





**MORROW COUNTY  
DECEMBER 31, 2019**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Morrow County  
48 East High Street  
Mt. Gilead, Ohio 43338

To the Board of County Commissioners:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and the remaining fund information of Morrow County, Ohio (the County), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of Morrow County Hospital, a major enterprise fund, which represents 72 percent, 139 percent, and 97 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for the Morrow County Hospital, is based solely on the report of other auditors. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and the remaining fund information of the County, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Motor Vehicle and Gas Tax, Public Assistance, and County Board of Developmental Disabilities funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during 2019, the County adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

As discussed in Note 28 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the County. We did not modify our opinion regarding this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

#### ***Supplementary and Other Information***

Our audit was conducted to opine on the County's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2020, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

December 1, 2020

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## MORROW COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (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, 2019. 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 2019 are as follows:

- The total net position of the County decreased \$4,029,689. Net position of governmental activities decreased \$1,084,185 from 2018's restated net position and net position of business-type activities decreased \$2,945,504.
- General revenues accounted for \$12,836,760 or 35.24% of total governmental activities revenue. Program specific revenues accounted for \$23,585,731 or 64.76% of total governmental activities revenue.
- The County had \$37,506,676 in expenses related to governmental activities; \$23,585,731 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$12,836,760 were not adequate to provide for these programs.
- The general fund, the County's most significant major governmental fund, had revenues and other financing sources of \$10,824,740 and expenditures and other financing uses of \$10,676,076 in 2019. The net change in fund balance was an increase of \$148,664 from 2018's restated net position.
- The motor vehicle and gas tax fund, a County major fund, had revenues of \$5,357,061 and expenditures and other financing uses of \$4,274,315 in 2019. The motor vehicle and gas tax fund balance increased \$1,082,746 during the year.
- The public assistance fund, a County major fund, had revenues of \$4,655,401 and expenditures and other financing uses of \$4,537,324 in 2019. The public assistance fund balance increased \$118,077 during the year.
- The County board of developmental disabilities (DD) fund, a County major fund, had revenues of \$3,855,409 and expenditures of \$2,908,800 in 2019. The County board of DD fund balance increased \$946,609 during the year.
- Net position for the business-type activities, which are made up of the Sewer District and Morrow County Hospital enterprise funds, decreased in 2019 by \$2,945,504.

#### **Using these 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 position 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 four major governmental funds.

## MORROW COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

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

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

The statement of net position and the statement of activities answer the question, "How did we do financially during 2019?" These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 position and changes in net position. This change in net position 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 position and the statement of activities, the County is divided into two distinct kinds of activities:

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

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

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

##### *Fund Financial Statements*

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

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, motor vehicle and gas tax fund, public assistance fund and County board of developmental disabilities (DD) fund. The analysis of the County's major governmental and proprietary funds begins on page 13.

##### *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.

## MORROW COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

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.

#### ***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 Sewer District and Morrow County Hospital operations.

#### ***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.

#### ***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.

#### ***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's net pension liability and net OPEB liability.

#### **Government-Wide Financial Analysis**

The statement of net position provides the perspective of the County as a whole. The table that follows provides a summary of the County's net position at December 31, 2019 and December 31, 2018. Net position for 2018 has been restated as described in Note 3.

## MORROW COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

	Governmental Activities		Business- Type Activities		Total	
	(Restated)				(Restated)	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current assets	\$ 27,987,329	\$ 25,236,733	\$ 13,458,052	\$ 13,736,253	\$ 41,445,381	\$ 38,972,986
Capital assets, net	34,519,105	34,041,713	12,446,389	13,055,372	46,965,494	47,097,085
Total assets	62,506,434	59,278,446	25,904,441	26,791,625	88,410,875	86,070,071
<b>Deferred outflows of resources</b>						
Unamortized deferred charges	335,569	363,996	-	-	335,569	363,996
Pension	7,106,287	3,322,756	4,771,571	2,604,769	11,877,858	5,927,525
OPEB	1,240,431	1,124,647	620,512	532,603	1,860,943	1,657,250
Total deferred outflows of resources	8,682,287	4,811,399	5,392,083	3,137,372	14,074,370	7,948,771
<b>Liabilities</b>						
Current liabilities	1,124,590	1,648,629	5,255,797	5,063,992	6,380,387	6,712,621
Long-term liabilities:						
Due within one year	704,646	714,821	569,417	695,518	1,274,063	1,410,339
Net pension liability	22,114,548	12,445,594	16,777,804	10,611,142	38,892,352	23,056,736
Net OPEB Liability	10,893,969	8,864,095	7,862,836	7,232,300	18,756,805	16,096,395
Other amounts	5,968,122	6,435,062	4,325,650	4,397,932	10,293,772	10,832,994
Total liabilities	40,805,875	30,108,201	34,791,504	28,000,884	75,597,379	58,109,085
<b>Deferred inflows of resources</b>						
Property taxes levied for next fiscal year	6,337,458	5,473,774	1,350,000	1,350,000	7,687,458	6,823,774
Pension	329,162	3,064,739	1,332,233	3,752,570	1,661,395	6,817,309
OPEB	32,839	675,559	484,168	541,420	517,007	1,216,979
Total deferred inflows of resources	6,699,459	9,214,072	3,166,401	5,643,990	9,865,860	14,858,062
<b>Net Position</b>						
Net investment in capital assets	29,403,691	28,463,713	8,059,372	8,559,090	37,463,063	37,022,803
Restricted	5,992,194	4,708,842	-	-	5,992,194	4,708,842
Unrestricted (deficit)	(11,712,498)	(8,404,983)	(14,720,753)	(12,274,967)	(26,433,251)	(20,679,950)
Total net position	\$ 23,683,387	\$ 24,767,572	\$ (6,661,381)	\$ (3,715,877)	\$ 17,022,006	\$ 21,051,695

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the County's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB, net pension asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

## MORROW COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

GASB 68 and GASB 75 require the net pension liability/asset and the net OPEB liability to equal the County's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the County is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the County's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability/asset and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

## MORROW COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2019, the County's asset plus deferred outflows exceeded liabilities plus deferred inflows by \$17,022,006. This amounts to \$23,683,387 in governmental activities and (\$6,661,381) in business-type activities.

Capital assets reported on the government-wide statements represent the largest portion of the County's assets. At year-end, capital assets represented 53.12% of total governmental and business-type assets. Capital assets include land, land improvements, buildings, buildings and improvements, equipment, software, vehicles, infrastructure and construction in progress. Net investment in capital assets at December 31, 2019, was \$37,463,063. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's net 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, 2019, the County is able to report positive balances in net investment in capital assets and restricted net position. Unrestricted net position is a deficit for both the governmental activities and business-type activities, mostly due to the effects of reporting the net pension/OPEB liability and related deferred inflows and outflows of resources.

A portion of the County's net position, \$5,992,194 or 25.30%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net position is (\$26,433,251).

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## MORROW COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

The table below shows the changes in net position for 2019 and 2018. Net position for 2018 has been restated as described in Note 3.

	<b>Change in Net Position</b>					
	Governmental	Business-type	Governmental	Business-type	Total	Total
	Activities	Activities	Activities	Activities	2019	2018
	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 6,024,481	\$ 20,619,403	\$ 6,685,487	\$ 24,644,974	\$ 26,643,884	\$ 31,330,461
Operating grants and contributions	17,210,063	25,488	14,535,686	110,000	17,235,551	14,645,686
Capital grants and contributions	351,187	72,386	288,420	1,676	423,573	290,096
Total program revenues	<u>23,585,731</u>	<u>20,717,277</u>	<u>21,509,593</u>	<u>24,756,650</u>	<u>44,303,008</u>	<u>46,266,243</u>
General revenues:						
Property taxes	6,229,816	-	6,023,319	-	6,229,816	6,023,319
Sales tax	4,338,298	-	3,821,827	-	4,338,298	3,821,827
Unrestricted grants	1,370,473	-	1,903,560	-	1,370,473	1,903,560
Investment earnings	574,947	118,038	271,057	81,760	692,985	352,817
Other	323,226	2,463,188	492,319	3,093,865	2,786,414	3,586,184
Total general revenues	<u>12,836,760</u>	<u>2,581,226</u>	<u>12,512,082</u>	<u>3,175,625</u>	<u>15,417,986</u>	<u>15,687,707</u>
Total revenues	<u>36,422,491</u>	<u>23,298,503</u>	<u>34,021,675</u>	<u>27,932,275</u>	<u>59,720,994</u>	<u>61,953,950</u>
<b>Expenses</b>						
Program expenses:						
General government						
Legislative and executive	5,354,650	-	5,521,011	-	5,354,650	5,521,011
Judicial	3,030,588	-	2,344,193	-	3,030,588	2,344,193
Public safety	3,554,015	-	3,605,856	-	3,554,015	3,605,856
Public works	7,519,427	-	7,085,437	-	7,519,427	7,085,437
Health	3,587,211	-	3,469,266	-	3,587,211	3,469,266
Human services	10,132,158	-	10,153,741	-	10,132,158	10,153,741
Economic development and assistance	153,918	-	69,088	-	153,918	69,088
Intergovernmental	578,180	-	596,663	-	578,180	596,663
Other	3,348,718	-	2,770,684	-	3,348,718	2,770,684
Interest and fiscal charges	247,811	-	269,363	-	247,811	269,363
Morrow County Hospital	-	25,732,424	-	31,001,591	25,732,424	31,001,591
Sewer District	-	511,583	-	405,728	511,583	405,728
Total expenses	<u>37,506,676</u>	<u>26,244,007</u>	<u>35,885,302</u>	<u>31,407,319</u>	<u>63,750,683</u>	<u>67,292,621</u>
Change in net position	(1,084,185)	(2,945,504)	(1,863,627)	(3,475,044)	(4,029,689)	(5,338,671)
Net position at beginning of year (restated)	<u>24,767,572</u>	<u>(3,715,877)</u>	N/A	<u>(240,833)</u>	<u>21,051,695</u>	N/A
Net position at end of year	<u>\$ 23,683,387</u>	<u>\$ (6,661,381)</u>	<u>\$ 24,767,572</u>	<u>\$ (3,715,877)</u>	<u>\$ 17,022,006</u>	<u>\$ 21,051,695</u>

## MORROW COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

#### Governmental Activities

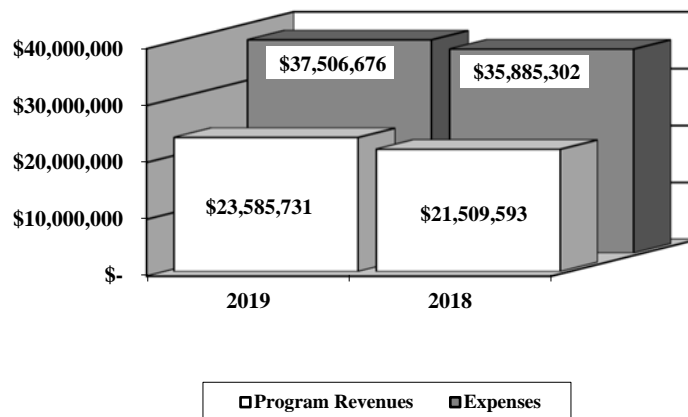
Governmental net position decreased by \$1,084,185 in 2019. Human services accounts for \$10,132,158 of expenses, or 27.02% of total governmental expenses of the County. These expenses were funded by \$1,838,222 in charges to users of services, and \$6,767,323 in operating grants and contributions. General government expenses, which includes legislative and executive and judicial programs, totaled \$8,385,238 or 22.36% of total governmental expenses. General government expenses were covered by \$3,009,768 of direct charges to users and \$254,615 in operating grants and contributions in 2019.

The State and federal government contributed to the County revenues of \$17,019,005 in operating grants and contributions during 2019. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions \$6,767,323 or 39.76%, subsidized human services programs.

General revenues totaled \$12,836,760 and amounted to 35.24% of total revenues. These revenues primarily consist of property and sales tax revenue of \$10,568,114 or 82.33% of total general revenues in 2019. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$1,370,473, or 10.68% of the total general revenue.

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 2019 and 2018. 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, 2019  
(UNAUDITED)**

**Governmental Activities**

	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
<b>Program Expenses:</b>				
<b>General government</b>				
Legislative and executive	\$ 5,354,650	\$ 2,848,311	\$ 5,521,011	\$ 2,875,641
Judicial	3,030,588	2,272,544	2,344,193	1,257,137
Public safety	3,554,015	2,457,761	3,605,856	2,843,734
Public works	7,519,427	1,371,479	7,085,437	1,919,817
Health	3,587,211	1,988,314	3,469,266	2,189,674
Human services	10,132,158	1,526,613	10,153,741	1,773,681
Economic development and assistance	153,918	153,918	69,088	69,088
Intergovernmental	578,180	578,180	596,663	596,663
Other	3,348,718	476,014	2,770,684	580,911
Interest and fiscal charges	<u>247,811</u>	<u>247,811</u>	<u>269,363</u>	<u>269,363</u>
<b>Total</b>	<b><u>\$ 37,506,676</u></b>	<b><u>\$ 13,920,945</u></b>	<b><u>\$ 35,885,302</u></b>	<b><u>\$ 14,375,709</u></b>

The dependence upon general revenues for governmental activities is apparent, with 37.12% of expenses supported through taxes and other general revenues during 2019.

**Business-Type Activities**

The Morrow County Hospital and Sewer District are accounted for in the business-type activities. These programs had program revenues of \$20,717,277 and expenses of \$26,244,007 for 2019. The net position of business-type activities decreased \$2,945,504 during 2019.

**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, unassigned 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 24-25) reported a combined fund balance of \$16,395,705, which is \$1,838,055 higher than last year's restated total of \$14,557,650.

**MORROW COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(UNAUDITED)**

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2019 and December 31, 2018 for all major and non-major governmental funds. Fund balances for 2018 have been restated as described in Note 3.

	<u>Fund Balance</u> <u>December 31, 2019</u>	<u>Restated</u> <u>Fund Balance</u> <u>December 31, 2018</u>	<u>Change</u>
Major Funds:			
General	\$ 3,849,564	\$ 3,700,900	\$ 148,664
Motor Vehicle and Gas Tax	2,214,891	1,132,145	1,082,746
Public Assistance	829,620	711,543	118,077
County Board of DD	2,211,799	1,265,190	946,609
Other Nonmajor Governmental Funds	<u>7,289,831</u>	<u>7,747,872</u>	<u>(458,041)</u>
 Total	 <u>\$ 16,395,705</u>	 <u>\$ 14,557,650</u>	 <u>\$ 1,838,055</u>

***General Fund***

The County's general fund balance increased \$148,664. The table that follows assists in illustrating the revenues of the general fund.

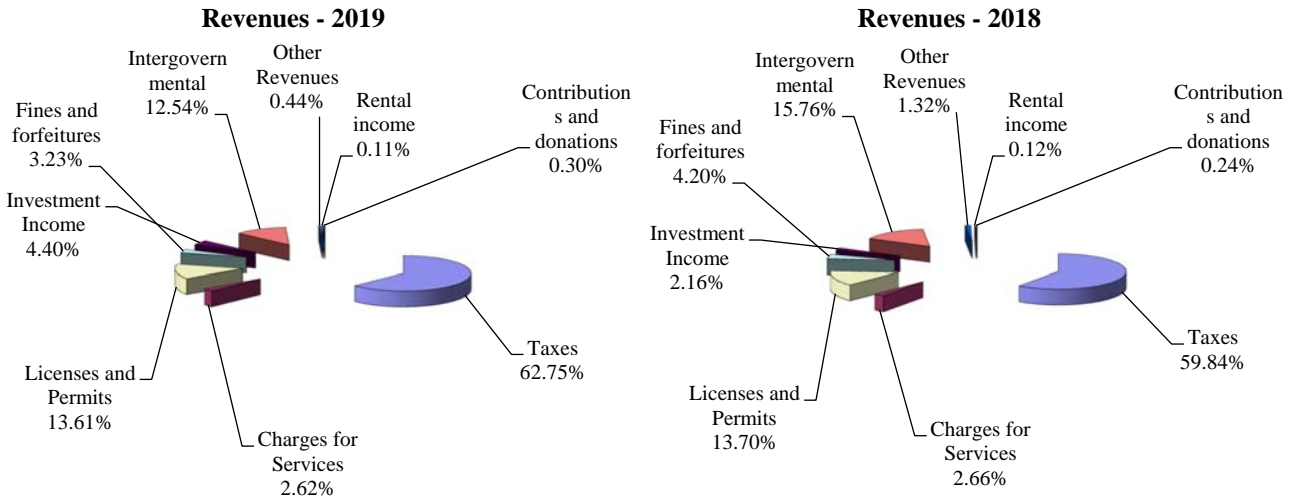
	<u>2019</u> <u>Amount</u>	<u>2018</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 6,667,530	\$ 6,035,990	10.46 %
Charges for services	278,603	268,022	3.95 %
Licenses and permits	1,446,074	1,381,906	4.64 %
Fines and forfeitures	343,364	423,960	(19.01) %
Intergovernmental	1,332,004	1,589,619	(16.21) %
Investment income	467,041	218,244	114.00 %
Rental income	11,775	12,296	(4.24) %
Contributions and donations	31,655	24,070	31.51 %
Other	<u>46,694</u>	<u>132,902</u>	<u>(64.87) %</u>
Total	<u>\$ 10,624,740</u>	<u>\$ 10,087,009</u>	5.33 %

Tax revenue represents 62.75% of all general fund revenue and is the main reason for the overall increase in revenue. This was mostly due to an increase in sales tax revenue in 2019. Investment income also increased due to an increase in investments held by the County.

