

**MORROW COUNTY, OHIO**  
***BASIC FINANCIAL STATEMENTS***  
***FOR THE YEAR ENDED***  
***DECEMBER 31, 2016***

**PATRICIA K. DAVIES, COUNTY AUDITOR**



**MORROW COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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Accountant's Compilation Report

To the Honorable Patricia K. Davies, Auditor  
Mt. Gilead, Ohio

We have compiled the basic financial statements, as listed in the table of contents, for Morrow County (the "County"), as of and for the year ended December 31, 2016. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3 through 16 and the required supplementary information on pages 96 to 102, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. We have compiled such information without audit or review and, accordingly, we do not express an opinion or provide any assurance on it.

May 30, 2017



## MORROW COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 (SEE ACCOUNTANT'S COMPILATION REPORT)

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, 2016. 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 2016 are as follows:

- The total net position of the County increased \$953,206. Net position of governmental activities increased \$327,999, which represents a 1.05% increase from 2015. Net position of business-type activities increased \$625,207 or 14.05% from 2015.
- General revenues accounted for \$12,997,129 or 39.80% of total governmental activities revenue. Program specific revenues accounted for \$19,658,825 or 60.20% of total governmental activities revenue.
- The County had \$32,327,955 in expenses related to governmental activities; \$19,658,825 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$12,997,129 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 \$9,588,860 in 2016, a decrease of \$87,534 or 0.90% from 2015 revenues. The general fund had expenditures and other financing uses of \$10,072,828 in 2016, an increase of \$506,737, or 5.30% from 2015. The net decrease in revenues contributed to the general fund balance decrease of \$483,968 from 2015 to 2016.
- The motor vehicle and gas tax fund, a County major fund, had revenues of \$4,421,989 in 2016. The motor vehicle and gas tax fund, had expenditures of \$4,644,136 in 2016. The motor vehicle and gas tax fund balance decreased \$222,147 from 2015 to 2016.
- The public assistance fund, a County major fund, had revenues and other financing sources of \$5,246,837 in 2016. The public assistance fund, had expenditures of \$4,972,999 in 2016. The public assistance fund balance increased \$273,838 from 2015 to 2016.
- The County board of developmental disabilities (DD) fund, a County major fund, had revenues of \$3,357,055 in 2016. The County board of DD fund, had expenditures of \$3,027,851 in 2016. The County board of DD fund balance increased \$329,204 from 2015 to 2016.
- Net position for the business-type activities, which are made up of the Ketterman and Johnsville Sewer Projects, the sewer debt administration fund, Chesterville wastewater treatment plant fund, the State Route 95 sewer construction fund, and Morrow County Hospital enterprise funds, increased in 2016 by \$625,207.
- In the general fund, the actual revenues and other financing sources came in \$1,056,832 higher than they were originally budgeted and actual expenditures and other financing uses were \$347,844 lower than the amount in the original budget. The County uses a conservative budgeting process.

#### **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.

## MORROW COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 (SEE ACCOUNTANT'S COMPILATION REPORT)

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 five major governmental funds.

#### **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 2016?" 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.

The County's statement of net position and statement of activities can be found on pages 17-19 of this report.

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

##### *Fund Financial Statements*

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

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the general fund, motor vehicle and gas tax fund, public assistance fund and County board of developmental disabilities (DD) fund. The analysis of the County's major governmental and proprietary funds begins on page 12.



## MORROW COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 (SEE ACCOUNTANT'S COMPILATION REPORT)

#### ***Governmental Funds***

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

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental financial statements can be found on pages 20-30 of this report.

#### ***Proprietary Funds***

The County maintains proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Ketterman project, Johnsville project, sewer debt administration and Morrow County Hospital operations. The basic proprietary fund financial statements can be found on pages 31-34 of this report.

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on page 35 of this report.

#### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government wide and fund financial statements. These notes to the basic financial statements can be found on pages 37-94 of this report.

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

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 96-102 of this report.

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

The statement of net position provides the perspective of the County as a whole. The table below provides a summary of the County's net position at December 31, 2016 and December 31, 2015.

**MORROW COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

	Governmental Activities		Business- Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b><u>Assets</u></b>						
Current assets	\$21,200,062	\$21,170,682	\$ 10,286,703	\$11,502,900	\$31,486,765	\$32,673,582
Capital assets, net	<u>32,334,335</u>	<u>32,349,733</u>	<u>12,004,502</u>	<u>10,347,295</u>	<u>44,338,837</u>	<u>42,697,028</u>
Total assets	<u>53,534,397</u>	<u>53,520,415</u>	<u>22,291,205</u>	<u>21,850,195</u>	<u>75,825,602</u>	<u>75,370,610</u>
<b><u>Deferred outflows of resources</u></b>						
Unamortized deferred charges	420,850	449,277	-	-	420,850	449,277
Pension	<u>5,392,701</u>	<u>1,644,237</u>	<u>4,887,145</u>	<u>1,607,424</u>	<u>10,279,846</u>	<u>3,251,661</u>
Total deferred outflows of resources	<u>5,813,551</u>	<u>2,093,514</u>	<u>4,887,145</u>	<u>1,607,424</u>	<u>10,700,696</u>	<u>3,700,938</u>
<b><u>Liabilities</u></b>						
Current liabilities	1,159,042	1,020,739	4,565,206	6,274,304	5,724,248	7,295,043
Long-term liabilities:						
Due within one year	619,675	623,590	932,906	961,416	1,552,581	1,585,006
Net pension liability	13,944,161	10,741,619	12,554,561	9,092,199	26,498,722	19,833,818
Other amounts	<u>6,999,878</u>	<u>7,417,696</u>	<u>2,435,901</u>	<u>1,178,074</u>	<u>9,435,779</u>	<u>8,595,770</u>
Total liabilities	<u>22,722,756</u>	<u>19,803,644</u>	<u>20,488,574</u>	<u>17,505,993</u>	<u>43,211,330</u>	<u>37,309,637</u>
<b><u>Deferred inflows of resources</u></b>						
Property taxes levied for next fiscal year	4,116,509	4,393,879	1,352,012	1,334,929	5,468,521	5,728,808
Pension	<u>1,068,582</u>	<u>304,304</u>	<u>263,966</u>	<u>168,106</u>	<u>1,332,548</u>	<u>472,410</u>
Total deferred inflows of resources	<u>5,185,091</u>	<u>4,698,183</u>	<u>1,615,978</u>	<u>1,503,035</u>	<u>6,801,069</u>	<u>6,201,218</u>
<b><u>Net Position</u></b>						
Net investment in capital assets	26,096,884	25,720,758	9,229,888	8,887,107	35,326,772	34,607,865
Restricted	4,427,979	4,502,243	-	-	4,427,979	4,502,243
Unrestricted (deficit)	<u>915,238</u>	<u>889,101</u>	<u>(4,156,090)</u>	<u>(4,438,516)</u>	<u>(3,240,852)</u>	<u>(3,549,415)</u>
Total net position	<u>\$31,440,101</u>	<u>\$31,112,102</u>	<u>\$ 5,073,798</u>	<u>\$ 4,448,591</u>	<u>\$36,513,899</u>	<u>\$35,560,693</u>

