,032</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2009

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 3,049,491
Cash and cash equivalents in segregated accounts. .	839,489
Receivables (net of allowance for uncollectibles):	
Special assessments	8,566
Real and other taxes	27,371,699
Due from other governments	<u>1,030,099</u>
Total assets	<u>\$ 32,299,344</u>
Liabilities:	
Accounts payable.	\$ 63,708
Due to other governments	5,404,727
Undistributed assets.	<u>26,830,909</u>
Total liabilities	<u>\$ 32,299,344</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

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", as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units". The BFS include all funds, agencies, Boards, commissions, and component units for which the County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's basic financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of the PCU's Board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County.

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 Developmental Disabilities (County Board of DD); the Children Services Board; the Morrow County Hospital and Foundation; and other departments and activities that are directly operated by the elected County officials.

The Morrow County Hospital and the Morrow County Hospital Foundation (collectively, the "Hospital") are part of the County's primary government. The Morrow County Hospital is an acute and extended care facility and the Morrow County Hospital Foundation supports the Hospital and community programs to improve the health and well-being of the people served by the Hospital.

MORROW COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

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

DISCRETELY PRESENTED COMPONENT UNIT

Whetstone Industries, Inc. - Whetstone Industries, Inc. (the "Workshop") is a legally separate, not-for-profit corporation, served by a self-appointing Board of Trustees. The Workshop, under a contractual agreement with the DD Board, provides sheltered, transitional, and outside employment for the developmentally disabled and handicapped adults in Morrow County. The County Board of DD provides the Workshop with available resources and staff for operation of the Workshop. Based on the significant resources and services provided by the County to the Workshop and the Workshop's sole purpose of providing assistance to developmentally disabled and handicapped adults of the County, the Workshop 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 43338. See Note 23 for more information of the Workshop's accounting policies.

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 PCU's have been excluded from the County's BFS, but the funds held on behalf of these PCU's in the County Treasury are included in the agency funds within the BFS.

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 financial statements is applicable to the primary government. When information is provided relative to the component unit, it is specifically identified.

JOINTLY GOVERNED ORGANIZATIONS

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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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.

Delaware-Knox-Marion-Morrow Joint Solid Waste District - The Delaware-Knox-Marion-Morrow Joint Solid Waste District (the "District") makes the disposal of waste in the four county area more comprehensive in terms of recycling, incinerating, and land filling. The Board of Directors consists of twelve members: the three County Commissioners of each of the four counties. The Board exercises total control over the operation of the District including budgeting, appropriating, contracting, and designating management. The County has no ongoing financial interest or responsibility for the District. Most of the District's revenue was received from private haulers. Information can be obtained from the Delaware-Knox-Marion-Morrow Joint Solid Waste Management District, 222 West Center Street, Marion, Ohio 43302.

JOINT VENTURE WITHOUT EQUITY INTEREST

Delaware-Morrow Mental Health and Recovery Services Board - The Delaware-Morrow Mental Health and Recovery Services Board (the "Board") is a joint venture between Delaware and Morrow Counties. The headquarters for the Board is in Delaware County. 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 mil 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; however, the County does not have an equity interest in the Board. Separate financial statements may be obtained by contacting the Delaware-Morrow Health and Recovery Services Board, 40 North Sandusky Street, Suite 301, Delaware, Ohio 43015.

B. Basis of Presentation

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activities of the proprietary funds. For the County, these revenues are primarily patient service revenue for the Hospital, and charges for services for the Ketterman project. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

C. Fund Accounting

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

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

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

Emergency squad - This fund accounts for the operation of the County's emergency squad.

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

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

County board of developmental disabilities (County Board of DD) - This fund accounts for the operation of a school and the costs of administering a workshop for the developmentally disabled. Revenue sources include a countywide property tax levy and federal and State grants.

Other governmental funds of the County are used to account for (a) the accumulation of resources for, and payment of, long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; and (c) grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows.

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

Morrow County Hospital - This fund accounts for the operation of the County Hospital and the Hospital Foundation. The cost of operating the Hospital facility is financed primarily through user patient services revenues.

The County has one non-major enterprise fund to account for the Ketterman sewer operations.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. The County has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's fiduciary funds are agency funds which are used to account for property taxes, special assessments, and other "pass through" monies to be distributed to local governments other than the County.

COMPONENT UNIT

Component Unit - 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 (see Note 23).

D. Measurement Focus

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

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Agency funds do not report a measurement focus as they do not report operations.

E. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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 year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within sixty days of year end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenues from sales taxes are recognized in the year in which the sales are made (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from all other nonexchange transactions must also be available before it can be recognized.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance year 2010 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2009, are recorded as deferred revenue on the governmental fund financial statements.

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

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

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

F. Budgetary Data

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The level of budgetary control is at the object level within each department. Although the legal level of budgetary control was established at the object level within each department level of expenditures, the County has elected to present budgetary statement comparisons at the fund and function levels of expenditures. Budgetary modifications at the legal level of budgetary control may only be made by resolution of the County Commissioners.

Budgetary information for the Whetstone Industries Inc. and the Morrow County Hospital is not reported because they are not included in the entity for which the "appropriated budget" is adopted and separate budgetary financial records are not maintained.

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

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the projected revenue of each fund.

On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the County Auditor determines that revenue to be collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent estimates from the first (original budget) and final (final budget) amended certificates issued during 2009.

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 (the legal level of budgetary control) 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. In the budgetary statements, the original budgeted amounts represent the original budgeted appropriations that covered the entire year of 2009. The final budgeted figures reflect the original budgeted amounts plus all budgetary amendments and supplemental appropriations that were legally enacted during 2009.

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 year and is not reappropriated.

G. Cash and Investments

To improve cash management, cash received by the County is pooled. Monies for all 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 basic financial statements.

During 2009, investments were limited to U.S Government bonds, nonnegotiable certificates of deposit, a U.S. Government money market mutual fund and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

The County has invested funds in STAR Ohio during 2009. 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 Securities Exchange Commission (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 shares price which is the price the investment could be sold for on December 31, 2009.

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 2009 amounted to \$143,210 which includes \$135,263 assigned from other County funds.

The County reports segregated bank accounts and investments for monies held separately from the County's internal investment pool. These interest-bearing depository accounts and investments are presented on the financial statements as "cash and cash equivalents in segregated accounts" and "investments in segregated accounts" since they are not required to be deposited into the County treasury. Cash, cash equivalents and investments in segregated accounts include monies held, in a fiduciary capacity, in separate depository accounts outside of the internal investment pool by the County (reported as agency funds), monies held by the Hospital in separate depository and investment accounts, and monies held by the Workshop (discretely presented component unit) in separate depository accounts.

For presentation on the basic financial statements and for purposes of the statement of cash flows, 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. In addition, non-current investments in the Hospital fund are considered cash and cash equivalents for purposes of the statement of cash flows. Investments with an initial maturity of more than three months are reported as investments.

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

H. Inventories of Materials and Supplies

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

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

Inventory consists of expendable supplies held for consumption for the governmental funds and medical and office supplies and pharmaceutical products for the Hospital.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

I. Capital Assets

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

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	10 - 40 years	5 - 25 years
Buildings and improvements	20 - 50 years	10 - 40 years
Machinery and Equipment	5 - 50 years	5 - 20 years
Infrastructure	20 - 50 years	20 - 50 years
Vehicles	5 - 20 years	N/A

J. Compensated Absences

Compensated absences of the County consist of vacation leave, compensatory time and sick leave to the extent that payment to the employee for these absences is attributable to services already rendered and is 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 compensatory time is accrued by those employees that are exempt from overtime. A liability for sick leave is based on the sick leave accumulated at December 31, 2009, 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 for employees with at last fifteen years of service with the County or who are over fifty-five years of age.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

The total liability for vacation, compensatory time and sick leave payments has been calculated using pay rates in effect at December 31, 2009 and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

County employees earn vacation at varying rates ranging from two to five weeks per year. Sick leave is accumulated at the rate of 4.6 hours per 80 hours worked. Vacation and sick leave are accumulated on an hours worked basis. Vacation pay is vested after one year and sick pay upon eligibility for retirement. Accumulated vacation cannot exceed three times the annual accumulation rate for an employee.

