



OHIO AUDITOR OF STATE
KEITH FABER



**MORROW COUNTY
DECEMBER 31, 2020**

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DECEMBER 31, 2020

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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 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 remaining fund information of the Morrow County, Ohio (the County), as of and for the year ended December 31, 2020, 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 represent 78 percent, 152 percent, and 98 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 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.

Efficient • Effective • Transparent

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 remaining fund information of the County, as of December 31, 2020, 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 26 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 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 9, 2021, 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 9, 2021

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MORROW COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020 (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, 2020. 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 2020 are as follows:

- The total net position of the County increased \$2,458,979. Net position of governmental activities increased \$598,608 from 2019's restated net position and net position of business-type activities increased \$1,860,371.
- General revenues accounted for \$13,914,444 or 37.59% of total governmental activities revenue. Program specific revenues accounted for \$23,103,155 or 62.41% of total governmental activities revenue.
- The County had \$36,406,661 in expenses related to governmental activities; \$23,103,155 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$13,914,444 were adequate to provide for these programs.
- The general fund, the County's most significant major governmental fund, had revenues and other financing sources of \$11,553,783 and expenditures and other financing uses of \$10,342,499 in 2020. The net change in fund balance was an increase of \$1,211,284 from 2019's restated fund balance.
- The motor vehicle and gas tax fund, a County major fund, had revenues and other financing sources of \$5,932,764 and expenditures and other financing uses of \$4,641,656 in 2020. The motor vehicle and gas tax fund balance increased \$1,291,108 during the year.
- The public assistance fund, a County major fund, had revenues of \$4,510,799 and expenditures and other financing uses of \$4,357,943 in 2020. The public assistance fund balance increased \$152,856 during the year.
- The County board of developmental disabilities (DD) fund, a County major fund, had revenues of \$3,368,589 and expenditures of \$2,831,182 in 2020. The County board of DD fund balance increased \$537,407 during the year.
- Net position for the business-type activities, which are made up of the Sewer District and Morrow County Hospital enterprise funds, increased in 2020 by \$1,860,371.

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, 2020 (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 2020?" 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. Both of the County's proprietary funds, the Morrow County Hospital fund and Sewer District fund, are reported as major funds. The analysis of the County's major funds begins on page 12.

Governmental Funds

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

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

MORROW COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)

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/asset and net OPEB liability. The required supplementary information can be found following the notes to the basic financial statements.

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, 2020 and December 31, 2019. Net position for 2019 has been restated as described in Note 3.

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MORROW COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)

	Governmental Activities		Business- Type Activities		Total	
	(Restated)				(Restated)	
	2020	2019	2020	2019	2020	2019
Assets						
Current assets	\$ 31,198,569	\$ 27,779,329	\$ 18,105,467	\$ 13,458,052	\$ 49,304,036	\$ 41,237,381
Capital assets, net	35,756,795	35,797,649	11,879,678	12,446,389	47,636,473	48,244,038
Total assets	66,955,364	63,576,978	29,985,145	25,904,441	96,940,509	89,481,419
Deferred outflows of resources						
Unamortized deferred charges	307,142	335,569	-	-	307,142	335,569
Pension	3,173,685	7,106,287	1,398,000	4,771,571	4,571,685	11,877,858
OPEB	1,966,845	1,240,431	1,040,184	620,512	3,007,029	1,860,943
Total deferred outflows of resources	5,447,672	8,682,287	2,438,184	5,392,083	7,885,856	14,074,370
Liabilities						
Current liabilities	1,168,578	1,124,590	6,068,175	5,255,797	7,236,753	6,380,387
Long-term liabilities:						
Due within one year	1,325,645	704,646	2,557,792	569,417	3,883,437	1,274,063
Net pension liability	16,345,892	22,114,548	9,592,100	16,777,804	25,937,992	38,892,352
Net OPEB Liability	11,606,893	10,893,969	6,538,304	7,862,836	18,145,197	18,756,805
Other amounts	5,313,299	5,968,122	4,227,982	4,325,650	9,541,281	10,293,772
Total liabilities	35,760,307	40,805,875	28,984,353	34,791,504	64,744,660	75,597,379
Deferred inflows of resources						
Property taxes levied for next fiscal year	6,123,240	6,337,458	1,497,424	1,350,000	7,620,664	7,687,458
Pension	3,512,865	329,162	4,511,713	1,332,233	8,024,578	1,661,395
OPEB	1,654,085	32,839	2,230,849	484,168	3,884,934	517,007
Total deferred inflows of resources	11,290,190	6,699,459	8,239,986	3,166,401	19,530,176	9,865,860
Net Position						
Net investment in capital assets	30,761,290	30,682,235	7,577,558	8,059,372	38,338,848	38,741,607
Restricted	5,968,274	5,992,194	-	-	5,968,274	5,992,194
Unrestricted (deficit)	(11,377,025)	(11,920,498)	(12,378,568)	(14,720,753)	(23,755,593)	(26,641,251)
Total net position (deficit)	\$ 25,352,539	\$ 24,753,931	\$ (4,801,010)	\$ (6,661,381)	\$ 20,551,529	\$ 18,092,550

The net pension liability/asset 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/asset 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/OPEB 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/asset or net OPEB liability/asset. 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, 2020 (UNAUDITED)

GASB 68 and GASB 75 require the net pension liability/asset and the net OPEB liability/asset 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/asset, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2020, the County's asset plus deferred outflows exceeded liabilities plus deferred inflows by \$20,551,529. This amounts to \$25,352,539 in governmental activities and (\$4,801,010) 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 49.14% of total governmental and business-type assets. Capital assets include land, construction in progress, land improvements, buildings, building improvements, equipment, software, vehicles, and infrastructure. Net investment in capital assets at December 31, 2020, was \$38,338,848. 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.

A portion of the County's net position, \$5,968,274 or 29.04%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is (\$23,755,593). 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.

MORROW COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)**

The table below shows the changes in net position for 2020 and 2019. Net position for 2019 has been restated as described in Note 3.

	Change in Net Position					
	Governmental	Business-type	Governmental	Business-type	Total	Total
	Activities	Activities	Activities	Activities	2020	2019
	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues						
Program revenues:						
Charges for services and sales	\$ 5,448,317	\$ 16,405,880	\$ 6,215,539	\$ 20,619,403	\$ 21,854,197	\$ 26,834,942
Operating grants and contributions	17,411,986	28,516	17,019,005	25,488	17,440,502	17,044,493
Capital grants and contributions	242,852	-	351,187	72,386	242,852	423,573
Total program revenues	<u>23,103,155</u>	<u>16,434,396</u>	<u>23,585,731</u>	<u>20,717,277</u>	<u>39,537,551</u>	<u>44,303,008</u>
General revenues:						
Property taxes	6,389,187	-	6,229,816	-	6,389,187	6,229,816
Sales tax	4,539,971	-	4,338,298	-	4,539,971	4,338,298
Unrestricted grants	1,630,286	-	1,370,473	-	1,630,286	1,370,473
Investment earnings	467,755	40,656	574,947	118,038	508,411	692,985
Other	887,245	6,782,078	323,226	2,463,188	7,669,323	2,786,414
Total general revenues	<u>13,914,444</u>	<u>6,822,734</u>	<u>12,836,760</u>	<u>2,581,226</u>	<u>20,737,178</u>	<u>15,417,986</u>
Total revenues	<u>37,017,599</u>	<u>23,257,130</u>	<u>36,422,491</u>	<u>23,298,503</u>	<u>60,274,729</u>	<u>59,720,994</u>
Expenses						
Program expenses:						
General government						
Legislative and executive	6,140,313	-	5,354,650	-	6,140,313	5,354,650
Judicial	2,818,776	-	3,030,588	-	2,818,776	3,030,588
Public safety	4,793,182	-	3,554,015	-	4,793,182	3,554,015
Public works	6,340,802	-	7,519,427	-	6,340,802	7,519,427
Health	3,397,795	-	3,587,211	-	3,397,795	3,587,211
Human services	8,668,147	-	10,132,158	-	8,668,147	10,132,158
Economic development and assistance	137,776	-	153,918	-	137,776	153,918
Intergovernmental	585,323	-	578,180	-	585,323	578,180
Other	3,250,211	-	3,348,718	-	3,250,211	3,348,718
Interest and fiscal charges	274,336	-	247,811	-	274,336	247,811
Morrow County Hospital	-	20,892,268	-	25,732,424	20,892,268	25,732,424
Sewer District	-	516,821	-	511,583	516,821	511,583
Total expenses	<u>36,406,661</u>	<u>21,409,089</u>	<u>37,506,676</u>	<u>26,244,007</u>	<u>57,815,750</u>	<u>63,750,683</u>
Change in net position before transfers	610,938	1,848,041	(1,084,185)	(2,945,504)	2,458,979	(4,029,689)
Transfers	(12,330)	12,330	-	-	-	-
Change in net position	598,608	1,860,371	(1,084,185)	(2,945,504)	2,458,979	(4,029,689)
Net position at beginning of year (restated)	<u>24,753,931</u>	<u>(6,661,381)</u>	<u>25,838,116</u>	<u>(3,715,877)</u>	<u>18,092,550</u>	<u>22,122,239</u>
Net position at end of year	<u>\$ 25,352,539</u>	<u>\$ (4,801,010)</u>	<u>\$ 24,753,931</u>	<u>\$ (6,661,381)</u>	<u>\$ 20,551,529</u>	<u>\$ 18,092,550</u>

MORROW COUNTY, OHIO

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)**

Governmental Activities

Governmental net position increased by \$598,608 in 2020. Total revenues increased \$595,108 (1.63%) due to an increase in general revenues. The most significant increase was other general revenues which is a result of additional dividends announced by the Ohio Bureau of Workers’ Compensation (BWC).

The State and federal government contributed revenues of \$17,411,986 in operating grants and contributions during 2020. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions \$6,812,600 or 39.13%, subsidized human services programs.

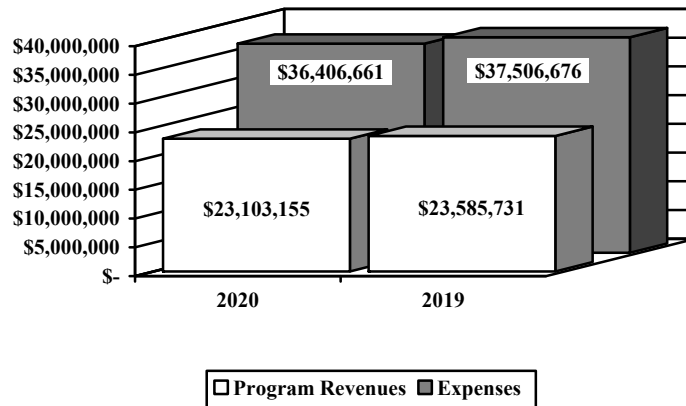
General revenues totaled \$13,914,444 and amounted to 36.66% of total revenues. These revenues primarily consist of property and sales tax revenue of \$10,929,158 or 78.55% of total general revenues in 2020. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$1,630,286, or 11.72% of the total general revenue.

Total expenses decreased slightly, down \$1,100,015 or 2.93%. This overall decrease is primarily a result of the allocations of pension and OPEB expenses. For the governmental activities these amounted to \$4,726,626 in 2020 compared to \$6,226,932 in 2019.

One of the County’s largest expense categories is human services which accounted for \$8,668,147, or 23.81%, of total governmental expenses. These expenses were funded by \$1,569,078 in charges to users of services, and \$6,812,600 in operating grants and contributions. General government expenses, which includes legislative and executive and judicial programs, totaled \$8,959,089 or 24.61% of total governmental expenses. General government expenses were covered by \$2,912,383 of direct charges to users and \$754,146 in operating grants and contributions in 2020.

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 2020 and 2019. 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 taxes and other general revenues 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, 2020
(UNAUDITED)

Governmental Activities

	Total Cost of Services 2020	Net Cost of Services 2020	Total Cost of Services 2019	Net Cost of Services 2019
	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
Program Expenses:				
General government				
Legislative and executive	\$ 6,140,313	\$ 3,288,567	\$ 5,354,650	\$ 2,848,311
Judicial	2,818,776	2,003,993	3,030,588	2,272,544
Public safety	4,793,182	2,606,329	3,554,015	2,457,761
Public works	6,340,802	887,199	7,519,427	1,371,479
Health	3,397,795	2,172,017	3,587,211	1,988,314
Human services	8,668,147	286,469	10,132,158	1,526,613
Economic development and assistance	137,776	133,661	153,918	153,918
Intergovernmental	585,323	585,323	578,180	578,180
Other	3,250,211	1,065,612	3,348,718	476,014
Interest and fiscal charges	<u>274,336</u>	<u>274,336</u>	<u>247,811</u>	<u>247,811</u>
Total	<u>\$ 36,406,661</u>	<u>\$ 13,303,506</u>	<u>\$ 37,506,676</u>	<u>\$ 13,920,945</u>

The dependence upon general revenues for governmental activities is apparent, with 38.22% of expenses supported through taxes and other general revenues during 2020.

Business-Type Activities

The Morrow County Hospital and Sewer District are accounted for in the business-type activities. These programs had total revenues, including transfers, of \$23,269,460 and expenses of \$21,409,089 for 2020. As a result, net position increased \$1,860,371.

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 22-23) reported a combined fund balance of \$20,491,396, which is \$4,303,691 higher than last year's restated total of \$16,187,705.

MORROW COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2020 and December 31, 2019 for all major and non-major governmental funds. Fund balances for 2019 have been restated as described in Note 3.

	Fund Balance December 31, 2020	Restated Fund Balance December 31, 2019	<u>Change</u>
Major Funds:			
General	\$ 5,060,848	\$ 3,849,564	\$ 1,211,284
Motor Vehicle and Gas Tax	3,505,999	2,214,891	1,291,108
Public Assistance	982,476	829,620	152,856
County Board of DD	2,749,206	2,211,799	537,407
Other Nonmajor Governmental Funds	<u>8,192,867</u>	<u>7,081,831</u>	<u>1,111,036</u>
 Total	 <u>\$ 20,491,396</u>	 <u>\$ 16,187,705</u>	 <u>\$ 4,303,691</u>

General Fund

The County's general fund balance increased \$1,211,284. The table that follows assists in illustrating the revenues of the general fund.