**MORROW COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(UNAUDITED)**

The following graphs detail revenues by source for 2019 and 2018:



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

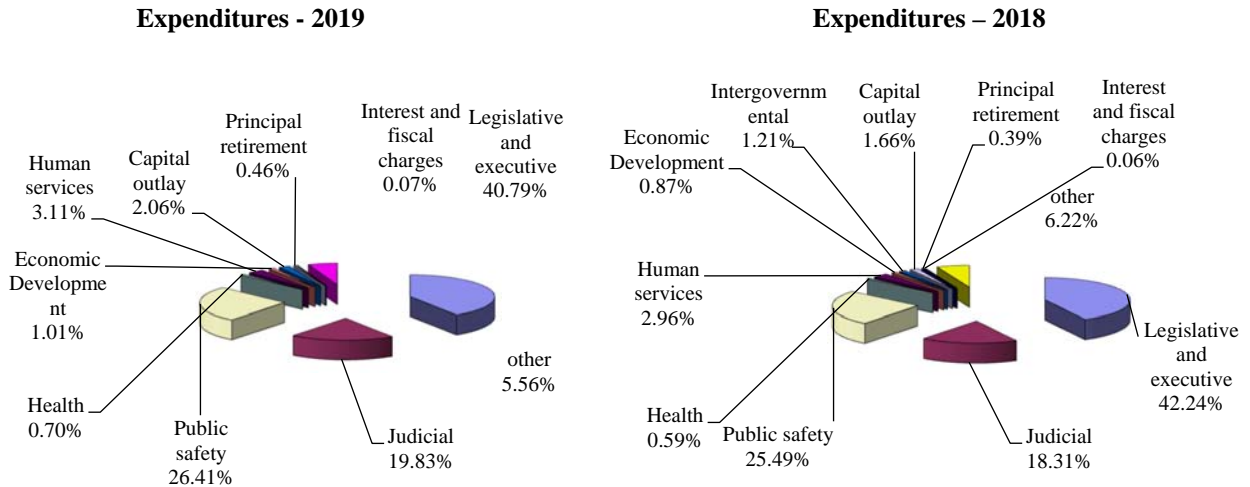
	<u>2019</u> <u>Amount</u>	<u>2018</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
General government			
Legislative and executive	\$ 4,241,668	\$ 4,054,591	4.61 %
Judicial	2,063,146	1,757,448	17.39 %
Public safety	2,747,452	2,447,036	12.28 %
Health	72,882	56,634	28.69 %
Human services	323,846	283,771	14.12 %
Economic Development	105,227	83,852	25.49 %
Other	578,180	596,663	(3.10) %
Capital outlay	214,382	158,948	34.88 %
Intergovernmental	-	116,467	(100.00) %
Principal retirement	47,888	37,371	28.14 %
Interest and fiscal charges	7,676	6,218	23.45 %
<b>Total</b>	<b>\$ 10,402,347</b>	<b>\$ 9,598,999</b>	<b>8.37 %</b>

Overall, the County's general fund expenditures increased 8.37%. The increase is primarily due to increasing employee wages and benefits costs.

**MORROW COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(UNAUDITED)**

The graphs below detail expenditures by function for 2019 and 2018:



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

The motor vehicle and gas tax fund, a County major fund, had revenues of \$5,357,061 and expenditures and other financing uses of \$4,274,315 in 2019. The motor vehicle and gas tax fund balance increased \$1,082,746 during the year.

***Public Assistance Fund***

The public assistance fund, a County major fund, had revenues of \$4,655,401 and expenditures and other financing uses of \$4,537,324 in 2019. The public assistance fund balance increased \$118,077 during the year.

***County Board of DD Fund***

The County board of developmental disabilities (DD) fund, a County major fund, had revenues of \$3,855,409 and expenditures of \$2,908,800 in 2019. The County board of DD fund balance increased \$946,609 during the year.

***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.

Budgetary information is presented for the general fund, motor vehicle license and gas tax, public assistance, and the County board of DD. In the general fund, original budgeted revenues and other financing sources of \$8,949,444 were increased to \$9,577,582 in the final budget. Most of this increase was to account for transfers from other funds and an increase in sales tax collections. Actual revenues and other financing sources of \$10,295,830 exceeded final budgeted amounts by \$718,248. This variance is due to the County’s conservative approach to budgeting. Original budgeted expenditures and other financing uses of \$10,218,664 were increased to \$10,866,681 in the final budget. Actual expenditures and other financing uses of \$10,227,555 were \$639,126 lower than final budgeted expenditures and other financing uses.

**MORROW COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(UNAUDITED)

***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 2019, the County had \$46,965,494 (net of accumulated depreciation) invested in land, land improvements, buildings, buildings and improvements, equipment, software, vehicles, infrastructure and construction in progress. Of this total, \$34,519,105 was reported in governmental activities and \$12,446,389 was reported in business-type activities. The following table shows December 31, 2019 balances compared to December 31, 2018.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2019	2018	2019	2018	2019	2018
Land	\$ 764,057	\$ 764,057	\$ 2,143,315	\$ 2,143,315	\$ 2,907,372	\$ 2,907,372
Land Improvements	44,639	-	(38,019)	(9,806)	6,620	(9,806)
Buildings	6,347,558	6,639,055	1,729,527	1,877,329	8,077,085	8,516,384
Building Improvements	3,007,151	3,029,414	-	-	3,007,151	3,029,414
Equipment	753,604	711,696	4,170,485	4,527,306	4,924,089	5,239,002
Software	183,633	226,241	-	-	183,633	226,241
Vehicles	1,319,262	1,031,398	-	-	1,319,262	1,031,398
Infrastructure	22,099,201	21,569,082	3,938,331	4,034,780	26,037,532	25,603,862
Construction in progress	-	70,770	502,750	482,448	502,750	553,218
<b>Total</b>	<u>\$ 34,519,105</u>	<u>\$ 34,041,713</u>	<u>\$ 12,446,389</u>	<u>\$ 13,055,372</u>	<u>\$ 46,965,494</u>	<u>\$ 47,097,085</u>

***Debt Administration***

At December 31, 2019 the County had \$5,333,773 in general obligation bonds, loans payable, OWDA loans, and capital leases outstanding in governmental activities. Of this total, \$473,077 is due within one year and \$4,860,696 is due in greater than one year. Business-type activities had \$4,399,152 in revenue bonds, loans payable and OWDA loans outstanding at December 31, 2019. Of this total, \$73,502 is due within one year and \$4,325,650 is due in more than one year. See Note 14 to the basic financial statements for detail.

## MORROW COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

The following table summarizes the debt outstanding at December 31, 2019 and December 31, 2018.

	Governmental Activities		Business-Type Activities	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Long-Term Obligations				
General obligation bonds	\$ 5,035,000	\$ 5,430,000	\$ -	\$ -
Revenue bonds	-	-	1,387,160	1,413,664
Loans payable	113,000	127,000	2,210,000	2,210,000
OWDA loans	15,000	16,875	801,992	847,222
Capital leases	170,773	242,275	-	-
Hospital facilities revenue bonds	-	-	-	25,396
Total	<u>\$ 5,333,773</u>	<u>\$ 5,816,150</u>	<u>\$ 4,399,152</u>	<u>\$ 4,496,282</u>

At December 31, 2019 the County's overall legal debt margin was \$14,924,607.

#### **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 an automotive parts supplier, distribution and warehousing of specialty lubricants, custom fabrication of large metal tanks and fiber glass trailers. 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 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 multiple industrial based businesses opened in the Industrial Parks at State Route 61/95 and Interstate 71. While the County's overall unemployment rate of 3.1% was slightly lower than the State's unemployment rate of 3.3%. Most of the County's major industrial companies are seeing growth that will allow for increasing employment opportunities. New commercial companies are building in Morrow County at the I-71 interchanges as this area offers a magnitude of opportunity. For the time being, the agriculture industry still leads all growth in Morrow County as new entrepreneurs create innovative new companies.

In the past, 68% of eligible citizens leave the County to find jobs elsewhere. In recent years however, the Board of County Commissioners has prioritized developing industry within the County. In 2009 through 2011 industry closures in Morrow County were directly related to the national economic downturn. Throughout this period, County Leadership led a "grow our own" campaign to encourage Morrow County startups to grow and expand. Through Marketing Morrow branding initiative and strategic attraction efforts by County Leadership, four (4) Morrow County Companies have grown and expanded with in the County.

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

**MORROW COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(UNAUDITED)**

**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 Patricia K. Davies, County Auditor at 48 East Main Street, Mount Gilead, Ohio 43338.

**BASIC  
FINANCIAL STATEMENTS**



MORROW COUNTY

STATEMENT OF NET POSITION  
DECEMBER 31, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Whetstone Industries, Inc.	Morrow County Transportation Improvement District
<b>Assets:</b>					
Equity in pooled cash and investments	\$ 14,115,880	\$ 817,569	\$ 14,933,449	\$ 97,398	\$ -
Cash and cash equivalents in segregated accounts	157,406	5,880,105	6,037,511	-	-
Investments in segregated accounts	-	174,742	174,742	-	-
Receivables:					
Sales taxes	1,093,744	-	1,093,744	-	-
Real and other taxes	6,915,686	1,350,000	8,265,686	-	-
Accounts	317,335	1,539,045	1,856,380	5,449	-
Accrued interest	26,226	5,141	31,367	-	-
Due from other governments	4,555,664	-	4,555,664	-	250,000
Prepayments	43,146	275,066	318,212	1,000	-
Materials and supplies inventory	250,416	420,022	670,438	3,072	-
Loans receivable	390,747	-	390,747	-	-
Restricted assets:					
Cash and cash equivalents in segregated accounts	-	2,133,482	2,133,482	-	-
Investments in segregated accounts	-	839,315	839,315	-	-
Internal balance	56,600	(56,600)	-	-	-
Net pension asset	63,311	80,165	143,476	-	-
Due from external parties	1,168	-	1,168	-	-
Capital assets:					
Land and construction in progress	764,057	2,646,065	3,410,122	-	-
Depreciable capital assets, net	33,755,048	9,800,324	43,555,372	3,948	-
Total capital assets, net	34,519,105	12,446,389	46,965,494	3,948	-
Total assets	62,506,434	25,904,441	88,410,875	110,867	250,000
<b>Deferred outflows of resources:</b>					
Unamortized deferred charges on debt refunding	335,569	-	335,569	-	-
Pension	7,106,287	4,771,571	11,877,858	-	-
OPEB	1,240,431	620,512	1,860,943	-	-
Total deferred outflows of resources	8,682,287	5,392,083	14,074,370	-	-
Total assets and deferred outflows of resources	71,188,721	31,296,524	102,485,245	110,867	250,000
<b>Liabilities:</b>					
Accounts payable	541,697	1,806,202	2,347,899	1,340	250,000
Accrued wages and benefits payable	336,437	253,342	589,779	-	-
Due to other governments	120,278	247	120,525	-	-
Amount to be repaid to claimants	102,767	-	102,767	-	-
Accrued interest payable	17,061	8,720	25,781	-	172
Other accrued liabilities	-	-	-	411	-
Estimated third party payor settlements	-	3,187,286	3,187,286	-	-
Due to external parties	6,350	-	6,350	-	-
Long-term liabilities:					
Due within one year	704,646	569,417	1,274,063	-	-
Due in more than one year					
Net pension liability	22,114,548	16,777,804	38,892,352	-	-
Net OPEB liability	10,893,969	7,862,836	18,756,805	-	-
Other amounts due in more than one year	5,968,122	4,325,650	10,293,772	-	208,000
Total liabilities	40,805,875	34,791,504	75,597,379	1,751	458,172
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year	6,337,458	1,350,000	7,687,458	-	-
Pension	329,162	1,332,233	1,661,395	-	-
OPEB	32,839	484,168	517,007	-	-
Total deferred inflows of resources	6,699,459	3,166,401	9,865,860	-	-
Total liabilities and deferred inflows of resources	47,505,334	37,957,905	85,463,239	1,751	458,172
<b>Net position:</b>					
Net investment in capital assets	29,403,691	8,059,372	37,463,063	3,948	-
Restricted for:					
Debt service	386,135	-	386,135	-	-
Capital projects	220,190	-	220,190	-	-
Public safety	1,575,054	-	1,575,054	-	-
Public works	1,200,619	-	1,200,619	-	-
Human services	81,391	-	81,391	-	-
Other purposes	1,024,726	-	1,024,726	-	-
General government	909,564	-	909,564	-	-
Economic and development	594,515	-	594,515	-	-
Unrestricted (deficit)	(11,712,498)	(14,720,753)	(26,433,251)	105,168	(208,172)
Total net position	\$ 23,683,387	\$ (6,661,381)	\$ 17,022,006	\$ 109,116	\$ (208,172)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government:				
Legislative and executive. . . . .	\$ 5,354,650	\$ 2,436,491	\$ 69,848	\$ -
Judicial. . . . .	3,030,588	573,277	184,767	-
Public safety. . . . .	3,554,015	114,422	981,832	-
Public works. . . . .	7,519,427	139,300	5,657,461	351,187
Health. . . . .	3,587,211	153,743	1,445,154	-
Human services. . . . .	10,132,158	1,838,222	6,767,323	-
Economic development and assistance. . . . .	153,918	-	-	-
Intergovernmental. . . . .	578,180	-	-	-
Other. . . . .	3,348,718	769,026	2,103,678	-
Interest and fiscal charges. . . . .	247,811	-	-	-
Total governmental activities. . . . .	<u>37,506,676</u>	<u>6,024,481</u>	<u>17,210,063</u>	<u>351,187</u>
<b>Business-type activities:</b>				
Morrow County Hospital. . . . .	25,732,424	19,902,303	-	72,386
Sewer District. . . . .	511,583	717,100	25,488	-
Total business-type activities. . . . .	<u>26,244,007</u>	<u>20,619,403</u>	<u>25,488</u>	<u>72,386</u>
Total primary government. . . . .	<u>\$ 63,750,683</u>	<u>\$ 26,643,884</u>	<u>\$ 17,235,551</u>	<u>\$ 423,573</u>
<b>Component units:</b>				
Whetstone Industries, Inc. . . . .	\$ 548,433	\$ 64,430	\$ 481,283	\$ -
Morrow County Transportation Improvement District. . . . .	2,028,172	-	-	1,820,000
Total component units. . . . .	<u>\$ 2,576,605</u>	<u>\$ 64,430</u>	<u>\$ 481,283</u>	<u>\$ 1,820,000</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 position . . . . .

**Net position at beginning of year (restated) . . . .**

**Net position at end of year. . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

<b>Primary Government</b>			<b>Component Units</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Whetstone Industries, Inc.</b>	<b>Morrow County Transportation Improvement District</b>	
\$ (2,848,311)	\$ -	\$ (2,848,311)	\$ -	\$ -	
(2,272,544)	-	(2,272,544)	-	-	
(2,457,761)	-	(2,457,761)	-	-	
(1,371,479)	-	(1,371,479)	-	-	
(1,988,314)	-	(1,988,314)	-	-	
(1,526,613)	-	(1,526,613)	-	-	
(153,918)	-	(153,918)	-	-	
(578,180)	-	(578,180)	-	-	
(476,014)	-	(476,014)	-	-	
(247,811)	-	(247,811)	-	-	
<u>(13,920,945)</u>	<u>-</u>	<u>(13,920,945)</u>	<u>-</u>	<u>-</u>	
-	(5,757,735)	(5,757,735)	-	-	
-	231,005	231,005	-	-	
<u>-</u>	<u>(5,526,730)</u>	<u>(5,526,730)</u>	<u>-</u>	<u>-</u>	
<u>(13,920,945)</u>	<u>(5,526,730)</u>	<u>(19,447,675)</u>	<u>-</u>	<u>-</u>	
-	-	-	(2,720)	-	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(208,172)</u>	
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,720)</u>	<u>(208,172)</u>	
2,343,152	-	2,343,152	-	-	
3,886,664	-	3,886,664	-	-	
4,338,298	-	4,338,298	-	-	
1,370,473	-	1,370,473	-	-	
574,947	118,038	692,985	329	-	
323,226	2,463,188	2,786,414	-	-	
<u>12,836,760</u>	<u>2,581,226</u>	<u>15,417,986</u>	<u>329</u>	<u>-</u>	
(1,084,185)	(2,945,504)	(4,029,689)	(2,391)	(208,172)	
<u>24,767,572</u>	<u>(3,715,877)</u>	<u>21,051,695</u>	<u>111,507</u>	<u>-</u>	
<u>\$ 23,683,387</u>	<u>\$ (6,661,381)</u>	<u>\$ 17,022,006</u>	<u>\$ 109,116</u>	<u>\$ (208,172)</u>	

MORROW COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Public Assistance</u>	<u>County Board of Developmental Disabilities</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . .	\$ 2,327,732	\$ 1,306,385	\$ 971,670	\$ 2,108,074
Cash in segregated accounts . . . . .	78,536	-	-	-
Receivables:				
Sales taxes . . . . .	1,093,744	-	-	-
Real and other taxes . . . . .	2,353,242	-	-	2,859,672
Accounts . . . . .	100,178	-	692	70,395
Interfund loans . . . . .	574,294	-	-	-
Accrued interest . . . . .	13,267	8,214	-	-
Due from other funds . . . . .	25,941	-	-	16,563
Due from other governments . . . . .	642,072	2,525,662	24,344	148,374
Loans receivable . . . . .	208,000	-	-	-
Materials and supplies inventory . . . . .	24,225	201,674	5,484	7,648
Prepayments . . . . .	4,356	-	-	13,106
Due from external parties . . . . .	-	-	-	21
Total assets . . . . .	<u>\$ 7,445,587</u>	<u>\$ 4,041,935</u>	<u>\$ 1,002,190</u>	<u>\$ 5,223,853</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 167,130	\$ 61,184	\$ 69,050	\$ 31,658
Accrued wages and benefits payable . . . . .	127,258	36,613	51,268	37,498
Due to other governments . . . . .	44,743	5,790	7,988	44,308
Interfund loans payable . . . . .	-	-	-	-
Due to other funds . . . . .	11,722	105	44,264	100
Payroll withholdings payable . . . . .	102,767	-	-	-
Due to external parties . . . . .	6,350	-	-	-
Total liabilities . . . . .	<u>459,970</u>	<u>103,692</u>	<u>172,570</u>	<u>113,564</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year . . .	2,127,612	-	-	2,648,196
Delinquent property tax revenue not available . .	225,630	-	-	211,476
Accrued interest not available . . . . .	7,491	4,638	-	-
Sales tax revenue not available . . . . .	383,607	-	-	-
Nonexchange transactions . . . . .	391,713	1,718,714	-	38,818
Total deferred inflows of resources . . . . .	<u>3,136,053</u>	<u>1,723,352</u>	<u>-</u>	<u>2,898,490</u>
Total liabilities and deferred inflows of resources.	<u>3,596,023</u>	<u>1,827,044</u>	<u>172,570</u>	<u>3,012,054</u>
<b>Fund balances:</b>				
Nonspendable . . . . .	125,862	201,674	5,484	20,754
Restricted . . . . .	-	2,013,217	824,136	2,191,045
Committed . . . . .	309,684	-	-	-
Assigned . . . . .	647,153	-	-	-
Unassigned (deficit) . . . . .	2,766,865	-	-	-
Total fund balances . . . . .	<u>3,849,564</u>	<u>2,214,891</u>	<u>829,620</u>	<u>2,211,799</u>
Total liabilities, deferred inflows of resources and fund balances . . . . .	<u>\$ 7,445,587</u>	<u>\$ 4,041,935</u>	<u>\$ 1,002,190</u>	<u>\$ 5,223,853</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 7,402,019	\$ 14,115,880
78,870	157,406
-	1,093,744
1,702,772	6,915,686
146,070	317,335
56,400	630,694
4,745	26,226
56,016	98,520
1,215,212	4,555,664
182,747	390,747
11,385	250,416
25,684	43,146
1,147	1,168
<u>\$ 10,883,067</u>	<u>\$ 28,596,632</u>
\$ 212,675	\$ 541,697
83,800	336,437
17,449	120,278
574,294	574,294
42,129	98,320
-	102,767
-	6,350
<u>930,347</u>	<u>1,780,143</u>
1,561,650	6,337,458
141,122	578,228
2,680	14,809
-	383,607
957,437	3,106,682
<u>2,662,889</u>	<u>10,420,784</u>
<u>3,593,236</u>	<u>12,200,927</u>
37,069	390,843
5,695,520	10,723,918
1,938,269	2,247,953
148,103	795,256
(529,130)	2,237,735
<u>7,289,831</u>	<u>16,395,705</u>
<u>\$ 10,883,067</u>	<u>\$ 28,596,632</u>