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

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

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

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

L. Accrued Liabilities and Long-term Obligations

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

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

M. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

Outstanding balances between funds for goods and services rendered are reported as “due from/to other funds.” These amounts are eliminated in the statement of net assets, except for any residual balances outstanding between the governmental activities and business-type activities, which are reported in the government-wide financial statements as “internal balances”. The County did not have any internal balances at December 31, 2009.

N. Fund Balance Reserves

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

The County reports amounts representing encumbrances outstanding, materials and supplies inventory, debt service, prepayments, loans receivable and unclaimed monies as reservations of fund balance in the governmental funds.

O. Bond Issuance Costs and Bond Discounts

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Bond issuance costs are recorded as “unamortized bond issuance costs” on the statement of net assets.

Bond discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond discounts are presented as a reduction to the face amount of the bonds. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 14.A.

On the governmental fund financial statements, bond and note issue costs are recognized in the current period.

P. Net Assets

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

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

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County Commissioners and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2009.

R. Estimates

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

S. Patient Accounts Receivable

For the Hospital, accounts receivable for patients, insurance companies, and governmental agencies are based on gross charges. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting the Hospital's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. An allowance for contractual adjustments and interim payment advances is based on expected payment rates from payors based on current reimbursement methodologies. This amount also includes amounts received as interim payments against unpaid claims by certain payors.

The details of the patient accounts receivable are set forth below:

	<u>2009</u>
Patient accounts receivable	\$ 9,151,564
Less:	
Allowance for uncollectible accounts	(1,679,030)
Allowance for contractual adjustments	<u>(3,242,897)</u>
Net accounts receivable	<u>\$ 4,229,637</u>

The Hospital grants credit without collateral to patients, most of who are local residents and are insured under third-party payor agreement. The composition of receivables from patients and third-party payors was as follows:

	<u>2009</u>
Medicare	34.00%
Medicaid	15.00%
Commercial insurance and HMO's	33.00%
Self-pay	<u>18.00%</u>
Total	<u>100.00%</u>

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

T. Assets Limited as to Use

Assets limited as to use consist of invested funds designated by the Hospital's Board of Trustees for operations.

U. Net Patient Service Revenue

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

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. Management of the Hospital believes that it is in compliance with all applicable laws and regulations. Final determination of compliance with such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action, including fines penalties, and exclusions from Medicare and Medicaid programs.

V. Contributions

The Hospital reports gifts or property and equipment as unrestricted unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Hospital reports the expiration of donor restrictions when the assets are placed in service.

W. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. During 2009, the Hospital provided charity care of approximately \$931,000.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balances at December 31, 2009 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Truancy prevention mediation	\$ 6
Sheriff highland safety school contract	228

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

These funds complied with Ohio State law, which does not permit a cash basis deficit at year end. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances in the nonmajor governmental funds are the result of recording adjustments for accrued liabilities. These deficit balances will be eliminated as resources become available to liquidate the accrued liabilities.

B. Change in Accounting Principles

For 2009, the County has implemented GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", and GASB Statement No. 57 "Other Postemployment Benefit (OPEB) Measurements by Agent Employers and Agent Multiple-Employers".

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the County.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the County.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the County.

GASB Statement No. 57 establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the County.

C. Compliance

- i.* The County did not certify the permanent appropriations until January 26, 2009 which is in noncompliance with Ohio Revised Code Section 5705.38.
- ii.* The County is in noncompliance with Ohio Revised Code Sections 5705.41(B) and 5705.40 for expenditures exceeding appropriations at year end and throughout the year.

NOTE 4 - DEPOSITS AND INVESTMENTS

Primary Government

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

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash, Cash Equivalents, and Investments in Segregated Accounts

Cash, cash equivalents and investments in segregated accounts (both restricted and unrestricted) consist of funds maintained by the Morrow County Hospital that are held outside of the County’s internal investment pool and funds maintained by the County in outside depository accounts separate from the County’s internal investment pool. These amounts are included in “Deposits with Financial Institutions” and “Investments” below.

B. Deposits with Financial Institutions

At December 31, 2009, the carrying amount of all County deposits was \$13,795,348. As of December 31, 2009, \$9,888,113 of the County’s bank balance of \$14,037,266 was exposed to custodial risk as discussed below, while \$4,149,153 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. As permitted by the Ohio Revised Code, the County’s deposits are collateralized by a pool of eligible securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the depository bank and pledged as a pool of collateral against all public deposits held by the depository. The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

C. Investments

As of December 31, 2009, the County had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
U.S. Government money market mutual funds	\$ 1,175,323	\$ 1,175,323	\$ -	\$ -	\$ -	\$ -
U.S. Government bonds	3,403,027	-	-	-	-	3,403,027
STAR Ohio	346,264	346,264	-	-	-	-
Total	\$ 4,924,614	\$ 1,521,587	\$ -	\$ -	\$ -	\$ 3,403,027

The weighted average maturity of investments is 1.04 years.

Interest Rate Risk: The Ohio Revised Code general limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The County’s investment policy addresses interest rate risk by requiring the consideration of market conditions and cash flow requirements in determining the term of an investment.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: STAR Ohio and the U.S. government money market mutual fund carry a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The County's investments in U.S. government bonds carry a rating of AAA by Standard & Poor's and Aaa by Moody's. The County's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. government bonds are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the County's name. The County has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The County's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The following table includes the percentage of each investment type held by the County at December 31, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
U.S. Government money market mutual funds	\$ 1,175,323	23.87
U.S. Government bonds	3,403,027	69.10
STAR Ohio	<u>346,264</u>	<u>7.03</u>
Total	<u>\$ 4,924,614</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 13,795,348
Investments	<u>4,924,614</u>
Total	<u>\$ 18,719,962</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 8,941,900
Business-type activities	5,889,082
Agency funds	<u>3,888,980</u>
Total	<u>\$ 18,719,962</u>

E. Component Unit

At December 31, 2009, the carrying amount of the component unit's demand deposits was \$98,142 and the bank balance was \$98,142. The entire bank balance was covered by FDIC. See Note 23 for more information on the component unit's depository accounts.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The component units cash balance at December 31, 2009 is reported as “cash and cash equivalents in segregated accounts” on the statement of net assets.

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Due from/to other funds consisted of the following at December 31, 2009, as reported on the fund financial statements:

<u>Due From</u>	Due To			
	Motor		Nonmajor Governmental	Total Due from
	General	Vehicle & Gas Tax		
General	\$ -	\$ 42	\$ 6,861	\$ 6,903
Motor vehicle & gas tax	1,522	-	-	1,522
Public assistance	200	-	1,927	2,127
County Board of DD	-	-	5,629	5,629
Total due to	\$ 1,722	\$ 42	\$ 14,417	\$ 16,181

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

Amounts due to/from other funds between governmental funds are eliminated on the government-wide financial statements.

- B.** Interfund transfers for the year ended December 31, 2009, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	
General fund	\$ 180,593
County Board of DD	35,000
Total transfers	\$ 215,593

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfers were made during 2009 to make debt payments out of the appropriate funds.

Transfers between governmental funds are eliminated on the government-wide financial statements.