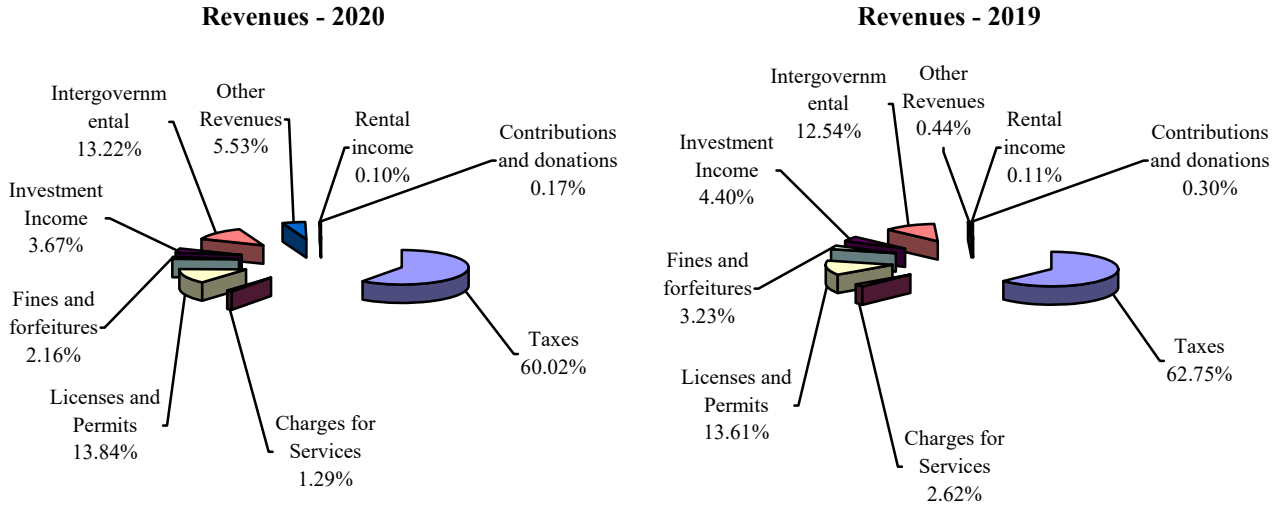
	2020 <u>Amount</u>	2019 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 6,845,684	\$ 6,667,530	2.67 %
Charges for services	147,302	278,603	(47.13) %
Licenses and permits	1,578,971	1,446,074	9.19 %
Fines and forfeitures	246,032	343,364	(28.35) %
Intergovernmental	1,507,690	1,332,004	13.19 %
Investment income	418,463	467,041	(10.40) %
Rental income	11,800	11,775	0.21 %
Contributions and donations	19,466	31,655	(38.51) %
Other	<u>630,552</u>	<u>46,694</u>	1,250.39 %
Total	<u>\$ 11,405,960</u>	<u>\$ 10,624,740</u>	7.35 %

Total general fund revenues increased 7.35% due in large part to BWC refunds and reimbursements received in 2020 (classified as other revenue). Another sizeable increase was in licenses and permits as the County saw increases in various sources such as conveyance fees, recorders fees, and certificate of title fees. The general fund's largest revenue sources, taxes, also increased slightly as both property tax and sales tax collections were moderately higher in 2020.

MORROW COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)

The following graphs detail revenues by source for 2020 and 2019:



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

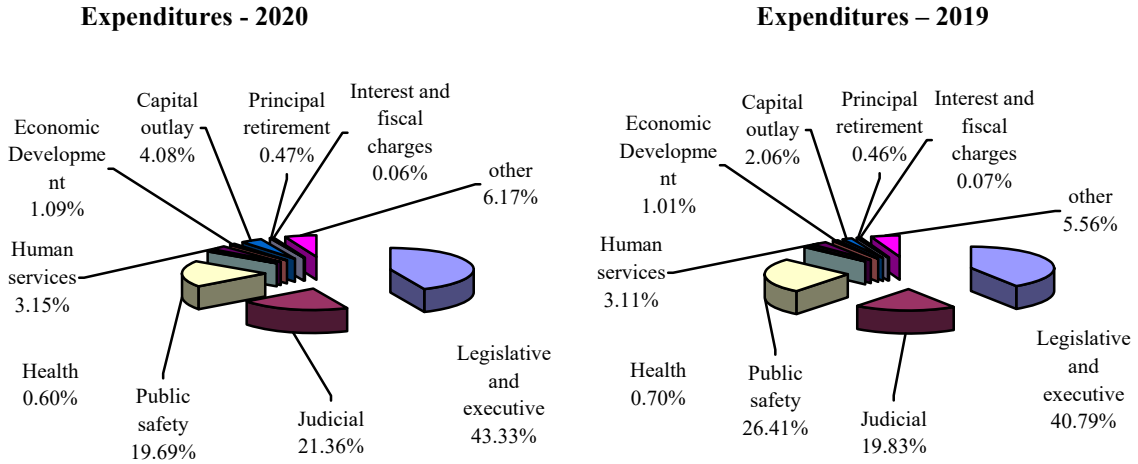
	<u>2020</u> <u>Amount</u>	<u>2019</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government			
Legislative and executive	\$ 4,110,997	\$ 4,241,668	(3.08) %
Judicial	2,025,945	2,063,146	(1.80) %
Public safety	1,868,029	2,747,452	(32.01) %
Health	57,273	72,882	(21.42) %
Human services	298,744	323,846	(7.75) %
Economic Development	103,651	105,227	(1.50) %
Other	585,323	578,180	1.24 %
Capital outlay	387,187	214,382	80.61 %
Debt service:			
Principal retirement	44,222	47,888	(7.66) %
Interest and fiscal charges	5,340	7,676	(30.43) %
Total	<u>\$ 9,486,711</u>	<u>\$ 10,402,347</u>	(8.80) %

Overall, the County's general fund expenditures decreased 8.80%. The primary reason for this large decrease is that the County was able to use CARES Act grant money for costs that would normally be paid with general fund money. A prime example of this is the decrease in public safety expenditures since a large part of the grant money was used for Sheriff's Department salaries and wages.

MORROW COUNTY, OHIO

MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)

The graphs below detail expenditures by function for 2020 and 2019:



Motor Vehicle and Gas Tax Fund

The motor vehicle and gas tax fund, a County major fund, had revenues and other financing sources of \$5,932,764 and expenditures and other financing uses of \$4,641,656 in 2020. The motor vehicle and gas tax fund balance increased \$1,291,108 during the year.

Public Assistance Fund

The public assistance fund, a County major fund, had revenues of \$4,510,799 and expenditures and other financing uses of \$4,357,943 in 2020. The public assistance fund balance increased \$152,856 during the year.

County Board of DD Fund

The County board of developmental disabilities (DD) fund, a County major fund, had revenues of \$3,368,589 and expenditures of \$2,831,182 in 2020. The County board of DD fund balance increased \$537,407 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.

In the general fund, original budgeted revenues and other financing sources of \$9,350,463 were increased to \$11,341,835 in the final budget. Most of this increase was to account for upwards revisions for tax collections and intergovernmental revenue. Actual revenues and other financing sources of \$12,361,909 exceeded final budgeted amounts by \$1,020,074. This variance is due to the County’s conservative approach to budgeting. Original budgeted expenditures and other financing uses of \$11,217,529 were increased to \$12,524,418 in the final budget. Most of the increase was to account for transfers to other funds and professional services costs for general operations. Actual expenditures and other financing uses of \$11,679,160 were \$845,258 lower than final budgeted expenditures and other financing uses. This variance is a result of management’s commitment to keeping costs as low as possible while still providing the level of services that County residents expect.

MORROW COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(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. The County's two proprietary funds account for the operations of the Morrow County Hospital and the sewer district.

Capital Assets and Debt Administration

Capital Assets

At the end of 2020, the County had \$47,636,473 (net of accumulated depreciation) invested in land, land improvements, buildings, buildings and improvements, equipment, vehicles, infrastructure and construction in progress. Of this total, \$35,756,795 was reported in governmental activities and \$11,879,678 was reported in business-type activities. The following table shows December 31, 2020 balances compared to December 31, 2019.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 764,057	\$ 764,057	\$ 2,143,315	\$ 2,143,315	\$ 2,907,372	\$ 2,907,372
Land Improvements	43,737	44,639	(64,874)	-	(21,137)	44,639
Buildings	6,047,866	6,347,558	1,642,878	1,691,508	7,690,744	8,039,066
Building Improvements	2,884,626	3,007,151	-	-	2,884,626	3,007,151
Equipment	1,583,383	1,228,871	3,768,987	4,170,485	5,352,370	5,399,356
Software	176,156	197,445	-	-	176,156	197,445
Vehicles	1,765,669	2,108,727	-	-	1,765,669	2,108,727
Infrastructure	22,491,301	22,099,201	3,841,882	3,938,331	26,333,183	26,037,532
Construction in progress	-	-	547,490	502,750	547,490	502,750
Total	<u>\$ 35,756,795</u>	<u>\$ 35,797,649</u>	<u>\$ 11,879,678</u>	<u>\$ 12,446,389</u>	<u>\$ 47,636,473</u>	<u>\$ 48,244,038</u>

For governmental activities, the most significant activity during the year was for acquisitions of various infrastructure improvements (roads, bridges and culverts) of approximately \$1.6 million. For the business-type activities, the only significant activity in 2020 was for various equipment acquisitions in the total amount of about \$570,000. See Note 11 to the basic financial statements for detail on the County's capital assets.

Debt Administration

At December 31, 2020 the County had \$5,186,657 in general obligation bonds, OWDA loans, other loans, and capital leases outstanding in governmental activities. Of this total, \$540,652 is due within one year and \$4,646,005 is due in greater than one year. The County issued refunding bonds of \$1.64 million in 2020 to currently refund one of its previous bond issuances at a lower interest rate. The only other addition to long-term debt was a capital lease of \$272,836 to acquire heavy equipment for the County Engineer's department.

Business-type activities had \$6,270,342 in revenue bonds, OWDA loans, and other loans outstanding at December 31, 2020. Of this total, \$2,042,360 is due within one year and \$4,227,982 is due in more than one year. The only new addition during 2020 was a Paycheck Protection Program loan for the Hospital issued in the amount of approximately \$2 million.

See Note 14 to the basic financial statements for detail on the County's long-term obligations. The table on the following page summarizes the debt outstanding at December 31, 2020 and December 31, 2019.

MORROW COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)

Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Long-Term Obligations				
General obligation bonds	\$ 4,695,000	\$ 5,035,000	\$ -	\$ -
Revenue bonds	-	-	1,360,108	1,387,160
OWDA loans	9,375	15,000	743,212	801,992
Other loans	99,000	113,000	4,167,022	2,210,000
Capital leases	<u>383,282</u>	<u>170,773</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,186,657</u>	<u>\$ 5,333,773</u>	<u>\$ 6,270,342</u>	<u>\$ 4,399,152</u>

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. 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, 65% 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.

In 2020, due to federal COVID Relief Funds (CRF), Morrow County was able to mediate the extra expenses cause by the pandemic and ended 2020 with the largest General Fund cash balance of the decade. Morrow County's leadership strategized and certifying cautious revenue estimates and conservative budgets, working together to preserve the General Operating Funds. Of these CRF, a majority of the funds were used to support our essential workers of Law Enforcement and Justice. By closely monitoring general fund revenue streams to determine the effects the pandemic will have on the economy, the county was preparing the best it could for the revenue decrease. However, at the end of 2020, County sales tax collections were up 4.45%, over 2019 collections. In the first quarter of 2021, records continue to reflect even stronger growth, with a nearly 14% increase in sale tax collections over 2020 during the same period.

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.

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MORROW COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 17,928,868	\$ 672,886	\$ 18,601,754
Cash and cash equivalents in segregated accounts	107,637	10,542,512	10,650,149
Investments in segregated accounts	-	175,645	175,645
Receivables:			
Sales taxes	1,238,761	-	1,238,761
Real and other taxes	6,684,282	1,497,424	8,181,706
Accounts	116,327	1,475,659	1,591,986
Accrued interest	42,928	4,462	47,390
Due from other governments	4,295,055	-	4,295,055
Prepayments	138,702	299,705	438,407
Materials and supplies inventory	318,472	379,638	698,110
Loans receivable	155,707	-	155,707
Restricted assets:			
Cash and cash equivalents in segregated accounts	-	2,166,414	2,166,414
Investments in segregated accounts	-	858,693	858,693
Internal balance	56,500	(56,500)	-
Net pension asset	110,126	88,929	199,055
Due from external parties	5,204	-	5,204
Capital assets:			
Land and construction in progress	764,057	2,690,805	3,454,862
Depreciable capital assets, net	34,992,738	9,188,873	44,181,611
Total capital assets, net	<u>35,756,795</u>	<u>11,879,678</u>	<u>47,636,473</u>
Total assets	<u>66,955,364</u>	<u>29,985,145</u>	<u>96,940,509</u>
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	307,142	-	307,142
Pension	3,173,685	1,398,000	4,571,685
OPEB	<u>1,966,845</u>	<u>1,040,184</u>	<u>3,007,029</u>
Total deferred outflows of resources	<u>5,447,672</u>	<u>2,438,184</u>	<u>7,885,856</u>
Total assets and deferred outflows of resources	<u>72,403,036</u>	<u>32,423,329</u>	<u>104,826,365</u>
Liabilities:			
Accounts payable	508,605	1,872,272	2,380,877
Accrued wages and benefits payable	425,650	286,940	712,590
Due to other governments	110,514	235	110,749
Amount to be repaid to claimants	107,908	-	107,908
Accrued interest payable	13,626	23,171	36,797
Estimated third party payor settlements	-	3,885,557	3,885,557
Due to external parties	2,275	-	2,275
Long-term liabilities:			
Due within one year	1,325,645	2,557,792	3,883,437
Due in more than one year			
Net pension liability	16,345,892	9,592,100	25,937,992
Net OPEB liability	11,606,893	6,538,304	18,145,197
Other amounts due in more than one year	<u>5,313,299</u>	<u>4,227,982</u>	<u>9,541,281</u>
Total liabilities	<u>35,760,307</u>	<u>28,984,353</u>	<u>64,744,660</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	6,123,240	1,497,424	7,620,664
Pension	3,512,865	4,511,713	8,024,578
OPEB	<u>1,654,085</u>	<u>2,230,849</u>	<u>3,884,934</u>
Total deferred inflows of resources	<u>11,290,190</u>	<u>8,239,986</u>	<u>19,530,176</u>
Total liabilities and deferred inflows of resources	<u>47,050,497</u>	<u>37,224,339</u>	<u>84,274,836</u>
Net position:			
Net investment in capital assets	30,761,290	7,577,558	38,338,848
Restricted for:			
Debt service	488,676	-	488,676
Capital projects	402,006	-	402,006
Public safety	619,187	-	619,187
Public works	2,048,497	-	2,048,497
Human services	26,114	-	26,114
Other purposes	876,582	-	876,582
General government	897,539	-	897,539
Economic and development	609,673	-	609,673
Unrestricted (deficit)	<u>(11,377,025)</u>	<u>(12,378,568)</u>	<u>(23,755,593)</u>
Total net position (deficit)	<u>\$ 25,352,539</u>	<u>\$ (4,801,010)</u>	<u>\$ 20,551,529</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government:				
Legislative and executive.	\$ 6,140,313	\$ 2,435,325	\$ 416,421	\$ -
Judicial.	2,818,776	477,058	337,725	-
Public safety	4,793,182	107,362	2,079,491	-
Public works	6,340,802	111,992	5,098,759	242,852
Health.	3,397,795	200,602	1,025,176	-
Human services	8,668,147	1,569,078	6,812,600	-
Economic development and assistance .	137,776	419	3,696	-
Intergovernmental.	585,323	-	-	-
Other	3,250,211	546,481	1,638,118	-
Interest and fiscal charges.	274,336	-	-	-
Total governmental activities	<u>36,406,661</u>	<u>5,448,317</u>	<u>17,411,986</u>	<u>242,852</u>
Business-type activities:				
Morrow County Hospital.	20,892,268	16,016,371	-	-
Sewer District.	516,821	389,509	28,516	-
Total business-type activities	<u>21,409,089</u>	<u>16,405,880</u>	<u>28,516</u>	<u>-</u>
Total primary government	<u>\$ 57,815,750</u>	<u>\$ 21,854,197</u>	<u>\$ 17,440,502</u>	<u>\$ 242,852</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