**MORROW COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2019

<b>Total governmental fund balances</b>	\$	16,395,705
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		34,519,105
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Sales taxes receivable	\$ 383,607	
Real and other taxes receivable	578,228	
Intergovernmental receivable	3,106,682	
Accrued interest receivable	14,809	
<b>Total</b>	<b>4,083,326</b>	4,083,326
Unamortized bond premiums and discounts are not recognized in the funds.		(117,210)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.		335,569
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest payable	(17,061)	
General obligation bonds payable	(5,035,000)	
Loans payable	(128,000)	
Capital lease payable	(170,773)	
Compensated absences payable	(1,221,785)	
<b>Total</b>	<b>(6,572,619)</b>	(6,572,619)
The net pension asset is not available to pay for current period expenditures; therefore, the asset is not reported in the governmental funds.		63,311
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows	7,106,287	
Deferred inflows	(329,162)	
Net pension liability	(22,114,548)	
<b>Total</b>	<b>(15,337,423)</b>	(15,337,423)
The net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows of resources	1,240,431	
Deferred inflows of resources	(32,839)	
Net OPEB liability	(10,893,969)	
<b>Total</b>	<b>(9,686,377)</b>	(9,686,377)
<b>Net position of governmental activities</b>	<b>\$</b>	<b>23,683,387</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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MORROW COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Public Assistance</u>	<u>County Board of Developmental Disabilities</u>
<b>Revenues:</b>				
Sales taxes . . . . .	\$ 4,322,399	\$ -	\$ -	\$ -
Real and other taxes . . . . .	2,345,131	-	-	2,220,726
Charges for services . . . . .	278,603	73,762	33,924	54,054
Licenses and permits . . . . .	1,446,074	-	-	-
Fines and forfeitures . . . . .	343,364	62	-	-
Intergovernmental . . . . .	1,332,004	5,209,983	4,606,986	1,478,342
Special assessments . . . . .	-	-	-	-
Investment income . . . . .	467,041	69,099	-	-
Rental income . . . . .	11,775	-	-	102,152
Contributions and donations . . . . .	31,655	4,155	-	135
Other . . . . .	46,694	-	14,491	-
Total revenues . . . . .	<u>10,624,740</u>	<u>5,357,061</u>	<u>4,655,401</u>	<u>3,855,409</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	4,241,668	-	-	-
Judicial . . . . .	2,063,146	-	-	-
Public safety . . . . .	2,747,452	-	-	-
Public works . . . . .	-	4,202,217	-	-
Health . . . . .	72,882	-	-	2,883,366
Human services . . . . .	323,846	-	4,516,143	13,692
Economic development and assistance . . . . .	105,227	-	-	-
Capital outlay . . . . .	214,382	-	-	-
Intergovernmental . . . . .	-	-	-	-
Other . . . . .	578,180	-	-	-
Debt service:				
Principal retirement . . . . .	47,888	7,402	-	10,356
Interest and fiscal charges . . . . .	7,676	18,990	-	1,386
Total expenditures . . . . .	<u>10,402,347</u>	<u>4,228,609</u>	<u>4,516,143</u>	<u>2,908,800</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>222,393</u>	<u>1,128,452</u>	<u>139,258</u>	<u>946,609</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	200,000	-	-	-
Transfers (out) . . . . .	<u>(273,729)</u>	<u>(45,706)</u>	<u>(21,181)</u>	<u>-</u>
Total other financing sources (uses) . . . . .	<u>(73,729)</u>	<u>(45,706)</u>	<u>(21,181)</u>	<u>-</u>
Net change in fund balances . . . . .	148,664	1,082,746	118,077	946,609
<b>Fund balances at beginning of year (restated)</b>	<u>3,700,900</u>	<u>1,132,145</u>	<u>711,543</u>	<u>1,265,190</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 3,849,564</u>	<u>\$ 2,214,891</u>	<u>\$ 829,620</u>	<u>\$ 2,211,799</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 4,322,399
1,668,979	6,234,836
2,050,980	2,491,323
1,024,406	2,470,480
223,220	566,646
5,593,536	18,220,851
11,137	11,137
11,297	547,437
479,967	593,894
40,633	76,578
220,302	281,487
<u>11,324,457</u>	<u>35,817,068</u>

766,988	5,008,656
402,222	2,465,368
604,825	3,352,277
1,618,863	5,821,080
132,736	3,088,984
3,889,794	8,743,475
14,276	119,503
2,863,349	3,077,731
1,021,847	1,021,847
-	578,180
416,731	482,377
191,483	219,535
<u>11,923,114</u>	<u>33,979,013</u>

<u>(598,657)</u>	<u>1,838,055</u>
------------------	------------------

687,125	887,125
(546,509)	(887,125)
<u>140,616</u>	<u>-</u>

(458,041)	1,838,055
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<u>7,747,872</u>	<u>14,557,650</u>
<u>\$ 7,289,831</u>	<u>\$ 16,395,705</u>

**MORROW COUNTY**

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, 2019

**Net change in fund balances - total governmental funds** \$ 1,838,055

*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 cost of those assets is 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	\$ 2,585,344	
Current year depreciation	(2,107,952)	
<b>Total</b>		<b>477,392</b>

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

Sales taxes	15,899	
Real and other taxes	(5,020)	
Interest income	(5,414)	
Intergovernmental revenues	599,958	
<b>Total</b>		<b>605,423</b>

Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 482,377

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	(8,485)	
Amortization of bond discounts	(23,467)	
Amortization of deferred amounts on refunding	(5,458)	
Amortization of bond premiums	9,134	
<b>Total</b>		<b>(28,276)</b>

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. (14,848)

Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.

Pension		1,772,179
OPEB		10,445

Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability are reported as pension/OPEB expense in the statement of activities.

Pension		(4,937,117)
OPEB		(1,289,815)

**Change in net position of governmental activities** **\$ (1,084,185)**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MORROW COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Sales taxes . . . . .	\$ 3,665,255	\$ 3,840,600	\$ 4,200,721	\$ 360,121
Real and other taxes. . . . .	2,198,810	2,304,000	2,308,252	4,252
Charges for services. . . . .	155,558	163,000	248,411	85,411
Licenses and permits . . . . .	1,096,990	1,149,470	1,212,704	63,234
Fines and forfeitures . . . . .	400,825	420,000	337,025	(82,975)
Intergovernmental. . . . .	1,040,509	1,090,287	1,277,955	187,668
Investment income. . . . .	323,714	339,200	382,403	43,203
Rental income . . . . .	23,859	25,000	11,775	(13,225)
Contributions and donations. . . . .	38,675	40,525	32,153	(8,372)
Other . . . . .	5,249	5,500	11,497	5,997
<b>Total revenues . . . . .</b>	<u>8,949,444</u>	<u>9,377,582</u>	<u>10,022,896</u>	<u>645,314</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	3,895,964	4,042,697	3,910,053	132,644
Judicial. . . . .	1,748,294	2,301,743	2,146,731	155,012
Public safety . . . . .	2,768,221	2,854,904	2,741,697	113,207
Health . . . . .	104,330	89,730	79,180	10,550
Human services. . . . .	421,458	420,636	330,819	89,817
Economic development and assistance . .	80,376	107,728	104,546	3,182
Intergovernmental. . . . .	572,647	575,663	575,663	-
Other . . . . .	127,374	90,947	85,137	5,810
<b>Total expenditures . . . . .</b>	<u>9,718,664</u>	<u>10,484,048</u>	<u>9,973,826</u>	<u>510,222</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(769,220)</u>	<u>(1,106,466)</u>	<u>49,070</u>	<u>1,155,536</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	200,000	272,934	72,934
Transfers (out). . . . .	(500,000)	(382,633)	(253,729)	128,904
<b>Total other financing sources (uses) . . . . .</b>	<u>(500,000)</u>	<u>(182,633)</u>	<u>19,205</u>	<u>201,838</u>
Net change in fund balances . . . . .	(1,269,220)	(1,289,099)	68,275	1,357,374
<b>Fund balances at beginning of year . . . . .</b>	1,394,352	1,394,352	1,394,352	-
<b>Prior year encumbrances appropriated . . .</b>	294,862	294,862	294,862	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 419,994</u>	<u>\$ 400,115</u>	<u>\$ 1,757,489</u>	<u>\$ 1,357,374</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MORROW COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 MOTOR VEHICLE AND GAS TAX  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for services . . . . .	\$ 61,868	\$ 67,000	\$ 88,707	\$ 21,707
Fines and forfeitures . . . . .	92	100	69	(31)
Intergovernmental . . . . .	4,150,370	4,494,655	4,954,575	459,920
Investment income . . . . .	-	-	9,481	9,481
Contributions and donations . . . . .	2,770	3,000	4,155	1,155
<b>Total revenues . . . . .</b>	<u>4,215,100</u>	<u>4,564,755</u>	<u>5,056,987</u>	<u>492,232</u>
<b>Expenditures:</b>				
Current:				
Public works . . . . .	4,520,900	4,850,098	4,636,276	213,822
Debt service:				
Interest and fiscal charges . . . . .	19,000	19,000	18,575	425
<b>Total expenditures . . . . .</b>	<u>4,539,900</u>	<u>4,869,098</u>	<u>4,654,851</u>	<u>214,247</u>
Net change in fund balances . . . . .	(324,800)	(304,343)	402,136	706,479
<b>Fund balances at beginning of year . . . . .</b>	482,482	482,482	482,482	-
<b>Prior year encumbrances appropriated . . . . .</b>	105,441	105,441	105,441	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 263,123</u>	<u>\$ 283,580</u>	<u>\$ 990,059</u>	<u>\$ 706,479</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MORROW COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 PUBLIC ASSISTANCE  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for services . . . . .	\$ 15,513	\$ 15,250	\$ 33,954	\$ 18,704
Intergovernmental . . . . .	4,934,540	4,850,813	4,836,683	(14,130)
Other . . . . .	11,597	11,400	15,878	4,478
Total revenues . . . . .	<u>4,961,650</u>	<u>4,877,463</u>	<u>4,886,515</u>	<u>9,052</u>
<b>Expenditures:</b>				
Current:				
Human services . . . . .	<u>5,605,087</u>	<u>5,528,198</u>	<u>4,942,389</u>	<u>585,809</u>
Total expenditures . . . . .	<u>5,605,087</u>	<u>5,528,198</u>	<u>4,942,389</u>	<u>585,809</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(643,437)</u>	<u>(650,735)</u>	<u>(55,874)</u>	<u>594,861</u>
<b>Other financing sources (uses):</b>				
Transfers (out) . . . . .	<u>-</u>	<u>(21,181)</u>	<u>(21,181)</u>	<u>-</u>
Total other financing sources (uses) . . . . .	<u>-</u>	<u>(21,181)</u>	<u>(21,181)</u>	<u>-</u>
Net change in fund balances . . . . .	(643,437)	(671,916)	(77,055)	594,861
<b>Fund balances at beginning of year . . . . .</b>	365,816	365,816	365,816	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>354,687</u>	<u>354,687</u>	<u>354,687</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 77,066</u>	<u>\$ 48,587</u>	<u>\$ 643,448</u>	<u>\$ 594,861</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 COUNTY BOARD OF DEVELOPMENTAL DISABILITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Real and other taxes . . . . .	\$ 2,066,709	\$ 2,187,300	\$ 2,186,182	\$ (1,118)
Charges for services. . . . .	258,421	273,500	23,209	(250,291)
Intergovernmental. . . . .	928,839	983,037	1,470,605	487,568
Rental income . . . . .	75,589	80,000	101,186	21,186
Contributions and donations. . . . .	-	-	135	135
Total revenues . . . . .	<u>3,329,558</u>	<u>3,523,837</u>	<u>3,781,317</u>	<u>257,480</u>
<b>Expenditures:</b>				
Current:				
Health . . . . .	3,827,925	3,551,023	3,006,322	544,701
Human services. . . . .	28,594	27,859	25,263	2,596
Total expenditures . . . . .	<u>3,856,519</u>	<u>3,578,882</u>	<u>3,031,585</u>	<u>547,297</u>
Net change in fund balances . . . . .	(526,961)	(55,045)	749,732	804,777
<b>Fund balances at beginning of year . . . . .</b>	1,074,867	1,074,867	1,074,867	-
<b>Prior year encumbrances appropriated . . .</b>	91,015	91,015	91,015	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 638,921</u>	<u>\$ 1,110,837</u>	<u>\$ 1,915,614</u>	<u>\$ 804,777</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MORROW COUNTY**

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2019

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Morrow County Hospital</b>	<b>Sewer District</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Equity in pooled cash and cash equivalents . . .	\$ -	\$ 817,569	\$ 817,569
Cash and cash equivalents in segregated accounts .	5,880,105	-	5,880,105
Receivables:			
Real and other taxes . . . . .	1,350,000	-	1,350,000
Accounts . . . . .	1,520,043	19,002	1,539,045
Accrued interest . . . . .	-	5,141	5,141
Materials and supplies inventory . . . . .	420,022	-	420,022
Prepayments . . . . .	275,066	-	275,066
Total current assets . . . . .	9,445,236	841,712	10,286,948
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents in segregated accounts	2,133,482	-	2,133,482
Investments in segregated accounts . . . . .	839,315	-	839,315
Investments in segregated accounts . . . . .	174,742	-	174,742
Net pension asset . . . . .	80,030	135	80,165
Capital assets:			
Land and construction in progress . . . . .	682,415	1,963,650	2,646,065
Depreciable capital assets, net . . . . .	5,438,384	4,361,940	9,800,324
Total capital assets, net . . . . .	6,120,799	6,325,590	12,446,389
Total noncurrent assets . . . . .	9,348,368	6,325,725	15,674,093
Total assets . . . . .	18,793,604	7,167,437	25,961,041
<b>Deferred outflows of resources:</b>			
Pension . . . . .	4,751,357	20,214	4,771,571
OPEB . . . . .	614,817	5,695	620,512
Total deferred outflows of resources . . . . .	5,366,174	25,909	5,392,083
Total assets and deferred outflows of resources .	24,159,778	7,193,346	31,353,124

- - Continued

**MORROW COUNTY**

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2019  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Morrow County Hospital</b>	<b>Sewer District</b>	<b>Total</b>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable . . . . .	\$ 1,754,693	\$ 51,509	\$ 1,806,202
Accrued wages and benefits . . . . .	252,528	814	253,342
Due to other funds . . . . .	-	200	200
Due to other governments . . . . .	-	247	247
Interfund loans payable . . . . .	-	56,400	56,400
Accrued interest payable . . . . .	-	8,720	8,720
Sanitary sewer revenue bonds payable - current. . . . .	-	10,752	10,752
Compensated absences payable - current. . . . .	495,915	-	495,915
Estimated third party payor settlements . . . . .	3,187,286	-	3,187,286
USDA bonds payable - current . . . . .	-	16,300	16,300
OWDA loans payable . . . . .	-	46,450	46,450
	<u>5,690,422</u>	<u>191,392</u>	<u>5,881,814</u>
Total current liabilities . . . . .			
Long-term liabilities:			
Sanitary sewer revenue bonds payable - noncurrent	-	531,408	531,408
OWDA loans payable . . . . .	-	755,542	755,542
USDA bonds payable - noncurrent . . . . .	-	828,700	828,700
Other loans payable . . . . .	-	2,210,000	2,210,000
Net pension liability . . . . .	16,730,765	47,039	16,777,804
Net OPEB liability . . . . .	7,839,663	23,173	7,862,836
	<u>24,570,428</u>	<u>4,395,862</u>	<u>28,966,290</u>
Total long-term liabilities . . . . .			
Total liabilities . . . . .	<u>30,260,850</u>	<u>4,587,254</u>	<u>34,848,104</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year. . . . .	1,350,000	-	1,350,000
Pension . . . . .	1,325,243	6,990	1,332,233
OPEB. . . . .	480,310	3,858	484,168
	<u>3,155,553</u>	<u>10,848</u>	<u>3,166,401</u>
Total deferred inflows of resources . . . . .			
Total liabilities and deferred inflows of resources.	<u>33,416,403</u>	<u>4,598,102</u>	<u>38,014,505</u>
<b>Net position:</b>			
Net investment in capital assets. . . . .	6,132,934	1,926,438	8,059,372
Unrestricted . . . . .	(15,389,559)	668,806	(14,720,753)
	<u>\$ (9,256,625)</u>	<u>\$ 2,595,244</u>	<u>\$ (6,661,381)</u>
Total net position. . . . .			