During 2015, the County adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed in the following sections, 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 the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems 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, 2016 (SEE ACCOUNTANT'S COMPILATION REPORT)

Under the new standards required by GASB 68, the net pension liability equals the County's proportionate share of each plan's collective:

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

GASB notes that pension 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. GASB noted that the unfunded portion of this pension 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 this liability. 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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *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 pension system is responsible for the administration of the plan.

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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, 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 pension 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the County's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability 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, 2016, the County's asset plus deferred outflows exceeded liabilities plus deferred inflows by \$36,513,899. This amounts to \$31,440,101 in governmental activities and \$5,073,798 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 58.41% of total governmental and business-type assets. Capital assets include land, land improvements, buildings, buildings and improvements, equipment, vehicles, infrastructure and construction in progress. Net investment in capital assets at December 31, 2016, was \$35,326,772. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's net investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2016, the County is able to report positive balances in all three categories of net position, for the governmental activities.

A portion of the County's net position, \$4,427,979 or 12.10%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net position is \$915,238.

**MORROW COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

The table below shows the changes in net position for 2016 and 2015.

	<b>Change in Net Position</b>					
	Governmental	Business-type	Governmental	Business-type	Total	Total
	Activities	Activities	Activities	Activities	Total	Total
	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 5,646,666	\$ 28,308,753	\$ 5,527,088	\$ 27,986,592	\$ 33,955,419	\$ 33,513,680
Operating grants and contributions	14,012,159	-	13,091,250	-	14,012,159	13,091,250
Capital grants and contributions	-	671,960	229,825	-	671,960	229,825
Total program revenues	<u>19,658,825</u>	<u>28,980,713</u>	<u>18,848,163</u>	<u>27,986,592</u>	<u>48,639,538</u>	<u>46,834,755</u>
General revenues:						
Property taxes	5,052,208	-	4,975,118	-	5,052,208	4,975,118
Sales tax	3,990,712	-	3,909,215	-	3,990,712	3,909,215
Unrestricted grants	1,982,078	-	1,953,127	-	1,982,078	1,953,127
Investment earnings	115,909	23,718	118,761	7,810	139,627	126,571
Other	1,856,222	3,217,288	1,637,836	2,414,234	5,073,510	4,052,070
Total general revenues	<u>12,997,129</u>	<u>3,241,006</u>	<u>12,594,057</u>	<u>2,422,044</u>	<u>16,238,135</u>	<u>15,016,101</u>
Total revenues	<u>32,655,954</u>	<u>32,221,719</u>	<u>31,442,220</u>	<u>30,408,636</u>	<u>64,877,673</u>	<u>61,850,856</u>
<b>Expenses</b>						
Program expenses:						
General government						
Legislative and executive	5,034,487	-	4,900,860	-	5,034,487	4,900,860
Judicial	1,678,103	-	1,454,699	-	1,678,103	1,454,699
Public safety	3,444,603	-	4,390,221	-	3,444,603	4,390,221
Public works	4,502,341	-	5,178,990	-	4,502,341	5,178,990
Health	3,477,079	-	3,106,523	-	3,477,079	3,106,523
Human services	8,894,679	-	8,556,846	-	8,894,679	8,556,846
Economic development and assistance	459,655	-	-	-	459,655	-
Intergovernmental	690,730	-	723,695	-	690,730	723,695
Other	3,895,857	-	2,525,307	-	3,895,857	2,525,307
Interest and fiscal charges	250,421	-	359,814	-	250,421	359,814
Morrow County Hospital	-	31,281,327	-	30,897,988	31,281,327	30,897,988
Nonmajor business type activities	-	315,185	-	193,802	315,185	193,802
Total expenses	<u>32,327,955</u>	<u>31,596,512</u>	<u>31,196,955</u>	<u>31,091,790</u>	<u>63,924,467</u>	<u>62,288,745</u>
Change in net position	327,999	625,207	245,265	(683,154)	953,206	(437,889)
Net position at beginning of year	<u>31,112,102</u>	<u>4,448,591</u>	<u>30,866,837</u>	<u>5,131,745</u>	<u>35,560,693</u>	<u>35,998,582</u>
Net position at end of year	<u>\$ 31,440,101</u>	<u>\$ 5,073,798</u>	<u>\$ 31,112,102</u>	<u>\$ 4,448,591</u>	<u>\$ 36,513,899</u>	<u>\$ 35,560,693</u>