Transfers

Total general revenues and transfers

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**

Governmental Activities	Business-type Activities	Total
\$ (3,288,567)	\$ -	\$ (3,288,567)
(2,003,993)	-	(2,003,993)
(2,606,329)	-	(2,606,329)
(887,199)	-	(887,199)
(2,172,017)	-	(2,172,017)
(286,469)	-	(286,469)
(133,661)	-	(133,661)
(585,323)	-	(585,323)
(1,065,612)	-	(1,065,612)
(274,336)	-	(274,336)
<u>(13,303,506)</u>	<u>-</u>	<u>(13,303,506)</u>
-	(4,875,897)	(4,875,897)
-	(98,796)	(98,796)
<u>-</u>	<u>(4,974,693)</u>	<u>(4,974,693)</u>
<u>(13,303,506)</u>	<u>(4,974,693)</u>	<u>(18,278,199)</u>
2,391,982	-	2,391,982
3,997,205	-	3,997,205
4,539,971	-	4,539,971
1,630,286	-	1,630,286
467,755	40,656	508,411
887,245	6,782,078	7,669,323
<u>13,914,444</u>	<u>6,822,734</u>	<u>20,737,178</u>
<u>(12,330)</u>	<u>12,330</u>	<u>-</u>
<u>13,902,114</u>	<u>6,835,064</u>	<u>20,737,178</u>
598,608	1,860,371	2,458,979
24,753,931	(6,661,381)	18,092,550
<u>\$ 25,352,539</u>	<u>\$ (4,801,010)</u>	<u>\$ 20,551,529</u>

MORROW COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General	Motor Vehicle and Gas Tax	Public Assistance	County Board of Developmental Disabilities
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 3,698,147	\$ 2,566,635	\$ 823,970	\$ 2,392,497
Cash in segregated accounts.	18,028	-	-	-
Receivables:				
Sales taxes	1,238,761	-	-	-
Real and other taxes	2,374,353	-	-	2,458,044
Accounts.	41,611	1,147	-	5,195
Interfund loans.	616,646	-	-	-
Accrued interest	20,222	17,018	-	-
Due from other funds	67,798	4,234	-	11,699
Due from other governments.	623,336	2,241,030	362,175	439,977
Loans receivable.	-	-	-	-
Materials and supplies inventory.	26,648	266,745	2,111	12,151
Prepayments	75,895	11,070	-	26,006
Due from external parties	3,468	-	-	-
Total assets	<u>\$ 8,804,913</u>	<u>\$ 5,107,879</u>	<u>\$ 1,188,256</u>	<u>\$ 5,345,569</u>
Liabilities:				
Accounts payable.	\$ 145,402	\$ 58,903	\$ 52,395	\$ 44,479
Accrued wages and benefits payable	156,628	49,400	63,031	46,837
Compensated absences payable	4,264	-	-	-
Due to other governments	46,975	7,849	10,336	18,896
Interfund loans payable.	-	-	-	-
Due to other funds	7,388	50	80,018	-
Payroll withholdings payable	107,908	-	-	-
Due to external parties	175	2,100	-	-
Total liabilities	<u>468,740</u>	<u>118,302</u>	<u>205,780</u>	<u>110,212</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	2,155,410	-	-	2,252,784
Delinquent property tax revenue not available.	218,943	-	-	205,260
Accrued interest not available	15,973	13,441	-	-
Sales tax revenue not available	476,563	-	-	-
Nonexchange transactions.	408,436	1,470,137	-	28,107
Total deferred inflows of resources	<u>3,275,325</u>	<u>1,483,578</u>	<u>-</u>	<u>2,486,151</u>
Total liabilities and deferred inflows of resources.	<u>3,744,065</u>	<u>1,601,880</u>	<u>205,780</u>	<u>2,596,363</u>
Fund balances:				
Nonspendable	196,665	277,815	2,111	38,157
Restricted.	-	3,228,184	980,365	2,711,049
Committed	309,684	-	-	-
Assigned	1,966,921	-	-	-
Unassigned (deficit)	2,587,578	-	-	-
Total fund balances.	<u>5,060,848</u>	<u>3,505,999</u>	<u>982,476</u>	<u>2,749,206</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,804,913</u>	<u>\$ 5,107,879</u>	<u>\$ 1,188,256</u>	<u>\$ 5,345,569</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ 8,447,619	\$ 17,928,868
89,609	107,637
-	1,238,761
1,851,885	6,684,282
68,374	116,327
56,400	673,046
5,688	42,928
94,181	177,912
628,537	4,295,055
155,707	155,707
10,817	318,472
25,731	138,702
1,736	5,204
<u>\$ 11,436,284</u>	<u>\$ 31,882,901</u>
\$ 207,426	\$ 508,605
109,754	425,650
2,573	6,837
26,458	110,514
616,646	616,646
90,356	177,812
-	107,908
-	2,275
<u>1,053,213</u>	<u>1,956,247</u>
1,715,046	6,123,240
136,839	561,042
4,492	33,906
-	476,563
333,827	2,240,507
<u>2,190,204</u>	<u>9,435,258</u>
<u>3,243,417</u>	<u>11,391,505</u>
36,548	551,296
6,681,441	13,601,039
1,966,209	2,275,893
148,103	2,115,024
(639,434)	1,948,144
<u>8,192,867</u>	<u>20,491,396</u>
<u>\$ 11,436,284</u>	<u>\$ 31,882,901</u>

MORROW COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2020

Total governmental fund balances		\$	20,491,396
<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.			35,756,795
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Sales taxes receivable	\$	476,563	
Real and other taxes receivable		561,042	
Intergovernmental receivable		2,240,507	
Accrued interest receivable		33,906	
Total		33,906	3,312,018
Unamortized bond premiums and discounts are not recognized in the funds.			(115,990)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.			307,142
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		(13,626)	
General obligation bonds payable		(4,695,000)	
Loans payable		(108,375)	
Capital lease payable		(383,282)	
Compensated absences payable		(1,329,460)	
Total		(6,529,743)	(6,529,743)
The net pension asset is not available to pay for current period expenditures; therefore, the asset is not reported in the governmental funds.			110,126
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		3,173,685	
Deferred inflows		(3,512,865)	
Net pension liability		(16,345,892)	
Total		(16,345,892)	(16,685,072)
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		1,966,845	
Deferred inflows of resources		(1,654,085)	
Net OPEB liability		(11,606,893)	
Total		(11,606,893)	(11,294,133)
Net position of governmental activities		\$	25,352,539

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, 2020

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Public Assistance</u>	<u>County Board of Developmental Disabilities</u>
Revenues:				
Sales taxes.	\$ 4,447,015	\$ -	\$ -	\$ -
Real and other taxes.	2,398,669	-	-	2,273,214
Charges for services.	147,302	85,395	11	1,179
Licenses and permits	1,578,971	-	-	-
Fines and forfeitures	246,032	41	-	-
Intergovernmental.	1,507,690	5,506,494	4,452,618	968,382
Special assessments	-	-	-	-
Investment income.	418,463	35,463	-	-
Rental income	11,800	-	-	96,252
Contributions and donations.	19,466	1,476	-	665
Other	630,552	31,059	58,170	28,897
Total revenues	<u>11,405,960</u>	<u>5,659,928</u>	<u>4,510,799</u>	<u>3,368,589</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	4,110,997	-	-	-
Judicial.	2,025,945	-	-	-
Public safety	1,868,029	-	-	-
Public works	-	4,456,696	-	-
Health	57,273	-	-	2,799,356
Human services.	298,744	-	4,309,540	23,786
Economic development and assistance . .	103,651	-	-	-
Capital outlay	-	-	-	-
Intergovernmental.	585,323	-	-	-
Other	387,187	-	-	-
Debt service:				
Principal retirement.	44,222	2,866	-	7,083
Interest and fiscal charges	5,340	16,446	-	957
Bond issuance costs	-	-	-	-
Total expenditures	<u>9,486,711</u>	<u>4,476,008</u>	<u>4,309,540</u>	<u>2,831,182</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>1,919,249</u>	<u>1,183,920</u>	<u>201,259</u>	<u>537,407</u>
Other financing sources (uses):				
Bond issuance.	-	-	-	-
Payment to refunded bond escrow agent . .	-	-	-	-
Capital lease transaction.	-	272,836	-	-
Transfers in	147,823	-	-	-
Transfers (out).	(855,788)	(165,648)	(48,403)	-
Total other financing sources (uses)	<u>(707,965)</u>	<u>107,188</u>	<u>(48,403)</u>	<u>-</u>
Net change in fund balances	1,211,284	1,291,108	152,856	537,407
Fund balances at beginning of year (restated)	3,849,564	2,214,891	829,620	2,211,799
Fund balances at end of year	<u>\$ 5,060,848</u>	<u>\$ 3,505,999</u>	<u>\$ 982,476</u>	<u>\$ 2,749,206</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 4,447,015
1,734,490	6,406,373
1,441,522	1,675,409
1,121,736	2,700,707
147,460	393,533
7,666,755	20,101,939
7,615	7,615
4,503	458,429
563,001	671,053
37,448	59,055
119,101	867,779
<u>12,843,631</u>	<u>37,788,907</u>
1,197,674	5,308,671
505,388	2,531,333
2,198,720	4,066,749
1,541,725	5,998,421
169,880	3,026,509
3,159,787	7,791,857
9,549	113,200
575,316	575,316
-	585,323
2,690,640	3,077,827
440,781	494,952
156,699	179,442
38,500	38,500
<u>12,684,659</u>	<u>33,788,100</u>
<u>158,972</u>	<u>4,000,807</u>
1,640,000	1,640,000
(1,597,622)	(1,597,622)
-	272,836
1,331,567	1,479,390
(421,881)	(1,491,720)
<u>952,064</u>	<u>302,884</u>
1,111,036	4,303,691
7,081,831	16,187,705
<u>\$ 8,192,867</u>	<u>\$ 20,491,396</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, 2020

Net change in fund balances - total governmental funds	\$	4,303,691
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 2,278,858	
Current year depreciation	(2,319,712)	
Total		(40,854)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Sales taxes	92,956	
Real and other taxes	(17,186)	
Interest income	19,097	
Intergovernmental revenues	(866,175)	
Total		(771,308)
Issuances of long-term debt, such as bonds and capital leases, are reported as other financing sources in governmental funds, however, in the statement of activities, they are not reported as sources since they increase the liabilities on the statement of net position.		
		(1,912,836)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position.		
		1,597,622
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		494,952
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 more interest being reported in the statement of activities.		
Decrease in accrued interest payable	3,435	
Amortization of bond discounts	(352)	
Amortization of deferred amounts on refunding	(68,613)	
Amortization of bond premiums	9,136	
Total		(56,394)
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.		
		(107,675)
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		1,807,859
OPEB		10,177
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		(3,108,693)
OPEB		(1,617,933)
Change in net position of governmental activities	\$	598,608

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, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Sales taxes	\$ 3,297,690	\$ 4,000,000	\$ 4,394,954	\$ 394,954
Real and other taxes.	1,948,605	2,363,600	2,428,396	64,796
Charges for services.	81,865	99,300	132,025	32,725
Licenses and permits	968,997	1,175,365	1,348,160	172,795
Fines and forfeitures	185,660	225,200	242,475	17,275
Intergovernmental.	2,075,373	2,517,367	2,741,085	223,718
Investment income.	206,106	250,000	285,861	35,861
Rental income	9,712	11,780	11,800	20
Contributions and donations.	907	1,100	19,528	18,428
Other	453,679	550,300	609,802	59,502
Total revenues	<u>9,228,594</u>	<u>11,194,012</u>	<u>12,214,086</u>	<u>1,020,074</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	4,342,513	4,516,427	4,292,460	223,967
Judicial.	2,119,383	2,420,764	2,176,824	243,940
Public safety	3,113,202	3,072,505	2,943,818	128,687
Health	91,539	91,756	65,602	26,154
Human services.	444,010	443,410	306,670	136,740
Economic development and assistance . .	134,619	134,569	106,403	28,166
Intergovernmental.	597,453	597,150	592,650	4,500
Other	74,810	307,781	307,781	-
Total expenditures	<u>10,917,529</u>	<u>11,584,362</u>	<u>10,792,208</u>	<u>792,154</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(1,688,935)</u>	<u>(390,350)</u>	<u>1,421,878</u>	<u>1,812,228</u>
Other financing sources (uses):				
Transfers in	121,869	147,823	147,823	-
Transfers (out).	<u>(300,000)</u>	<u>(940,056)</u>	<u>(886,952)</u>	<u>53,104</u>
Total other financing sources (uses)	<u>(178,131)</u>	<u>(792,233)</u>	<u>(739,129)</u>	<u>53,104</u>
Net change in fund balances	(1,867,066)	(1,182,583)	682,749	1,865,332
Fund balances at beginning of year	1,757,489	1,757,489	1,757,489	-
Prior year encumbrances appropriated . . .	190,619	190,619	190,619	-
Fund balance at end of year	<u>\$ 81,042</u>	<u>\$ 765,525</u>	<u>\$ 2,630,857</u>	<u>\$ 1,865,332</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, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 62,140	\$ 65,000	\$ 84,250	\$ 19,250
Fines and forfeitures	96	100	39	(61)
Intergovernmental.	4,453,744	4,658,638	5,591,797	933,159
Investment income.	-	-	32,956	32,956
Contributions and donations.	-	-	1,476	1,476
Other	19,120	20,000	31,059	11,059
Total revenues	<u>4,535,100</u>	<u>4,743,738</u>	<u>5,741,577</u>	<u>997,839</u>
Expenditures:				
Current:				
Public works	5,305,211	5,434,634	4,514,953	919,681
Debt service:				
Interest and fiscal charges	19,000	19,000	16,288	2,712
Total expenditures	<u>5,324,211</u>	<u>5,453,634</u>	<u>4,531,241</u>	<u>922,393</u>
Net change in fund balances	(789,111)	(709,896)	1,210,336	1,920,232
Fund balances at beginning of year	990,059	990,059	990,059	-
Prior year encumbrances appropriated	216,184	216,184	216,184	-
Fund balance at end of year	<u>\$ 417,132</u>	<u>\$ 496,347</u>	<u>\$ 2,416,579</u>	<u>\$ 1,920,232</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, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services	\$ 6,328	\$ 6,250	\$ -	\$ (6,250)
Intergovernmental	4,224,922	4,172,759	4,129,991	(42,768)
Other	-	-	58,873	58,873
Total revenues	<u>4,231,250</u>	<u>4,179,009</u>	<u>4,188,864</u>	<u>9,855</u>
Expenditures:				
Current:				
Human services	4,253,116	5,086,335	4,505,526	580,809
Total expenditures	<u>4,253,116</u>	<u>5,086,335</u>	<u>4,505,526</u>	<u>580,809</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(21,866)</u>	<u>(907,326)</u>	<u>(316,662)</u>	<u>590,664</u>
Other financing sources (uses):				
Transfers (out)	-	(48,403)	(48,403)	-
Total other financing sources (uses)	<u>-</u>	<u>(48,403)</u>	<u>(48,403)</u>	<u>-</u>
Net change in fund balances	(21,866)	(955,729)	(365,065)	590,664
Fund balances at beginning of year	643,448	643,448	643,448	-
Prior year encumbrances appropriated	328,224	328,224	328,224	-
Fund balance at end of year	<u>\$ 949,806</u>	<u>\$ 15,943</u>	<u>\$ 606,607</u>	<u>\$ 590,664</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, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Real and other taxes.	\$ 2,688,278	\$ 2,309,822	\$ 2,301,054	\$ (8,768)
Charges for services.	-	-	887	887
Intergovernmental.	887,928	762,925	770,595	7,670
Rental income	110,565	95,000	99,792	4,792
Contributions and donations.	-	-	665	665
Other	8,729	7,500	28,897	21,397
Total revenues	<u>3,695,500</u>	<u>3,175,247</u>	<u>3,201,890</u>	<u>26,643</u>
Expenditures:				
Current:				
Health	3,735,633	3,762,580	2,945,541	817,039
Human services.	18,905	24,529	17,566	6,963
Total expenditures	<u>3,754,538</u>	<u>3,787,109</u>	<u>2,963,107</u>	<u>824,002</u>
Net change in fund balances	(59,038)	(611,862)	238,783	850,645
Fund balances at beginning of year	1,915,614	1,915,614	1,915,614	-
Prior year encumbrances appropriated	74,967	74,967	74,967	-
Fund balance at end of year	<u>\$ 1,931,543</u>	<u>\$ 1,378,719</u>	<u>\$ 2,229,364</u>	<u>\$ 850,645</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2020