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**MORROW COUNTY**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Morrow County Hospital</b>	<b>Sewer District</b>	<b>Total</b>
<b>Operating revenues:</b>			
Charges for services . . . . .	\$ -	\$ 717,100	\$ 717,100
Patient service revenue, net . . . . .	19,902,303	-	19,902,303
Other operating revenues . . . . .	1,082,948	25,488	1,108,436
Total operating revenues. . . . .	<u>20,985,251</u>	<u>742,588</u>	<u>21,727,839</u>
<b>Operating expenses:</b>			
Personal services . . . . .	13,315,071	37,690	13,352,761
Contract services. . . . .	6,717,504	230,970	6,948,474
Materials and supplies. . . . .	3,001,342	-	3,001,342
Administrative costs. . . . .	-	4,274	4,274
Utilities . . . . .	-	25,161	25,161
Depreciation. . . . .	1,125,346	120,404	1,245,750
Other . . . . .	1,573,149	61,965	1,635,114
Total operating expenses. . . . .	<u>25,732,412</u>	<u>480,464</u>	<u>26,212,876</u>
Operating income (loss) . . . . .	<u>(4,747,161)</u>	<u>262,124</u>	<u>(4,485,037)</u>
<b>Nonoperating revenues (expenses):</b>			
Interest and fiscal charges . . . . .	(12)	(31,119)	(31,131)
Gain (loss) on sale of capital assets . . . . .	300	-	300
Real and other taxes. . . . .	1,281,588	-	1,281,588
Intergovernmental . . . . .	83,743	-	83,743
Interest income. . . . .	91,833	26,205	118,038
Other financing sources . . . . .	14,609	-	14,609
Total nonoperating revenues (expenses). . . . .	<u>1,472,061</u>	<u>(4,914)</u>	<u>1,467,147</u>
Income (loss) before disposal of operations. . . . .	(3,275,100)	257,210	(3,017,890)
Gain on disposal of operations. . . . .	72,386	-	72,386
Change in net position . . . . .	(3,202,714)	257,210	(2,945,504)
<b>Net position at beginning of year . . . . .</b>	<u>(6,053,911)</u>	<u>2,338,034</u>	<u>(3,715,877)</u>
<b>Net position at end of year . . . . .</b>	<u>\$ (9,256,625)</u>	<u>\$ 2,595,244</u>	<u>\$ (6,661,381)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds		
	Morrow County Hospital	Sewer District	Total
<b>Cash flows from operating activities:</b>			
Cash received from customers. . . . .	\$ -	\$ 704,894	\$ 704,894
Cash received from patients and third-party payors. . .	21,208,476	-	21,208,476
Cash received from other operations. . . . .	1,082,948	24,087	1,107,035
Cash payments to suppliers for services and goods. . .	(10,311,392)	(288,866)	(10,600,258)
Cash payments to employees for services . . . . .	(11,867,745)	(30,077)	(11,897,822)
Cash payments for other expenses . . . . .	-	(4,274)	(4,274)
Net cash provided by operating activities . . . . .	112,287	405,764	518,051
<b>Cash flows from noncapital financing activities:</b>			
Property tax levy/intergovernmental revenue . . . . .	1,379,940	-	1,379,940
Net cash provided by noncapital financing activities. . . . .	1,379,940	-	1,379,940
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets . . . . .	(753,592)	(58,554)	(812,146)
Loan proceeds . . . . .	-	1,220	1,220
Gain on disposal of capital assets . . . . .	(300)	-	(300)
Proceeds from sale of capital assets . . . . .	300	-	300
Disposal of Operations . . . . .	248,065	-	248,065
Principal payments on long-term debt . . . . .	(25,396)	(72,954)	(98,350)
Interest and fiscal charges . . . . .	(12)	(31,268)	(31,280)
Net cash used in capital and related financing activities. . . . .	(530,935)	(161,556)	(692,491)
<b>Cash flows from investing activities:</b>			
Interest received . . . . .	91,833	27,367	119,200
Proceeds from sale of investments . . . . .	(10,042)	-	(10,042)
Net cash provided by (used in) investing activities. . .	81,791	27,367	109,158
Net increase (decrease) in cash and cash equivalents . . . . .	1,043,083	271,575	1,314,658
<b>Cash and cash equivalents at beginning of year</b>	7,145,246	545,994	7,691,240
<b>Cash and cash equivalents at end of year . . . . .</b>	<u>\$ 8,188,329</u>	<u>\$ 817,569</u>	<u>\$ 9,005,898</u>
<b>Supplemental cash flow information:</b>			
Cash and cash equivalents in current assets . . . . .	\$ 5,880,105		
Cash and cash equivalents in investments. . . . .	174,742		
Cash and cash equivalents in assets limited in use . .	2,133,482		
<b>Cash and cash equivalents at end of year . . . . .</b>	<u>\$ 8,188,329</u>		

- - Continued

MORROW COUNTY

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Morrow County Hospital</u>	<u>Sewer District</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss) . . . . .	\$ (4,747,161)	\$ 262,124	\$ (4,485,037)
Adjustments:			
Depreciation . . . . .	1,125,346	120,404	1,245,750
Provisions for bad debt . . . . .	1,963,831	-	1,963,831
Changes in assets, deferred outflows, liabilities, and deferred inflows:			
Accounts receivable . . . . .	-	(13,607)	(13,607)
Materials and supplies inventory . . . . .	66,761	-	66,761
Prepayments . . . . .	927,917	-	927,917
Other current assets. . . . .	(2,216,915)	-	(2,216,915)
Patient accounts receivable. . . . .	(1,362,510)	-	(1,362,510)
Net pension assets . . . . .	-	19	19
Deferred outflows - Pension . . . . .	-	(10,539)	(10,539)
Deferred outflows - OPEB . . . . .	-	(4,033)	(4,033)
Accrued wages and benefits . . . . .	-	(610)	(610)
Due to other governments . . . . .	-	(481)	(481)
Due to other funds . . . . .	-	(3,896)	(3,896)
Third party settlements payable. . . . .	704,852	-	704,852
Accounts payable . . . . .	(13,864)	33,515	19,651
Accrued expenses . . . . .	(3,104,572)	-	(3,104,572)
Net pension liability . . . . .	-	22,828	22,828
Net OPEB liability . . . . .	-	5,768	5,768
Deferred inflows - pension . . . . .	6,143,834	(5,627)	6,138,207
Deferred inflows - OPEB . . . . .	624,768	(101)	624,667
Net cash provided by operating activities . . . . .	<u>\$ 112,287</u>	<u>\$ 405,764</u>	<u>\$ 518,051</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MORROW COUNTY**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2019

	<b>Custodial</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 2,774,199
Cash in segregated accounts . . . . .	800,169
Receivables:	
Taxes . . . . .	34,605,791
Accounts . . . . .	83,761
Due from other governments . . . . .	2,068,315
Due from external parties . . . . .	6,350
Total assets . . . . .	40,338,585
<b>Liabilities:</b>	
Accounts payable . . . . .	34,183
Accrued wages and benefits . . . . .	18,066
Due to other governments . . . . .	7,649,762
Due to external parties . . . . .	1,168
Total liabilities . . . . .	7,703,179
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	31,126,850
Total deferred inflows of resources . . . . .	31,126,850
Total liabilities and deferred inflows of resources . . . . .	38,830,029
<b>Net position:</b>	
Restricted for individuals, organizations and other governments .	1,508,556
Total net position . . . . .	\$ 1,508,556

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MORROW COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<b>Custodial</b>
<b>Additions:</b>	
Intergovernmental . . . . .	\$ 4,873,414
Amounts received as fiscal agent . . . . .	1,584,344
Licenses, permits and fees for other governments . . . . .	2,702,680
Fines and forfeitures for other governments . . . . .	1,622,032
Property tax collection for other governments . . . . .	34,176,132
Other custodial fund collections . . . . .	148,960
Total additions . . . . .	45,107,562
<b>Deductions:</b>	
Distributions of state funds to other governments . . . . .	4,444,488
Distributions as fiscal agent . . . . .	1,754,370
Licenses, permits and fees distributions to other governments . . . . .	2,480,637
Fines and forfeitures distributions to other governments . . . . .	1,782,497
Property tax distributions to other governments . . . . .	34,750,136
Other custodial fund disbursements . . . . .	100,842
Total deductions . . . . .	45,312,970
Net change in fiduciary net position . . . . .	(205,408)
<b>Net position beginning of year (restated) . . . . .</b>	<b>1,713,964</b>
<b>Net position end of year . . . . .</b>	<b>\$ 1,508,556</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## MORROW COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

##### A. Reporting Entity

The 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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus". The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statement of the County are not misleading.

The primary government consists of all funds, departments, Boards, and agencies that are not legally separate from the County. For 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.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the Organization; or the County is obligated for the debt of the organization. Component units may also include organizations for which the County approves the budget, the issuance of debt, or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading.

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, 2019

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

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

*DISCRETELY PRESENTED COMPONENT UNITS*

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.

Morrow County Transportation Improvement District - The Morrow County Transportation Improvement District (the District), is a body politic and corporate, created for the purpose to acquire, construct, enlarge, improve, equip, sell, lease, lease-purchase, exchange, or otherwise dispose of property, structures, and other facilities for transportation projects. The District was specifically created pursuant to Chapter 5540 of the Ohio Revised Code, as amended. The District is governed by a Board of Trustees that acts as the authoritative and legislative body of the entity. The Board is comprised of seven members of whom five are voting and two are non-voting. The five voting Board members are appointed by the Board of Morrow County Commissioners. In addition, the County is able to impose its will on the District. Separately issued financial statements can be obtained from the Morrow County Auditor at 48 East High Street, Room 7, Mount Gilead, Ohio 43338.

Morrow County Land Reutilization Corporation - (The Land Bank) is a legally separate not-for-profit organization, created under Ohio Revised Code Section 5722.02 to 5722.15 and Chapter 1724 in November of 2015. The Purpose of the Land bank is to facilitate the effective reutilization of nonproductive land situated with Morrow County’s boundaries. The Land Bank has been designated as the County’s agent for reclamation, rehabilitation, and reutilization of vacant, abandoned, tax-foreclosed or other real property in the County by exercising the powers of the County under Chapter 5722 of the Ohio Revised Code. The Land Bank will assist and facilitate activities of governmental entities in clearing, assembling and clearing title to land for economic development purposes. The Land Bank operates under a five member Board of Directors, consisting of two County Commissioners, the County Treasurer, one representative from the municipal corporation with the largest population (Village of Mount Gilead), and one at large representative from the County. Because the County makes up and/or appoints a voting majority of the Board of Directors, the County is able to impose its will on the operation of the Land Bank. As a result, the Land Bank will be reported as a discretely presented component unit of the County in accordance with GASB 14 as amended by GASB Statements No. 39 and 61. The Land Bank had \$63,360 in revenues, \$11,077 in expenses and an ending net position of \$123,382 in 2019. As a result, no financial information is presented in the discretely presented component unit column for the Land Bank.

**MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

*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 entities have been excluded from the County's BFS, but the funds held on behalf of these entities in the County Treasury are included in the custodial 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 Airport Authority*

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

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

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, 117 E. High Street Suite 257, Mount Vernon, Ohio 43050.



MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

*JOINT VENTURE WITHOUT EQUITY INTEREST*

Delaware-Morrow Mental Health and Recovery Services Board - The Delaware-Morrow Mental Health and Recovery Services Board (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 position 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.

The statement of net position 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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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, and other revenues for the Johnsville Sewer District. 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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the County's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Public assistance - This fund accounts for various federal and State grants, as well as amounts charged to the general fund that are restricted 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 revenues that are restricted 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) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

***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.

*Sewer District* - This fund accounts for the operation of the sewer district and the cost of operating the sewer district is financed through user services revenues.

***Fiduciary Funds*** - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial 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. Custodial funds are used to account for assets held on behalf of individuals and other entities. The County's fiduciary funds are custodial 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.

**D. Measurement Focus**

***Government-Wide Financial Statements*** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, all deferred outflows of resources, all liabilities and all deferred inflows of resources associated with the operation of the County are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

***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, current deferred outflows of resources, current liabilities and current deferred inflows of resources 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, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

**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 inflows, and in the presentation of expenses versus expenditures.

*Revenues - Exchange and Nonexchange Transactions* - Revenues 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.

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.

*Deferred Outflows of Resources and Deferred Inflows of Resources* - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the County, deferred outflows of resources have been reported for the following items related to the County's net pension liability and net OPEB liability: (1) the net difference between projected and actual investment earnings on pension plan assets, (2) the County's contributions to the pension systems subsequent to the measurement date and (3) differences between employer's contributions and the employer's proportional share of contributions.

In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

## MORROW COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance 2020 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the County unavailable revenue includes, but is not limited to, delinquent property taxes, sales taxes, accrued interest and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The County also reports deferred inflow of resources for the following items related to the County's net pension liability and net OPEB liability: (1) differences between expected and actual experience and (2) differences between employer's contributions and the employer's proportional share of contributions. These deferred inflows of resources are only reported on the government-wide statement of net position.

***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 custodial 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.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

***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.

***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 find 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 2019.

***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 2019. The final budgeted figures reflect the original budgeted amounts plus all budgetary amendments and supplemental appropriations that were legally enacted during 2019.

***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 re-appropriated.

**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 2019, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), U.S. Government Money Market funds, negotiable certificates of deposit, and U.S. government securities. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts are reported at cost.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The County measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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 2019 amounted to \$467,041 which includes \$364,706 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 custodial 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. Materials and Supplies Inventory**

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 nonspendable fund balance 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, 2019

**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 position, 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 position 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 acquisition 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 - 50 years
Machinery and equipment	5 - 50 years	5 - 20 years
Infrastructure	20 - 50 years	20 - 50 years
Vehicles	5 - 20 years	N/A
Software	5 - 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.



**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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, 2019, 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.

The total liability for vacation, compensatory time and sick leave payments has been calculated using pay rates in effect at December 31, 2019 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 for the sheriff's office and at the rate of 2.62 hours per 80 hours worked for all other county employees. Vacation and sick leave are accumulated on an hour 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. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**K. Prepayments**

Payments made to vendors for services that will benefit periods beyond December 31, 2019, are recorded as prepayments 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 nonspendable fund balance 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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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 and loans are recognized as a liability in the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

**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.

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." Receivables and payables resulting from interfund loans are reported as "interfund loans receivable/payable." These amounts are eliminated in the statement of net position, 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". Outstanding balances between governmental activities and custodial funds are reported as "due to / due from external parties".

**N. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Commissioners (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the Board of Commissioners removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Board of Commissioners.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The County applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**O. Unamortized Bond Premium and Discount / Unamortized Deferred Charges on Debt Refunding/Bond Issuance Costs**

Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds. 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 position is presented in Note 14.A.

For advance refunding's resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

Bond and note issue costs are expensed when they occur.

**P. Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component "Net investment in capital assets", 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes consists 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 position is available.

**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 2019.

**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>2019</u>
Patient accounts receivable	\$ 5,199,497
Less:	
Allowance for uncollectible accounts	(1,261,220)
Allowance for contractual adjustments	<u>(2,418,234)</u>
Net accounts receivable	<u>\$ 1,520,043</u>

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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>2019</u>
Medicare	35.00%
Medicaid	5.00%
Commercial insurance and HMO's	55.00%
Self-pay	<u>5.00%</u>
Total	<u><u>100.00%</u></u>

**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 2019, the Hospital provided charity care of approximately \$497,000.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

**X. Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

**Y. Fair Value Measurements**

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For 2019, the County has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations", GASB Statement No. 84, "Fiduciary Activities", GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements" and GASB Statement No. 90, "Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the County.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the County will no longer be reporting agency funds. The County reviewed its agency funds and certain funds will be reported in the new fiduciary classification of custodial funds, while other funds have been reclassified as governmental or proprietary funds. These fund reclassifications resulted in the restatement of the County's financial statements.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the County.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the County.

**B. Restatement of Net Position and Fund Balances**

The implementation of GASB 84 had the following effect on fund balance as reported at December 31, 2018:

	General	Motor Vehicle and Gas Tax	Public Assistance
Fund Balance as previously reported	\$ 3,262,560	\$ 1,132,145	\$ 711,543
GASB Statement No. 84	438,340	-	-
Restated Fund Balance, at December 31, 2018	\$ 3,700,900	\$ 1,132,145	\$ 711,543
	County Board Developmental	Other Governmental Funds	Total Governmental Funds
Fund Balance as previously reported	\$ 1,265,190	\$ 7,689,800	\$ 14,061,238
GASB Statement No. 84	-	58,072	496,412
Restated Fund Balance, at December 31, 2018	\$ 1,265,190	\$ 7,747,872	\$ 14,557,650

The implementation of the GASB 84 pronouncement had the following effect on the net position as reported at December 31, 2018:

	Governmental Activities	Business-type Activities
Net position as previously reported	\$ 24,271,160	\$ (3,715,877)
GASB Statement No. 84	496,412	-
Restated net position at December 31, 2018	\$ 24,767,572	\$ (3,715,877)

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Due to the implementation of GASB 84, the new classification of custodial funds is reporting a beginning net position of \$1,713,964. Also, related to the implementation of GASB Statement No. 84, the County will no longer be reporting agency funds. At December 31, 2018, agency funds reported assets and liabilities of \$36,201,565.

**C. Deficit Fund Balances**

Fund balances at December 31, 2019 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
DRETAC	\$ 1,082
Engineer Promissory Note	521,776

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 resulted from adjustments for accrued liabilities.

**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.

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, and Government National Mortgage 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 fair 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; and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;



**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Protection of the deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial 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. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

*Cash on hand:* At year end, the County had \$3,083 in undeposited cash on hand which is included on the financial statements of the County as part of "equity in pooled cash and cash equivalents".

**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.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

**B. Deposits with Financial Institutions**

At December 31, 2019, the carrying amount of all County deposits was \$14,259,182. As of December 31, 2019, \$12,856,916 of the County's bank balance of \$16,498,208 was exposed to custodial risk as discussed below, while \$3,641,292 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. The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2019, the County's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although 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, 2019, the County had the following investments and maturities:

Measurement/ <u>Investment type</u>	Measurement <u>Amount</u>	Investment Maturity				
		6 months or <u>less</u>	7 to 12 <u>months</u>	13 to 18 <u>months</u>	19 to 24 <u>months</u>	Greater than <u>24 months</u>
<i>Fair Value:</i>						
U.S. Govt Money Market	\$ 1,287,212	\$ 1,287,212	\$ -	\$ -	\$ -	\$ -
Negotiable CDs	9,755,212	2,770,306	990,483	749,264	245,194	4,999,965
FFCB	997,385	-	-	-	-	997,385
FHLM	1,248,425	-	-	-	-	1,248,425
<i>Amortized Cost:</i>						
Star Ohio	142,368	142,368	-	-	-	-
Total	<u>\$ 13,430,602</u>	<u>\$ 4,199,886</u>	<u>\$ 990,483</u>	<u>\$ 749,264</u>	<u>\$ 245,194</u>	<u>\$ 7,245,775</u>

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

The County's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The County's investments in STAR Ohio are valued at the daily redemption value as reported by the underlying fund (Level 1 inputs). The County's investments in federal agency securities (FFCB and FHLM) and negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

The weighted average maturity of investments is 2.30 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.

*Credit Risk:* STAR Ohio and the U.S. government money market mutual fund were rated AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

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 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, 2019:

Measurement/ <u>Investment type</u>	Measurement	
	<u>Amount</u>	<u>% of Total</u>
<i>Fair Value:</i>		
U.S. Govt Money Market	\$ 1,287,212	9.58
Negotiable CDs	9,755,212	72.63
FFCB	997,385	7.43
FHLM	1,248,425	9.30
<i>Amortized Cost:</i>		
STAR Ohio	<u>142,368</u>	<u>1.06</u>
Total	<u>\$ 13,430,602</u>	<u>100.00</u>

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

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 position as of December 31, 2019:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 14,259,182
Investments	13,430,602
Cash on hand	<u>3,083</u>
Total	<u>\$ 27,692,867</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 14,273,286
Business-type activities	9,845,213
Custodial funds	<u>3,574,368</u>
Total	<u>\$ 27,692,867</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Internal borrowings consist of internal notes and bonds issued by various funds to finance projects internally rather than through outside parties. Each internal note or bond is identified as to which fund is liable for repayment. However, the actual borrowing comes from a pool of funds rather than specific funds. The borrowings pay interest to specified funds based on the percentage of fund balances.