All transfers were made in compliance with Ohio Revised Code Section 5705.14, 5705.15 and 5705.16.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility located in the County. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Beginning in calendar year 2009 tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property tax collections in calendar year 2009 represent delinquent collections.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2009 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all County operations for the year ended December 31, 2009 was \$11.20 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 6 - PROPERTY TAXES - (Continued)

<u>Real Property</u>	
Residential/Agricultural	\$ 593,001,180
Commercial/Industrial/Mineral/Utility	47,270,540
<u>Public Utility</u>	
Real	283,990
Personal	20,753,140
Total Assessed Value	\$ 661,308,850

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 the month of collection. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited entirely to the general fund. A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2009 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 on the fund financial statements and as revenue on the government-wide financial statements. Sales and use tax revenue for 2009 amounted to \$2,305,777 on the governmental fund financial statements.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2009, consisted of taxes, accounts (billings for user charged services), special assessments, accrued interest, loans and intergovernmental receivables arising from grants, notes entitlements and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2009. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Property and other local taxes	\$ 4,250,927
Sales taxes	145,518
Accounts	547,842
Special assessments	8,566
Accrued interest	29,759
Due from other governments	3,516,989
Loans	764,441

Business-type activities:

Property and other local taxes	1,250,000
Accounts	4,229,637

Receivables have been disaggregated on the face of the financial statements. The only receivables not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessments and loans which will be collected over various terms of the loan agreements.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 9 - LOANS RECEIVABLE

A summary of the changes in loans receivable reported in the nonmajor governmental funds follows:

	<u>Balance</u> <u>12/31/08</u>	<u>Loans</u> <u>Issued</u>	<u>Principal</u> <u>Received</u>	<u>Balance</u> <u>12/31/09</u>
<u>Special Revenue Funds</u>				
Community block and HOME				
Investments partnerships program grants commercial loans	\$ 673,378	\$ 20,000	\$ (68,805)	\$ 624,573
Water/sewer revolving loans	58,026	14,820	(16,170)	56,676
Rural hardship revolving loans	<u>93,176</u>	<u>26,168</u>	<u>(36,152)</u>	<u>83,192</u>
Total	<u>\$ 824,580</u>	<u>\$ 60,988</u>	<u>\$ (121,127)</u>	<u>\$ 764,441</u>

NOTE 10 - RESTRICTED ASSETS

The Hospital has assets whose use is limited consisting 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 fair value. The composition of assets whose use is limited at December 31, 2009, is set forth in the following table:

Board restricted for capital improvements:	
Cash and cash equivalents in segregated accounts	\$ 1,560,167
Investments in segregated accounts	<u>3,403,027</u>
Total	<u>\$ 4,963,194</u>

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MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 11 - CAPITAL ASSETS

- A. A summary of the business-type activities capital assets for the year ended December 31, 2009 is as follows:

<u>Business-type activities:</u>	<u>Balance</u> <u>12/31/08</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/09</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 191,995	\$ -	\$ -	\$ 191,995
Construction in progress	<u>280,886</u>	<u>305,594</u>	<u>(505,319)</u>	<u>81,161</u>
<i>Total capital assets, not being depreciated</i>	<u>472,881</u>	<u>305,594</u>	<u>(505,319)</u>	<u>273,156</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	379,682	16,408	-	396,090
Buildings	5,330,480	21,753	(1,756)	5,350,477
Equipment	15,915,851	652,544	(480,616)	16,087,779
Infrastructure	<u>256,370</u>	<u>-</u>	<u>-</u>	<u>256,370</u>
<i>Total capital assets, being depreciated</i>	<u>21,882,383</u>	<u>690,705</u>	<u>(482,372)</u>	<u>22,090,716</u>
Less: accumulated depreciation:				
Land and improvements	(378,616)	(17,474)	-	(396,090)
Buildings	(2,807,328)	(233,057)	1,756	(3,038,629)
Equipment	(9,170,524)	(1,044,287)	480,616	(9,734,195)
Infrastructure	<u>(56,397)</u>	<u>(5,127)</u>	<u>-</u>	<u>(61,524)</u>
Total accumulated depreciation	<u>(12,412,865)</u>	<u>(1,299,945)</u>	<u>482,372</u>	<u>(13,230,438)</u>
Total capital assets, being depreciated, net	<u>9,469,518</u>	<u>(609,240)</u>	<u>-</u>	<u>8,860,278</u>
Business-type activities capital assets, net	<u>\$ 9,942,399</u>	<u>\$ (303,646)</u>	<u>\$ (505,319)</u>	<u>\$ 9,133,434</u>

Construction in progress primarily consists of hospital facility improvements.

Depreciation expense was charged to enterprise funds of the County as follows:

<u>Business-type activities:</u>	
Morrow County Hospital	\$ 1,294,818
Ketterman Project	5,127
Total depreciation expense - business-type activities	<u>\$ 1,299,945</u>

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 11 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the governmental activities for the year ended December 31, 2009, was as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>12/31/08</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/09</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 727,557	\$ 8,500	\$ -	\$ 736,057
Construction in progress	588,494	2,685,050	-	3,273,544
Total capital assets, not being depreciated	<u>1,316,051</u>	<u>2,693,550</u>	<u>-</u>	<u>4,009,601</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	164,548	-	-	164,548
Buildings	8,642,145	-	-	8,642,145
Building improvements	956,066	-	-	956,066
Equipment	1,917,730	26,608	-	1,944,338
Vehicles	5,058,681	12,125	(5,700)	5,065,106
Infrastructure	41,656,254	347,164	-	42,003,418
Total capital assets, being depreciated	<u>58,395,424</u>	<u>385,897</u>	<u>(5,700)</u>	<u>58,775,621</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(148,525)	(1,885)	-	(150,410)
Buildings	(2,890,018)	(159,870)	-	(3,049,888)
Building improvements	(664,904)	(17,564)	-	(682,468)
Equipment	(1,206,270)	(154,798)	-	(1,361,068)
Vehicles	(3,999,325)	(212,793)	5,700	(4,206,418)
Infrastructure	(20,620,087)	(1,344,228)	-	(21,964,315)
Total accumulated depreciation	<u>(29,529,129)</u>	<u>(1,891,138)</u>	<u>5,700</u>	<u>(31,414,567)</u>
Total capital assets being depreciated, net	<u>28,866,295</u>	<u>(1,505,241)</u>	<u>-</u>	<u>27,361,054</u>
Governmental activities capital assets, net	<u>\$ 30,182,346</u>	<u>\$ 1,188,309</u>	<u>\$ -</u>	<u>\$ 31,370,655</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

<u>Governmental activities:</u>	
Legislative and executive	\$ 78,951
Judicial	10,094
Public safety	77,909
Public works	1,495,101
Health	3,580
Human services	224,459
Other	1,044
Total depreciation expense - governmental activities	<u>\$ 1,891,138</u>

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE

- A. During prior years, the County entered into capital leases for the acquisition of street maintenance equipment, vehicles, computer equipment, copier equipment and a scanner. In the current year, the County entered into a capital lease for the acquisition of copiers. 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.

Capital assets consisting of street maintenance equipment, vehicles, copier equipment, computer equipment and a scanner, have been capitalized in the amounts of \$351,540. This amount represents the present value at the minimum lease payments at the time of acquisition. A corresponding liability is recorded on the government-wide financial statements. Accumulated depreciation as of December 31, 2009, was \$189,410 leaving a current book value of \$162,130. Principal payments in 2009 totaled \$46,817, \$12,834, \$5,787 and \$1,319 made out of the general fund, County Board of DD fund, public assistance fund and the Morrow County Transit Collaborative fund (a nonmajor governmental fund), respectively. 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, 2009:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2010	\$ 64,378
2011	27,205
2012	<u>4,313</u>
Total future minimum lease payments	95,896
Less: amount representing interest	<u>(6,925)</u>
Present value of net minimum lease payments	<u>\$ 88,971</u>

- B. At December 31, 2009, the Hospital has capital leases for office equipment and furniture and fixtures. The lease agreements require the Hospital to pay insurance and maintenance costs. These capital leases are due in monthly installments including interest at rates ranging from 8.53 percent to 9.06 percent annually. The leases expire at various dates through 2012, and are collateralized by the leased equipment. Capitalized costs and accumulated depreciation of the leased equipment at December 31, 2009 were \$1,324,000 and \$1,254,000, respectively. The liability for the obligation under capital lease at December 31, 2009 was \$69,700.