	Business-type Activities - Enterprise Funds		
	Morrow County Hospital	Sewer District	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents . . .	\$ -	\$ 672,886	\$ 672,886
Cash and cash equivalents in segregated accounts . .	10,542,512	-	10,542,512
Receivables:			
Real and other taxes	1,497,424	-	1,497,424
Accounts	1,460,698	14,961	1,475,659
Accrued interest	-	4,462	4,462
Materials and supplies inventory.	379,638	-	379,638
Prepayments	299,341	364	299,705
Total current assets	14,179,613	692,673	14,872,286
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents in segregated accounts . .	2,166,414	-	2,166,414
Investments in segregated accounts.	858,693	-	858,693
Investments in segregated accounts.	175,645	-	175,645
Net pension asset.	88,644	285	88,929
Capital assets:			
Land and construction in progress.	739,485	1,951,320	2,690,805
Depreciable capital assets, net.	4,863,156	4,325,717	9,188,873
Total capital assets, net.	5,602,641	6,277,037	11,879,678
Total noncurrent assets	8,892,037	6,277,322	15,169,359
Total assets	23,071,650	6,969,995	30,041,645
Deferred outflows of resources:			
Pension	1,382,473	15,527	1,398,000
OPEB	1,030,356	9,828	1,040,184
Total deferred outflows of resources	2,412,829	25,355	2,438,184
Total assets and deferred outflows of resources .	25,484,479	6,995,350	32,479,829

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MORROW COUNTY

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2020

	Business-type Activities - Enterprise Funds		
	Morrow County Hospital	Sewer District	Total
Liabilities:			
Current liabilities:			
Accounts payable	\$ 1,858,169	\$ 14,103	\$ 1,872,272
Accrued wages and benefits	285,602	1,338	286,940
Due to other funds	-	100	100
Due to other governments	-	235	235
Interfund loans payable	-	56,400	56,400
Accrued interest payable	-	23,171	23,171
Sanitary sewer revenue bonds payable - current	-	11,088	11,088
Compensated absences payable - current	515,432	-	515,432
Estimated third party payor settlements	3,885,557	-	3,885,557
USDA bonds payable - current	-	16,600	16,600
OWDA loans payable	-	46,450	46,450
Paycheck protection program loan - current	1,968,222	-	1,968,222
	<u>8,512,982</u>	<u>169,485</u>	<u>8,682,467</u>
Total current liabilities			
Long-term liabilities:			
Sanitary sewer revenue bonds payable - noncurrent	-	520,320	520,320
OWDA loans payable	-	696,762	696,762
USDA bonds payable - noncurrent	-	812,100	812,100
Other loans payable	-	2,198,800	2,198,800
Net pension liability	9,549,735	42,365	9,592,100
Net OPEB liability	6,508,220	30,084	6,538,304
	<u>16,057,955</u>	<u>4,300,431</u>	<u>20,358,386</u>
Total long-term liabilities			
Total liabilities			
	<u>24,570,937</u>	<u>4,469,916</u>	<u>29,040,853</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	1,497,424	-	1,497,424
Pension	4,500,825	10,888	4,511,713
OPEB	2,225,081	5,768	2,230,849
	<u>8,223,330</u>	<u>16,656</u>	<u>8,239,986</u>
Total deferred inflows of resources			
Total liabilities and deferred inflows of resources.			
	<u>32,794,267</u>	<u>4,486,572</u>	<u>37,280,839</u>
Net position:			
Net investment in capital assets	5,602,641	1,974,917	7,577,558
Unrestricted (deficit)	(12,912,429)	533,861	(12,378,568)
	<u>(7,309,788)</u>	<u>2,508,778</u>	<u>(4,801,010)</u>
Total net position (deficit)			
	<u>\$ (7,309,788)</u>	<u>\$ 2,508,778</u>	<u>\$ (4,801,010)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS

	Business-type Activities - Enterprise Funds		
	Morrow County Hospital	Sewer District	Total
Operating revenues:			
Charges for services	\$ -	\$ 389,509	\$ 389,509
Patient service revenue, net	16,016,371	-	16,016,371
Other operating revenues	589,684	28,516	618,200
Total operating revenues.	16,606,055	418,025	17,024,080
Operating expenses:			
Personal services	8,604,757	51,501	8,656,258
Contract services.	6,821,131	232,770	7,053,901
Materials and supplies.	3,018,927	-	3,018,927
Administrative costs.	-	4,483	4,483
Utilities	-	21,879	21,879
Depreciation.	1,153,013	124,032	1,277,045
Other	1,281,606	37,027	1,318,633
Total operating expenses.	20,879,434	471,692	21,351,126
Operating income (loss)	(4,273,379)	(53,667)	(4,327,046)
Nonoperating revenues (expenses):			
Interest and fiscal charges	(12,834)	(45,129)	(57,963)
Real and other taxes.	1,326,559	-	1,326,559
Intergovernmental	254,422	-	254,422
Interest income.	40,656	-	40,656
Other financing sources	4,611,413	-	4,611,413
Total nonoperating revenues (expenses).	6,220,216	(45,129)	6,175,087
Income (loss) before disposal of operations.	1,946,837	(98,796)	1,848,041
Transfer in	-	12,330	12,330
Change in net position	1,946,837	(86,466)	1,860,371
Net position (deficit) at beginning of year	(9,256,625)	2,595,244	(6,661,381)
Net position (deficit) at end of year	\$ (7,309,788)	\$ 2,508,778	\$ (4,801,010)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Business-type Activities - Enterprise Funds		
	Morrow County Hospital	Sewer District	Total
Cash flows from operating activities:			
Cash received from customers.	\$ -	\$ 392,386	\$ 392,386
Cash received from patients and third-party payors.	16,773,987	-	16,773,987
Cash received from other operations.	589,684	29,697	619,381
Cash payments to suppliers for services and goods.	(11,002,079)	(239,714)	(11,241,793)
Cash payments to employees for services	(9,199,555)	(42,463)	(9,242,018)
Cash payments for other expenses	-	(94,409)	(94,409)
Net cash provided by (used in) operating activities	<u>(2,837,963)</u>	<u>45,497</u>	<u>(2,792,466)</u>
Cash flows from noncapital financing activities:			
Cash received from transfers in	-	12,330	12,330
Property tax levy/intergovernmental revenue	1,581,947	-	1,581,947
Cash received from other nonoperating activities	<u>4,610,447</u>	<u>-</u>	<u>-</u>
Net cash provided by noncapital financing activities.	<u>6,192,394</u>	<u>12,330</u>	<u>1,594,277</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(634,855)	(75,479)	(710,334)
Principal payments on long-term debt	1,968,222	(69,980)	1,898,242
Interest and fiscal charges	<u>(12,834)</u>	<u>(57,730)</u>	<u>(70,564)</u>
Net cash provided by (used in) capital and related financing activities.	<u>1,320,533</u>	<u>(203,189)</u>	<u>1,117,344</u>
Cash flows from investing activities:			
Interest received	40,656	679	41,335
Purchase of investments	<u>(19,378)</u>	<u>-</u>	<u>(19,378)</u>
Net cash provided by (used in) investing activities.	<u>21,278</u>	<u>679</u>	<u>21,957</u>
Net increase (decrease) in cash and cash equivalents	4,696,242	(144,683)	(58,888)
Cash and cash equivalents at beginning of year	8,188,329	817,569	9,005,898
Cash and cash equivalents at end of year	<u>\$ 12,884,571</u>	<u>\$ 672,886</u>	<u>\$ 8,947,010</u>
Supplemental cash flow information:			
Cash and cash equivalents in current assets	\$ 10,542,512		
Cash and cash equivalents in investments.	175,645		
Cash and cash equivalents in assets limited in use	<u>2,166,414</u>		
Cash and cash equivalents at end of year	<u>\$ 12,884,571</u>		

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MORROW COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Business-type Activities - Enterprise Funds		
	Morrow County Hospital	Sewer District	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (4,273,379)	\$ (53,667)	\$ (4,327,046)
Adjustments:			
Depreciation.	1,153,013	124,032	1,277,045
Provisions for bad debt	1,817,622	-	1,817,622
Changes in assets, deferred outflows, liabilities, and deferred inflows:			
Accounts receivable	-	4,041	4,041
Materials and supplies inventory	40,384	-	40,384
Prepayments	(24,275)	(364)	(24,639)
Other current assets and deferred outflows.	2,944,731	-	2,944,731
Patient accounts receivable.	(1,758,277)	-	(1,758,277)
Net pension assets	-	(150)	(150)
Deferred outflows - Pension	-	4,687	4,687
Deferred outflows - OPEB	-	(4,133)	(4,133)
Accrued wages and benefits	-	524	524
Due to other governments	-	(12)	(12)
Due to other funds	-	(100)	(100)
Third party settlements payable.	698,271	-	698,271
Accounts payable	103,476	(37,406)	66,070
Accrued expenses and deferred inflows	4,972,944	-	4,972,944
Net pension liability	(7,181,028)	(4,674)	(7,185,702)
Net OPEB liability	(1,331,445)	6,911	(1,324,534)
Deferred inflows - pension	-	3,898	3,898
Deferred inflows - OPEB	-	1,910	1,910
Net cash provided by operating activities	<u>\$ (2,837,963)</u>	<u>\$ 45,497</u>	<u>\$ (2,792,466)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020

	Custodial
Assets:	
Equity in pooled cash and cash equivalents	\$ 2,786,377
Cash in segregated accounts	921,764
Receivables:	
Taxes	37,403,811
Accounts	42,202
Due from other governments	1,967,584
Due from external parties	2,275
Total assets	43,124,013
Liabilities:	
Accounts payable	33,972
Accrued wages and benefits	25,446
Due to other governments	7,322,930
Due to external parties	5,204
Total liabilities	7,387,552
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	33,720,454
Total deferred inflows of resources	33,720,454
Total liabilities and deferred inflows of resources	41,108,006
Net position:	
Restricted for individuals, organizations and other governments	2,016,007
Total net position	\$ 2,016,007

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, 2020

	Custodial
Additions:	
Intergovernmental	\$ 7,866,609
Amounts received as fiscal agent	1,908,058
Licenses, permits and fees for other governments	2,280,571
Fines and forfeitures for other governments	449,082
Property tax collection for other governments	32,416,900
Earnings on investments	4,060
Other custodial fund collections	372,559
Total additions	45,297,839
Deductions:	
Distributions of state funds to other governments	4,865,359
Distributions as fiscal agent	1,573,440
Licenses, permits and fees distributions to other governments	2,080,389
Fines and forfeitures distributions to other governments	513,164
Property tax distributions to other governments	31,533,501
Distributions of federal funds to other governments	3,908,684
Other custodial fund disbursements	315,851
Total deductions	44,790,388
Net change in fiduciary net position	507,451
Net position beginning of year	1,508,556
Net position end of year	\$ 2,016,007

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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.

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.

COMPONENT UNITS

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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

The County has three potential component units which meet the criteria for reporting as discretely presented component units. However, due to a low level of activity and balances of assets/liabilities, the financial activities of the following organizations have not been reflected in the accompanying basic financial statements:

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 qualifies as a discretely presented component unit of the County. The Workshop had \$481,205 in revenues, \$490,738 in expenses and an ending net position of \$100,653 in 2020. 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. The District had no revenues or expenses in 2020 and no beginning or ending net position. 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 is reported as a component unit of the County. The Land Bank had no revenues, \$4,022 in expenses and an ending net position of \$119,360 in 2020. Separately issued financial statements can be obtained from the Morrow County Auditor at 48 East High Street, Room 7, Mount Gilead, Ohio 43338.

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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

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
Morrow County Park District

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.

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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

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.

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 sewer district operations. 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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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.

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 funds:

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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

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 other fiduciary activities that are not required to be reported in a trust fund. The County's fiduciary funds are custodial funds which are used to account for amounts held as fiscal agent for other entities, and 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.

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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

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.

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, 2020, but which were levied to finance 2021 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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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.

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 2020.

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

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

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 2020. The final budgeted figures reflect the original budgeted amounts plus all budgetary amendments and supplemental appropriations that were legally enacted during 2020.

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 2020, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), U.S. Government Money Market funds, negotiable certificates of deposit (CDs), Municipal Bonds 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.

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 2020, 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 2020 amounted to \$418,463 which includes \$319,047 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) and monies held by the Hospital in separate depository and investment accounts.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

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.

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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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	20 - 50 years	10 - 50 years
Building improvements	20 - 50 years	N/A
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.

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, 2020, 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, 2020 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.

MORROW COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

K. Prepayments

Payments made to vendors for services that will benefit periods beyond December 31, 2020, 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.

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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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.

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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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.

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 2020.

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>2020</u>
Patient accounts receivable	\$ 5,069,721
Less:	
Allowance for uncollectible accounts	(1,067,538)
Allowance for contractual adjustments	<u>(2,541,485)</u>
Net accounts receivable	<u>\$ 1,460,698</u>

MORROW COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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>2020</u>
Medicare and Managed Medicare	39%
Medicaid and Managed Medicaid	6%
Commercial insurance	50%
Self-pay	<u>5%</u>
Total	<u><u>100%</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 future capital improvements or for debt service.

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 2020, the Hospital provided charity care of approximately \$700,000.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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 2020, the County has implemented GASB Statement No. 95, “*Postponement of the Effective Dates of Certain Authoritative Guidance.*” GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Certain provisions contained in the following pronouncements were scheduled to be implemented for the fiscal year ended December 31, 2020. Due to the implementation of GASB Statement No. 95, the effective dates of certain provisions contained in these pronouncements are postponed. The following pronouncement is postponed by one year and the County has elected delaying implementation until the fiscal year ended December 31, 2021:

- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

The following pronouncements are postponed by eighteen months and the County has elected delaying implementation until the fiscal year ended December 31, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

B. Deficit Fund Balances

Fund balances at December 31, 2020 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
DRETAC	\$ 1,433
Airport Improvement	21,237
Tax Increment Financing	208,000
Engineer Promissory Note	408,646

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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.

C. Restatement of Net Position and Fund Balance

Capital assets, net of accumulated depreciation, in the amount of \$1,278,544 were inadvertently excluded from the County's financial statements for the year ended December 31, 2019. In addition, an interfund loan payable representing an internal borrowing from the County Treasurer was not included. A prior period restatement is necessary in order to properly report these items. The effect of the restatement is to increase net position of governmental activities by \$1,070,544 over the amount previously reported at December 31, 2019. In addition, total fund balance of governmental funds as of December 31, 2019 is decreased by \$208,000 as a result of reporting the interfund payable.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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;
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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 \$3,033 in undeposited cash on hand which is included on the financial statements of the County as part of "equity in pooled cash and investments".