For reporting purposes, these interfund transactions were reflected as an interfund receivable and an interfund payable in the respective funds.

**A.** Due from/to other funds consisted of the following at December 31, 2019, as reported on the fund financial statements:

	Due from						Total Due To
	General	Motor Gas Tax	Public Assistance	County board of DD	Nonmajor Governmental	Sewer Fund	
<u>Due to</u>							
General fund	\$ -	\$ 105	\$ -	\$ 100	\$ 25,536	\$ 200	\$ 25,941
County board of DD	-	-	-	-	16,563	-	16,563
Nonmajor governmental	<u>11,722</u>	<u>-</u>	<u>44,264</u>	<u>-</u>	<u>30</u>	<u>-</u>	<u>56,016</u>
Total Due From	<u>\$ 11,722</u>	<u>\$ 105</u>	<u>\$ 44,264</u>	<u>\$ 100</u>	<u>\$ 42,129</u>	<u>\$ 200</u>	<u>\$ 98,520</u>

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.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

- B.** Interfund transfers for the year ended December 31, 2019, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	\$ 273,729
 <u>Transfers from motor vehicle and gas tax fund to:</u>	
Nonmajor governmental funds	45,706
 <u>Transfers from public assistance fund to:</u>	
Nonmajor governmental funds	21,181
 <u>Transfer from nonmajor governmental funds to:</u>	
General fund	200,000
Nonmajor governmental funds	346,509
	346,509
<b>Total</b>	<b>\$ 887,125</b>

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 2019 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.

- C.** Due from external parties at December 31, 2019, consisted of the following as reported on the fund statements:

<u>Due to</u>	Due from		Total
	Custodial Funds	General Fund	
County Board of DD	\$ 21	\$ -	\$ 21
Nonmajor governmental funds	1,147	-	1,147
Custodial funds	-	6,350	6,350
<b>Total</b>	1,168	6,350	7,518

These balances resulted from the time lag between the dates that (1) goods and services are provided, (2) transactions are recorded in the accounting system, and (3) payments are made. All balances are due within one year.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

D. Interfund loans receivable/payable consisted of the following at December 31, 2019 as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental	\$ 574,294
Nonmajor governmental	Sewer	<u>56,400</u>
Total		<u>\$ 630,694</u>

These balances resulted from internal borrowings and advances of money between funds. Interfund balances between governmental funds are eliminated on the government-wide statement of net position. The outstanding balance due from the sewer fund to the nonmajor governmental funds is reported as an internal balance.

**NOTE 6 - PROPERTY TAX**

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2019 public utility property taxes became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the County its portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through custodial funds. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2019 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by deferred inflows of resources since the current taxes were not levied to finance 2019 operations and the collection of delinquent taxes has been offset by deferred inflows of resources 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 inflows of resources.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 6 - PROPERTY TAX – (Continued)**

The full tax rate for all County operations for the year ended December 31, 2019 was \$11.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2019 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 726,702,060
Commercial/industrial/mineral	58,685,820
Personal public utility	<u>51,665,710</u>
Total assessed value	<u>\$ 837,053,590</u>

**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 Office of Budget and Management 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 Office of Budget and Management then have 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 2019 and amounts that are measurable and available at year end are accrued as revenue. Amounts received outside the available period are recorded as deferred inflows of resources on the fund financial statements and as revenue on the government-wide financial statements. Sales and use tax revenue for 2019 amounted to \$4,322,399 on the governmental fund financial statements.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2019, consisted of taxes, accounts (billings for user charged services), 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, 2019. A summary of the principal items of receivables reported on the statement of net position follows:

<b><u>Governmental activities:</u></b>	
Sales taxes	\$ 1,093,744
Real and other local taxes	6,915,686
Accounts	317,335
Accrued interest	26,226
Due from other governments	4,555,664

Receivables have been disaggregated on the face of the financial statements.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 9 - LOANS RECEIVABLE**

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

	<u>Balance</u> <u>12/31/18</u>	<u>Loans</u> <u>Issued</u>	<u>Principal</u> <u>Received</u>	<u>Adjustments</u>	<u>Balance</u> <u>12/31/19</u>
<u>Special Revenue Funds</u>					
Community block and HOME Investments					
partnerships program grants commercial loans	\$ 125,984	\$ -	\$ (16,925)	\$ -	\$ 109,059
Home investment partnership	40,049	-	(14,311)	-	25,738
Water/sewer revolving loans	32,331	1,853	(6,581)	-	27,603
Rural hardship revolving loans	38,724	-	(19,646)	1,269	20,347
	<u>38,724</u>	<u>-</u>	<u>(19,646)</u>	<u>1,269</u>	<u>20,347</u>
Total	<u>\$ 237,088</u>	<u>\$ 1,853</u>	<u>\$ (57,463)</u>	<u>\$ 1,269</u>	<u>\$ 182,747</u>

In addition to the balances above, loans receivable for the general fund includes \$208,000 internal borrowing due from the Morrow County Transportation Improvement District (a discretely presented component unit). This loan will be repaid over a five year period beginning in 2021.

**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, 2019, is set forth in the following table:

Board restricted for capital improvements:	
Cash and cash equivalents in segregated accounts	\$ 2,133,482
Investments in segregated accounts	<u>839,315</u>
Total	<u>\$ 2,972,797</u>



**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 11 - CAPITAL ASSETS**

A. A summary of the business-type activities capital assets for the year ended December 31, 2019 is as follows:

<b><u>Business-type activities:</u></b>	<u>Balance</u> <u>12/31/18</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/19</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,143,315	\$ -	\$ -	\$ 2,143,315
Construction in progress	<u>482,448</u>	<u>273,255</u>	<u>(252,953)</u>	<u>502,750</u>
<i>Total capital assets, not being depreciated</i>	<u>2,625,763</u>	<u>273,255</u>	<u>(252,953)</u>	<u>2,646,065</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	672,262	-	(2,558)	669,704
Buildings	6,266,340	74,196	(46,933)	6,293,603
Equipment	22,809,908	717,648	(533,772)	22,993,784
Infrastructure	<u>4,374,960</u>	<u>-</u>	<u>-</u>	<u>4,374,960</u>
<i>Total capital assets, being depreciated</i>	<u>34,123,470</u>	<u>791,844</u>	<u>(583,263)</u>	<u>34,332,051</u>
Less: accumulated depreciation:				
Land improvements	(682,068)	(27,445)	1,790	(707,723)
Buildings	(4,389,011)	(181,368)	6,303	(4,564,076)
Equipment	(18,282,602)	(940,488)	399,791	(18,823,299)
Infrastructure	<u>(340,180)</u>	<u>(96,449)</u>	<u>-</u>	<u>(436,629)</u>
Total accumulated depreciation	<u>(23,693,861)</u>	<u>(1,245,750)</u>	<u>407,884</u>	<u>(24,531,727)</u>
Total capital assets, being depreciated, net	<u>10,429,609</u>	<u>(453,906)</u>	<u>(175,379)</u>	<u>9,800,324</u>
Business-type activities capital assets, net	<u>\$ 13,055,372</u>	<u>\$ (180,651)</u>	<u>\$ (428,332)</u>	<u>\$ 12,446,389</u>

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

<b><u>Business-type activities:</u></b>	
Morrow County Hospital	\$ 1,125,346
Sewer	<u>120,404</u>
Total depreciation expense - business-type activities	<u>\$ 1,245,750</u>

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 11 - CAPITAL ASSETS - (Continued)**

**B.** A summary of the governmental activities capital assets for the year ended December 31, 2019 is as follows:

<b><u>Governmental activities:</u></b>	<u>Balance</u> <u>12/31/18</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/19</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 764,057	\$ -	\$ -	\$ 764,057
Construction in progress	70,770	-	(70,770)	-
Total capital assets, not being depreciated	<u>834,827</u>	<u>-</u>	<u>(70,770)</u>	<u>764,057</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	164,548	45,090	-	209,638
Buildings	13,345,699	15,303	-	13,361,002
Building improvements	4,918,666	154,376	-	5,073,042
Equipment	3,365,411	207,456	-	3,572,867
Software	323,203	25,498	-	348,701
Vehicles	7,044,064	512,664	(21,438)	7,535,290
Infrastructure	<u>53,938,397</u>	<u>1,695,727</u>	<u>-</u>	<u>55,634,124</u>
Total capital assets, being depreciated	<u>83,099,988</u>	<u>2,656,114</u>	<u>(21,438)</u>	<u>85,734,664</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(164,548)	(451)	-	(164,999)
Buildings	(6,706,644)	(306,800)	-	(7,013,444)
Building improvements	(1,889,252)	(176,639)	-	(2,065,891)
Equipment	(2,653,715)	(165,548)	-	(2,819,263)
Software	(96,962)	(68,106)	-	(165,068)
Vehicles	(6,012,666)	(224,800)	21,438	(6,216,028)
Infrastructure	<u>(32,369,315)</u>	<u>(1,165,608)</u>	<u>-</u>	<u>(33,534,923)</u>
Total accumulated depreciation	<u>(49,893,102)</u>	<u>(2,107,952)</u>	<u>21,438</u>	<u>(51,979,616)</u>
Total capital assets being depreciated, net	<u>33,206,886</u>	<u>548,162</u>	<u>-</u>	<u>33,755,048</u>
Governmental activities capital assets, net	<u>\$ 34,041,713</u>	<u>\$ 548,162</u>	<u>\$ (70,770)</u>	<u>\$ 34,519,105</u>

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

Legislative and executive	\$ 365,297
Judicial	19,116
Public safety	218,555
Public works	1,268,978
Health	17,595
Human services	217,367
Other	<u>1,044</u>
Total depreciation expense - governmental activities	<u>\$ 2,107,952</u>

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE**

The County has entered into leases for the acquisition of copiers and other equipment. These leases meet the criteria of a capital lease as defined by generally accepted accounting principles which defines a capital lease as one which transfers benefits and risks of ownership to the lessee.

Capital assets consisting of copiers and equipment have been capitalized in the amount of \$710,154. 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, 2019, was \$553,987, leaving a current book value of \$113,729. Principal payments in 2019 totaled \$71,502, made out of the general fund, the motor vehicle and gas tax fund, the Morrow County Transit Authority fund (a nonmajor governmental fund), the recorder's fund (a nonmajor governmental fund), computer equipment fund (a nonmajor governmental fund), and the County Board of DD fund. 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, 2019:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2020	\$ 67,459
2021	54,740
2022	46,613
2023	<u>15,642</u>
Total future minimum lease payments	184,454
Less: amount representing interest	<u>(13,681)</u>
Present value of net minimum lease payments	<u>\$ 170,773</u>

**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 position. 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, 2019, vested benefits for vacation leave and compensatory time for governmental fund employees totaled \$926,274 and vested benefits for sick leave totaled \$295,511. The total liability for governmental fund employees was \$1,221,785. Of this total, \$231,569 is due within one year and \$990,216 is due in greater than one year.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 13 - COMPENSATED ABSENCES – (Continued)**

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. Employees' 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.

**NOTE 14 - LONG-TERM OBLIGATIONS**

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

During 2019, the following changes occurred in the County's governmental activities long-term obligations.

	<u>Balance</u> <u>12/31/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/19</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<u>General obligation bonds:</u>					
County services facility refunding bonds	\$ 615,000	\$ -	\$ (150,000)	\$ 465,000	\$ 150,000
Courthouse Improvement bonds	1,715,000	-	(75,000)	1,640,000	75,000
Various purpose refunding bonds	<u>3,100,000</u>	<u>-</u>	<u>(170,000)</u>	<u>2,930,000</u>	<u>170,000</u>
Total general obligation bonds	<u>5,430,000</u>	<u>-</u>	<u>(395,000)</u>	<u>5,035,000</u>	<u>395,000</u>
<u>Loans payable (direct borrowing):</u>					
JFS service garage	<u>127,000</u>	<u>-</u>	<u>(14,000)</u>	<u>113,000</u>	<u>14,000</u>
<u>OWDA loans payable (direct borrowing):</u>					
OWDA loan payable	<u>16,875</u>	<u>-</u>	<u>(1,875)</u>	<u>15,000</u>	<u>3,750</u>
<u>Other long-term obligations:</u>					
Compensated absences payable	1,207,887	103,090	(89,192)	1,221,785	231,569
Net pension liability	12,445,594	9,783,943	(114,989)	22,114,548	-
Net OPEB liability	8,864,095	2,029,874	-	10,893,969	-
Capital lease payable	<u>242,275</u>	<u>-</u>	<u>(71,502)</u>	<u>170,773</u>	<u>60,327</u>
Total other long-term obligations	<u>22,759,851</u>	<u>11,916,907</u>	<u>(275,683)</u>	<u>34,401,075</u>	<u>291,896</u>
Total long-term obligations	28,333,726	<u>\$ 11,916,907</u>	<u>\$ (686,558)</u>	39,564,075	<u>\$ 704,646</u>
Less: unamortized discount on bonds	(8,414)			(7,916)	
Add: unamortized premium	<u>134,260</u>			<u>125,126</u>	
Total reported on statement of net position	<u>\$ 28,459,572</u>			<u>\$ 39,681,285</u>	

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

General Obligation Bonds: The general obligation bonds are supported by the full faith and credit of the County. On August 15, 2002, the County issued bonds to provide for building renovation and improvements to the County services building. The County services building bonds bear an interest rate ranging from 1.5% to 4.8% and are scheduled to mature in 2022.

During 2014 the County issued Court House Renovation Bonds to help fund upgrades to the County's Courthouse. These bonds bear an interest rate ranging from 1% to 4.5% and will mature on December 1, 2035.

On March 13, 2012, the County issued \$1,485,000 in Refunding Bonds (Series 2012) which mature serially on December 1, 2014 through December 1, 2018 inclusive, and term bonds which mature on December 1, 2013, December 1, 2020 and December 1, 2022. The bonds were issued to refund \$1,370,000 of the Series 2002 general obligation bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. Payments are made from the social services bond retirement fund (a nonmajor governmental fund).

The reacquisition price exceeded the net carrying amount of the old debt by \$58,674. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2022.

The bonds maturing on December 1, 2020 were subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption.

The bonds maturing on December 1, 2022 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the year and in the respective principal amount as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2021	\$155,000

The remaining principal amount of such bonds (\$160,000) will be paid at stated maturity on December 1, 2022.

On June 1, 2015, the County issued \$3,240,000 in Refunding Bonds (Series 2015) which mature serially on December 1, 2016 through December 1, 2018 inclusive, and term bonds which mature on December 1, 2027, December 1, 2029, December 1, 2031, and December 1, 2033. The bonds were issued to refund \$2,880,000 of the Series 2008 general obligation bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. During 2019, a principal payment of \$170,000 was made from the social services bond retirement fund (a nonmajor governmental fund). The balance of the refunded bonds at December 31, 2019 was \$2,930,000.

The reacquisition price exceeded the net carrying amount of the old debt by \$424,924. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2033.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

The bonds maturing on December 1, 2027 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the year and in the respective principal amount as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2026	\$200,000

The remaining principal amount of such bonds (\$205,000) will be paid at stated maturity on December 1, 2027.

The bonds maturing on December 1, 2029 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the year and in the respective principal amount as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2028	\$215,000

The remaining principal amount of such bonds (\$220,000) will be paid at stated maturity on December 1, 2029.

The bonds maturing on December 1, 2031 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the year and in the respective principal amount as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2030	\$235,000

The remaining principal amount of such bonds (\$240,000) will be paid at stated maturity on December 1, 2031.

The bonds maturing on December 1, 2033 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the year and in the respective principal amount as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2032	\$250,000

The remaining principal amount of such bonds (\$260,000) will be paid at stated maturity on December 1, 2033

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

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

The County has received a zero percent interest rate loan from the OWDA for the purpose of financing septic system replacements. OWDA loans are direct borrowings that have terms negotiated directly between the County and the OWDA and are not offered for public sale. In the event of default, the OWDA may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the County to pay any fines, penalties, interest, or late charges associated with the default. This loan is being retired from the community development block grant fund (a nonmajor governmental fund). This loan matures in 2023.

In 2007, the County entered into a loan agreement to finance a service garage for JFS in the amount of \$253,000. This loan is a direct borrowing that has terms negotiated directly between the County and the lender and are not offered for public sale. This loan bears an interest rate of 4.55% and is scheduled to mature in 2026. This loan is being retired from the JFS service garage fund (a nonmajor governmental fund).

*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:* See Note 12 for further detail on the capital lease obligations.

*Net Pension Liability and Net OPEB Liability:* See Notes 17 and 18 for more information about net pension liability and net OPEB liability.

*Future Debt Service Requirements:* The following is a summary of the County's future annual debt service principal and interest requirements.

Year Ended December 31,	General Obligation Bonds			Courthouse Renovation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 320,000	\$ 108,713	\$ 428,713	\$ 75,000	\$ 67,119	\$ 142,119
2021	325,000	102,013	427,013	80,000	65,244	145,244
2022	340,000	94,738	434,738	80,000	62,644	142,644
2023	190,000	85,338	275,338	85,000	60,044	145,044
2024	200,000	79,638	279,638	85,000	57,281	142,281
2025 - 2029	1,035,000	304,438	1,339,438	500,000	224,925	724,925
2030 - 2034	985,000	100,200	1,085,200	600,000	110,488	710,488
2035	-	-	-	135,000	6,074	141,074
Total	\$ 3,395,000	\$ 875,078	\$ 4,270,078	\$ 1,640,000	\$ 653,819	\$ 2,293,819

Year Ended December 31,	JFS Service Garage Loan			OWDA Loans		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 14,000	\$ 5,204	\$ 19,204	\$ 3,750	\$ -	\$ 3,750
2021	15,000	4,559	19,559	3,750	-	3,750
2022	15,000	3,868	18,868	3,750	-	3,750
2023	16,000	3,177	19,177	3,750	-	3,750
2024	17,000	2,441	19,441	-	-	-
2025 - 2026	36,000	2,487	38,487	-	-	-
Total	\$ 113,000	\$ 21,736	\$ 134,736	\$ 15,000	\$ -	\$ 15,000

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**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 \$14,924,607 at December 31, 2019 and the unvoted legal debt margin was \$8,903,803 at December 31, 2019.

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

During 2019, the following changes occurred in the County’s business-type activities long-term obligations.