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, 2009:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2010	\$ 29,196
2011	29,195
2012	<u>19,948</u>
Total future minimum lease payments	78,339
Less: amount representing interest	<u>(8,639)</u>
Present value of net minimum lease payments	<u>\$ 69,700</u>

MORROW COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 13 - COMPENSATED ABSENCES

Vacation, compensatory time, and sick leave accumulated by governmental fund type employees have been recorded in the governmental activities on the statement of net assets. Vacation, compensatory time 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. Compensatory time is time accrued by employees that are exempt from overtime. Such employees can accrue compensatory time up to, but not exceed an 80 hour limit. 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, 2009 vested benefits for vacation leave and compensatory time for governmental fund employees totaled \$622,426 and vested benefits for sick leave totaled \$193,600. In accordance with GASB Statement No. 16, an additional liability of \$14,257 was accrued to record termination (severance) payments expected to become eligible to retire in the future for the governmental fund type employees. The total liability for governmental fund employees was \$830,283. Of this total, \$169,864 is due within one year and \$660,419 is due in greater than one year.

For the Hospital, paid time-off is charged to operations when earned. Unused and earned benefits are recorded as a liability on the financial statements. Employee's accumulative vacation days and sick leave benefits are calculated at varying rates depending on the years of service. Employees are not paid for accumulated sick leave if they leave before retirement. However, employees who retire from the Hospital may convert accumulated sick leave to termination payments equal to one-fourth of the accumulated balance, up to a maximum of 240 hours, calculated at the employees base pay rate as of the retirement date.

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MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 14 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

During 2009, the following changes occurred in the County's governmental activities long-term obligations:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/09</u>	<u>Amount Due in One Year</u>
<u>General obligation bonds:</u>							
Board of DD building bonds	2011	6.2-7.95%	\$ 115,000	\$ -	\$ (35,000)	\$ 80,000	\$ 40,000
County services building bonds	2022	1.5-4.8%	1,785,000	-	(100,000)	1,685,000	100,000
Various purpose bonds	2033	3.00-5.375%	4,000,000	-	(100,000)	3,900,000	100,000
Total general obligation bonds			<u>5,900,000</u>	<u>-</u>	<u>(235,000)</u>	<u>5,665,000</u>	<u>240,000</u>
<u>Loans payable:</u>							
JFS service garage	2026	4.55%	236,000	-	(9,000)	227,000	9,000
Engineer loan 12-N	2013	4.25%	500,000	-	(100,000)	400,000	100,000
Total loans payable			<u>736,000</u>	<u>-</u>	<u>(109,000)</u>	<u>627,000</u>	<u>109,000</u>
<u>OWDA loans payable:</u>							
OWDA loan payable			-	295,586	-	295,586	-
OWDA loan payable	2011	7.50%	31,018	-	(11,786)	19,232	12,670
OWDA loan payable	2023	0.00%	54,375	-	(3,750)	50,625	3,750
Total OWDA loans payable			<u>85,393</u>	<u>295,586</u>	<u>(15,536)</u>	<u>365,443</u>	<u>16,420</u>
<u>Bond anticipation notes:</u>							
Courthouse renovation notes	2009	2.65%	1,500,000	-	(1,500,000)	-	-
Courthouse renovation notes	2009	2.65%	260,000	-	(260,000)	-	-
Total notes payable			<u>1,760,000</u>	<u>-</u>	<u>(1,760,000)</u>	<u>-</u>	<u>-</u>
<u>Other long-term obligations:</u>							
Compensated absences payable			833,700	421,607	(425,024)	830,283	169,864
Capital lease payable			155,728	-	(66,757)	88,971	59,315
Total other long-term obligations			<u>989,428</u>	<u>421,607</u>	<u>(491,781)</u>	<u>919,254</u>	<u>229,179</u>
Total long-term obligations			<u>\$ 9,470,821</u>	<u>\$ 717,193</u>	<u>\$ (2,611,317)</u>	7,576,697	<u>\$ 594,599</u>
						(29,133)	
						<u>\$ 7,547,564</u>	

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

General Obligation Bonds: The general obligation bonds are supported by the full faith and credit of the County. The Board of DD building bonds were issued to provide resources for building renovations and improvements including energy conservation measures. The Board of DD building bonds bear an interest rate ranging from 6.2% to 7.95% and are scheduled to mature in 2011. The County services building bonds were issued to provide for building renovation and improvements. The County services building bonds bear an interest rate ranging from 1.5% to 4.8% and are scheduled to mature in 2022. On December 16, 2008, the County issued bonds in the amount of \$4,000,000 to retire previously issued bond anticipation notes that were issued to finance various construction and renovation projects undertaken by the County. The bonds bear an interest rate ranging from 3.00% to 5.375% and are scheduled to mature in 2033. These bonds are being retired through rental charges and other County operating sources; however, repayment is backed by the full faith and credit of the County.

During 2009, a principal payment of \$35,000 on the Board of DD building general obligation bonds was made from the Board of DD bond retirement fund (a nonmajor governmental fund), a principal payment of \$100,000 on the County services building general obligation bonds were made from the social services bond retirement fund (a nonmajor governmental fund), a principal payment of \$100,000 on various purpose bonds were made from the social services bond retirement fund (a nonmajor governmental fund).

Loans Payable: The County has various loans payable as follows:

The County has received a 7.50% loan from the Ohio Water Development Authority (OWDA) for the construction of a sanitary sewer from the City of Galion to the Ketterman Subdivision. During 2009, the County made principal payments of \$11,786 on this loan leaving a balance at December 31, 2009 of \$19,232. This OWDA loan is being retired from the Ketterman debt service fund (a nonmajor governmental fund). This loan matures in 2011.

The County has received a zero percent interest rate loan from the OWDA for the purpose of financing septic system replacements. During 2009, the County made principal payments of \$3,750 on this loan leaving a balance at December 31, 2009 of \$50,625. This loan is being retired from the community development block grant fund (a nonmajor governmental fund). This loan matures in 2023.

During 2009, the County was approved for a \$610,000 loan from the OWDA for the purpose of financing the Johnsville wastewater treatment plant project. The loan was not closed out as of December 31, 2009 and future debt service principal and interest requirements for the loan are not available. Proceeds of \$295,586 were received during 2009.

In 2007, the County entered into a loan agreement to finance a service garage for JFS in the amount of \$253,000. This loan bears an interest rate of 4.55% and is scheduled to mature in 2026. During 2009, the County made principal payments of \$9,000 on this loan leaving a balance of \$227,000 at December 31, 2009. This loan is being retired from the JFS service garage fund (a nonmajor governmental fund).

In 2008, the County issued a loan through a line of credit to purchase various maintenance vehicles for the Morrow County Engineers Division in the amount of \$500,000. This loan bears an interest rate of 4.25% and is scheduled to mature in 2013. During 2009, the County made principal payments of \$100,000 on this loan leaving a balance of \$400,000 at December 31, 2009. This loan will be retired from the motor vehicle and gas tax fund.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

Compensated Absences: Compensated absences will be paid from the fund which the employee is paid, which for the County, is primarily the general fund, motor vehicle and gas tax fund, County board of DD fund, public assistance fund and child support enforcement fund (a nonmajor governmental fund).

Capital Leases Payable: Capital lease principal and interest payments are being made from the general fund, County board of DD fund, public assistance fund and the Morrow County Transit Collaborative fund (a nonmajor governmental fund). See Note 12.A. for further detail on the capital lease obligations.

Notes Payable: During 2009, the County retired \$1,760,000 in courthouse renovation bond anticipation notes that were previously issued in 2008. The retirement was reported in the courthouse renovation note fund (a nonmajor governmental fund).