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

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

B. Deposits with Financial Institutions

At December 31, 2020, the carrying amount of all County deposits was \$22,413,062. As of December 31, 2020, \$19,288,778 of the County's bank balance of \$23,687,041 was exposed to custodial risk as discussed below, while \$4,398,263 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. 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 2020, 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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of December 31, 2020, the County had the following investments and maturities:

Measurement/ <u>Investment type</u>	Measurement <u>Amount</u>	Investment Maturity				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
<i>Fair Value:</i>						
U.S. Government						
Money Market	\$ 1,023,243	\$ 1,023,243	\$ -	\$ -	\$ -	\$ -
Negotiable CDs	6,389,035	750,468	248,969	253,455	817,729	4,318,414
Municipal Bonds	5,388,919	4,956,537	-	-	-	432,382
FFCB	800,124	-	-	-	-	800,124
<i>Amortized Cost:</i>						
Star Ohio	<u>143,380</u>	<u>143,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 13,744,701</u>	<u>\$ 6,873,628</u>	<u>\$ 248,969</u>	<u>\$ 253,455</u>	<u>\$ 817,729</u>	<u>\$ 5,550,920</u>

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), municipal bonds, 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 1.59 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 municipal bonds were rated AA to AA+ by Standard & Poor's.

The County's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The 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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2020:

<u>Measurement/ Investment type</u>	<u>Measurement Amount</u>	<u>% of Total</u>
<i>Fair Value:</i>		
U.S. Govt Money Market	\$ 1,023,243	7.44
Negotiable CDs	6,389,035	46.49
Municipal Bonds	5,388,919	39.21
FFCB	800,124	5.82
<i>Amortized Cost:</i>		
STAR Ohio	<u>143,380</u>	<u>1.04</u>
Total	<u>\$ 13,744,701</u>	<u>100.00</u>

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, 2020:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 22,413,062
Investments	13,744,701
Cash on hand	<u>3,033</u>
Total	<u>\$ 36,160,796</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 18,036,505
Business-type activities	14,416,150
Custodial funds	<u>3,708,141</u>
Total	<u>\$ 36,160,796</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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- A. Due from/to other funds consisted of the following at December 31, 2020, as reported on the fund financial statements:

<u>Due to</u>	Due from					<u>Total</u>
	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Public Assistance</u>	<u>Nonmajor Governmental</u>	<u>Sewer Fund</u>	
General	\$ -	\$ 50	\$ -	\$ 67,648	\$ 100	\$ 67,798
Motor vehicle and gas tax	3,463	-	-	771	-	4,234
County board of developmental disabilities	-	-	-	11,699	-	11,699
Nonmajor governmental funds	3,925	-	80,018	10,238	-	94,181
Total	\$ 7,388	\$ 50	\$ 80,018	\$ 90,356	\$ 100	\$ 177,912

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. Outstanding balances between governmental funds and enterprise funds are reported as an internal balance.

- B. Interfund transfers for the year ended December 31, 2020, consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:

Nonmajor governmental funds	\$ 843,458
Sewer fund	12,330

Transfers from motor vehicle and gas tax fund to:

Nonmajor governmental funds	165,648
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Transfers from public assistance fund to:

Nonmajor governmental funds	48,403
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Transfer from nonmajor governmental funds to:

General fund	147,823
Nonmajor governmental funds	274,058

Total	\$ 1,491,720
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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. In addition, transfers were made during 2020 to make debt payments out of the appropriate funds.

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

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

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- C. Due from external parties at December 31, 2020, consisted of the following as reported on the fund statements:

<u>Due to</u>	Due from			Total
	General	Motor vehicle and gas tax	Custodial funds	
General	\$ -	\$ -	\$ 3,468	\$ 3,468
Nonmajor governmental funds	-	-	1,736	1,736
Custodial funds	175	2,100	-	2,275
Total	\$ 175	\$ 2,100	\$ 5,204	\$ 7,479

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.

- D. Interfund loans receivable/payable consisted of the following at December 31, 2020 as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 616,646
Nonmajor governmental funds	Sewer fund	56,400
Total		\$ 673,046

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 revalued 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. 2020 public utility property taxes became a lien December 31, 2019, are levied after October 1, 2020, and are collected in 2021 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 6 - PROPERTY TAX - (Continued)

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, 2020 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 2020 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.

The full tax rate for all County operations for the year ended December 31, 2020 was \$11.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2020 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 786,274,710
Commercial/industrial/mineral	61,613,910
Personal public utility	<u>61,430,380</u>
Total assessed value	<u><u>\$ 909,319,000</u></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 2020 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 2020 amounted to \$4,447,015 on the governmental fund financial statements.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 8 - RECEIVABLES

Receivables at December 31, 2020, consisted of taxes, accounts (billings for user charged services), accrued interest, loans and intergovernmental receivables arising from grants, 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, 2020. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Sales taxes	\$ 1,238,761
Real and other local taxes	6,684,282
Accounts	116,327
Accrued interest	42,928
Due from other governments	4,295,055
Loans	155,707

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

NOTE 9 - LOANS RECEIVABLE

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

	<u>Balance</u> <u>12/31/19</u>	<u>Loans</u> <u>Issued</u>	<u>Principal</u> <u>Received</u>	<u>Adjustments</u>	<u>Balance</u> <u>12/31/20</u>
<u>Special Revenue Funds</u>					
Community block and HOME Investments partnerships program grants commercial loans	\$ 109,059	\$ -	\$ (10,417)	\$ -	\$ 98,642
Home investment partnership	25,738	-	(9,555)	-	16,183
Water/sewer revolving loans	27,603	-	(5,112)	720	23,211
Rural hardship revolving loans	<u>20,347</u>	<u>1,280</u>	<u>(3,956)</u>	<u>-</u>	<u>17,671</u>
Total	<u>\$ 182,747</u>	<u>\$ 1,280</u>	<u>\$ (29,040)</u>	<u>\$ 720</u>	<u>\$ 155,707</u>

NOTE 10 - RESTRICTED ASSETS

The Hospital has assets whose use is limited consisting of invested funds designated by the Hospital’s Board of Trustees for future capital improvements or for debt service. 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, 2020, is set forth in the following table:

Board restricted for capital improvements:	
Cash and cash equivalents in segregated accounts	\$ 2,166,414
Investments in segregated accounts	<u>858,693</u>
Total	<u>\$ 3,025,107</u>

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 11 - CAPITAL ASSETS

A. A summary of the business-type activities capital assets for the year ended December 31, 2020 is as follows:

<u>Business-type activities:</u>	<u>Balance</u> 12/31/19	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> 12/31/20
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,143,315	\$ -	\$ -	\$ 2,143,315
Construction in progress	<u>502,750</u>	<u>79,351</u>	<u>(34,611)</u>	<u>547,490</u>
<i>Total capital assets, not being depreciated</i>	<u>2,646,065</u>	<u>79,351</u>	<u>(34,611)</u>	<u>2,690,805</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	669,704	-	-	669,704
Buildings	6,293,603	95,479	-	6,389,082
Equipment	22,993,784	570,115	-	23,563,899
Infrastructure	<u>4,374,960</u>	<u>-</u>	<u>-</u>	<u>4,374,960</u>
<i>Total capital assets, being depreciated</i>	<u>34,332,051</u>	<u>665,594</u>	<u>-</u>	<u>34,997,645</u>
Less: accumulated depreciation:				
Land improvements	(707,723)	(26,855)	-	(734,578)
Buildings	(4,564,076)	(182,128)	-	(4,746,204)
Equipment	(18,823,299)	(971,613)	-	(19,794,912)
Infrastructure	<u>(436,629)</u>	<u>(96,449)</u>	<u>-</u>	<u>(533,078)</u>
Total accumulated depreciation	<u>(24,531,727)</u>	<u>(1,277,045)</u>	<u>-</u>	<u>(25,808,772)</u>
Total capital assets, being depreciated, net	<u>9,800,324</u>	<u>(611,451)</u>	<u>-</u>	<u>9,188,873</u>
Business-type activities capital assets, net	<u>\$ 12,446,389</u>	<u>\$ (532,100)</u>	<u>\$ (34,611)</u>	<u>\$ 11,879,678</u>

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

<u>Business-type activities:</u>	
Morrow County Hospital	\$ 1,153,013
Sewer	<u>124,032</u>
Total depreciation expense - business-type activities	<u>\$ 1,277,045</u>

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 11 - CAPITAL ASSETS - (Continued)

B. A summary of the governmental activities capital assets for the year ended December 31, 2020 is as follows:

<u>Governmental activities:</u>	Restated Balance <u>12/31/19</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/20</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 764,057	\$ -	\$ -	\$ 764,057
Total capital assets, not being depreciated	<u>764,057</u>	<u>-</u>	<u>-</u>	<u>764,057</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	209,638	-	-	209,638
Buildings	13,361,002	7,200	-	13,368,202
Building improvements	5,073,042	60,447	-	5,133,489
Equipment	4,136,867	584,628	-	4,721,495
Software	388,701	59,893	-	448,594
Vehicles	8,810,844	-	(38,541)	8,772,303
Infrastructure	<u>55,634,124</u>	<u>1,566,690</u>	<u>-</u>	<u>57,200,814</u>
Total capital assets, being depreciated	<u>87,614,218</u>	<u>2,278,858</u>	<u>(38,541)</u>	<u>89,854,535</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(164,999)	(902)	-	(165,901)
Buildings	(7,013,444)	(306,892)	-	(7,320,336)
Building improvements	(2,065,891)	(182,972)	-	(2,248,863)
Equipment	(2,907,996)	(230,116)	-	(3,138,112)
Software	(191,256)	(81,182)	-	(272,438)
Vehicles	(6,702,117)	(343,058)	38,541	(7,006,634)
Infrastructure	<u>(33,534,923)</u>	<u>(1,174,590)</u>	<u>-</u>	<u>(34,709,513)</u>
Total accumulated depreciation	<u>(52,580,626)</u>	<u>(2,319,712)</u>	<u>38,541</u>	<u>(54,861,797)</u>
Total capital assets being depreciated, net	<u>35,033,592</u>	<u>(40,854)</u>	<u>-</u>	<u>34,992,738</u>
Governmental activities capital assets, net	<u>\$ 35,797,649</u>	<u>\$ (40,854)</u>	<u>\$ -</u>	<u>\$ 35,756,795</u>

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

Legislative and executive	\$ 406,314
Judicial	18,153
Public safety	361,888
Public works	1,274,734
Health	7,302
Human services	250,277
Other	<u>1,044</u>
Total depreciation expense - governmental activities	<u>\$ 2,319,712</u>

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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 furniture and equipment have been capitalized in the amount of \$1,019,097. This amount represents the present value at the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the government-wide financial statements. Accumulated depreciation as of December 31, 2020, was \$688,630, leaving a current book value of \$330,467. Principal payments in 2020 totaled \$60,327, paid from the general fund, the motor vehicle and gas tax fund, the County Board of DD fund, and the following nonmajor governmental funds: Morrow County Transit Authority fund, recorder's fund, and computer equipment 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, 2020:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 114,130
2022	106,000
2023	75,030
2024	59,388
2025	<u>59,388</u>
Total future minimum lease payments	413,936
Less: amount representing interest	<u>(30,654)</u>
Present value of net minimum lease payments	<u>\$ 383,282</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 recommended to be taken within one year of the employee's anniversary date. 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 not exempt from overtime. Such employees can accrue compensatory time up to, but not exceed a 90 hour limit. Sick leave is accumulated at the rate of .0575/hour for every hour worked. Upon retirement, employees are entitled to varying percentages of their accumulated sick leave up to varying maximum number of days, depending on department. At December 31, 2020, vested benefits for vacation leave and compensatory time for governmental fund employees totaled \$1,044,378 and vested benefits for sick leave totaled \$291,919.

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' accumulated 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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

During 2020, the following changes occurred in the County's governmental activities long-term obligations.

	<u>Balance</u> <u>12/31/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/20</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<u>General obligation bonds:</u>					
County services facility refunding bonds	\$ 465,000	\$ -	\$ (150,000)	\$ 315,000	\$ 155,000
Courthouse improvement bonds	1,640,000	-	(1,640,000)	-	-
Various purpose refunding bonds	2,930,000	-	(170,000)	2,760,000	170,000
Courthouse improvement refunding bonds (direct borrowing)	<u>-</u>	<u>1,640,000</u>	<u>(20,000)</u>	<u>1,620,000</u>	<u>95,000</u>
Total general obligation bonds	<u>5,035,000</u>	<u>1,640,000</u>	<u>(1,980,000)</u>	<u>4,695,000</u>	<u>420,000</u>
<u>Loans payable (direct borrowing):</u>					
JFS service garage	<u>113,000</u>	<u>-</u>	<u>(14,000)</u>	<u>99,000</u>	<u>15,000</u>
<u>OWDA loans payable (direct borrowing):</u>					
OWDA loan payable	<u>15,000</u>	<u>-</u>	<u>(5,625)</u>	<u>9,375</u>	<u>3,750</u>
<u>Other long-term obligations:</u>					
Compensated absences payable	1,221,785	919,513	(805,001)	1,336,297	784,993
Net pension liability	22,114,548	-	(5,768,656)	16,345,892	-
Net OPEB liability	10,893,969	712,924	-	11,606,893	-
Capital lease payable	<u>170,773</u>	<u>272,836</u>	<u>(60,327)</u>	<u>383,282</u>	<u>101,902</u>
Total other long-term obligations	<u>34,401,075</u>	<u>1,905,273</u>	<u>(6,633,984)</u>	<u>29,672,364</u>	<u>886,895</u>
Total long-term obligations	39,564,075	<u>\$ 3,545,273</u>	<u>\$ (8,633,609)</u>	34,475,739	<u>\$ 1,325,645</u>
Less: unamortized discount on bonds	(7,916)			-	
Add: unamortized premium	<u>125,126</u>			<u>115,990</u>	
Total reported on statement of net position	<u>\$ 39,681,285</u>			<u>\$ 34,591,729</u>	

General Obligation Bonds: The general obligation bonds are supported by the full faith and credit of the County.

During 2014 the County issued Court House Renovation Bonds to help fund upgrades to the County's Courthouse. These bonds were refunded in 2020.

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 consolidated county debt service fund (a nonmajor governmental fund).

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

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, 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. Payments are made from the consolidated county debt service fund (a nonmajor governmental fund).

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.

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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

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

On September 18, 2020, the County issued \$1,640,000 in Refunding Bonds (Series 2020) in order to currently refund the remaining \$1,640,000 of courthouse improvement bonds issued in 2014. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The refunding bonds carry an interest rate of 2.22% and the final stated maturity is December 1, 2035. Payments are made from the consolidated county debt service fund (a nonmajor governmental fund).

The reacquisition price exceeded the net carrying amount of the refunded debt by \$40,816. This amount is included as a component of interest and fiscal charges expense since the refunded debt was currently refunded as of December 1, 2020. The refunding was undertaken in order to reduce total future debt service costs by \$345,404 and resulted in an economic gain of \$304,588.

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

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).

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

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

Capital Leases Payable: 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		
	Principal	Interest	Total
2021	\$ 420,000	\$ 137,977	\$ 557,977
2022	435,000	128,593	563,593
2023	290,000	117,084	407,084
2024	295,000	109,164	404,164
2025	295,000	101,055	396,055
2026 - 2030	1,615,000	372,542	1,987,542
2031 - 2035	1,345,000	100,982	1,445,982
Total	<u>\$ 4,695,000</u>	<u>\$ 1,067,397</u>	<u>\$ 5,762,397</u>

Year Ended December 31,	JFS Service Garage Loan			OWDA Loan		
	Principal	Interest	Total	Principal	Interest	Total
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	1,875	-	1,875
2024	17,000	2,441	19,441	-	-	-
2025	18,000	1,658	19,658	-	-	-
2026	18,000	829	18,829	-	-	-
Total	<u>\$ 99,000</u>	<u>\$ 16,532</u>	<u>\$ 115,532</u>	<u>\$ 9,375</u>	<u>\$ -</u>	<u>\$ 9,375</u>

- 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 \$16,915,043 at December 31, 2020 and the unvoted legal debt margin was \$9,470,258 at December 31, 2020.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

C. Business-Type Activities Long-Term Obligations

During 2020, the following changes occurred in the County's business-type activities long-term obligations.