## MORROW COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 (SEE ACCOUNTANT'S COMPILATION REPORT)

#### Governmental Activities

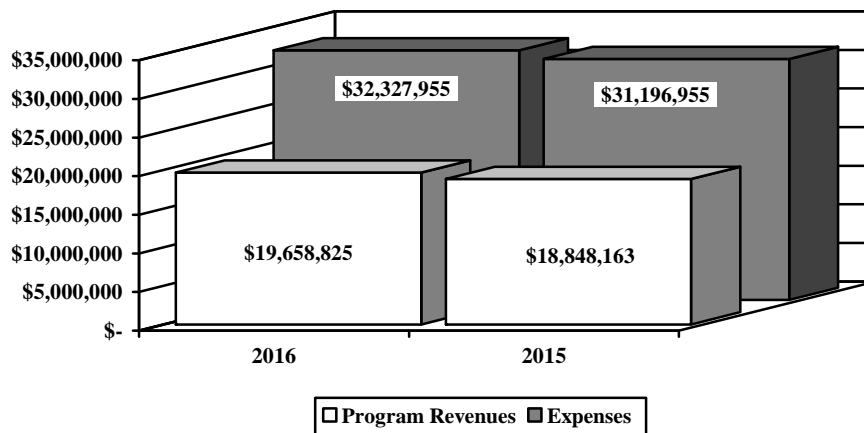
Governmental net position increased by \$327,999 in 2016. Human services accounts for \$8,894,679 of expenses, or 27.51% of total governmental expenses of the County. These expenses were funded by \$1,004,432 in charges to users of services, and \$7,126,533 in operating grants and contributions. General government, which includes legislative and executive and judicial programs, expenses totaled \$6,712,590 or 20.76% of total governmental expenses. General government expenses were covered by \$2,583,167 of direct charges to users and \$96,692 in operating grants and contributions in 2016.

The State and federal government contributed to the County revenues of \$14,012,159 in operating grants and contributions during 2016. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions \$7,126,533 or 50.86%, subsidized human services programs.

General revenues totaled \$12,997,129, and amounted to 39.80% of total revenues. These revenues primarily consist of property and sales tax revenue of \$9,042,920 or 69.58% of total general revenues in 2016. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with local government and local government revenue assistance making up \$1,982,078, or 15.25% of the total.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2016 and 2015. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the County is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.

**Governmental Activities - Program Revenues vs. Total Expenses**



**MORROW COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Program Expenses:				
General government				
Legislative and executive	\$ 5,034,487	\$ 2,942,588	\$ 4,900,860	\$ 2,570,998
Judicial	1,678,103	1,090,143	1,454,699	983,452
Public safety	3,444,603	2,255,887	4,390,221	3,552,325
Public works	4,502,341	191,866	5,178,990	626,848
Health	3,477,079	2,463,000	3,106,523	2,202,544
Human services	8,894,679	763,714	8,556,846	472,897
Economic development and assistance	459,655	66,012	-	(88,208)
Intergovernmental	690,730	690,730	723,695	723,695
Other	3,895,857	1,954,769	2,525,307	944,427
Interest and fiscal charges	250,421	250,421	259,114	259,114
Bond issuance costs	-	-	100,700	100,700
<b>Total</b>	<b><u>\$ 32,327,955</u></b>	<b><u>\$ 12,669,130</u></b>	<b><u>\$ 31,196,955</u></b>	<b><u>\$ 12,348,792</u></b>

The dependence upon general revenues for governmental activities is apparent, with 39.19% of expenses supported through taxes and other general revenues during 2016.

**Business-Type Activities**

The Morrow County Hospital, Johnsville Sewer Project, Ketterman Project, Chesterville wastewater treatment plant fund, State Route 95 sewer construction and sewer debt administration are the County's only enterprise funds. These programs had revenues of \$32,221,719 and expenses of \$31,596,512 for 2016. The net position of the enterprise funds increased \$625,207 or 14.05% during 2016.

**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 20-21) reported a combined fund balance of \$13,360,944, which is \$237,317 higher than last year's total of \$13,123,627.

**MORROW COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2016 and December 31, 2015 for all major and non-major governmental funds.

	<u>Fund Balance</u> <u>December 31, 2016</u>	<u>Fund Balance</u> <u>December 31, 2015</u>	<u>Change</u>
Major Funds:			
General	\$ 3,367,706	\$ 3,851,674	\$ (483,968)
Motor Vehicle and Gas Tax	1,109,684	1,331,831	(222,147)
Public Assistance	1,199,621	925,783	273,838
County Board of DD	996,366	667,162	329,204
Other Nonmajor Governmental Funds	<u>6,687,567</u>	<u>6,347,177</u>	<u>340,390</u>
 Total	 <u>\$ 13,360,944</u>	 <u>\$ 13,123,627</u>	 <u>\$ 237,317</u>

***General Fund***

The County's general fund balance decreased \$483,968. The table that follows assists in illustrating the revenues of the general fund.