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 December 31,	General Obligation Bonds			Engineer Loan 12-N		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 240,000	\$ 255,857	\$ 495,857	\$ 100,000	\$ 15,568	\$ 115,568
2011	245,000	246,457	491,457	100,000	11,318	111,318
2012	215,000	239,572	454,572	100,000	7,091	107,091
2013	220,000	204,978	424,978	100,000	2,818	102,818
2014	230,000	223,839	453,839	-	-	-
2015 - 2019	1,295,000	972,494	2,267,494	-	-	-
2020 - 2024	1,260,000	665,717	1,925,717	-	-	-
2025 - 2029	975,000	414,006	1,389,006	-	-	-
2030 - 2033	985,000	134,208	1,119,208	-	-	-
Total	\$ 5,665,000	\$ 3,357,128	\$ 9,022,128	\$ 400,000	\$ 36,795	\$ 436,795

Year Ended December 31,	JFS Service Garage Loan			OWDA Loans		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 9,000	\$ 10,039	\$ 19,039	\$ 16,420	\$ 1,443	\$ 17,863
2011	10,000	9,578	19,578	10,312	492	10,804
2012	10,000	9,118	19,118	3,750	-	3,750
2013	11,000	8,611	19,611	3,750	-	3,750
2014	11,000	8,105	19,105	3,750	-	3,750
2015 - 2019	63,000	35,044	98,044	18,750	-	18,750
2020 - 2024	77,000	19,249	96,249	13,125	-	13,125
2025 - 2026	36,000	2,487	38,487	-	-	-
Total	\$ 227,000	\$ 102,231	\$ 329,231	\$ 69,857	\$ 1,935	\$ 71,792

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 14 - 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 not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The assessed valuation used in determining the County's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the County's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. Based on this calculation, the County's voted legal debt margin was \$9,683,598 at December 31, 2009 and the unvoted legal debt margin was \$1,251,056 at December 31, 2009.

C. Business-Type Activities Long-Term Obligations

During 2009, the following changes occurred in the County's business-type activities long-term obligations:

	Interest	Balance			Balance	Amount
	Rate	12/31/08	Additions	Reductions	12/31/09	Due in
						One Year
Capital lease payable		\$ 277,789	\$ -	\$ (208,089)	\$ 69,700	\$ 24,118
Master lease and purchase agreement	5.89%	2,334,153	-	(572,958)	1,761,195	607,464
Compensated absences payable		464,218	859,247	(839,220)	484,245	484,245
Total business-type activities long-term obligations		<u>\$ 3,076,160</u>	<u>\$ 859,247</u>	<u>\$ (1,620,267)</u>	<u>\$ 2,315,140</u>	<u>\$ 1,115,827</u>

Capital Leases Payable: The capital lease obligation represents the leases entered into for medical and office equipment and furniture and fixtures for the Hospital. The leases are being retired from Hospital operating revenue. See Note 12.B. for more detail on the Hospital's capital lease obligations.

Master Lease and Purchase Agreement: Under the master lease and purchase agreement, the Hospital borrowed \$4,950,000 under an arrangement with a finance company to finance the construction of facility improvements. The financing was provided by the issuance of a 10-year note maturing August 28, 2012, with interest at 5.89 percent. The debt is collateralized by capital assets purchased with the proceeds. The lease and purchase agreement provides, among other things, for certain covenants and payoff options which allow for early retirement of the debt of the Hospital. The master lease purchase agreement is being paid from the Hospital enterprise fund.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements under the master lease and purchase agreement:

Year Ending December 31,	Principal	Interest	Total
2010	\$ 607,464	\$ 90,456	\$ 697,920
2011	644,049	53,871	697,920
2012	<u>509,682</u>	<u>15,120</u>	<u>524,802</u>
Total	<u>\$ 1,761,195</u>	<u>\$ 159,447</u>	<u>\$ 1,920,642</u>

Compensated Absences: Compensated absences will be paid from the Hospital enterprise fund.

NOTE 15 - NET PATIENT SERVICE REVENUE

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. Net patient service revenue for 2009 recorded in the Hospital enterprise fund was \$25,839,574.

NOTE 16 - 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 2009, 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)	\$ 1,000,000
Law Enforcement Liability (per occurrence)	1,000,000
Automobile Liability and Physical Damage Liability (per occurrence)	1,000,000
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
Property	86,544,281
Other Property Insurance:	
Extra Expense	1,000,000
Contractors' Equipment	Actual Cash Value
Valuable Papers and Records	1,000,000
Inland Marine	Actual Cash Value
Automatic Acquisition	5,000,000

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 16 - RISK MANAGEMENT - (Continued)

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
Attorney Disciplinary Proceedings	25,000
Boiler and Machinery	100,000,000
Public Officials (per occurrence)	1,000,000
Umbrella (per occurrence)	4,000,000

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 and there has been no significant reduction in coverage from the prior year. The County pays all elected officials' bonds by statute.

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; medical malpractice; and employee health dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims for the Hospital have not exceeded this coverage in the past three years and there has been no significant reduction in coverage from the prior year for the Hospital. Also see Note 20.B. for information on the Hospital's medical malpractice insurance coverage.

B. Health, Prescription Drug, Dental and Vision Insurance

The County has entered into a participation agreement with the County Employee Benefit Consortium of Ohio, Inc (CEBCO) to obtain employee health insurance and benefits and administrative services relating to an employee health benefit plan. The County will contract with CEBCO to provide medical, prescription drug, dental, vision, and life insurance coverage. The County will pay 75% of the monthly premium and employees will pay 25%.

The Hospital is partially self-insured under a plan covering substantially all employees for health benefits. The plan is covered by a stop-loss policy that covers claims over \$125,000 per employee and provides up to a maximum benefits of \$875,000 per person. Claims, charged to operations when incurred, were approximately \$1,370,000 for the year ended December 31, 2009.

A reconciliation of accrued health insurance for the Hospital at December 31, 2009 consists of the following:

Balance at January 1, 2009	\$ 503,692
Health insurance expense	1,371,505
Payments made	<u>(1,554,655)</u>
Balance at December 31, 2009	<u>\$ 320,542</u>

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 17 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2009 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%. The County's contribution rate for 2009 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.63% of covered payroll.

The County's contribution rate for pension benefits for 2009 was 7.00% from January 1 through March 31, 2009 and 8.50% from April 1 through December 31, 2009, except for those plan members in law enforcement and public safety. For those classifications, pension contributions were 10.63% from January 1 through March 31, 2009 and 12.13% from April 1 through December 31, 2009. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008 and 2007 were \$1,516,025, \$1,413,501 and \$1,725,317, respectively; 97.96% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

B. State Teachers Retirement System

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

MORROW COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 17 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.50% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For 2009, plan members were required to contribute 10.00% of their annual covered salaries. The County was required to contribute 14.00%; 13.00% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2009, 2008, and 2007 were \$7,144, \$6,862 and \$6,597, respectively; 96.10 % has been contributed for 2009 and 100 percent for years 2008 and 2007.

NOTE 18 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

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

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 18 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14.00% of covered payroll (17.63% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for 2009 was 7.00% from January 1 through March 31, 2009 and 5.50% from April 1 through December 31, 2009.

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008 and 2007 were \$1,072,870, \$1,370,984 and \$1,118,442, respectively; 97.96% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1.00% of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2009, 2008 and 2007 were \$550, \$528 and \$508, respectively; 96.10% has been contributed for 2009 and 100 percent for 2008 and 2007.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 19 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

Net Change in Fund Balances

	Governmental Fund Types				
	General	Emergency Squad	Motor Vehicle and Gas Tax	Public Assistance	County Board of DD
Budget basis	\$ (58,908)	\$ -	\$ (32,698)	\$ (598,212)	\$ (141,681)
Net adjustment for revenue accruals	(275,069)	3,799	294,100	(128,653)	250,933
Net adjustment for expenditure accruals	52,208	-	(256,517)	(66,652)	(36,463)
Net adjustment for other financing sources/(uses) accruals	(6,241)	-	-	-	-
Encumbrances (budget basis)	230,460	-	565,974	511,786	134,233
GAAP basis	\$ (57,550)	\$ 3,799	\$ 570,859	\$ (281,731)	\$ 207,022

NOTE 20 - CONTINGENCIES

A. Grants

The County receives significant 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 are 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 included herein or on the overall position of the County at December 31, 2009.