	Balance			Balance	Amount
	<u>12/31/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/19</u>	<u>Due in</u> <u>One Year</u>
<u>Loans from direct borrowings:</u>					
OWDA loan #7105	\$ 836,112	\$ -	\$ (46,450)	\$ 789,662	\$ 46,450
OWDA loan #7939	11,110	1,220	-	12,330	-
SoMoCo sewer lines loan	2,210,000	-	-	2,210,000	-
<u>Other long-term obligations:</u>					
Sanitary sewer					
revenue bonds, series 2011	552,664	-	(10,504)	542,160	10,752
2016 USDA revenue					
bonds, series 2016	861,000	-	(16,000)	845,000	16,300
Hospital facilities revenue					
bonds, series 2011	25,396	-	(25,396)	-	-
Net pension liability	10,611,142	6,166,662	-	16,777,804	-
Net OPEB liability	7,232,300	630,536	-	7,862,836	-
Compensated absences payable	<u>597,168</u>	<u>495,915</u>	<u>(597,168)</u>	<u>495,915</u>	<u>495,915</u>
Total business-type activities					
long-term obligations	<u>\$ 22,936,892</u>	<u>\$ 7,294,333</u>	<u>\$ (695,518)</u>	<u>\$ 29,535,707</u>	<u>\$ 569,417</u>

Sanitary Sewer Revenue Bonds: On July 5, 2011, the County issued \$610,000 in 2011 Sanitary Sewer Revenue Bonds to pay off the OWDA loan for the Johnsville Sanitary Sewer Project. The bond carries an interest rate of 2.75% and will mature June 1, 2051. These bonds will be retired from the sewer fund. Pledged revenues began being collected in 2013.



**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

Year Ended December 31,	<u>Sanitary Sewer Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 10,752	\$ 14,943	\$ 25,695
2021	11,088	14,607	25,695
2022	11,393	14,302	25,695
2023	11,706	13,989	25,695
2024	11,991	13,704	25,695
2025 - 2029	65,249	63,226	128,475
2030 - 2034	74,733	53,742	128,475
2035 - 2039	85,594	42,881	128,475
2040 - 2044	98,019	30,456	128,475
2045 - 2049	112,286	16,189	128,475
2050 - 2051	49,349	2,038	51,387
Total	<u>\$ 542,160</u>	<u>\$ 280,077</u>	<u>\$ 822,237</u>

Hospital Facility Revenue Bonds: During 2011, the Hospital authorized the issuance of revenue bonds in a principal amount of \$3,200,000 for the purpose of acquiring and installing the Meditech computer system. All debt charges on the bonds are expected to be paid from adjusted annual revenue of the Hospital. The final payment of \$25,396 principal and \$73 interest was made in January 2019.

Ohio Water Development Authority (OWDA) Loans: During 2016, the County entered into an agreement with OWDA to finance the construction of a sewer extension for State Route 95. The loan amount is \$929,013 with zero percent interest and a final maturity of January 1, 2037.

OWDA loans are direct borrowings that have terms negotiated directly between the County and the OWDA and are not offered for public sale. In the event of default, the OWDA may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the County to pay any fines, penalties, interest, or late charges associated with the default.

During 2018, the County entered into an agreement with OWDA for construction costs of the Iberia Area Sewer System. The loan award is \$235,500 with zero percent interest and a final maturity of January 1, 2025. As of December 31, 2019, \$12,330 of the loan has been disbursed. An amortization schedule is not yet available.

Year Ended December 31,	<u>OWDA Loan - 7105</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 46,450	\$ -	\$ 46,450
2021	46,450	-	46,450
2022	46,450	-	46,450
2023	46,450	-	46,450
2024	46,450	-	46,450
2025 - 2029	232,255	-	232,255
2030 - 2034	232,255	-	232,255
2035 - 2037	92,902	-	92,902
Total	<u>\$ 789,662</u>	<u>\$ -</u>	<u>\$ 789,662</u>

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

USDA Revenue Bonds: During 2016, the County issued revenue bonds in the amount of \$900,000 in order to finance the purchase and upgrades to the Chesterville wastewater treatment plant. These bonds carry an interest rate of 1.875% and will mature in June of 2056. The County has pledged future revenues to repay the USDA loan. Annual principal and interest payments on the USDA bonds are expected to require 7.85 percent of net revenues and 4.32 percent of total revenues. Principal and interest payments will be made from the sewer fund. During 2019, the County made principal and interest payments of \$16,000 and \$16,069, respectively.

Year Ended December 31,	<u>2016 USDA Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 16,300	\$ 15,768	\$ 32,068
2021	16,600	15,460	32,060
2022	16,900	15,148	32,048
2023	17,300	14,829	32,129
2024	17,500	14,504	32,004
2025 - 2029	93,000	67,430	160,430
2030 - 2034	102,000	58,331	160,331
2035 - 2039	112,000	48,370	160,370
2040-2044	123,000	37,406	160,406
2045-2049	135,000	25,377	160,377
2050-2054	148,200	12,177	160,377
2055-2056	<u>47,200</u>	<u>889</u>	48,089
Total	<u>\$ 845,000</u>	<u>\$ 325,689</u>	<u>\$ 1,170,689</u>

Net Pension Liability and Net OPEB Liability: See Note 17 and 18 for more information on net pension liability and net OPEB liability, respectively.

SoMoCo Wastewater Treatment Plant: On June 25, 2018 the County entered into an agreement with the SoMoCo Board of Directors to purchase the SoMoCo wastewater treatment plant. This loan is a direct borrowing that has terms negotiated directly between the County and the lender and are not offered for public sale. The loan amount is \$2,210,000 with zero percent interest and is good up to twenty years. The County will assign fifty percent of the residential and commercial connection fees paid by the prospective user to the SoMoCo Board of Directors as agreed upon by all parties until the \$2,210,000 payment is reached or the twenty-year agreement time period is surpassed.

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 2019 recorded in the Hospital enterprise fund was \$19,902,303.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**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 2019, 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/Underinsured Motorists (per person)	250,000
Cyber Security Liability	1,000,000
Physical Damage	Actual Cost
Flood and Earthquake (pool limit)	100,000,000
Property	
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
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 (per occurrence)	25,000
Boiler and Machinery	100,000,000
Public Officials (per occurrence)	1,000,000
Umbrella (per occurrence)	4,000,000
Medical Professional Liability	5,000,000

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. The County pays all elected officials' bonds by statute.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 16 - RISK MANAGEMENT - (Continued)**

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 22.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 80% of the monthly premium and employees will pay 20%.

In 2019, the Hospital participated in a fully insured Health insurance plan.

**NOTE 17 - DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability/Asset*

The net pension liability/asset reported on the statement of net position represents a liability or asset to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability/asset represents the County's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the County's obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which pensions are financed; however, the County does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes any net pension liability/asset is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability/asset on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in due to other governments on both the accrual and modified accrual bases of accounting.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description - County employees participate 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 and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

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**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>
<b>Traditional Plan Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Traditional Plan Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Traditional Plan Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final Average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

**MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)**

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.00% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3.00% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	Public Safety	Law Enforcement
<b>2019 Statutory Maximum Contribution Rates</b>			
Employer	14.0 %	18.1 %	18.1 %
Employee ***	10.0 %	*	13.0 %
<b>2019 Actual Contribution Rates</b>			
Employer:			
Pension	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits ****	0.0 %	0.0 %	0.0 %
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %

- \* This rate is determined by OPERS' Board and has no maximum rate established by ORC.
- \*\* This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.
- \*\*\* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance
- \*\*\*\* This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The County's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$2,754,085 for 2019. Of this amount, \$49,453 is reported as due to other governments.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).



**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 17 - DEFINED BENEFIT 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability 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 - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For 2019, plan members were required to contribute 14% of their annual covered salary. The County was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The 2019 contribution rates were equal to the statutory maximum rates.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**Net Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2018, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. STRS's total pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability or asset was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	STRS	Total
Proportion of the net pension liability/asset prior measurement date	0.15209400%	0.13635800%	0.05802300%	0.00052297%	
Proportion of the net pension liability/asset current measurement date	<u>0.14690500%</u>	<u>0.13054300%</u>	<u>0.05883700%</u>	<u>0.00000000%</u>	
Change in proportionate share	<u>-0.00518900%</u>	<u>-0.00581500%</u>	<u>0.00081400%</u>	<u>-0.00052297%</u>	
Proportionate share of the net pension liability	\$ 38,892,352	\$ -	\$ -	\$ -	\$ 38,892,352
Proportionate share of the net pension asset	-	142,212	1,264	-	143,476
Pension expense	8,737,047	39,463	(327)	(100,874)	8,675,309

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)**

At December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	STRS	Total
<b>Deferred outflows of resources</b>					
Differences between expected and actual experience	\$ 1,794	\$ -	\$ 5,262	\$ -	\$ 7,056
Net difference between projected and actual earnings on pension plan investments	5,278,783	30,639	420	-	5,309,842
Changes of assumptions	3,385,673	31,761	393	-	3,417,827
Changes in employer's proportionate percentage/difference between employer contributions	378,359	10,046	-	643	389,048
Contributions subsequent to the measurement date	2,669,311	58,607	26,167	-	2,754,085
Total deferred outflows of resources	<u>\$ 11,713,920</u>	<u>\$ 131,053</u>	<u>\$ 32,242</u>	<u>\$ 643</u>	<u>\$ 11,877,858</u>
<b>Deferred inflows of resources</b>					
Differences between expected and actual experience	\$ 510,681	\$ 58,083	\$ -	\$ -	\$ 568,764
Changes in employer's proportionate percentage/difference between employer contributions	1,079,898	4,110	-	8,623	1,092,631
Total deferred inflows of resources	<u>\$ 1,590,579</u>	<u>\$ 62,193</u>	<u>\$ -</u>	<u>\$ 8,623</u>	<u>\$ 1,661,395</u>

\$2,754,085 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2020.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	STRS	Total
2020	\$ 2,965,144	\$ 5,385	\$ 874	\$ (2,477)	\$ 2,968,926
2021	1,544,150	(734)	802	(3,120)	1,541,098
2022	489,713	(87)	813	(2,382)	488,057
2023	2,455,023	9,502	978	(1)	2,465,502
2024	-	(3,090)	724	-	(2,366)
Thereafter	-	(723)	1,884	-	1,161
<b>Total</b>	<b>\$ 7,454,030</b>	<b>\$ 10,253</b>	<b>\$ 6,075</b>	<b>\$ (7,980)</b>	<b>\$ 7,462,378</b>

**Actuarial Assumptions - OPERS**

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

Wage inflation	3.25%
Future salary increases, including inflation COLA or ad hoc COLA	3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple
Investment rate of return	
Current measurement date	7.20%
Prior measurement date	7.50%
Actuarial cost method	Individual entry age

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 2.94% for 2018.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.79 %
Domestic equities	19.00	6.21
Real estate	10.00	4.90
Private equity	10.00	10.81
International equities	20.00	7.83
Other investments	18.00	5.50
Total	<u>100.00 %</u>	<u>5.95 %</u>

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the County's Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate** - The following table presents the County's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.20%, as well as what the County's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.20%) or one-percentage-point higher (8.20%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
County's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 57,455,316	\$ 38,892,352	\$ 23,466,364
Combined Plan	(47,056)	(142,212)	(211,112)
Member-Directed Plan	(555)	(1,264)	(2,219)

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

	July 1, 2019
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation**	Long-Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

\*\*The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

## MORROW COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

#### NOTE 18 - DEFINED BENEFIT OPEB PLANS

##### *Net OPEB Liability*

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the County's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the County's obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which OPEB are financed; however, the County does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in due to other governments on both the accrual and modified accrual bases of accounting.

##### *Plan Description – Ohio Public Employees Retirement System (OPERS)*

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.



## MORROW COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

#### **NOTE 18 - DEFINED BENEFIT OPEB PLANS - (Continued)**

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care was 0.00% for the Traditional and Combined plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The County's contractually required contribution was \$10,467 for 2019. Of this amount, \$291 is reported as due to other governments.

#### ***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 18 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, 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, currently 14% of covered payroll. For 2019, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liabilities, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. STRS’s total OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The County's proportion of the net OPEB liability was based on the County's share of contributions to the retirement plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.14925000%	0.00052297%	
Proportion of the net OPEB liability current measurement date	<u>0.14893700%</u>	<u>0.00000000%</u>	
Change in proportionate share	<u>-0.00031300%</u>	<u>-0.00052297%</u>	
Proportionate share of the net OPEB liability	\$ 18,756,805	\$ -	\$ 18,756,805
OPEB expense	\$ 2,018,980	\$ (6,261)	\$ 2,012,719

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 18 - DEFINED BENEFIT OPEB PLANS - (Continued)**

At December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 6,351	\$ -	\$ 6,351
Net difference between projected and actual earnings on OPEB plan investments	859,890	-	859,890
Changes of assumptions	604,741	-	604,741
Changes in employer's proportionate percentage/difference between employer contributions	379,494	-	379,494
Contributions subsequent to the measurement date	10,467	-	10,467
Total deferred outflows of resources	<u>\$ 1,860,943</u>	<u>\$ -</u>	<u>\$ 1,860,943</u>
	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 50,893	\$ -	\$ 50,893
Changes in employer's proportionate percentage/difference between employer contributions	462,833	3,281	466,114
Total deferred inflows of resources	<u>\$ 513,726</u>	<u>\$ 3,281</u>	<u>\$ 517,007</u>

\$10,467 reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 18 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
2020	\$ 731,911	\$ (612)	\$ 731,299
2021	34,839	(612)	34,227
2022	136,816	(612)	136,204
2023	433,182	(612)	432,570
2024	2	(609)	(607)
Thereafter	-	(224)	(224)
<b>Total</b>	<b><u>\$ 1,336,750</u></b>	<b><u>\$ (3,281)</u></b>	<b><u>\$ 1,333,469</u></b>

***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25 to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	3.96%
Prior Measurement date	3.85%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.50%
Municipal Bond Rate	
Current measurement date	3.71%
Prior Measurement date	3.31%
Health Care Cost Trend Rate	
Current measurement date	10.00% initial, 3.25% ultimate in 2029
Prior Measurement date	7.50%, initial 3.25%, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 18 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 5.60% for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	<u>100.00 %</u>	<u>5.16 %</u>

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 18 - DEFINED BENEFIT OPEB PLANS - (Continued)**

**Discount Rate** - A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** - The following table presents the County's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96%, as well as what the County's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96%) or one-percentage-point higher (4.96%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
County's proportionate share of the net OPEB liability	\$ 23,996,945	\$ 18,756,805	\$ 14,589,509

**Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate** Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
County's proportionate share of the net OPEB liability	\$ 18,029,359	\$ 18,756,805	\$ 19,594,627

**MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 19 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (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, motor vehicle and gas tax fund, public assistance fund and county board of developmental disabilities fund 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);
- (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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 19 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

**Net Change in Fund Balance**

	<u>General fund</u>	Motor Vehicle and <u>Gas Tax</u>	Public <u>Assistance</u>	County Board of Developmental <u>Disabilities</u>
Budget basis	\$ 68,275	\$ 402,136	\$ (77,055)	\$ 749,732
Net adjustment for revenue accruals	301,039	300,074	(231,114)	74,092
Net adjustment for expenditure accruals	(156,992)	210,058	98,022	47,818
Net adjustment for other sources/uses	(92,934)	(45,706)	-	-
Funds budgeted elsewhere	(161,343)	-	-	-
Adjustment for encumbrances	<u>190,619</u>	<u>216,184</u>	<u>328,224</u>	<u>74,967</u>
GAAP basis	<u>\$ 148,664</u>	<u>\$ 1,082,746</u>	<u>\$ 118,077</u>	<u>\$ 946,609</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the following funds: recorder's fees, certificate of title administration, unclaimed county trust, sheriff's rotary, prepayments interest account, Medicaid local sales tax transition, County unclaimed monies, Federal unclaimed monies, public defender reimbursement & fees, self-insurance, casino/capital improvement, bid trust, insurance clearing account, treasurer daily receipts unclaimed, County burden Medicare, workers' compensation, Zimbra-email service, STRS County burden clearing account, employee withholding supplement, payroll deductions, and County burden PERS.



**MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 20 - FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General	Motor Vehicle and Gas Tax	Public Assistance	County Board of Developmental Disabilities	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Materials and supplies inventory	\$ 24,225	\$ 201,674	\$ 5,484	\$ 7,648	\$ 11,385	\$ 250,416
Prepays	4,356	-	-	13,106	25,684	43,146
Unclaimed monies	97,281	-	-	-	-	97,281
Total nonspendable	<u>125,862</u>	<u>201,674</u>	<u>5,484</u>	<u>20,754</u>	<u>37,069</u>	<u>390,843</u>
Restricted:						
General government	-	-	-	-	1,131,248	1,131,248
Public safety	-	-	-	-	1,625,577	1,625,577
Public works	-	2,013,217	-	-	176,897	2,190,114
Human services	-	-	824,136	-	630,727	1,454,863
Health	-	-	-	2,191,045	29,732	2,220,777
Debt service	-	-	-	-	274,131	274,131
Capital projects	-	-	-	-	233,746	233,746
Economic and development	-	-	-	-	593,146	593,146
Other purposes	-	-	-	-	1,000,316	1,000,316
Total restricted	<u>-</u>	<u>2,013,217</u>	<u>824,136</u>	<u>2,191,045</u>	<u>5,695,520</u>	<u>10,723,918</u>
Committed:						
Public safety	-	-	-	-	121,850	121,850
General government	-	-	-	-	1,197,865	1,197,865
Human services	-	-	-	-	13,476	13,476
Capital projects	-	-	-	-	205,949	205,949
Other purposes	309,684	-	-	-	399,129	708,813
Total committed	<u>309,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,938,269</u>	<u>2,247,953</u>
Assigned:						
General government	138,131	-	-	-	-	138,131
Public safety	5,966	-	-	-	-	5,966
Health	1,336	-	-	-	-	1,336
Prepayments interest account	6,625	-	-	-	-	6,625
Motor vehicle bond retirement	-	-	-	-	148,103	148,103
Subsequent year appropriations	491,497	-	-	-	-	491,497
Other purposes	3,598	-	-	-	-	3,598
Total assigned	<u>647,153</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,103</u>	<u>795,256</u>
Unassigned	<u>2,766,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(529,130)</u>	<u>2,237,735</u>
Total fund balances	<u>\$ 3,849,564</u>	<u>\$ 2,214,891</u>	<u>\$ 829,620</u>	<u>\$ 2,211,799</u>	<u>\$ 7,289,831</u>	<u>\$ 16,395,705</u>

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 21 - OTHER COMMITMENTS**

The County utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the County's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 149,031
Motor vehicle and gas tax	170,255
Public assistance	216,911
County Board of Developmental Disabilities	49,998
Other governmental	<u>319,784</u>
 Total	 <u>\$ 905,979</u>

**NOTE 22 - 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, 2019.

**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 occurred. 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 \$5,000,000 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. There has not been a significant reduction in coverage from the prior year. 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.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 22 - CONTINGENCIES - (Continued)**

**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 23 - 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, 2019, the County’s contributions totaled \$481,283.