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 6,170,425	\$ 6,061,531	1.80 %
Charges for services	483,819	494,714	(2.20) %
Licenses and permits	956,820	1,040,487	(8.04) %
Fines and forfeitures	373,597	288,465	29.51 %
Intergovernmental	1,426,979	1,475,967	(3.32) %
Investment income	87,947	97,135	(9.46) %
Other	<u>71,912</u>	<u>157,541</u>	(54.35) %
 Total	 <u>\$ 9,571,499</u>	 <u>\$ 9,615,840</u>	 (0.46) %

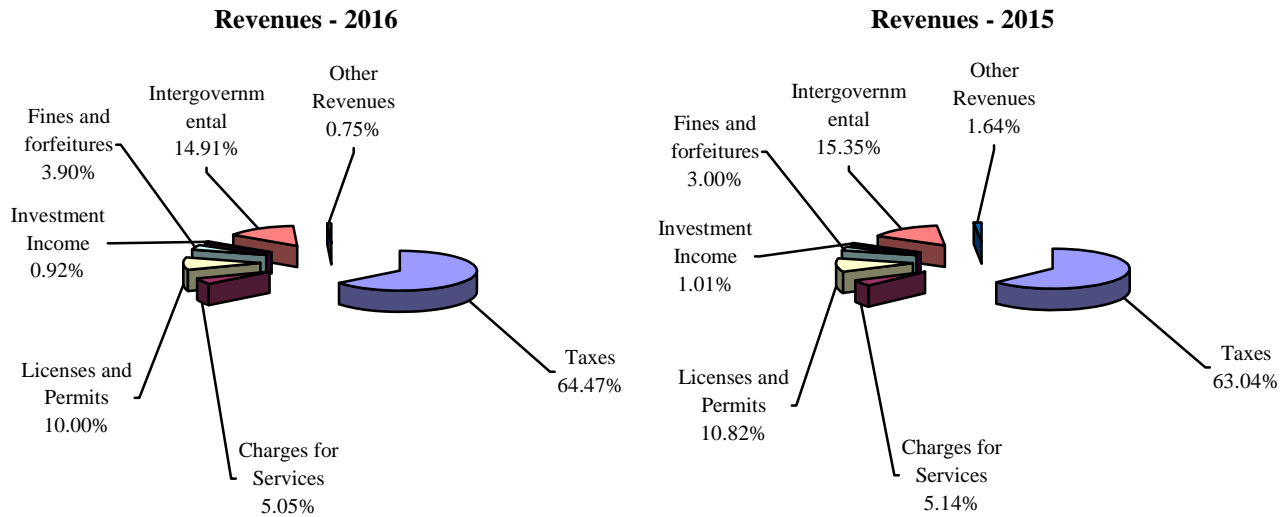
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**MORROW COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

Tax revenue represents 64.47% of all general fund revenue. Tax revenue increased by 1.80% due to an increase in sales taxes from the prior year. Charges for services increased due to an increase in revenues from the Board of Elections. License and permits increased mainly due to an increase in conveyance fees collected during 2016. Fines and forfeitures decreased due to a reduction in county court fines. The increase in investment income is due to an increase in the County's investment activity during 2016. Grant income remained consistent to 2015. All other revenue remained comparable to 2016.

The following graphs detail revenues by source for 2016 and 2015:



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

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
General government			
Legislative and executive	\$ 3,952,402	\$ 3,791,989	4.23 %
Judicial	1,467,249	1,222,804	19.99 %
Public safety	2,687,577	2,493,875	7.77 %
Health	70,303	93,911	(25.14) %
Human services	473,749	315,009	50.39 %
Economic Development	1,387	-	(100.00) %
Other	153,202	44,155	246.96 %
Capital outlay	18,890	59,025	(68.00) %
Intergovernmental	690,730	723,695	(4.56) %
Debt service	26,337	34,418	(23.48) %
<b>Total</b>	<b><u>\$ 9,541,826</u></b>	<b><u>\$ 8,778,881</u></b>	<b>8.69 %</b>

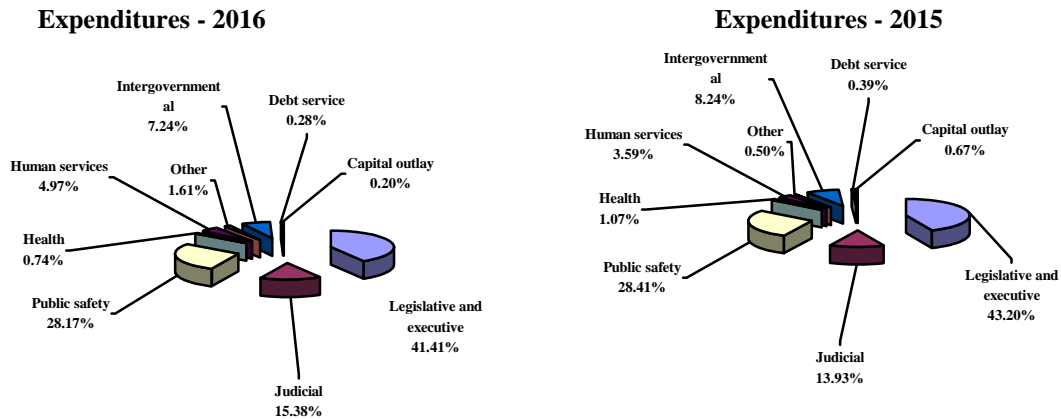
Public safety increased due to an increase in employee salaries and fringe benefits. Intergovernmental expenditures decreased due to a decrease in the amount of money expended as part of the social services grant. Human services expenditures increased due to an increase in child support expenses. All other major expenditure line items increased during the year as a result of budgetary controls.



## MORROW COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 (SEE ACCOUNTANT'S COMPILATION REPORT)

The graphs below detail expenditures by function for 2016 and 2015:



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

The motor vehicle and gas tax fund, a County major fund, had revenues of \$4,421,989 in 2016. The motor vehicle and gas tax fund, had expenditures of \$4,644,136 in 2016. The motor vehicle and gas tax fund balance decreased \$222,147 from 2015 to 2016.