MORROW COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 20 - CONTINGENCIES - (Continued)

B. Medical Malpractice Claims

Based upon the nature of its operations, the Hospital is at times subject to pending or threatening legal actions, which arise in the normal course of its activities.

The Hospital is insured against medical malpractice claims under a claims-based policy, whereby only the claims reported to the insurance carrier during the policy period are covered regardless of when the incident giving rise to the claim is incurred. Under the terms of the policy, the Hospital bears the risk of the ultimate costs of any individual claims exceeding \$1,000,000, or aggregate claims exceeding \$3,000,000, for claims asserted in the policy year. In addition, the Hospital has an umbrella policy with an additional \$4,000,000 of coverage.

Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on the occurrences during the claims-made term, but reported subsequently, will be uninsured.

The Hospital is not aware of any medical malpractice claims, either asserted or unasserted, that would exceed the policy limits. No claims have been settled during the past three years that have exceeded policy coverage limits. The cost of this insurance policy represents the Hospital's cost for such claims for the past three years, and it has been charged to operations as a current expense.

C. Litigation

Several claims and lawsuits are pending against the County. In the opinion of the County Prosecutor, no liability is anticipated in excess of insurance coverage.

NOTE 21 - RELATED PARTY TRANSACTION

Whetstone Industries, Inc. (the "Workshop"), a discretely presented component unit of the County, received contributions from the County for certain personnel and salaries. The contributions are reflected as revenues in the statement of activities for the Workshop. For the year ended December 31, 2009, the County's contributions totaled \$577,315.

NOTE 22 - 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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 23 - WHETSTONE INDUSTRIES, INC. - COMPONENT UNIT

A. Reporting Entity

Whetstone Industries, Inc. (the "Workshop") is a legally separate, not-for-profit corporation, served by a self-supporting Board of Trustees. The Workshop, under a contractual agreement with the Morrow County Board of Developmental Disabilities (Board of DD), provides sheltered employment for disabled adults in Morrow County. Based on the significant services and resources provided by the County to the Workshop and Workshop's sole purpose of providing assistance to the disabled adults of Morrow County, the Workshop is considered a component unit of Morrow County. Whetstone Industries, Inc. has a December 31 year end.

B. Summary of Significant Accounting Policies

Basis of Accounting - The financial statements of Whetstone Industries, Inc. have been prepared in conformity with GAAP as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Since Whetstone Industries, Inc. is a component unit of Morrow County, the same basis of accounting has been chosen to be used for presentation purposes.

Cash and Cash Equivalents - The Workshop maintains depository accounts at financial institutions. See Note 23.C. for more detail on the Workshop's cash balances.

Receivables - The Workshop uses a direct write off method for trade receivables due to a good collection policy with very little bad debt.

Inventory - Inventory consists of items used for basket weaving, refinishing furniture, providing janitorial services, and various other productions related activities. Inventory is valued at the lower of cost or market using the first-in-first-out method of accounting for inventory.

Property and equipment - Additions and improvements to property and equipment are recorded at cost when purchased and at fair value when the asset has been donated. Depreciation is computed using the straight-line method at rates expected to depreciate the cost of the assets over their useful lives, which is 10 years for production equipment and a range of 3 to 7 years for office equipment.

Functional Allocation - The costs of providing the various programs and management and general activities have been summarized on a functional basis in the statement of functional expenses.

Use of Estimates - The financial statements of the Workshop are prepared in conformity with accounting principles generally accepted in the United States of America. This presentation requires the use of estimates and assumptions made by management that affects certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes - The Workshop is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Revenue Sources - The Workshop received significant support in the form of grants and contributions from the Morrow County Board of Development Disabilities (DD) and other sources. In addition, the Workshop generated revenue by providing a variety of services to the public. Such services include custodial, furniture restoration, basket weaving and sales, and various other production activities.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 23 - WHETSTONE INDUSTRIES, INC. - COMPONENT UNIT - (Continued)

C. Cash and Cash Equivalents

All deposits with financial institutions are fully insured by the Federal Deposit Insurance Corporation, are unrestricted and summarized below:

<u>Depository</u>	<u>Description</u>	<u>Balance</u> <u>12/31/09</u>
First Knox National Bank	Operating account	\$ 37,951
First Knox National Bank	Payroll account	1,103
First Knox National Bank	Certificates of Deposit	58,823
Cash on hand	Operations	<u>265</u>
Total		<u>\$ 98,142</u>

The Workshop has three certificates of deposit at December 31, 2009. These certificates of deposit are recorded at cost, with maturities of nine to twenty-four months. These certificates of deposit earn interest at rates of 1.54% to 2.13%.

D. Contracts and Support

The Workshop has been formed in accordance with the regulations of the State of Ohio Department of Developmental Disabilities, and is under contract with the Morrow County Board of DD for the delivery of services to adult clients in Morrow County, Ohio. Upon termination of the contract or successor contracts, all materials and equipment become the property of the Morrow County Board of DD.

The current operations of the Workshop are dependent on the continuation of these or similar contractual relationships. The loss of support from this provider could significantly affect the Workshop's financial statements.

E. Related Party Transactions

The Morrow County Board of DD provides the management and administrative personnel, at no charge, to the Workshop. In addition, land and facilities, utilities and certain other general and administrative costs are provided by the Morrow County Board of DD to the Workshop. The Morrow County Board of DD has estimated the value of this support to be \$577,315 for the year ending December 31, 2009. The Workshop has recognized this support in the statement of activities.

F. Concentration of Risk

A significant portion of the Workshop's annual revenues is generated from a limited number of customers located in the Mt. Gilead area. In addition, the in-kind contribution from the Morrow County Board of DD comprise the majority of the Workshop's support and subject the Workshop to a concentration of credit risks. Approximately 90% of the support revenue was from in-kind contribution from the Morrow County Board of DD. The County Board of DD's ability to fund its in-kind contribution to the Organization is dependent on the passage of a local levy.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 23 - WHETSTONE INDUSTRIES, INC. - COMPONENT UNIT - (Continued)

G. Capital assets

The following is a summary of the Workshop's capital assets activity for 2009:

	Balance 12/31/08	Additions	Reductions	Balance 12/31/09
Property and equipment	\$ 31,458	\$ 23,999	\$ -	\$ 55,457
Accumulated depreciation	(19,331)	(4,543)	-	(23,874)
Total	\$ 12,127	\$ 19,456	\$ -	\$ 31,583

NOTE 24 - AFFILIATION

The Hospital contracts with OhioHealth for management, information technology, and other support services. OhioHealth employs the Hospital's chief executive officer and chief financial officers and also appoints one representative to the Hospital's Board of Directors. Fees for services amounted to approximately \$525,000 for the year ended December 31, 2009. Amounts due to OhioHealth for services amounted to approximately \$68,000 at December 31, 2009 and has been included in accounts payable of the Hospital on the financial statements.

NOTE 25 - COST REPORT SETTLEMENTS

Approximately 61 percent of the Hospital's revenues from patient services are received from the Medicare and Medicaid programs. The Hospital has agreements with these payors that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under these reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with these third-party payors follows:

Medicare - Effective October 1, 2002, the Hospital received full accreditation from the Center for Medicare and Medicaid Services for the critical access hospital designation. As a critical access hospital, the Hospital receives reasonable, cost-based reimbursement for both inpatient and outpatient services provided to Medicare beneficiaries.

Medicaid - Inpatient, acute care services rendered to Medicaid program beneficiaries are paid to prospectively determined rates per discharge. Capital costs relating to Medicaid inpatients are paid on a cost-reimbursed method. The Hospital is reimbursed for outpatient services on a fee-for-service methodology.