**NOTE 24 - FEDERAL TRANSACTIONS**

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

**NOTE 25 - 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 25.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.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 25 - WHETSTONE INDUSTRIES, INC. - COMPONENT UNIT - (Continued)**

*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 receives 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 generates 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.

**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>12/31/19</u>
First Federal	Operating account	\$ 34,329
First Federal	Payroll account	903
Cash on hand	Operations	<u>355</u>
Total		<u>\$ 35,587</u>

The Workshop has three negotiable certificates of deposit at December 31, 2019. These certificates of deposit are recorded at fair value, with maturities of nine to twenty-four months. These certificates of deposit earn interest at rates of 0.10%.

**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.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 25 - WHETSTONE INDUSTRIES, INC. - COMPONENT UNIT - (Continued)**

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 \$481,283 for the year ended December 31, 2019. 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 Workshop is dependent on the passage of a local levy.

**G. Capital Assets**

The following is a summary of the Workshop's capital assets activity for 2019:

	Balance 12/31/18	Additions	Reductions	Balance 12/31/19
Property and equipment	\$ 67,483	\$ -	\$ -	\$ 67,483
Accumulated depreciation	<u>(60,904)</u>	<u>(2,631)</u>	<u>-</u>	<u>(63,535)</u>
Total	<u>\$ 6,579</u>	<u>\$ (2,631)</u>	<u>\$ -</u>	<u>\$ 3,948</u>

**NOTE 26 – AFFILIATION AND DISPOSAL OF OPERATIONS**

The Hospital contracts with OhioHealth for management, information technology, revenue cycle management and support, and other support services. OhioHealth employs the Hospital's chief executive officer/President, VP of Finance, and the chief nursing officer/VP of Patient Care and has an OhioHealth representative, Sr VP of Regional Operations present at the Board meetings. Expenses for services included in the combined statements of revenue, expenses, and changes in net position (deficit) at December 31, 2019 consisted of these amounts:

Employee salaries, benefits, and payroll taxes	\$ 807,161
Purchased services	968,083
Affiliation fees	125,000
Other support services and resources	<u>76,891</u>
Total	<u>\$ 1,977,135</u>

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 26 – AFFILIATION AND DISPOSAL OF OPERATIONS – (Continued)**

Amounts due to OhioHealth for services amounted to approximately \$513,000 at December 31, 2019 and has been included in accounts payable on the accompanying financial statements.

On June 10, 2019, the Hospital disposed of Morrow County Hospital Health Services operations to OhioHealth, an affiliated entity. The disposal was transacted through an asset purchase agreement, which resulted in the buyer acquiring capital assets, patient charts and medical records, and right to hire employees of Morrow County Hospital Health Services. In consideration of the sale of the purchased assets, the buyer paid the sum of \$248,065. The removed assets had a net book value of \$175,679, which resulted in a gain on disposal of operations in the amount of \$72,386.

The asset purchase agreement also included a covenant that OhioHealth would build a new ambulatory facility if the Hospital would cease operations of its inpatient facility and no longer use the existing hospital building within the next ten years from June 10, 2019.

**NOTE 27 – NET PATIENT SERVICE REVENUE**

The Hospital has agreements with third-party payors that provide for reimbursement to the Hospital at amounts different from its established rates. The Hospital is designated as a Critical Access Hospital under the Medicare and Medicaid programs. 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:** Inpatient services and most outpatient services rendered to Medicare program beneficiaries are paid based on a cast reimbursement methodology. Other outpatient services are based on fee schedules.

The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital’s classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization.

**Medicaid:** Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on prospectively determined rates per discharge. Medicaid outpatient services are reimbursed based upon the lesser of the Hospital’s charge or predetermined fee schedule amounts. Capital related expenditures are subject to annual cost report settlement.

**Other payors:** The Hospital has entered into agreements with certain commercial carriers. Reimbursements for charges for services under these agreements includes discounts from established charges and other payment methodologies.

Gross patient service revenue and the allowances to reconcile to net patient service revenue for the year ended December 31, 2019 is as follows:

Gross patient service revenue	\$ 48,560,066
Less third-party allowances and other discounts	(26,693,932)
Less bad debts	<u>(1,963,831)</u>
Net patient service revenue	<u>\$ 19,902,303</u>

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 27 – NET PATIENT SERVICE REVENUE – (Continued)**

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Hospital’s uninsured patients will be unable or unwilling to pay for the services provided. Thus the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized during the year ended December 31, 2019 from these major payor sources, is as follows:

	Third-Party Payors	Self-Pay	Total All Payors
Patient service revenue (net of contractual allowances and discounts)	\$ 19,269,467	\$ 2,596,667	\$ 21,866,134

Upper payment limit: In September 2001, the State of Ohio Supplemental Upper Payment Limit program for Public Hospitals (UPL) was approved by the Centers for Medicare and Medicaid Services (CMS). This program provides access to available federal funding up to 100% of the Medicare upper payment limits for services rendered by Ohio Public Hospitals to Ohio Medicaid consumers. The Hospital received \$252,490 in UPL payments in 2019 which are reported as revenue in the statement of activities.

The Hospital has recorded assets and liabilities for cost report settlement amounts with Medicare and Medicaid. The net patient service revenue for the year ended December 31, 2019 was decreased by approximately \$311,000 as a result of settlements at amounts different than originally estimated.

**NOTE 28 – SUBSEQUENT EVENTS**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the County. The County’s investment portfolio and the investments of the pension and other employee benefit plan in which the County participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the County’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Due to the decline in patient volumes as a result of the COVID-19 pandemic beginning during the second half of March, the impact from the COVID-19 pandemic on the Hospital’s operations and financial results for the year end 2020 included decreases in net operating revenues and increases in expenses related to supply chain and other expenditures.

The County is not able to fully quantify the impact that COVID-19 will have on its financial results during 2020, but expects developments related to COVID-19 to materially affect the Hospital’s financial performance in 2020.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 28 – SUBSEQUENT EVENTS – (Continued)**

Federal and state governments have passed legislation, promulgated regulations, and taken other administrative actions intended to assist healthcare providers in providing care to COVID-19 and other patients during the public health emergency. Sources of relief include the CARES Act, which was enacted on March 27, 2020, and the Paycheck Protection Program and Health Care Enhancement Act (the “PPHCE Act”), which was enacted on April 24, 2020. The CARES Act includes \$100 billion in funding to be distributed to eligible providers through the Public Health and Social Services Emergency Fund (the “PHSSEF”) as well as an expansion of the Medicare Accelerated and Advance Payment Program, which the Hospital did not participate in. The PPHCE Act includes additional emergency appropriations for COVID-19 response, including \$75 billion to be distributed to eligible providers through the PHSSEF.

In 2020, the Hospital received payments through the PHSSEF and the PPHCE Act. PHSSEF payments both under the CARES Act and the PPHCE Act are intended to compensate healthcare providers for lost revenues and incremental expenses incurred in response to the COVID-19 pandemic and are not required to be repaid provided that recipients attest to and comply with certain terms and conditions, including limitations on balance billing and not using funds received from the PHSSEF to reimburse expenses or losses that other sources are obligated to reimburse.

The PHSSEF payments and accelerated payments received to date and which the Hospital may receive in the future under the CARES Act and the PPHCE Act as noted above, or other legislation, will be beneficial in addressing the impact of the COVID-19 pandemic on its results of operations and financial position. However, the Hospital is unable to assess the extent to which anticipated negative impacts on the Hospital arising from the COVID-19 pandemic will be offset by amounts and benefits received, and which the Hospital may receive in the future, under the CARES Act, the PPHCE Act or other legislation.

**NOTE 29 - TAX ABATEMENTS**

As of December 31, 2019, the County provides tax abatements Enterprise Zone (Ezone). These programs relate to the abatement of property taxes.

Ezone - Under the authority of ORC Sections 5709.62 and 5709.63, the Ezone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investment. An Ezone’s geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the “Agreement”) with the business, which may include tax sharing with the Board of Education. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The County Auditor will apply the abatement to the real property value and submit this adjustment in value on the tax duplicate to DTE. The amount of the abatement is deducted from the business’s property tax bill.

The County has entered into agreements to abate property taxes through these programs. During 2019, the County’s property tax revenues were reduced as a result of these agreements as follows:

<u>Tax Abatement Program</u>	<u>County Taxes Abated</u>
Ezone	<u>\$ 4,890</u>



## MORROW COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

#### NOTE 30 - MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

##### A. Description of the Entity

The Morrow County Transportation Improvement District (the District), is a body politic and corporate, created for the purpose to acquire, construct, enlarge, improve, equip, sell, lease, lease-purchase, exchange, or otherwise dispose of property, structures, and other facilities for transportation projects. The District was specifically created pursuant to Chapter 5540 of the Ohio Revised Code, as amended. The District was created by action of the Board of Morrow County Commissioners on May 31, 2017.

The District is governed by a Board of Trustees that acts as the authoritative and legislative body of the entity. The Board is comprised of seven members of whom five are voting and two are non-voting. Each Board member serves a term of one year and there are no term limits for reappointment. The five voting Board members are appointed by the Board of Morrow County Commissioners, one nonvoting member is appointed by the Speaker of the Ohio House of Representatives of the general assembly, and one nonvoting member is appointed by the President of the Senate of the general assembly.

The District is a political subdivision of the State of Ohio. In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organization Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus", the District's primary government and basic financial statements include component units which are defined as legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or impose its will over the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of organization. The District does not have any component units and does not include any organizations in its presentation. The District's management believes these basic financial statements present all activities for which the District is financially accountable. The District is a component unit of Morrow County, Ohio.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

##### B. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

*Government-wide Financial Statements* The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

## MORROW COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

#### NOTE 30 - MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT - (Continued)

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, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limitations. 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 District.

*Fund Financial Statements* During the year, the District segregates transactions related to certain District 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 District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds would be aggregated and presented in a single column; however, the District did not have any nonmajor funds in 2019 since all funds were considered as major.

#### C. Fund Accounting

The District 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 is one category of funds: governmental.

*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 funds' assets and liabilities is reported as fund balance. The following is the District's major governmental fund:

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

#### D. Measurement Focus

*Government-wide Financial Statements* The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

*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 deferred outflows of resources and current liabilities and deferred inflows of resources 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.

## MORROW COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

#### NOTE 30 - MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT - (Continued)

##### E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified 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 outflows and inflows of resources, and in the presentation of expenses versus expenditures.

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: grants and entitlements.

**Deferred Outflows/Inflows of Resources** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes intergovernmental receivable. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

## MORROW COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

#### NOTE 30 - MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT - (Continued)

##### F. Cash and Cash Equivalents

The Morrow County Treasurer maintains a cash and investment pool used for all County funds, including the District's funds. The District has no other cash deposits or investments and does not receive interest income on its cash balances held in the County Treasury.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation, 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.

##### G. Capital Assets

The District reports no capital assets.

##### H. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide 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.

At December 31, 2019, payables consisted of accounts payable of \$250,000.

##### I. Receivables

At December 31, 2019, receivables consisted of an intergovernmental receivable of \$250,000 from the Ohio Department of Transportation.

##### J. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 30 - MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT - (Continued)**

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Trustees (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Board of Trustees.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**K. Net Position**

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted net position are available.

**L. Estimates**

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

**M. Long-Term Obligations**

**A.** During 2019, the following activity occurred in the governmental activities long-term obligations:

	Balance			Amounts	
	12/31/18	Increase	Decrease	Balance	Due in
<b>Governmental activities:</b>	<u>12/31/18</u>	<u>Increase</u>	<u>Decrease</u>	<u>12/31/19</u>	<u>One Year</u>
Loans payable	\$ -	\$ 208,000	\$ -	\$ 208,000	\$ -
Total governmental activities	<u>\$ -</u>	<u>\$ 208,000</u>	<u>\$ -</u>	<u>\$ 208,000</u>	<u>\$ -</u>

Loans payable – On November 20, 2019, the District entered into a promissory note agreement with the Morrow County Treasurer’s Office in the amount of \$208,000, to pay for immediate appropriation costs for public infrastructure improvements. The interest rate of the loan shall be 2.45%, with payments beginning in 2021 and payable through 2025. Principal and interest on the loan will be paid from revenues generated within the Morrow County Transportation Improvement District fund.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 30 - MORROW COUNTY TRANSPORTATION IMPROVEMENT DISTRICT - (Continued)**

**B.** A summary of the District’s future long-term debt funding requirements, including principal and interest payments as of December 31, 2019, follows:

Year Ending December 31,	<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ -	\$ -
2021	38,185	5,971
2022	41,456	2,700
2023	42,115	2,041
2024	42,780	1,375
2025	<u>43,464</u>	<u>691</u>
Total	<u>\$ 208,000</u>	<u>\$ 12,778</u>

**N. Risk Management**

The District has obtained commercial insurance coverage for general liability and vehicles.

**O. Contingencies**

Federal and State contracts are subject to review and audit by the grantor agencies or their designees. Such audits could lead to requests for reimbursement to the grantor agency for expenses disallowed under terms of the grant. There are no such claims pending and no known situations which would lead to such a claim. In addition, based upon prior experience and audit results, management believes that such disallowances, if any, would be immaterial.

**NOTE 31 – SUBSEQUENT EVENT**

On September 18, 2020, the County issued Refunding Bonds, Series 2020 in the amount of \$1,640,000 for the purpose of refunding the County’s outstanding Court House Renovation Bonds, Series 2014, dated January 7, 2014. The interest payment dates for the refunding bonds shall be each June 1 and December 1, beginning December 1, 2020 and ending December 1, 2035. The interest rate of the refunding bonds is 2.22%.

REQUIRED SUPPLEMENTARY INFORMATION

**MORROW COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY/NET PENSION ASSET  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST SIX YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Traditional Plan:</i>				
County's proportion of the net pension liability	0.146905%	0.152094%	0.157563%	0.225090%
County's proportionate share of the net pension liability	\$ 38,892,352	\$ 22,941,747	\$ 34,475,368	\$ 26,458,710
County's covered payroll	\$ 19,864,793	\$ 20,113,169	\$ 20,277,933	\$ 17,706,742
County's proportionate share of the net pension liability as a percentage of its covered payroll	195.79%	114.06%	170.01%	149.43%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	84.66%	77.25%	81.08%
<i>Combined Plan:</i>				
County's proportion of the net pension asset	0.130543%	0.136358%	0.125882%	0.218040%
County's proportionate share of the net pension asset	\$ 142,212	\$ 179,926	\$ 63,831	\$ (29,061)
County's covered payroll	\$ 540,864	\$ 541,554	\$ 456,183	\$ 511,125
County's proportionate share of the net pension asset as a percentage of its covered payroll	26.29%	33.22%	13.99%	-5.69%
Plan fiduciary net position as a percentage of the total pension asset	126.64%	137.28%	116.55%	116.90%
<i>Member Directed Plan:</i>				
County's proportion of the net pension asset	0.058837%	0.058023%	0.059749%	0.050171%
County's proportionate share of the net pension asset	\$ 1,264	\$ 1,885	\$ 232	\$ 192
County's covered payroll	\$ 343,890	\$ 324,840	\$ -	\$ 199,575
County's proportionate share of the net pension asset as a percentage of its covered payroll	0.37%	0.58%	0.00%	0.10%
Plan fiduciary net position as a percentage of the total pension asset	113.42%	124.46%	103.40%	103.91%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the County's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



	<u>2015</u>		<u>2014</u>
	0.238995%		0.163738%
\$	19,677,796	\$	10,361,522
\$	17,895,875	\$	18,309,523
	109.96%		56.59%
	86.45%		86.36%
	0.123264%		0.053039%
\$	(6,752)	\$	5,528
\$	(62,825)	\$	149,477
	10.75%		3.70%
	114.83%		104.56%
	n/a		n/a
	n/a		n/a
	n/a		n/a
	n/a		n/a
	n/a		n/a

**MORROW COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST SIX YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
County's proportion of the net pension liability	0.00000000%	0.00052297%	0.00058874%	0.00057612%
County's proportionate share of the net pension liability	\$ -	\$ 114,989	\$ 139,856	\$ 192,845
County's covered-employee payroll	\$ 27,314	\$ 63,479	\$ 61,779	\$ 62,250
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	181.14%	226.38%	309.79%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.30%	75.30%	66.80%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the County's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
0.00056454%	0.00130236%
\$ 156,022	\$ 140,176
\$ 56,979	\$ 54,546
273.82%	256.99%
72.10%	74.70%

**MORROW COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COUNTY PENSION CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 2,669,311	\$ 2,781,071	\$ 2,614,712	\$ 2,433,352
Contributions in relation to the contractually required contribution	<u>(2,669,311)</u>	<u>(2,781,071)</u>	<u>(2,614,712)</u>	<u>(2,433,352)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 19,066,507	\$ 19,864,793	\$ 20,113,169	\$ 20,277,933
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 58,607	\$ 75,721	\$ 70,402	\$ 54,742
Contributions in relation to the contractually required contribution	<u>(58,607)</u>	<u>(75,721)</u>	<u>(70,402)</u>	<u>(54,742)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 418,621	\$ 540,864	\$ 541,554	\$ 456,183
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 26,167	\$ 34,389	\$ 32,484	\$ -
Contributions in relation to the contractually required contribution	<u>(26,167)</u>	<u>(34,389)</u>	<u>(32,484)</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 261,670	\$ 343,890	\$ 324,840	\$ -
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	12.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 2,124,809	\$ 1,040,322	\$ 2,380,238	\$ 1,914,412	\$ 1,975,068	\$ 1,635,787
<u>(2,124,809)</u>	<u>(1,040,322)</u>	<u>(2,380,238)</u>	<u>(1,914,412)</u>	<u>(1,975,068)</u>	<u>(1,635,787)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 17,706,742	\$ 8,669,350	\$ 18,309,523	\$ 19,144,120	\$ 19,750,680	\$ 18,338,419
12.00%	12.00%	13.00%	10.00%	10.00%	8.92%
\$ 61,335	\$ 23,265	\$ 19,432	\$ 11,282	\$ 8,478	\$ 16,227
<u>(61,335)</u>	<u>(23,265)</u>	<u>(19,432)</u>	<u>(11,282)</u>	<u>(8,478)</u>	<u>(16,227)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 511,125	\$ 193,875	\$ 149,477	\$ 141,912	\$ 106,642	\$ 167,461
12.00%	12.00%	13.00%	7.95%	7.95%	9.69%
\$ 23,949					
<u>(23,949)</u>					
<u>\$ -</u>					
\$ 199,575					
12.00%					