	Balance				Balance	Amount
	<u>12/31/19</u>	<u>Additions</u>	<u>Reductions</u>		<u>12/31/20</u>	<u>Due in</u>
						<u>One Year</u>
<u>Loans from direct borrowings:</u>						
OWDA loan #7105	\$ 789,662	\$ -	\$ (46,450)		\$ 743,212	\$ 46,450
OWDA loan #7939	12,330	-	(12,330)		-	-
SoMoCo sewer lines loan	2,210,000	-	(11,200)		2,198,800	-
<u>Other long-term obligations:</u>						
Sanitary sewer revenue bonds, series 2011	542,160	-	(10,752)		531,408	11,088
2016 USDA revenue bonds, series 2016	845,000	-	(16,300)		828,700	16,600
Paycheck Protection Program loan	-	1,968,222	-		1,968,222	1,968,222
Net pension liability	16,777,804	-	(7,185,704)		9,592,100	-
Net OPEB liability	7,862,836	6,911	(1,331,443)		6,538,304	-
Compensated absences payable	<u>495,915</u>	<u>515,432</u>	<u>(495,915)</u>		<u>515,432</u>	<u>515,432</u>
Total business-type activities long-term obligations	<u>\$ 29,535,707</u>	<u>\$ 2,490,565</u>	<u>\$ (9,110,094)</u>		<u>\$ 22,916,178</u>	<u>\$ 2,557,792</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.

Year Ended	<u>Sanitary Sewer Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 31,			
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	12,358	13,337	25,695
2026 - 2030	67,044	61,431	128,475
2031 - 2035	76,788	51,687	128,475
2036 - 2040	87,928	40,547	128,475
2041 - 2045	100,734	27,741	128,475
2046 - 2050	115,374	13,101	128,475
2051	<u>25,004</u>	<u>688</u>	<u>25,692</u>
Total	<u>\$ 531,408</u>	<u>\$ 265,134</u>	<u>\$ 796,542</u>

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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

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.

Year Ended December 31,	OWDA Loan - 7105		
	Principal	Interest	Total
2021	\$ 46,450	\$ -	\$ 46,450
2022	46,450	-	46,450
2023	46,450	-	46,450
2024	46,450	-	46,450
2025	46,451	-	46,451
2026 - 2030	232,255	-	232,255
2031 - 2035	232,255	-	232,255
2036 - 2037	46,451	-	46,451
Total	<u>\$ 743,212</u>	<u>\$ -</u>	<u>\$ 743,212</u>

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 45.57 percent of net revenues and 7.67 percent of total revenues. Principal and interest payments will be made from the sewer fund. During 2020, the County made principal and interest payments of \$16,300 and \$15,768, respectively.

Year Ended December 31,	2016 USDA Revenue Bonds		
	Principal	Interest	Total
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	17,900	14,174	32,074
2026 - 2030	94,800	65,678	160,478
2031 - 2035	103,800	56,410	160,210
2036 - 2040	114,200	46,260	160,460
2041 - 2045	125,300	35,090	160,390
2046 - 2050	137,500	22,834	160,334
2051 - 2055	151,000	9,385	160,385
2056	15,900	149	16,049
Total	<u>\$ 828,700</u>	<u>\$ 309,921</u>	<u>\$ 1,138,621</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.

MORROW COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

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 is not offered for public sale. The loan amount is \$2,210,000 with zero percent interest. The County will pay each of Morrow Meadows Development and Heartland Conference Retreat Center 25% of the connection fees paid by each prospective user of the sewer system. This shall continue until the \$2,210,000 amount has been repaid in full or until 25 years has elapsed, at which time the County shall have no further obligation to pay.

Paycheck Protection Program Loan: On May 7, 2020, the Hospital obtained a loan under the Paycheck Protection Program (PPP) in the amount of \$1,968,222 pursuant to the federal Coronavirus Aid, Relief, and Economic Securities (CARES) Act. The proceeds from the loan must be spent on qualifying expenses as allowed under the CARES Act and matures in May 2022. The allowable costs under the PPP include covered payroll costs, mortgage interest on real or personal property, rental obligations on real or personal property, and covered utility costs. The Hospital has recorded the PPP loan in the current portion of long-term debt.

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 2020 recorded in the Hospital enterprise fund was \$16,606,055.

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 2020, 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:

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 16 - RISK MANAGEMENT - (Continued)

	<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) Property	 100,000,000
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.

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%. The Hospital has obtained commercial insurance coverage for claims arising from employee health, dental, and accident benefits.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 17 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Asset and Net OPEB Liability/Asset

Pensions and OPEB 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 net pension liability/asset and the net OPEB liability/asset represent the County's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB 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.

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/OPEB are financed; however, the County does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability/asset is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

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.

The remainder of this note includes the pension disclosures. See Note 18 for the OPEB disclosures.

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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. 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.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Comprehensive Annual Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

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

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

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. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. 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. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. 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 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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
2020 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee *	10.0 %	**	***
2020 Actual Contribution Rates			
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 \$2,622,126 for 2020. Of this amount, \$151,069 is reported as a liability.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – County licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee 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 Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. 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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent 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 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent 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 at age fifty and after termination of employment.

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. New members must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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. The 2020 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2020, the full employer contribution was allocated to pension.

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 were measured as of December 31, 2019, 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, 2020, 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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

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	0.14690500%	0.13054300%	0.05883700%	0.00000000%	
Proportion of the net pension liability/asset current measurement date	<u>0.13505500%</u>	<u>0.09716000%</u>	<u>0.04103500%</u>	<u>0.00000000%</u>	
Change in proportionate share	<u>-0.01185000%</u>	<u>-0.03338300%</u>	<u>-0.01780200%</u>	<u>0.00000000%</u>	
Proportionate share of the net pension liability	\$ 25,937,992	\$ -	\$ -	\$ -	\$ 25,937,992
Proportionate share of the net pension asset	-	197,572	1,483	-	199,055
Pension expense	4,669,532	22,636	(874)	(2,477)	4,688,817

At December 31, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OPERS - Combined	Member- Directed	STRS	Total
Deferred outflows of resources					
Differences between expected and actual experience	\$ -	\$ -	\$ 4,957	\$ -	\$ 4,957
Changes of assumptions	1,385,385	20,370	239	-	1,405,994
Changes in employer's proportionate percentage/difference between employer contributions	484,916	53,692	-	-	538,608
Contributions subsequent to the measurement date	2,538,340	58,276	25,510	-	2,622,126
Total deferred outflows of resources	<u>\$ 4,408,641</u>	<u>\$ 132,338</u>	<u>\$ 30,706</u>	<u>\$ -</u>	<u>\$ 4,571,685</u>

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	STRS	Total
Deferred inflows of resources					
Differences between expected and actual experience	\$ 2,232,877	\$ 57,876	\$ -	\$ -	\$ 2,290,753
Net difference between projected and actual earnings on pension plan investments	3,269,089	14,129	462	-	3,283,680
Changes in employer's proportionate percentage/ difference between employer contributions	2,441,327	3,315	-	5,503	2,450,145
Total deferred inflows of resources	<u>\$ 7,943,293</u>	<u>\$ 75,320</u>	<u>\$ 462</u>	<u>\$ 5,503</u>	<u>\$ 8,024,578</u>

\$2,622,126 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, 2021.

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

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	STRS	Total
Year Ending December 31:					
2021	\$ (1,919,760)	\$ 33,015	\$ 586	\$ (3,120)	\$ (1,889,279)
2022	(2,313,062)	(11,528)	593	(2,382)	(2,326,379)
2023	214,254	(4,386)	710	(1)	210,577
2024	(2,054,424)	(13,760)	530	-	(2,067,654)
2025	-	(1,439)	641	-	(798)
Thereafter	-	(3,160)	1,674	-	(1,486)
Total	<u>\$ (6,072,992)</u>	<u>\$ (1,258)</u>	<u>\$ 4,734</u>	<u>\$ (5,503)</u>	<u>\$ (6,075,019)</u>

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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2019, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2019, are presented below.

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: 1.40%, simple through 2020, then 2.15% simple
Investment rate of return	
Current measurement date	7.20%
Prior measurement date	7.20%
Actuarial cost method	Individual entry age

In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 3.00% simple through 2018 then 2.15% simple to 1.40% simple through 2020 the 2.15% simple.

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.

During 2019, 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 17.20% for 2019.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the 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 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. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	25.00 %	1.83 %
Domestic equities	19.00	5.75
Real estate	10.00	5.20
Private equity	12.00	10.70
International equities	21.00	7.66
Other investments	13.00	4.98
Total	100.00 %	5.61 %

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, 2019 was 7.20%. 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 proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.20%, as well as what the 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	\$ 42,779,905	\$ 25,937,993	\$ 10,797,333
Combined Plan	(119,383)	(197,572)	(253,925)
Member-Directed Plan	(784)	(1,483)	(1,961)

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - State Teachers Retirement System (STRS)

All disclosures related to the actuarial assumptions relate to the amounts used for the net pension liability for STRS which was measured as of June 30, 2020.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation are presented below:

Inflation	2.50%
Projected salary increase	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Discount rate of return	7.45%
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0.00%, effective July 1, 2017

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

Actuarial assumptions used in the July 1, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' 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:

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long-Term Expected Rate of Return**</u>
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
Liquid reserves	1.00	2.25
Total	<u>100.00 %</u>	

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**10 year annualized 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.

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that 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. 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.

NOTE 18 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See Note 17 for a description of the net OPEB liability.

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, 2020

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' Comprehensive Annual Financial Report 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 allowing 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. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, 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 2020 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 \$14,458 for 2020. Of this amount, \$355 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, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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. All benefit recipients 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 14.00% of covered payroll. For 2020, STRS did not allocate any employer contributions to post-employment health care.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 18 - DEFINED BENEFIT OPEB PLANS - (Continued)

Net OPEB Liabilities/Assets, 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, 2018, rolled forward to the measurement date of December 31, 2019, 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 asset was measured as of June 30, 2020, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The County's proportion of the net OPEB asset 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:

	OPERS	STRS	Total
Proportion of the net OPEB liability prior measurement date	0.14893700%	0.00000000%	
Proportion of the net OPEB liability current measurement date	<u>0.13525700%</u>	<u>0.00000000%</u>	
Change in proportionate share	<u>-0.01368000%</u>	<u>0.00000000%</u>	
Proportionate share of the net OPEB liability	\$ 18,145,197	\$ -	\$ 18,145,197
OPEB expense	\$ 2,362,314	\$ (1,720)	\$ 2,360,594

At December 31, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	\$ 486	\$ -	\$ 486
Changes of assumptions	2,872,190	-	2,872,190
Changes in employer's proportionate percentage/difference between employer contributions	124,149	-	124,149
Contributions subsequent to the measurement date	10,204	-	10,204
Total deferred outflows of resources	<u>\$ 3,007,029</u>	<u>\$ -</u>	<u>\$ 3,007,029</u>

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 18 - DEFINED BENEFIT OPEB PLANS - (Continued)

	OPERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	\$ 1,659,462	\$ -	\$ 1,659,462
Net difference between projected and actual earnings on OPEB plan investments	923,950	-	923,950
Changes in employer's proportionate percentage/difference between employer contributions	1,299,961	1,561	1,301,522
Total deferred inflows of resources	<u>\$ 3,883,373</u>	<u>\$ 1,561</u>	<u>\$ 3,884,934</u>

\$10,204 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, 2021.

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

	OPERS	STRS	Total
Year Ending December 31:			
2021	\$ (284,477)	\$ (391)	\$ (284,868)
2022	(207,989)	(391)	(208,380)
2023	733	(391)	342
2024	(394,812)	(388)	(395,200)
2025	(3)	-	(3)
Total	<u>\$ (886,548)</u>	<u>\$ (1,561)</u>	<u>\$ (888,109)</u>

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 (the plan as understood by the employers and plan members) 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, 2018, rolled forward to the measurement date of December 31, 2019. 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:

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 18 - DEFINED BENEFIT OPEB PLANS - (Continued)

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25 to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	3.16%
Prior Measurement date	3.96%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.00%
Municipal Bond Rate	
Current measurement date	2.75%
Prior Measurement date	3.71%
Health Care Cost Trend Rate	
Current measurement date	10.00% initial, 3.50% ultimate in 2030
Prior Measurement date	7.50%, initial 3.25%, ultimate in 2029
Actuarial Cost Method	Individual Entry Age Normal

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 2019, 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, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. 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 was 19.70% for 2019.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 18 - DEFINED BENEFIT OPEB PLANS - (Continued)

The allocation of investment assets within 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 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.

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	100.00 %	4.55 %

Discount Rate - A single discount rate of 3.16% was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. 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 2.75%. 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 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, 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 proportionate share of the net OPEB liability calculated using the single discount rate of 3.16%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16%) or one-percentage-point higher (4.16%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
County's proportionate share of the net OPEB liability	\$ 23,745,899	\$ 18,145,197	\$ 13,660,855

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 18 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 2020 is 10.50%. 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 3.50% in the most recent valuation.

	<u>1% Decrease</u>	<u>Current Health Care Trend Rate Assumption</u>	<u>1% Increase</u>
County's proportionate share of the net OPEB liability	\$ 17,609,747	\$ 18,145,197	\$ 18,673,819

Changes between Measurement Date and Reporting Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 18 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - State Teachers Retirement System (STRS)

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation, compared with July 1, 2019, are presented below:

	July 1, 2020		July 1, 2019	
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discounted rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	5.00%	4.00%	5.87%	4.00%
Medicare	-6.69%	4.00%	4.93%	4.00%
Prescription Drug				
Pre-Medicare	6.50%	4.00%	7.73%	4.00%
Medicare	11.87%	4.00%	9.62%	4.00%

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates 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. For disabled retirees, 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.

Actuarial assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - There were no changes in assumptions since the prior measurement date of June 30, 2019.

Benefit Term Changes Since the Prior Measurement Date - There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

STRS' 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:

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 18 - DEFINED BENEFIT OPEB PLANS - (Continued)

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long-Term Expected Real Rate of Return **</u>
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>	

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**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.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 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);

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 19 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (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).

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	\$ 682,749	\$ 1,210,336	\$ (365,065)	\$ 238,783
Net adjustment for revenue accruals	(1,105,677)	(81,649)	321,935	166,699
Net adjustment for expenditure accruals	1,220,607	7,826	(21,377)	58,445
Net adjustment for other sources/uses	31,164	107,188	-	-
Funds budgeted elsewhere	84,967	-	-	-
Adjustment for encumbrances	<u>297,474</u>	<u>47,407</u>	<u>217,363</u>	<u>73,480</u>
GAAP basis	<u>\$ 1,211,284</u>	<u>\$ 1,291,108</u>	<u>\$ 152,856</u>	<u>\$ 537,407</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.