#### ***Public Assistance Fund***

The public assistance fund, a County major fund, had revenues and other financing sources of \$5,246,837 in 2016. The public assistance fund, had expenditures of \$4,972,999 in 2015. The public assistance fund balance increased \$273,838 from 2015 to 2016.

#### ***County Board of DD Fund***

The County board of developmental disabilities (DD) fund, a County major fund, had revenues of \$3,357,055 in 2016. The County board of DD fund, had expenditures of \$3,027,851 in 2016. The County board of DD fund balance increased \$329,204 from 2015 to 2016.

#### ***Budgeting Highlights - General Fund***

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

Budgetary information is presented for the general fund, motor vehicle license and gas tax, public assistance, and the County board of DD. In the general fund, actual revenues and other financing sources of \$9,228,070 exceeded final budgeted revenues of \$8,390,379 by \$837,691. This increase is due to the County's conservative approach to budgeting.

Original budgeted expenditures and other financing uses of \$10,276,764 were \$871,355 lower than final budgeted expenditures and other financing uses of \$11,148,119. Actual expenditures and other financing uses of \$9,928,920 were \$1,219,199 lower than final budgeted expenditures and other financing uses.

**MORROW COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

***Proprietary Funds***

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

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2016, the County had \$44,338,837 (net of accumulated depreciation) invested in land, land improvements, buildings, buildings and improvements, equipment, vehicles, infrastructure and construction in progress. Of this total, \$32,334,335 was reported in governmental activities and \$12,004,502 was reported in business-type activities. The following table shows December 31, 2016 balances compared to December 31, 2015.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 748,557	\$ 748,557	\$ 233,315	\$ 233,315	\$ 981,872	\$ 981,872
Land Improvements	943	2,828	40,789	47,121	41,732	49,949
Buildings	7,067,865	7,367,203	2,235,731	2,373,754	9,303,596	9,740,957
Building Improvements	3,380,762	3,556,436	-	-	3,380,762	3,556,436
Equipment	446,608	509,675	5,239,022	5,857,843	5,685,630	6,367,518
Vehicles	838,257	914,213	-	-	838,257	914,213
Infrastructure	19,278,474	19,229,358	2,772,079	1,377,178	22,050,553	20,606,536
Construction in progress	<u>572,869</u>	<u>21,463</u>	<u>1,483,566</u>	<u>458,084</u>	<u>2,056,435</u>	<u>479,547</u>
Total	<u>\$ 32,334,335</u>	<u>\$ 32,349,733</u>	<u>\$ 12,004,502</u>	<u>\$ 10,347,295</u>	<u>\$ 44,338,837</u>	<u>\$ 42,697,028</u>

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## MORROW COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 (SEE ACCOUNTANT'S COMPILATION REPORT)

#### *Debt Administration*

At December 31, 2016 the County had \$6,515,177 in general obligation bonds, loans payable, OWDA loans, and capital leases outstanding in governmental activities. Of this total, \$441,199 is due within one year and \$6,073,978 is due in greater than one year. Business-type activities had \$2,760,398 in revenue bonds, capital leases, and hospital facilities revenue bonds outstanding at December 31, 2016. See Note 14 to the basic financial statements for detail.

The following table summarizes the bonds, notes and loan outstanding at December 31, 2016.

	<b>Outstanding Debt, at Year End</b>			
	Governmental Activities		Business-Type Activities	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Long-Term Obligations				
General obligation bonds	\$ 6,195,000	\$ 6,560,000	\$ -	\$ -
Revenue bonds	-	-	1,464,936	582,476
Loans payable	153,000	165,000	-	-
OWDA loans	24,375	28,125	694,660	-
Capital leases	142,802	173,366	11,262	20,976
Hospital facilities revenue bonds	-	-	589,540	869,135
Total	<u>\$ 6,515,177</u>	<u>\$ 6,926,491</u>	<u>\$ 2,760,398</u>	<u>\$ 1,472,587</u>

At December 31, 2016 the County's overall legal debt margin was \$12,419,944.

#### **Economic Factors and Next Year's Budget**

Morrow County, Ohio is strategically located in north central Ohio and is home to a diverse manufacturing and agricultural base which includes an automotive parts supplier, distribution and warehousing of specialty lubricants, custom fabrication of large metal tanks and fiber glass trailers. While primarily a rural community, Morrow County has easy access to all major city amenities from its two interchanges on Interstate 71, the major north-south transportation link between Cincinnati, Columbus and Cleveland.

Location is the key to Morrow County's future. Over 900 acres of industrial and commercial development opportunities are situated at the interchanges of Interstate 71 offering easy access for transportation of goods, materials and workers. There are multiple industrial based businesses opened in the Industrial Parks at State Route 61/95 and Interstate 71. While the County's overall unemployment rate of 5.9 % matched the State's average, most of the County's major industrial companies are seeing growth that will allow for increasing employment opportunities. New commercial companies are building in Morrow County at the I-71 interchanges as this area offers a magnitude of opportunity. For the time being, the agriculture industry still leads all growth in Morrow County as new entrepreneurs create innovative new companies.