The Medicaid payment system in Ohio is a prospective one, whereby rates for the following State fiscal year beginning July 1 are based upon filed cost reports for the preceding calendar year. The continuity of this system is subject to the uncertainty of fiscal health of the State of Ohio, which can directly impact future rates and the methodology currently in place. Any significant changes in rates, or the payment system itself, could have a material impact on future Medicaid funding to providers.

Cost report settlements result from the adjustment of interim payments to final reimbursement under these programs and are subject to audit by fiscal intermediaries. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the financial statements.

MORROW COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 25 - COST REPORT SETTLEMENTS - (Continued)

The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

SUPPLEMENTARY DATA

**MORROW COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A),(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES			
Supplemental Nutrition Assistance Program Cluster:			
(C) Supplemental Nutrition Assistance Program	10.551	G-1011-11-5089/G-89-20-1119	\$ 6,718
(C) State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1011-11-5089/G-89-20-1119	255,435
(C) ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1011-11-5089/G-89-20-1119	17,103
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			<u>272,538</u>
Total U.S. Department of Agriculture and Supplemental Nutrition Assistance Program Cluster			<u>279,256</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENT OFFICE OF HOUSING AND COMMUNITY PARTNERSHIP			
Community Development Block Grants/State's Program	14.228	B-F-07-054-1	100,000
Community Development Block Grants/State's Program	14.228	B-W-07-054-1	490,500
Community Development Block Grants/State's Program	14.228	B-C-08-054-1	79,795
Community Development Block Grants/State's Program	14.228	B-F-08-054-1	113,184
Community Development Block Grants/State's Program	14.228	B-Z-08-054-1	54,931
(D) Community Development Block Grants/State's Program	14.228	N/A	31,921
(E) Community Development Block Grants/State's Program	14.228	N/A	1,648
Total Community Development Block Grants/State's Programs			<u>871,979</u>
Home Investment Partnerships Program	14.239	B-C-08-054-2	172,124
(F) Home Investment Partnerships Program	14.239	N/A	586
Total Home Investment Partnerships Program			<u>172,710</u>
Total U.S. Department of Housing and Urban Development			<u>1,044,689</u>
U.S. DEPARTMENT OF JUSTICE PASSED THROUGH THE OFFICE OF CRIMINAL JUSTICE SERVICES			
Edward Byrne Memorial Formula Grant Program	16.579	2009-SAGENE069	25,350
Edward Byrne Memorial Formula Grant Program	16.579	2010-SAGENE069	10,501
Total Edward Byrne Memorial Formula Grant Program			<u>35,851</u>
Edward Byrne Justice Assistance Cluster:			
(J) Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-JG-C01-6621	25,502
(J) Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-JG-C01-6620	39,405
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>64,907</u>
(J) ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to States and Territories	16.803	2009-RA-C01-2331	73,184
Total Edward Byrne Justice Assistance Cluster:			<u>138,091</u>
Total U.S. Department of Justice			<u>173,942</u>

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**MORROW COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF LABOR PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES AND AREA 7 WORKFORCE INVESTMENT BOARD			
Workforce Investment Act (WIA) Cluster:			
(G) WIA Adult Program	17.258	2009-7259-1	\$ 64,810
(G) WIA Adult Program - Adult Administration	17.258	2009-7259-1	7,282
(G) ARRA WIA Adult Program	17.258	2009-7259-1	42,972
Total Workforce Investment Act - Adult			115,064
(G) WIA Youth Activities	17.259	2009-7259-1	137,483
(G) WIA Youth Activities - Youth Administration	17.259	2009-7259-1	10,640
(G) ARRA WIA Youth Activities	17.259	2009-7259-1	166,458
Total Workforce Investment Act - Youth Activities			314,581
(G) WIA Dislocated Workers	17.260	2009-7259-1	138,610
(G) WIA Dislocated Workers - Dislocated Workers Administration	17.260	2009-7259-1	7,192
(G) ARRA WIA Dislocated Workers	17.260	2009-7259-1	39,804
Total Workforce Investment Act - Dislocated Workers			185,606
Total U.S. Department of Labor and Workforce Investment Act (WIA) Cluster			615,251
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY PASSED THROUGH THE OHIO WATER DEVELOPMENT AUTHORITY			
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458	CS398035-01	28,493
Total U.S. Department of Environmental Protection Agency			28,493
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF HEALTH			
Special Education-Grants for Infants and Families	84.181	59-1-002-1-HG-02-09	31,643
Total U.S. Department of Education			31,643
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF HEALTH			
Public Health Emergency Preparedness	93.069	59-1-001-2-PH-01-10	81,732

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MORROW COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES			
(H) Promoting Safe and Stable Families	93.556	G-1011-11-5089/G-89-20-1119	\$ 18,217
Promoting Safe and Stable Families	93.556	N/A	225
Total Promoting Safe and Stable Families			<u>18,442</u>
Temporary Assistance for Needy Families	93.558	G-1011-11-5089/G-89-20-1119	<u>1,195,167</u>
Child Support Enforcement	93.563	G-1011-11-5089/G-89-20-1119	<u>508,432</u>
Child Care and Development Cluster:			
(I) Child Care and Development Block Grant	93.575	G-1011-11-5089/G-89-20-1119	<u>208,183</u>
(I) Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G-1011-11-5089/G-89-20-1119	<u>225,884</u>
(I) ARRA - Child Care and Development Block Grant	93.713	G-1011-11-5089/G-89-20-1119	<u>83,744</u>
Total Child Care and Development Cluster:			<u>517,811</u>
Child Welfare Services_State Grants	93.645	G-1011-11-5089/G-89-20-1119	<u>30,834</u>
Foster Care_Title IV-E	93.658	G-1011-11-5089/G-89-20-1119	<u>3,098</u>
Adoption Assistance	93.659	G-1011-11-5089/G-89-20-1119	<u>5,222</u>
(H) (K) Social Services Block Grant	93.667	G-1011-11-5089/G-89-20-1119	632,808
Social Services Block Grant	93.667	N/A	29,252
Total Social Services Block Grant			<u>662,060</u>
Child Abuse and Neglect State Grants	93.669	G-1011-11-5089/G-89-20-1119	<u>675</u>
(H) (K) Medical Assistance Program	93.778	G-1011-11-5089/G-89-20-1119	452,270
Medical Assistance Program	93.778	N/A	126,526
Total Medical Assistance Program			<u>578,796</u>
Total U.S. Department of Health and Human Services			<u>3,602,269</u>

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**MORROW COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF HOMELAND SECURITY PASSED THROUGH THE OHIO EMERGENCY MANAGEMENT AGENCY			
Emergency Management Performance Grants	97.042	2009-EP-E9-0061	\$ 6,189
Homeland Security Grant Program	97.067	2008-GE-T8-0025	39,191
Total U.S. Department of Homeland Security			<u>45,380</u>
Total Federal Financial Assistance			<u>\$ 5,820,923</u>

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**MORROW COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Notes to the Schedule of Expenditures of Federal Awards:

(A) This schedule was prepared on the cash basis of accounting.

(B) Certain federal programs require that the County contribute non-federal funds (matching funds) to support the federally funded programs. The County has complied with the matching requirements. The expenditure of non-federal matching funds are not included on the schedule.

(C) Included as part of the "Supplemental Nutrition Assistance Program Cluster" in determining major programs.

(D) The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on this schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the schedule. These loans are collateralized by mortgages on the property. The County incurred \$31,921 in administrative and other costs during 2009.

Activity in the Community Development Block Grant revolving loan fund during 2009 is as follows:

Beginning loans receivable balance as of January 1, 2009	\$ 552,091
Loans Disbursed	-
Loan Repayments	(61,478)
Ending loans receivable balance as of December 31, 2009	<u>\$ 490,613</u>
Cash balance on hand as of December 31, 2009	\$ 262,389
Delinquent amounts due as of December 31, 2009	\$ 441,529

(E) The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on this schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the schedule. These loans are collateralized by mortgages on the property. The County incurred \$1,648 in administrative and other costs during 2009.