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MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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	\$ 26,648	\$ 266,745	\$ 2,111	\$ 12,151	\$ 10,817	\$ 318,472
Prepays	75,895	11,070	-	26,006	25,731	138,702
Unclaimed monies	94,122	-	-	-	-	94,122
Total nonspendable	196,665	277,815	2,111	38,157	36,548	551,296
Restricted:						
General government	-	-	-	-	1,441,777	1,441,777
Public safety	-	-	-	-	1,419,587	1,419,587
Public works	-	3,228,184	-	-	401,371	3,629,555
Human services	-	-	980,365	-	902,243	1,882,608
Health	-	-	-	2,711,049	43,938	2,754,987
Debt service	-	-	-	-	377,068	377,068
Capital projects	-	-	-	-	408,379	408,379
Economic and development	-	-	-	-	607,517	607,517
Other purposes	-	-	-	-	1,079,561	1,079,561
Total restricted	-	3,228,184	980,365	2,711,049	6,681,441	13,601,039
Committed:						
Public safety	-	-	-	-	196,499	196,499
General governemnt	-	-	-	-	1,278,685	1,278,685
Capital projects	-	-	-	-	260,224	260,224
Insurance premiums	309,684	-	-	-	-	309,684
Other purposes	-	-	-	-	230,801	230,801
Total committed	309,684	-	-	-	1,966,209	2,275,893
Assigned:						
General government	190,500	-	-	-	-	190,500
Public safety	23,769	-	-	-	-	23,769
Health	1,406	-	-	-	-	1,406
Prepayments interest account	6,625	-	-	-	-	6,625
Motor vehicle bond retirement	-	-	-	-	148,103	148,103
Subsequent year appropriations	1,739,186	-	-	-	-	1,739,186
Other purposes	5,435	-	-	-	-	5,435
Total assigned	1,966,921	-	-	-	148,103	2,115,024
Unassigned (deficit)	2,587,578	-	-	-	(639,434)	1,948,144
Total fund balances	\$ 5,060,848	\$ 3,505,999	\$ 982,476	\$ 2,749,206	\$ 8,192,867	\$ 20,491,396

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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, net of any amounts reported as liabilities, were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 221,710
Motor vehicle and gas tax	38,417
Public assistance	100,976
County Board of Developmental Disabilities	42,353
Other governmental	<u>261,801</u>
Total	<u>\$ 665,257</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, 2020.

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.

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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 23 - 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 24 – AFFILIATION

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 and chief nursing officer/vice president of patient care services. Expenses for services included in the statement of revenue, expenses, and changes in net position (deficit) at December 31, 2020 consisted of these amounts:

Employee salaries, benefits, and payroll taxes	\$ 892,968
Purchased services	1,180,637
Affiliation fees	125,000
Other support services and resources	<u>218,904</u>
Total	<u>\$ 2,417,509</u>

Amounts due to OhioHealth for services amounted to approximately \$624,000 at December 31, 2020 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 25 - 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 cost 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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 25 - NET PATIENT SERVICE REVENUE - (Continued)

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, 2020 is as follows:

Gross patient service revenue	\$ 37,571,599
Less third-party allowances and other discounts	(19,737,606)
Less bad debts	<u>(1,817,622)</u>
Net patient service revenue	<u>\$ 16,016,371</u>

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, 2020 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)	\$ 16,091,592	\$ 1,742,401	\$ 17,833,993

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 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, 2020 was decreased by approximately \$511,000 as a result of settlements at amounts different than originally estimated.

NOTE 26 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the County. The County’s investment portfolio and the pension and other employee benefits plan in which the County participate fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the County’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

MORROW COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT’S COMPILATION REPORT)**

NOTE 26 - COVID-19 - (Continued)

During 2020, the County received CARES Act funding and received \$1,564,379 as an on-behalf of grant from another government. These amounts are recorded in the coronavirus relief fund (a nonmajor governmental fund) on the accompanying financial statements.

NOTE 27 - SUBSEQUENT EVENTS

On March 30, 2021, the Hospital was granted forgiveness by the Small Business Administration for its \$1,968,222 PPP loan received in 2020. During 2021, a second round of PPP loans were made available by the federal government. The Hospital received a second PPP loan in the amount of \$1,856,614 on February 2, 2021. The Hospital intends to apply for forgiveness when available.

NOTE 28 - TAX ABATEMENTS

As of December 31, 2020, 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 2020, 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>\$ 8,608</u>

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 SEVEN YEARS

	<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
<i>Traditional Plan:</i>							
County's proportion of the net pension liability	0.135055%		0.146905%		0.152094%		0.157563%
County's proportionate share of the net pension liability	\$ 25,937,993	\$	38,892,352	\$	22,941,747	\$	34,475,368
County's covered payroll	\$ 19,066,507	\$	19,864,793	\$	20,113,169	\$	20,277,933
County's proportionate share of the net pension liability as a percentage of its covered payroll	136.04%		195.79%		114.06%		170.01%
Plan fiduciary net position as a percentage of the total pension liability	82.17%		74.70%		84.66%		77.25%
<i>Combined Plan:</i>							
County's proportion of the net pension asset	0.097160%		0.130543%		0.136358%		0.125882%
County's proportionate share of the net pension asset	\$ 197,572	\$	142,212	\$	179,926	\$	63,831
County's covered payroll	\$ 418,621	\$	540,864	\$	541,554	\$	456,183
County's proportionate share of the net pension asset as a percentage of its covered payroll	47.20%		26.29%		33.22%		13.99%
Plan fiduciary net position as a percentage of the total pension asset	145.28%		126.64%		137.28%		116.55%
<i>Member Directed Plan:</i>							
County's proportion of the net pension asset	0.041035%		0.058837%		0.058023%		0.059749%
County's proportionate share of the net pension asset	\$ 1,483	\$	1,264	\$	1,885	\$	232
County's covered payroll	\$ 261,670	\$	343,890	\$	324,840	\$	-
County's proportionate share of the net pension asset as a percentage of its covered payroll	0.57%		0.37%		0.58%		0.00%
Plan fiduciary net position as a percentage of the total pension asset	118.84%		113.42%		124.46%		103.40%

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>2016</u>	<u>2015</u>	<u>2014</u>
	0.225090%	0.238995%	0.163738%
\$	26,458,710	\$ 19,677,796	\$ 10,361,522
\$	17,706,742	\$ 17,895,875	\$ 18,309,523
	149.43%	109.96%	56.59%
	81.08%	86.45%	86.36%
	0.218040%	0.123264%	0.053039%
\$	(29,061)	\$ (6,752)	\$ 5,528
\$	511,125	\$ (62,825)	\$ 149,477
	-5.69%	10.75%	3.70%
	116.90%	114.83%	104.56%
	0.050171%	n/a	n/a
\$	192	n/a	n/a
\$	199,575	n/a	n/a
	0.10%	n/a	n/a
	103.91%	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 SEVEN YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
County's proportion of the net pension liability	0.00000000%	0.00000000%	0.00052297%	0.00058874%
County's proportionate share of the net pension liability	\$ -	\$ -	\$ 114,989	\$ 139,856
County's covered-employee payroll	\$ -	\$ 27,314	\$ 63,479	\$ 61,779
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	n/a	0.00%	181.14%	226.38%
Plan fiduciary net position as a percentage of the total pension liability	75.48%	77.40%	77.30%	75.30%

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>2016</u>	<u>2015</u>	<u>2014</u>
	0.00057612%	0.00056454%	0.00130236%
\$	192,845	\$ 156,022	\$ 140,176
\$	62,250	\$ 56,979	\$ 54,546
	309.79%	273.82%	256.99%
	66.80%	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 2,538,340	\$ 2,669,311	\$ 2,781,071	\$ 2,614,712
Contributions in relation to the contractually required contribution	<u>(2,538,340)</u>	<u>(2,669,311)</u>	<u>(2,781,071)</u>	<u>(2,614,712)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 18,131,000	\$ 19,066,507	\$ 19,864,793	\$ 20,113,169
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 58,276	\$ 58,607	\$ 75,721	\$ 70,402
Contributions in relation to the contractually required contribution	<u>(58,276)</u>	<u>(58,607)</u>	<u>(75,721)</u>	<u>(70,402)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 416,257	\$ 418,621	\$ 540,864	\$ 541,554
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%
Contractually required contribution	\$ 25,510	\$ 26,167	\$ 34,389	\$ 32,484
Contributions in relation to the contractually required contribution	<u>(25,510)</u>	<u>(26,167)</u>	<u>(34,389)</u>	<u>(32,484)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 255,100	\$ 261,670	\$ 343,890	\$ 324,840
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	10.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 2,433,352	\$ 2,124,809	\$ 1,040,322	\$ 2,380,238	\$ 1,914,412	\$ 1,975,068
<u>(2,433,352)</u>	<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>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 20,277,933	\$ 17,706,742	\$ 8,669,350	\$ 18,309,523	\$ 19,144,120	\$ 19,750,680
12.00%	12.00%	12.00%	13.00%	10.00%	10.00%
\$ 54,742	\$ 61,335	\$ 23,265	\$ 19,432	\$ 11,282	\$ 8,478
<u>(54,742)</u>	<u>(61,335)</u>	<u>(23,265)</u>	<u>(19,432)</u>	<u>(11,282)</u>	<u>(8,478)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 456,183	\$ 511,125	\$ 193,875	\$ 149,477	\$ 141,912	\$ 106,642
12.00%	12.00%	12.00%	13.00%	7.95%	7.95%
\$ -	\$ 23,949				
<u>-</u>	<u>(23,949)</u>				
<u>\$ -</u>	<u>\$ -</u>				
\$ -	\$ 199,575				
12.00%	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ -	\$ -	\$ 3,824	\$ 8,887
Contributions in relation to the contractually required contribution	-	-	(3,824)	(8,887)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ -	\$ -	\$ 27,314	\$ 63,479
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 8,649	\$ 8,715	\$ 7,977	\$ 7,091	\$ 7,681	\$ 7,587
<u>(8,649)</u>	<u>(8,715)</u>	<u>(7,977)</u>	<u>(7,091)</u>	<u>(7,681)</u>	<u>(7,587)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 61,779	\$ 62,250	\$ 61,362	\$ 54,546	\$ 59,085	\$ 58,362
14.00%	14.00%	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 FOUR YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
County's proportion of the net OPEB liability	0.135257%	0.148937%	0.149250%	0.147931%
County's proportionate share of the net OPEB liability	\$ 18,145,196	\$ 18,756,805	\$ 16,096,395	\$ 14,941,554
County's covered payroll	\$ 19,746,798	\$ 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	91.89%	90.40%	76.72%	72.06%
Plan fiduciary net position as a percentage of the total OPEB liability	47.80%	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 FOUR YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
County's proportion of the net OPEB liability	0.00000000%	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	n/a	0.00%	12.60%	37.18%
Plan fiduciary net position as a percentage of the total OPEB liability	182.13%	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 14,458	\$ 10,467	\$ 20,345	\$ 324,852
Contributions in relation to the contractually required contribution	<u>(14,458)</u>	<u>(10,467)</u>	<u>(20,345)</u>	<u>(324,852)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 18,802,357	\$ 19,746,798	\$ 20,749,547	\$ 20,979,563
Contributions as a percentage of covered payroll	0.08%	0.05%	0.10%	1.55%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 285,335	\$ 177,759	\$ 418,385	\$ 208,446	\$ 760,572	\$ 784,578
<u>(285,335)</u>	<u>(177,759)</u>	<u>(418,385)</u>	<u>(208,446)</u>	<u>(760,572)</u>	<u>(784,578)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 20,734,116	\$ 18,417,442	\$ 8,863,225	\$ 18,459,000	\$ 19,286,032	\$ 19,857,322
1.38%	0.97%	4.72%	1.13%	3.94%	3.95%

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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</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
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ -	\$ -	\$ 614	\$ 545	\$ 591	\$ 584
-	-	(614)	(545)	(591)	(584)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 61,779	\$ 62,250	\$ 61,362	\$ 54,546	\$ 59,085	\$ 58,362
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, 2020

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2020.

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%. There were no changes in assumptions for 2020.

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 2018-2020.

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 2018-2020.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2017-2020.

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. For 2020, 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 decreased from 3.96% up to 3.16%, (b) the municipal bond rate was decreased from 3.71% up to 2.75% and (c) the health care cost trend rate was increased from 10.00%, initial/3.25%, ultimate in 2029 up to 10.50%, initial/3.50% ultimate in 2030.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2017-2020.

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 7.45% 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. For 2020, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) decrease in medical trend rates from 4.93%-5.87% to -6.69%-5.00% and (b) an increase in prescription drug trend rates from 7.73%-9.62% to 6.50%-11.87%.

MORROW COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

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
U.S. DEPARTMENT OF AGRICULTURE				
<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-2021-11-5971	\$ -	\$ 213,236
Total U.S. Department of Agriculture and Supplemental Nutrition Assistance Program (SNAP) Cluster			-	213,236
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<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-F-18-1CB-1	-	24,115
HOME Investment Partnerships Program				
	14.239	B-C-171CB-1	-	2,049
Total U.S. Department of Housing and Urban Development			-	26,164
U.S. DEPARTMENT OF JUSTICE				
<i>Passed Through Ohio Attorney General's Office</i>				
Crime Victim Assistance				
	16.575	2020-VOCA-132921346	-	45,237
Crime Victim Assistance				
	16.575	2021-VOCA-133945439	-	9,889
Total U.S. Department of Justice and Crime Victim Assistance			-	55,126
U.S. DEPARTMENT OF LABOR				
<i>Passed Through Ohio Department of Job and Family Services</i>				
Passed through Montgomery County Auditor, WIA Area 7 Board WIOA Cluster:				
WIA Adult Program				
	17.258	2020-7259-1, 2021-7259-1	-	59,317
WIA Youth Activities				
	17.259	2020-7259-1, 2021-7259-1	29,016	51,871
WIA Dislocated Worker Formula Grants				
	17.278	2020-7259-1, 2021-7259-1	-	91,447
Total WIOA Cluster				
			29,016	202,635
Workforce Investment Act (WIA) National Emergency Grants				
	17.277	2020-7259-1, 2021-7259-1	-	3,196
Total U.S. Department of Labor			29,016	205,831
U.S. DEPARTMENT OF TRANSPORTATION				
<i>Direct Program</i>				
Airport Improvement Program				
	20.106	3-39-0114-013-2017	-	19,146
Airport Improvement Program				
	20.106	3-39-0114-013-2016	-	8,250
Airport Improvement Program - COVID 19				
	20.106	3-39-0114-015-2020	-	21,714
Total Airport Improvement Program				
			-	49,110
<i>Passed Through Ohio Department of Transportation</i>				
Formula Grants for Rural Areas and Tribal Transit Program				
	20.509	05-RPTR-20-0100	-	64,523
Formula Grants for Rural Areas and Tribal Transit Program- COVID 19				
	20.509	05-CARE-20-0100	-	603,540
Formula Grants for Rural Areas and Tribal Transit Program- COVID 19				
	20.509	OCPX-0059-024-201	-	76,763
Total Formula Grants for Rural Areas and Tribal Transit Program				
			-	744,826
Transit Services Program Cluster:				
Enhanced Mobility of Seniors and Individuals with Disabilities				
	20.513	TSTP-005-GRF-201	-	15,731
Total Transit Service Program Cluster				
			-	15,731
Federal Transit Cluster:				
Buses and Bus Facilities Formula, Competitive, and Low or no Emissions Programs				
	20.526	059-BABF-20-0100	-	188,904
Total Federal Transit Cluster				
			-	188,904
Total U.S. Department of Transportation			-	998,571
U.S. DEPARTMENT OF TREASURY				
<i>Passed Through Ohio Office of Budget and Management</i>				
COVID-19 Coronavirus Relief Fund				
	21.109	N/A	-	2,278,656
Total U.S. Department of the Treasury			-	2,278,656
U.S. DEPARTMENT OF EDUCATION				
<i>Passed through Ohio Department of Developmental Disabilities</i>				
Special Education - Grants for Infants and Families				
	84.181	EI Part C H181A180024/190024	-	62,937
Total U.S. Department of Education			-	62,937