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

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

**MORROW COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

**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.

MORROW COUNTY, OHIO

STATEMENT OF NET POSITION  
 DECEMBER 31, 2016  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	Governmental Activities	Business-type Activities	Total	Component Unit
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 10,868,818	\$ 260,533	\$ 11,129,351	\$ 90,626
Cash and cash equivalents in segregated accounts. . . . .	-	2,505,796	2,505,796	-
Investments in segregated accounts . . . . .	-	167,261	167,261	-
Receivables:				
Sales taxes. . . . .	1,017,169	-	1,017,169	-
Real and other taxes. . . . .	4,613,630	1,352,012	5,965,642	-
Accounts . . . . .	470,558	3,889,001	4,359,559	5,728
Accrued interest . . . . .	22,135	377	22,512	-
Due from other governments . . . . .	3,314,889	-	3,314,889	-
Prepayments . . . . .	362,479	329,809	692,288	2,421
Materials and supplies inventory . . . . .	108,275	455,696	563,971	9,970
Loans receivable . . . . .	346,194	-	346,194	-
Restricted assets:				
Cash and cash equivalents in segregated accounts . . . . .	-	368,010	368,010	-
Investments in segregated accounts. . . . .	-	971,183	971,183	-
Due from external parties . . . . .	250	-	250	-
Net pension asset. . . . .	19,265	43,425	62,690	-
Internal balance . . . . .	56,400	(56,400)	-	-
Capital assets:				
Land and construction in progress . . . . .	1,321,426	1,716,881	3,038,307	-
Depreciable capital assets, net . . . . .	31,012,909	10,287,621	41,300,530	10,486
Total capital assets, net. . . . .	<u>32,334,335</u>	<u>12,004,502</u>	<u>44,338,837</u>	<u>10,486</u>
Total assets . . . . .	<u>53,534,397</u>	<u>22,291,205</u>	<u>75,825,602</u>	<u>119,231</u>
<b>Deferred outflows of resources:</b>				
Unamortized deferred charges on debt refunding . . . . .	420,850	-	420,850	-
Pension - OPERS . . . . .	5,361,836	4,887,145	10,248,981	-
Pension - STRS . . . . .	30,865	-	30,865	-
Total deferred outflows of resources . . . . .	<u>5,813,551</u>	<u>4,887,145</u>	<u>10,700,696</u>	<u>-</u>
Total assets and deferred outflows of resources . . . . .	<u>59,347,948</u>	<u>27,178,350</u>	<u>86,526,298</u>	<u>119,231</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	851,561	2,566,148	3,417,709	-
Contracts payable. . . . .	-	14,215	14,215	-
Accrued wages and benefits. . . . .	212,245	1,030,943	1,243,188	-
Due to other governments . . . . .	76,822	67	76,889	-
Accrued interest payable . . . . .	10,518	9,193	19,711	-
Due to external parties . . . . .	7,896	-	7,896	-
Other accrued liabilities. . . . .	-	272,546	272,546	2,554
Estimated third-party payor settlements . . . . .	-	672,094	672,094	-
Long-term liabilities:				
Due within one year . . . . .	619,675	932,906	1,552,581	-
Due in more than one year:				
Net pension liability. . . . .	13,944,161	12,554,561	26,498,722	-
Other amounts due in more than one year . . . . .	6,999,878	2,435,901	9,435,779	-
Total liabilities . . . . .	<u>22,722,756</u>	<u>20,488,574</u>	<u>43,211,330</u>	<u>2,554</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . . . .	4,116,509	1,352,012	5,468,521	-
Pension - OPERS. . . . .	1,066,565	263,966	1,330,531	-
Pension - STRS. . . . .	2,017	-	2,017	-
Total deferred inflows of resources . . . . .	<u>5,185,091</u>	<u>1,615,978</u>	<u>6,801,069</u>	<u>-</u>
<b>Net position:</b>				
Net investment in capital assets. . . . .	26,096,884	9,229,888	35,326,772	10,486
Restricted for:				
Debt service . . . . .	22,742	-	22,742	-
Public safety . . . . .	583,237	-	583,237	-
Public works. . . . .	769,930	-	769,930	-
Health . . . . .	7,529	-	7,529	-
Human services . . . . .	300,715	-	300,715	-
Other purposes . . . . .	1,463,838	-	1,463,838	-
General government . . . . .	675,079	-	675,079	-
Economic and development. . . . .	604,909	-	604,909	-
Unrestricted (deficit). . . . .	915,238	(4,156,090)	(3,240,852)	106,191
Total net position . . . . .	<u>\$ 31,440,101</u>	<u>\$ 5,073,798</u>	<u>\$ 36,513,899</u>	<u>\$ 116,677</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY, OHIO

STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2016  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental activities:</b>				
General government:				
Legislative and executive. . . . .	\$ 5,034,487	\$ 2,060,192	\$ 31,707	\$ -
Judicial . . . . .	1,678,103	522,975	64,985	-
Public safety. . . . .	3,444,603	82,075	1,106,641	-
Public works. . . . .	4,502,341	528	4,309,947	-
Health . . . . .	3,477,079	273,486	740,593	-
Human services . . . . .	8,894,679	1,004,432	7,126,533	-
Economic development and assistance . . . . .	459,655	-	393,643	-
Intergovernmental. . . . .	690,730	-	-	-
Other . . . . .	3,895,857	1,702,978	238,110	-
Interest and fiscal charges. . . . .	250,421	-	-	-
Total governmental activities . . . . .	<u>32,327,955</u>	<u>5,646,666</u>	<u>14,012,159</u>	<u>-</u>
<b>Business-type activities:</b>				
Morrow County Hospital . . . . .	31,281,327	28,169,186	-	-
Other business-type activities . . . . .	315,185	139,567	-	671,960
Total business-type activities . . . . .	<u>31,596,512</u>	<u>28,308,753</u>	<u>-</u>	<u>671,960</u>
Total primary government . . . . .	<u>\$ 63,924,467</u>	<u>\$ 33,955,419</u>	<u>\$ 14,012,159</u>	<u>\$ 671,960</u>
<b>Component unit:</b>				
Whetstone Industries, inc . . . . .	<u>\$ 777,044</u>	<u>\$ 95,141</u>	<u>\$ 667,061</u>	<u>\$ -</u>
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				
Special purposes . . . . .				
Sales taxes levied for:				
General purposes . . . . .				
Grants and entitlements not restricted to specific programs . . . . .				
Investment earnings. . . . .				
Miscellaneous . . . . .				
Total general revenues . . . . .				
Change in net position . . . . .				
Net position at beginning of year . . . . .				
Net position at end of year. . . . .				