Activity in the Community Development Block Grant revolving loan fund during 2009 is as follows:

Beginning loans receivable balance as of January 1, 2009	\$ 58,026
Loans Disbursed	14,820
Loan Repayments	(16,170)
Ending loans receivable balance as of December 31, 2009	<u>\$ 36,676</u>
Cash balance on hand as of December 31, 2009	\$ 26,670
Delinquent amounts due as of December 31, 2009	\$ -

(F) The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on this schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the schedule. These loans are collateralized by mortgages on the property. The County incurred \$586 in administrative or other costs during 2009.

Activity in the Home Investment Partnership Program revolving loan fund during 2009 is as follows:

Beginning loans receivable balance as of January 1, 2009	\$ 121,287
Loans Disbursed	20,000
Loan Repayments	(7,327)
Ending loans receivable balance as of December 31, 2009	<u>\$ 133,960</u>
Cash balance on hand as of December 31, 2009	\$ 23,453
Delinquent amounts due as of December 31, 2009	\$ -

(G) Included as part of the "Workforce Investment Act (WIA) Cluster" in determining major programs.

(H) This portion of the program was passed through the Ohio Department of Developmental Disabilities.

(I) Included as part of the "Child Care and Development Cluster" in determining major programs.

(J) Included as part of the "Edward Byrne Justice Assistance Cluster" in determining major programs.

(K) Pass-through numbers were unable to be obtained for these grants.

Note: The County has an additional revolving loan fund cash balance of \$1,965 for CDBG Housing program which is subject to compliance requirements set forth by the awarding agency at December 31, 2009. The County incurred no administrative or other costs during 2009.



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Commissioners
Morrow County
48 E. High Street
Mt. Gilead, OH 43338

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Morrow County, Ohio, as of and for the year ended December 31, 2009, which collectively comprise Morrow County's basic financial statements and have issued our report thereon dated June 29, 2010. We did not audit the financial statements of the Morrow County Hospital, a major Enterprise Fund, which represents 98.74% of total assets, 98.16% of total net assets and 99.88% of total revenue of the business-type activities. We also did not audit the financial statements of Whetstone Industries, Inc. Morrow County's only discretely presented component unit. The financial statements of Morrow County Hospital and Whetstone Industries, Inc. were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Morrow County, 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Morrow County's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Board of Commissioners
Morrow County

Compliance and Other Matters

As part of reasonably assuring whether Morrow County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed three instances of noncompliance or other matters that we must report under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as items 2009-MC-001, 2009-MC-002 and 2009-MC-003.

We did note certain matters not requiring inclusion in this report that we reported to Morrow County's management in a separate letter dated June 29, 2010.

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

This report is intended solely for the information and use of the Commissioners and management of Morrow County, 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.



Julian & Grube, Inc.
June 29, 2010



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Commissioners
Morrow County
48 E. High Street
Mt. Gilead, OH 43338

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 apply to each of its major federal programs for the year ended December 31, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies Morrow County's major federal programs. Morrow County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on Morrow County's compliance based on our audit.

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

In our opinion, Morrow County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

Morrow County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Morrow County's internal control over compliance with the requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of Morrow County's internal control over compliance.

Board of Commissioners
Morrow County

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combinations of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
June 29, 2010

MORROW COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
 OMB CIRCULAR A-133 § .505
 DECEMBER 31, 2009

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (listed):	Workforce Investment Act (WIA) Cluster: WIA Adult Program, CFDA #17.258; WIA Youth Activities, CFDA #17.259; and WIA Dislocated Workers; CFDA #17.260; Temporary Assistance for Needy Families, CFDA #93.558; Child Support Enforcement, CFDA #93.563; Child Care and Development Cluster: Child Care and Development Block Grant, CFDA #93.575; Child Care Mandatory and Matching Funds of the Child Care and Development Fund, CFDA #93.596 and ARRA Child Care and Development Block Grant, CFDA #93.713; Social Service Block Grant, CFDA #93.667; and Medical Assistance Program, CFDA #93.778
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

MORROW COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2009

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

Finding Number	2009-MC-001
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Ohio Revised Code Section 5705.38(A) requires the annual appropriation measure to be passed on or about the first day of each year. Temporary appropriations may be adopted until April 1 if the taxing authority wishes to postpone the passage of the annual appropriation measure until the County approves the amended certificate based on year end balances.

The County did not pass temporary appropriations until January 26, 2009.

The County is not effectively budgeting for expenditures. By incurring expenditures prior to the passage of a temporary or permanent appropriation measure, the County is in non-compliance.

We recommend the County adopt procedures for approving the appropriation measures and include these procedures in an accounting policies and procedures manual. We recommend that the Auditor develop a tickler file including all significant due dates of the budgeting process. The temporary or permanent appropriation measures should be passed prior to incurring expenditures.

Client Response: We will strive to meet the filing deadlines in the future and are aware of the dates.

Finding Number	2009-MC-002
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Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by resolution and comply with the same provisions of the law as used in making the original appropriations.

The County did not timely adopt and modify its appropriations throughout year ended December 31, 2009 and did not pass temporary appropriations until January 26, 2009.

By not timely and properly adopting and modifying the County's appropriations, The County is not adequately monitoring its expenditures versus appropriations. With expenditures exceeding appropriations, overspending may occur which could result in a negative fund balance.

We recommend that the County comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary.

Client Response: We will more closely monitor expenditures and appropriations during the year and request modifications when necessary. We have implemented procedures, including review of additional expenditure reports, to help ensure compliance in the future.

MORROW COUNTY

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2009**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2009-MC-003

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

The County did not pass temporary appropriation measures until January 26, 2009 causing expenditures to exceed appropriations for the year ended December 31, 2009 prior to such date. In addition, expenditures exceeded appropriations in the following funds for year ended December 31, 2009:

<u>Major Fund/Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund			
Judicial	\$ 897,145	\$ 1,010,006	\$ 112,861
Public Safety	1,898,106	1,951,517	53,411
Health	78,014	83,218	5,204
Other	66,280	70,722	4,442

For practicality purposes, the citation is being shown at the fund/function level.

With expenditures exceeding appropriations, the County is allowing expenditures to exceed appropriations and the possibility of expenditures to exceed available resources and thus could cause a negative fund balance.

We recommend the County more closely monitor its expenditures versus appropriations and obtain modifications if necessary more frequently.

Client Response: We will strive to meet the filing deadline in the future and will review the necessary reports to ensure appropriation modifications are approved prior to expenditures to be in compliance.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

MORROW COUNTY

STATUS OF PRIOR AUDIT FINDINGS
 OMB CIRCULAR A-133 § .505
 DECEMBER 31, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding <u>No Longer Valid</u> ; <i>Explain</i> :
2008-MC-001	Significant Deficiency - Due to total bank accounts not being reconciled to County total fund balances for year end, the completion of the County's audit report was delayed.	Yes	N/A
2008-MC-002	A misstatement related to the recording of payments made by the Ohio Public Works Commission on behalf of the County in accordance with a grant in the financial statements for the year under audit was not initially identified by the County's internal control.	Yes	N/A
2008-MC-003	Ohio Revised Code Section 5705.38(A) requires the annual appropriation measure to be passed on or about the first day of each year.	No	Repeated as finding 2009-MC-001
2008-MC-004	Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations.	No	Repeated as finding 2009-MC-002
2008-MC-005	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.	No	Repeated as finding 2009-MC-003
2008-MC-006	Ohio Revised Code Section 5705.36(A)(4) states that upon a determination by the Fiscal Officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the Fiscal Officer shall certify the amount of the deficiency to the commission and the commission shall certify an amended certificate reflecting the deficiency.	No	Partially Corrected - Moved to Management Letter



Mary Taylor, CPA
Auditor of State

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
JULY 22, 2010**