**MORROW COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COUNTY PENSION CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ 3,824	\$ 8,887	\$ 8,649
Contributions in relation to the contractually required contribution	-	(3,824)	(8,887)	(8,649)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ -	\$ 27,314	\$ 63,479	\$ 61,779
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 8,715	\$ 7,977	\$ 7,091	\$ 7,681	\$ 7,587	\$ 7,358
<u>(8,715)</u>	<u>(7,977)</u>	<u>(7,091)</u>	<u>(7,681)</u>	<u>(7,587)</u>	<u>(7,358)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 62,250	\$ 61,362	\$ 54,546	\$ 59,085	\$ 58,362	\$ 56,600
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**MORROW COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST THREE YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
County's proportion of the net OPEB liability	0.148937%	0.149250%	0.147931%
County's proportionate share of the net OPEB liability	\$ 18,756,805	\$ 16,096,395	\$ 14,941,554
County's covered payroll	\$ 20,749,547	\$ 20,979,563	\$ 20,734,116
County's proportionate share of the net OPEB liability as a percentage of its covered payroll	90.40%	76.72%	72.06%
Plan fiduciary net position as a percentage of the total OPEB liability	46.33%	54.14%	54.05%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the County's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



**MORROW COUNTY, OHIO**

**SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY/ASSET  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

**LAST THREE YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
County's proportion of the net OPEB liability	0.00000000%	0.00052297%	0.00058874%
County's proportionate share of the net OPEB liability (asset)	\$ -	\$ (8,000)	\$ 22,970
County's covered-employee payroll	\$ 27,314	\$ 63,479	\$ 61,779
County's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	12.60%	37.18%
Plan fiduciary net position as a percentage of the total OPEB liability	174.70%	176.00%	47.10%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the County's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**MORROW COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COUNTY OPEB CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 10,467	\$ 20,345	\$ 324,852	\$ 285,335
Contributions in relation to the contractually required contribution	<u>(10,467)</u>	<u>(20,345)</u>	<u>(324,852)</u>	<u>(285,335)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 19,746,798	\$ 20,749,547	\$ 20,979,563	\$ 20,734,116
Contributions as a percentage of covered payroll	0.05%	0.10%	1.55%	1.38%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 177,759	\$ 418,385	\$ 208,446	\$ 760,572	\$ 784,578	\$ 939,775
<u>(177,759)</u>	<u>(418,385)</u>	<u>(208,446)</u>	<u>(760,572)</u>	<u>(784,578)</u>	<u>(939,775)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 18,417,442	\$ 8,863,225	\$ 18,459,000	\$ 19,286,032	\$ 19,857,322	\$ 18,505,880
0.97%	4.72%	1.13%	3.94%	3.95%	5.08%

**MORROW COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COUNTY OPEB CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ -	\$ 27,314	\$ 63,479	\$ 61,779
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ -	\$ 614	\$ 545	\$ 591	\$ 584	\$ 566
-	(614)	(545)	(591)	(584)	(566)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 62,250	\$ 61,362	\$ 54,546	\$ 59,085	\$ 58,362	\$ 56,600
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

## MORROW COUNTY, OHIO

### NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019

#### PENSION

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##### *OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014-2019.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019 the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%.

##### *STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms*: There were no changes in benefit terms from the amounts reported for 2014-2016. For 2017, STRS decreased the Cost of Living Adjustment (COLA) to zero effective July 1, 2017. There were no changes in benefit terms for 2018.

*Changes in assumptions*: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes of assumption for 2018-2019.

#### OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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##### *OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2017-2019.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25%, ultimate in 2029.

##### *STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2017-2018.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) increase in the discount rate from 4.13% to 4.45% and (b) decrease in trend rates from 6.00%-11.00% initial; 4.50% ultimate down to 5.23%-9.62% initial; 4.00% ultimate. For 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) increase in prescription drug trend rates from -5.23%-9.62% initial; 4.00% ultimate up to 4.00%-9.62% initial; 4.00% ultimate.

MORROW COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Provided Through to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Job and Family Services</i>				
Supplemental Nutrition Assistance Program (SNAP) Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1819-11-5784 G2021-11-5971	\$ -	\$ 183,212
Total Supplemental Nutrition Assistance Program (SNAP) Cluster			-	183,212
<b>Total U.S. Department of Agriculture</b>			-	<b>183,212</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<i>Passed through Ohio Department of Development Services Agency</i>				
Community Development Block Grant/State's Program and Non-entitlement grants in Hawaii	14.228	B-X-17-1CB-1		147,300
Total Community Development Block Grant	14.228	B-C-17-1CB-1		53,733
				201,033
HOME Investment Partnership Program	14.239	B-C-17-1CB-2		74,200
<b>Total U.S. Department of Housing and Urban Development</b>			-	<b>275,233</b>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<i>Passed Through Ohio Attorney General's Office</i>				
Crime Victim Assistance	16.575	2019-VOCA-132133168		45,494
Crime Victim Assistance	16.575	2020-VOCA-132921346		17,274
Crime Victim Assistance	16.575	2019-VOCA-132234677		9,640
Total Crime Victim Assistance				72,408
<b>Total U.S. Department of Justice</b>			-	<b>72,408</b>
<b>U.S. DEPARTMENT OF LABOR</b>				
<i>Passed Through Ohio Department of Job and Family Services</i>				
<i>Passed through Montgomery County Auditor, WIA Area 7 Board</i>				
WIOA Cluster:				
WIA Adult Program	17.258	2018-7259-1 2019-7259-1		70,512
WIA Youth Activities	17.259	2018-7259-1 2019-7259-1	29,127	78,685
WIA Dislocated Worker Formula Grants	17.278	2018-7259-1 2019-7259-1		51,571
Total WIOA Cluster			29,127	200,768
<b>Total U.S. Department of Labor</b>			<b>29,127</b>	<b>200,768</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<i>Direct Program</i>				
Airport Improvement Program	20.106	N/A		12,853
<i>Passed Through Ohio Department of Transportation</i>				
Formula Grants for Rural Areas and Tribal Transit Program	20.509	RPTM-0059-050-191 & RPTF-0059-050-191		282,638
Transit Services Programs Cluster:				
Enhanced Mobility of Seniors and Individuals with disabilities	20.513	OCPX-0059-061-191		73,750
<b>Total U.S. Department of Transportation</b>			-	<b>369,241</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed through Ohio Department of Health</i>				
Special Education - Grants for Infants and Families	84.181	EI Part C H181A170024/180024	-	32,212
<b>Total U.S. Department of Education</b>			-	<b>32,212</b>

MORROW COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(CONTINUED)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Provided Through to Subrecipients	Total Federal Expenditures
<b>U.S. ELECTION ASSISTANCE COMMISSION</b>				
<i>Passed through Ohio Secretary of State's Office</i>				
HAVA Election Security Grants	90.404	N/a	-	27,918
<b>Total U.S. Election Assistance Commission</b>			-	<b>27,918</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed through Ohio Department of Job and Family Services</i>				
Promoting Safe and Stable Families	93.556	G-1819-11-5784 G-2021-11-5971		14,400
<i>Passed through Ohio Department of Mental Health</i>				
Promoting Safe and Stable Families	93.556	5AU-19-C0059		10,937
Promoting Safe and Stable Families	93.556	5AU-20-C0059		4,321
Total Promoting Safe and Stable Families				29,658
<i>Passed through Ohio Department of Job and Family Services</i>				
Temporary Assistance for Needy Families (TANF) Cluster: Temporary Assistance for Needy Families (TANF)	93.558	G-1819-11-5784 G-2021-11-5971	217,199	1,276,515
Total Temporary Assistance for Needy Families Cluster			217,199	1,276,515
Child Support Enforcement Agency	93.563	G-1819-11-5784 G-2021-11-5971		468,198
Child Care and Development Fund Cluster: Child Care and Development Block Grant	93.575	G-1819-11-5784 G-2021-11-5971		32,372
Total Child Care and Development Fund Cluster				32,372
Stephanie Tubbs Jones Child Welfare Services Program	93.645	5AU-19-C0059		1,352
Stephanie Tubbs Jones Child Welfare Services Program	93.645	5AU-20-C0059		534
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1819-11-5784 G-2021-11-5971		21,974
Total Stephanie Tubbs Jones Child Welfare Services Program				23,860
Foster Care - Title IV-E	93.658	G-1819-11-5784 G-2021-11-5971		350,951
Adoption Assistance	93.659	G-1819-11-5784 G-2021-11-5971		71,888
<i>Passed through Ohio Department of Developmental Disabilities</i>				
Social Services Block Grant	93.667	1801OHSOSR	23,595	23,595
<i>Passed through Ohio Department of Job and Family Services</i>				
Social Services Block Grant	93.667	G-1819-11-5784 G-2021-11-5971		487,781
Total Social Services Block Grant			23,595	511,376
John H. Chafee Foster Care Program For Successful Transition to Adulthood	93.674	G-1819-11-5784 G-2021-11-5971		3,743
Children's Health Insurance Program	93.767	G-1819-11-5784 G-2021-11-5971		76,103
Medicaid Cluster: Medical Assistance Program	93.778	G-1819-11-5784 G-2021-11-5971	-	774,468
Total Medicaid Cluster			-	774,468
<b>Total U.S. Department of Health and Human Services</b>			<b>240,794</b>	<b>3,619,132</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
<i>Passed through Ohio Emergency Management Agency</i>				
Emergency Management Performance Grant	97.042	EMC-2018-EP-00008-S01/ EMC-2019-EP-00005		47,157
<b>Total U.S. Department of Homeland Security</b>			-	<b>47,157</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 269,921</b>	<b>\$ 4,827,281</b>

The accompanying notes are an integral part of this schedule.



## MORROW COUNTY

### NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 2 CFR 200.510(b)(6) FOR THE YEAR ENDED DECEMBER 31, 2019

#### NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Morrow County (the County) under programs of the federal County for the year ended December 31, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

#### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

#### NOTE C – INDIRECT COST RATE

The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

#### NOTE D - SUBRECIPIENTS

The County passes certain federal awards received from the U.S. Department of Health and Human Services and the U.S. Department of Labor to other Governments or not-for-profit agencies (sub recipients). As Note B describes the County reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the County has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

#### NOTE E - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) and HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GRANT PROGRAMS with REVOLVING LOAN CASH BALANCE

The current cash balance on the County's local program income accounts as of December 31, 2019 is \$182,747.

#### NOTE F - MATCHING REQUIREMENTS

Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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# OHIO AUDITOR OF STATE KEITH FABER



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

Morrow County  
48 East High Street  
Mt. Gilead, Ohio 43338

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and the remaining fund information of Morrow County (the County) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 1, 2020, wherein we noted the County adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* and the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the County. Our report also refers to other auditors who audited the financial statements of the Morrow County Hospital, a major enterprise fund, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

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

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2019-001 to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-001.

***County's Response to Findings***

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the County's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

December 1, 2020

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Morrow County  
48 East High Street  
Mt. Gilead, Ohio 43338

To the Board of County Commissioners:

### ***Report on Compliance for Each Major Federal Program***

We have audited Morrow County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Morrow County's major federal programs for the year ended December 31, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

### ***Management's Responsibility***

The County's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the County's compliance for the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

### ***Basis for Qualified Opinion on Formula Grants for Rural Areas and Tribal Transit Program***

As described in finding 2019-002 in the accompanying schedule of findings, the County did not comply with requirements regarding cash management applicable to its CFDA 20.509, Formula Grants for Rural Areas and Tribal Transit major federal program. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to this program.

**Qualified Opinion on Formula Grants for Rural Areas and Tribal Transit Program**

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Formula Grants for Rural Areas and Tribal Transit Program* paragraph, Morrow County complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Formula Grants for Rural Areas and Tribal Transit Program* for the year ended December 31, 2019.

**Unmodified Opinion on the Other Major Federal Programs**

In our opinion, Morrow County complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended December 31, 2019.

**Report on Internal Control over Compliance**

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

*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's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected or corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2019-002.

The County's response to our internal control over compliance finding is described in the accompanying schedule of findings and corrective action plan. We did not subject the County's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Morrow County  
Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Federal Program and on Internal Control Over  
Compliance Required by the Uniform Guidance  
Page 2

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

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

Keith Faber  
Auditor of State  
Columbus, Ohio

December 1, 2020

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**MORROW COUNTY**  
**SCHEDULE OF FINDINGS**  
**2 CFR § 200.515**  
**DECEMBER 31, 2019**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified for all major programs except for Formula Grants for Rural Areas, which was qualified over cash management.
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Medicaid Cluster; Temporary Assistance for Needy Families (TANF) Cluster; CFDA 20.509 Formula Grants for Rural Areas and Tribal Transit Program
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

MORROW COUNTY

SCHEDULE OF FINDINGS

2 CFR § 200.515

DECEMBER 31, 2019

(Continued)

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

**FINDING NUMBER 2019-001**

**Capital Assets – Noncompliance and Significant Deficiency**

**Ohio Admin Code § 117-2-02(D)(4)(c)** indicates Capital asset records should include such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items. It is important that control procedures are developed related to capital assets that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

Lack or failure of proper procedures over capital assets, resulted in the following errors:

- On June 15, 2018 Morrow County entered into a purchase agreement with the SOMOCO Sanitary Inc. to acquire the assets and operations of the So Mo Co wastewater treatment plant. The value of the purchase agreement was reported as nondepreciable capital asset of \$1,910,000 and depreciable capital asset of \$300,000 in the Sewer District Fund and Business Type Activities. However, the County Auditor's appraised value of buildings and improvements on the property is \$820,100 which would be considered depreciable capital assets. The County did not have a documented basis to support the allocation of the capital assets reported as of December 31, 2019.
- The purchase agreement with SOMOCO Sanitary Inc., outlines various easements to be granted to Morrow County as a result of this purchase. However, the County does not have documentation to support the amount on non-depreciable assets related to these land easements.

The financial statements and County accounting ledgers were not adjusted to reflect the errors noted above.

The County has not had an appraisal related to capital assets inventory in several years. The records are updated each year and are not maintained by the County. We also noted the County did not have an effective tagging system in place to account for assets. We have noted these problems have been ongoing for several years.

By not having proper procedures in place to track capital asset additions and disposals, and a complete capital asset inventory listing, the County may not report or classify capital assets correctly in the financial statements.

We recommend the County consider consulting with an appraisal company or take a physical inventory of County assets with their own sources. We further recommend the County consider designating an individual in the Auditor's office or Commissioners office as having the duties of a "Capital Asset Manager". A review of all of the County's capital assets should be conducted to determine if the capital assets are still in use, all assets are included and if all assets are classified correctly. In addition, the County should consider a "tagging" method of assets inventory and prepare a detailed schedule that supports the cost, book value, and depreciation schedule for each item. This schedule should then be maintained on a current basis. We further recommend the County re-evaluate its policies, procedures and controls regarding additions and disposals of capital assets including infrastructure. Complete information such as described above on each capital asset may help provide additional controls for the safeguarding of these assets.

**Officials' Response: See Corrective Action Plan**

**MORROW COUNTY**  
**SCHEDULE OF FINDINGS**  
**2 CFR § 200.515**  
**DECEMBER 31, 2019**  
**(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Cash Management - Noncompliance and Material Weakness**

<b>Finding Number:</b>	<b>2019-002</b>
<b>CFDA Number and Title:</b>	<b>CFDA # 20.509 Formula Grants for Rural Areas</b>
<b>Federal Award Identification Number / Year:</b>	<b>RPTM-0059-050-191 / 2019</b> <b>RPTF-0059-050-191 / 2019</b>
<b>Federal Agency:</b>	<b>U.S Department of Transportation</b>
<b>Compliance Requirement:</b>	<b>Cash Management</b>
<b>Pass-Through Entity:</b>	<b>Ohio Department of Transportation</b>
<b>Repeat Finding from Prior Audit?</b>	<b>No</b>

**2 CFR § 200.305(b)(3)** states reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets a specific condition per §200.208 or when the non-federal entity requests payment by reimbursement. This method may be used on any Federal award for construction, or if the major portion of the construction project is accomplished through private market financing or Federal loans, and the Federal award constitutes a minor portion of the project. When the reimbursement method is used, the Entity has to submit requests by the 15<sup>th</sup> of the following month and the Federal awarding agency or pass-through entity must make payment within 30 calendar days after receipt of the billing, unless the Federal awarding agency or pass-through entity reasonably believes the request to be improper.

Monthly invoices that were submitted to the Ohio Department of Transportation (ODOT) could not be tied to the Morrow County Area Transit ledgers to ensure the expenses were paid prior to submission for reimbursement. All of the monthly invoices were submitted late, with submissions ranging from one month to four months after the required due date. Finally, the monthly invoices were prepared and submitted by the Director of the department without any additional review performed by the Fiscal Supervisor.

Failure to accurately and timely report expenditures to ODOT could result in the department receiving grant funding for unallowable expenses.

Morrow County Area Transit should accurately and timely submit monthly invoices to ODOT and maintain accurate ledgers to support the invoice amounts. The department should also ensure the invoices submitted to ODOT have been reviewed by the appropriate personnel at the department to help ensure accuracy.

**Officials' Response: See Corrective Action Plan**

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**Patricia K. Davies**  
**Morrow County Auditor**  
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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**2 CFR 200.511(b)**  
**DECEMBER 31, 2019**

Finding Number	Finding Summary	Status	Additional Information
2018-001	<b>Financial Reporting. This comment was first issued in 2016.</b>	Partially Corrected	Improvement was noted. Comment was issued in Management Letter.
2018-002	<b>Capital Assets. This comment was first issued in 2011.</b>	Partially Corrected	Comment was reissued as 2019-001. See Corrective Action Plan.

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**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**DECEMBER 31, 2019**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	<p>The County Auditor has written a Capital Asset Policy and has gained approval by the County Commissioners. The County Commissioners are working towards a tagging system. Collaboratively with all departments the asset listing is being reviewed. While the County wishes to comply with this requirement, the County does not have sufficient funds to hire outside professional services to assist in appraising assets or tagging assets, so the County must implement a multiyear solution.</p>	Unknown (lack of funding)	Tom Whiston, Burgess Castle, Warren Davis, County Commissioners
2019-002	<p>When monthly invoices are being prepared for submission to the Ohio Department of Transportation (ODOT) for reimbursement, the Fiscal Supervisor will print reports from MCAT QuickBooks System showing payment dates of all expenses. This will ensure all expenses are paid prior to submission from ODOT for reimbursement. A copy of the ODOT invoice and the supporting documentation will be kept in a file to prove the validity of the information provided on the invoice being submitted each month by the 15<sup>th</sup> deadline. The Fiscal Supervisor will prepare the monthly invoices and the reports for submission and then the Director will review the reports and documentation for accuracy. Once verified then the Director will submit the reports for reimbursement.</p>	As of December 16, 2020	Tom Whiston, Burgess Castle, Warren Davis, County Commissioners & Sundie Brown, JFS Director.

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# OHIO AUDITOR OF STATE KEITH FABER



## MORROW COUNTY

### AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/31/2020

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This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)