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
\$ (2,942,588)	\$ -	\$ (2,942,588)	\$ -
(1,090,143)	-	(1,090,143)	-
(2,255,887)	-	(2,255,887)	-
(191,866)	-	(191,866)	-
(2,463,000)	-	(2,463,000)	-
(763,714)	-	(763,714)	-
(66,012)	-	(66,012)	-
(690,730)	-	(690,730)	-
(1,954,769)	-	(1,954,769)	-
(250,421)	-	(250,421)	-
(12,669,130)	-	(12,669,130)	-
-	(3,112,141)	(3,112,141)	-
-	496,342	496,342	-
-	(2,615,799)	(2,615,799)	-
(12,669,130)	(2,615,799)	(15,284,929)	-
-	-	-	(14,842)
1,872,212	-	1,872,212	-
3,179,996	-	3,179,996	-
3,990,712	-	3,990,712	-
1,982,078	-	1,982,078	-
115,909	23,718	139,627	4,565
1,856,222	3,217,288	5,073,510	-
12,997,129	3,241,006	16,238,135	4,565
327,999	625,207	953,206	(10,277)
31,112,102	4,448,591	35,560,693	126,954
\$ 31,440,101	\$ 5,073,798	\$ 36,513,899	\$ 116,677

**MORROW COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>General</b>	<b>Motor Vehicle and Gas Tax</b>	<b>Public Assistance</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 2,281,546	\$ 1,094,211	\$ 860,043
Receivables:			
Sales taxes . . . . .	1,017,169	-	-
Real and other taxes . . . . .	2,343,067	-	-
Accounts . . . . .	77,723	-	-
Interfund loans . . . . .	415,713	-	-
Accrued interest . . . . .	16,154	4,658	-
Due from other funds . . . . .	77,146	-	-
Due from other governments . . . . .	589,084	1,649,581	500,835
Loans receivable . . . . .	-	-	-
Prepayments . . . . .	83,720	34,789	63,335
Materials and supplies inventory . . . . .	17,363	80,625	4,717
Due from external parties . . . . .	250	-	-
Total assets . . . . .	\$ 6,918,935	\$ 2,863,864	\$ 1,428,930
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 316,197	\$ 268,965	\$ 110,593
Accrued wages and benefits . . . . .	73,446	25,727	33,890
Due to other funds . . . . .	5,877	-	73,002
Due to other governments . . . . .	43,557	3,975	11,824
Interfund loans payable . . . . .	-	415,713	-
Due to external parties . . . . .	-	-	-
Total liabilities . . . . .	439,077	714,380	229,309
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year . . . . .	2,105,732	-	-
Delinquent property tax revenue not available . . . . .	237,335	-	-
Accrued interest not available . . . . .	3,630	1,985	-
Sales tax revenue not available . . . . .	361,529	-	-
Other nonexchange transactions not available . . . . .	403,926	1,037,815	-
Total deferred inflows of resources . . . . .	3,112,152	1,039,800	-
<b>Fund balances:</b>			
Nonspendable . . . . .	198,419	115,414	68,052
Restricted . . . . .	-	994,270	1,131,569
Committed . . . . .	255,472	-	-
Assigned . . . . .	1,177,134	-	-
Unassigned (deficit) . . . . .	1,736,681	-	-
Total fund balances . . . . .	3,367,706	1,109,684	1,199,621
Total liabilities, deferred inflows of resources and fund balances . . . . .	\$ 6,918,935	\$ 2,863,864	\$ 1,428,930

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



<b>County Board of Developmental Disabilities</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 765,468	\$ 5,867,550	\$ 10,868,818
-	-	1,017,169
2,270,563	-	4,613,630
191,300	201,535	470,558
-	56,400	472,113
-	1,323	22,135
6,915	28,064	112,125
63,054	512,335	3,314,889
-	346,194	346,194
87,489	93,146	362,479
2,366	3,204	108,275
-	-	250
<u>\$ 3,387,155</u>	<u>\$ 7,109,751</u>	<u>\$ 21,708,635</u>
\$ 27,899	\$ 127,907	\$ 851,561
26,826	52,356	212,245
-	33,246	112,125
1,498	15,968	76,822
-	-	415,713
4,045	3,851	7,896
<u>60,268</u>	<u>233,328</u>	<u>1,676,362</u>
2,010,777	-	4,116,509
259,786	-	497,121
-	528	6,143
-	-	361,529
59,958	188,328	1,690,027
<u>2,330,521</u>	<u>188,856</u>	<u>6,671,329</u>
89,855	96,350	568,090
906,511	4,748,664	7,781,014
-	1,698,103	1,953,575
-	148,103	1,325,237
-	(3,653)	1,733,028
<u>996,366</u>	<u>6,687,567</u>	<u>13,360,944</u>
<u>\$ 3,387,155</u>	<u>\$ 7,109,751</u>	<u>\$ 21,708,635</u>