MORROW COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

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
U.S. ELECTION ASSISTANCE COMMISSION				
<i>Passed through Ohio Secretary of State's Office</i>				
2018 HAVA Election Security Grants	90.404	N/A	-	46,351
2018 HAVA Election Security Grants - COVID 19	90.404	N/A	-	29,359
Total U.S. Election Assistance Commission			-	75,710
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed through Ohio Department of Job and Family Services</i>				
Promoting Safe and Stable Families	93.556	G-2021-11-5971	-	10,211
<i>Passed through Ohio Department of Mental Health</i>				
Promoting Safe and Stable Families	93.556	5AU-20-C0059	-	9,230
Promoting Safe and Stable Families	93.556	5AU-2021	-	1,447
Total Promoting Safe and Stable Families			-	20,888
<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-2021-17-0754	-	3,499
Temporary Assistance for Needy Families (TANF)	93.558	G-2021-11-5971	171,883	987,572
Total Temporary Assistance for Needy Families Cluster			171,883	991,071
Child Support Enforcement Agency	93.563	G-2021-11-5971	-	439,217
CCDF Cluster:				
Child Care and Development Block Grant	93.575	G-2021-11-5971	-	10,561
Total Child Care and Development Fund Cluster			-	10,561
Stephanie Tubbs Jones Child Welfare Services Program	93.645	5AU-20-C0059	-	1,141
Stephanie Tubbs Jones Child Welfare Services Program	93.645	5AU-2021	-	179
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-2021-11-5971	-	70,482
Total Stephanie Tubbs Jones Child Welfare Services Program			-	71,802
Foster Care - Title IV-E	93.658	G-2021-11-5971	-	34,209
Adoption Assistance	93.659	G-2021-11-5971	-	78,480
<i>Passed through Ohio Department of Developmental Disabilities</i>				
Social Services Block Grant	93.667	200IOHSOSR	24,211	24,211
<i>Passed through Ohio Department of Job and Family Services</i>				
Social Services Block Grant	93.667	G-2021-11-5971	-	549,168
Total Social Services Block Grant			24,211	573,379
John H. Chafee Foster Care Program For Successful Transition to Adulthood	93.674	G-2021-11-5971	-	7,688
Children's Health Insurance Program	97.767	G-2021-11-5971	-	53,371
Medicaid Cluster:				
Medical Assistance Program	93.778	G-2021-11-5971	-	650,242
Total U.S. Department of Health and Human Services			-	2,930,908
U.S. DEPARTMENT OF HOMELAND SECURITY				
<i>Passed through Ohio Emergency Management Agency</i>				
Emergency Management Performance Grants	97.042	EMC-2019-EP-00005	-	9,691
Emergency Management Performance Grants	97.042	EMC-2020-EP-00004	-	26,799
Emergency Management Performance Grants	97.042	EMC-2020-EP-00014	-	988
Total U.S. Department of Homeland Security			-	37,478
Total Expenditures of Federal Awards			\$ 196,094	\$ 6,884,617

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, 2020**

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 government for the year ended December 31, 2020. 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 Ohio Department of Job and Family Services, and Ohio Department of Development Disabilities to other governments or not-for-profit agencies (subrecipients). 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 account as of December 31, 2020 is \$155,707.

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
Mount 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 remaining fund information of Morrow County, (the County) as of and for the year ended December 31, 2020, 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 9, 2021, wherein we noted 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Efficient • Effective • Transparent

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 statements. 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 9, 2021

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 County Commissioner:

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, 2020. 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 2020-001 in the accompanying schedule of findings, the County did not comply with requirements regarding cash management applicable to its Formula Grants for Rural Areas and Tribal Transit Program 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, the 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, 2020.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the County complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended December 31, 2020.

Other Matters

The County's response to our noncompliance 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.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and a deficiency we consider to be a significant deficiency.

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 and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2020-001 and 2020-003 to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2020-002 to be a significant deficiency.

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

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.



Keith Faber
Auditor of State
Columbus, Ohio

December 9, 2021

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MORROW COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified over Cash Management for Formula Grants for Rural Areas and Tribal Transit Program Unmodified over remaining requirements of Formula Gants for Rural Areas and Tribal Transit Program Unmodified over Covid-19 Coronavirus Relief Fund
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	ALS #21.019 - Covid-19 Coronavirus Relief Fund ALS #20.509 - Formula Grants for Rural Areas and Tribal Transit Program
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

MORROW COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020
(Continued)

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

None

3. FINDINGS FOR FEDERAL AWARDS

1. Cash Management – Noncompliance/Material Weakness

Finding Number:	2020-001
ALS Number and Title:	ALS # 20.509 Formula Grants for Rural Areas and Tribal Transit Program
Federal Award Identification Number / Year:	05-RPTR-20-0100/05-CARE-20-0100/ 0CPX-0059-024-201 / 2020
Federal Agency:	U.S. Department of Transportation
Compliance Requirement:	Cash Management
Pass-Through Entity:	Ohio Department of Transportation
Repeat Finding from Prior Audit?	Yes
Prior Audit Finding Number:	2019-002

2 CFR §1200.1 gives regulatory effect to the Department of Transportation for **2 CFR § 200.305(b)(3)** which 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 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.

ODOT Federal Transit Administration Section 5311 Rural Transit Program Criteria and Application Instruction, Section VII, Part D provides that the grantee must submit via e-mail quarterly operating data reports (supplied by ODOT on Excel spreadsheet) on the 15th day of the month following the end of the calendar quarter. Reports which are not transmitted to the e-mail account and/or which are not identified appropriately will not be accepted. Failure to submit the report within the requested time schedule can result in the withholding of Federal and State funds.

Sound accounting practices require public officials to design and operate a system of internal control that is adequate to provide reasonable assurance over the reliability of federal information provided for federal reimbursement. The Fiscal Supervisor creates the Ohio Department of Transportation (ODOT) invoices for reimbursement, and has the Director submit the invoices to ODOT for review indicating the Director's approval of the invoice for reimbursement.

MORROW COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (continued)

1. Cash Management – Noncompliance/Material Weakness (continued)

The January to March quarterly invoice submitted to the Ohio Department of Transportation (ODOT) could not be agreed to the Morrow County Area Transit ledgers to ensure the expenses were paid prior to submission for reimbursement. In addition, the quarterly invoice for the first quarter was prepared and submitted by the Director of the department; which, is contrary to the policy and procedures in place. Finally, Morrow County Area Transit submitted three quarterly invoices late during 2020. Untimely submission of reports leads to untimely reimbursement being provided by ODOT. See chart below:

	Invoice Due Dates:	Date Submitted
1st Quarter	April 15, 2020	April 27, 2020
2nd Quarter	July 15, 2020	January 20, 2021
3rd Quarter	October 15, 2020	January 25, 2021
4th Quarter	February 28, 2021	February 11, 2021

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 quarterly 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

2. Federal Nonpayroll Control Operation – Significant Deficiency

Finding Number:	2020-002
ALS Number and Title:	ALS # 20.509 Formula Grants for Rural Areas and Tribal Transit Program
Federal Award Identification Number / Year:	05-RPTR-20-0100/05-CARE-20-0100/ 0CPX-0059-024-201/ 2020
Federal Agency:	U.S. Department of Transportation
Compliance Requirement:	Activities Allowed or Unallowed / Allowable Costs/Cost Principles
Pass-Through Entity:	Ohio Department of Transportation
Repeat Finding from Prior Audit?	No

Morrow County Area Transit Fiscal Policy and Procedure Disbursement Procedure: states in part; Unit Support Worker/Fiscal Supervisor receives invoices and stamps the invoice with date received. Unit Support Worker/Fiscal Supervisor verifies validity of each invoice, mathematical accuracy (if applicable), and highlights approval by Supervisor/Department head. Each invoice is matched with the current open purchase order or a new purchase order is created.

MORROW COUNTY

SCHEDULE OF FINDINGS

2 CFR § 200.515

DECEMBER 31, 2020

(Continued)

3. FINDINGS FOR FEDERAL AWARDS (continued)

2. Federal Nonpayroll Control Operation – Significant Deficiency (continued)

For two out of sixty transactions tested, the supporting invoice was not marked indicating the materials and/or services were received and the expenses could be charged to the federal program. The actual expenses were found to be allowable under the grant agreement. Morrow County Area Transit had high turnover rate in both the Director and Fiscal Supervisor positions within the audit period and outlined controls in the Fiscal Policy and Procedure manual were not consistently followed.

Lack of appropriate review could result in unallowable costs being charged to the federal program which could result in a federal questioned cost.

We recommend management review control practices and ensure the practices are properly implemented for all nonpayroll transactions charged to the federal program.

Officials' Response: See Corrective Action Plan

3. Federal Payroll Control Implementation and Operation – Material Weakness

Finding Number:	2020-003
ALS Number and Title:	ALS # 20.509 Formula Grants for Rural Areas and Tribal Transit Program
Federal Award Identification Number / Year:	05-RPTR-20-0100/05-CARE-20-0100/ 0CPX-0059-024-201 / 2020
Federal Agency:	U.S. Department of Transportation
Compliance Requirement:	Activities Allowed or Unallowed / Allowable Costs/Cost Principles
Pass-Through Entity:	Ohio Department of Transportation
Repeat Finding from Prior Audit?	No

Morrow County Area Transit Policies and Procedures: Daily and bi-weekly timesheets for payroll within the miscellaneous policies section states in part; the following procedure regarding time sheets by employees shall be followed:

1. Drivers shall complete a daily timesheet form so that each driver's hours can be tracked and recorded into payroll.
2. At the end of each pay period (every two weeks) drivers shall review and sign their bi-weekly timesheets. Drivers are encouraged to keep copies of their daily time sheets in order to ensure that both match and correct hours are being accounted for. Incorrect hours may result in a delay in payment.
3. All employees must complete, sign, and turn in any overtime, sick, vacation, or other time off forms during each pay period. These forms should be attached to the employee's timesheet. Failure to turn these forms in may result in time and/or pay not being properly awarded on that current payroll.
4. All Part-Time and Full-Time staff are required to have signed documentation for any time off and/or reimbursement claims.

MORROW COUNTY

SCHEDULE OF FINDINGS

2 CFR § 200.515

DECEMBER 31, 2020

(Continued)

3. FINDINGS FOR FEDERAL AWARDS (continued)

3. Federal Payroll Control Implementation and Operation – Material Weakness (continued)

5. Intermittent Drivers are to complete and turn in a monthly availability calendar. Intermittent employees may amend their monthly calendar as frequently as necessary, but any change of availability should be made at least forty-eight (48) hours in advance so that the schedule can be planned accordingly. Intermittent employees are not required to turn in time off forms, but must turn in any sick time or reimbursement claims.
6. Full-Time staff should complete their own timesheets, attach any time off or overtime forms, attach any reimbursement receipts, and turn everything into payroll on the Friday of that ending pay period. It is the individual employee's responsibility to ensure that their information is in order and their hours are accurate.
7. Payroll will be completed and turned into the auditor's office after all items have been accounted for and before the Morrow County Auditor's designated payroll deadline.

During review of the Formula Grants for Rural Areas grant program, we could not determine if the control process designed by Morrow County Area Transit was fully implemented and could not determine the efficacy of the control process. The following was found during our review:

- Daily timesheets completed by employees were not available for four out of sixty payroll transactions tested.
- Supervisor-completed biweekly timesheets were not available for three out of twenty two pay periods.
- Biweekly timesheets were not appropriately signed by both the employee and supervisor for two out of sixty employees.
- Long forms submitted to the County Auditor for payment were not properly signed for one out of twenty two pay periods.

Lack of appropriate control over payroll disbursements could result in unallowable costs being charged to the Federal program which could result in questioned costs reported to the Federal agency.

We recommend management review control practices and ensure the practices are properly implemented for all payroll transactions charged to the Federal program.

Officials' Response: See Corrective Action Plan

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2 CFR 200.511(b)

DECEMBER 31, 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	Capital Assets. This comment was first issued in 2011.	Partially Corrected	Improvement was noted. Comment was issued in Management letter.
2019-002	Cash Management for Formula Grants for Rural Areas	Not Corrected	Comment was reissued as 2020-001. See corrective action plan

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CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

DECEMBER 31, 2020

Finding Number: 2020-001

Planned Corrective Action:

- The Fiscal Supervisor reconciles Morrow County Area Transit (MCAT) Quickbooks Accounting system to monthly auditor reports. When monthly invoices are being prepared for submission to the Ohio Department of Transportation (ODOT) for reimbursement, the Fiscal Supervisor will print the monthly reports from the Morrow County Area Transit (MCAT) Quickbooks Accounting System showing monthly expenditures and revenues. This will ensure that all reported expenditures are allowable expenses. This information will be entered into the ODOT provided invoices and submitted for reimbursement by due date set by ODOT.
- The invoice will be prepared by the Fiscal Supervisor and then sent to the Director for review of report and documentation accuracy. Once reviewed and verified for accuracy, the Director will then submit the reports to ODOT for approval and reimbursement.

Anticipated Completion Date: 02/01/2021

Responsible Contact Person: Jaime Zeger

Finding Number: 2020-002

Planned Corrective Action:

- Unit Support Worker/Fiscal Supervisor receives invoices and stamps the invoice with date of receipt.
- Fiscal Supervisor will review all bills submitted for payment to ensure items and amount is an allowable expenditure. The Fiscal Supervisor then initials the bill after it has been reviewed and approved. These invoices will be entered into the MCAT Quickbooks Accounting System and classified under the correct account and fund for accuracy in reported expenditures.
- Invoices are matched with current purchase order or a new purchase order is created to process payment.

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CORRECTIVE ACTION PLAN continued

Anticipated Completion Date: 11/01/2021
Responsible Contact Person: Jaime Zeger

Finding Number: 2020-003
Planned Corrective Action:

- Daily timesheets will be completed by the drivers and turned in to Transit Coordinator. These hours will be checked for accuracy by the Transit Coordinator. Transit Coordinator will check for drivers' signature and then sign after hours have been entered into payroll. The timesheets will then be submitted to the Unit Support Worker for review of accuracy of entered payroll and both the driver and Transit Coordinator signatures. Unit Support Worker enters Office-staff completed bi-weekly timesheets and checks for signature. Fiscal Supervisor reviews accuracy of entered Office-staff biweekly payroll.
- Fiscal Supervisor reviews and creates Attendance and Cover payroll sheets and bi-weekly timesheets. Unit Support Worker reviews bi-weekly timesheets and payroll for accuracy. Both Fiscal Supervisor and Unit Support Worker initial Attendance and Cover payroll sheets and submit to Executive Director for signature.
- Signed Attendance and Cover payroll sheets and bi-weekly timesheets are submitted to the Morrow County Auditor for review and payment.
- Bi-weekly time sheets will be signed by employees and supervisors and returned to the Unit Support Worker. These signed timesheets are sent to Morrow County Auditor. Unit Support Worker attaches driver daily timesheets and Office-staff completed bi-weekly timesheets to each employee signed bi-weekly timesheet and these are filed with the Attendance and Cover payroll sheets.

Anticipated Completion Date: 11/01/2021

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 12/28/2021

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This report is a matter of public record and is available online at
www.ohioauditor.gov