**MORROW COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

<b>Total governmental fund balances</b>		\$ 13,360,944
<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.		32,334,335
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Sales taxes receivable	\$ 361,529	
Real and other taxes receivable	497,121	
Accrued interest receivable	6,143	
Intergovernmental receivable	1,690,027	
Total		2,554,820
Unamortized bond premiums and discounts are not recognized in the funds.		(143,124)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.		420,850
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	(10,518)	
General obligation bonds payable	(6,195,000)	
Loans payable	(177,375)	
Capital lease payable	(142,802)	
Compensated absences payable	(961,252)	
Total		(7,486,947)
The net pension asset is not available to pay for current period expenditures; therefore, the asset is not reported in the governmental funds.		19,265
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.		
Deferred outflows	5,392,701	
Deferred inflows	(1,068,582)	
Net pension liability	(13,944,161)	
Total		(9,620,042)
<b>Net position of governmental activities</b>		<b>\$ 31,440,101</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MORROW COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2016  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>General</b>	<b>Motor Vehicle and Gas Tax</b>	<b>Public Assistance</b>
<b>Revenues:</b>			
From local sources:			
Real and other taxes. . . . .	\$ 2,199,960	\$ -	\$ -
Sales taxes. . . . .	3,970,465	-	-
Charges for services. . . . .	483,819	-	-
Licenses and permits . . . . .	956,820	-	-
Fines and forfeitures . . . . .	373,597	528	-
Intergovernmental. . . . .	1,426,979	4,340,504	5,148,341
Investment income. . . . .	87,947	27,836	-
Rental income . . . . .	-	-	-
Other. . . . .	71,912	53,121	73,101
Total revenues . . . . .	9,571,499	4,421,989	5,221,442
<b>Expenditures:</b>			
Current:			
General government:			
Legislative and executive. . . . .	3,952,402	-	-
Judicial. . . . .	1,467,249	-	-
Public safety . . . . .	2,687,577	-	-
Public works . . . . .	-	4,636,356	-
Health . . . . .	70,303	-	-
Human services. . . . .	473,749	-	4,972,999
Economic development and assistance . .	1,387	-	-
Other . . . . .	153,202	-	-
Capital outlay. . . . .	18,890	-	-
Intergovernmental. . . . .	690,730	-	-
Debt service:			
Principal retirement. . . . .	22,610	6,373	-
Interest and fiscal charges. . . . .	3,727	1,407	-
Total expenditures . . . . .	9,541,826	4,644,136	4,972,999
Excess (deficiency) of revenues over (under) expenditures. . . . .	29,673	(222,147)	248,443
<b>Other financing sources (uses):</b>			
Capital lease transaction . . . . .	17,361	-	-
Transfers in. . . . .	-	-	25,395
Transfers (out) . . . . .	(531,002)	-	-
Total other financing sources (uses). . . . .	(513,641)	-	25,395
Net change in fund balances. . . . .	(483,968)	(222,147)	273,838
<b>Fund balances at beginning of year . . . . .</b>	3,851,674	1,331,831	925,783
<b>Fund balances at end of year . . . . .</b>	<b>\$ 3,367,706</b>	<b>\$ 1,109,684</b>	<b>\$ 1,199,621</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>County Board of Developmental Disabilities</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 2,074,524	\$ 1,174,080	\$ 5,448,564
-	-	3,970,465
-	2,415,985	2,899,804
-	924,344	1,881,164
-	123,047	497,172
740,593	4,014,449	15,670,866
-	11,457	127,240
-	368,588	368,588
541,938	1,116,149	1,856,221
<u>3,357,055</u>	<u>10,148,099</u>	<u>32,720,084</u>
-	817,341	4,769,743
-	185,089	1,652,338
-	522,050	3,209,627
-	-	4,636,356
2,961,465	350,684	3,382,452
45,808	3,148,042	8,640,598
-	492,269	493,656
-	3,707,649	3,860,851
-	484,665	503,555
-	-	690,730
17,110	390,436	436,529
3,468	222,945	231,547
<u>3,027,851</u>	<u>10,321,170</u>	<u>32,507,982</u>
<u>329,204</u>	<u>(173,071)</u>	<u>212,102</u>
-	7,854	25,215
-	532,530	557,925
-	(26,923)	(557,925)
-	<u>513,461</u>	<u>25,215</u>
329,204	340,390	237,317
667,162	6,347,177	13,123,627
<u>\$ 996,366</u>	<u>\$ 6,687,567</u>	<u>\$ 13,360,944</u>

**MORROW COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

<b>Net change in fund balances - total governmental funds</b>		\$ 237,317
<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. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Capital asset additions	\$ 1,848,180	
Current year depreciation	(1,863,578)	
Total		(15,398)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Sales taxes	20,247	
Real and other taxes	(27,870)	
Interest income	(11,392)	
Intergovernmental revenues	(45,115)	
Total		(64,130)
Proceeds of bonds and capital leases are reported as an other financing sources in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		
		(25,215)
Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		436,529
In the statement of activities, interest is accrued on outstanding bonds, loans and notes, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities.		
Decrease in accrued interest payable	914	
Amortization of bond discounts	(23,466)	
Amortization of deferred amounts on refunding	(5,458)	
Amortization of bond premiums	9,136	
Total		(18,874)
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.		
		(2,883)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,314,284
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,533,631)
<b>Change in net position of governmental activities</b>		<u>\$ 327,999</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MORROW COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2016  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Real and other taxes . . . . .	\$2,206,464	\$2,265,637	\$2,491,771	\$ 226,134
Sales taxes . . . . .	3,490,789	3,584,407	3,942,166	357,759
Charges for services. . . . .	168,896	173,426	190,736	17,310
Licenses and permits . . . . .	824,449	846,560	931,055	84,495
Fines and forfeitures. . . . .	325,060	333,778	367,092	33,314
Intergovernmental. . . . .	993,916	1,020,571	1,122,434	101,863
Investment income. . . . .	117,226	120,370	132,384	12,014
Other. . . . .	44,438	45,630	50,184	4,554
Total revenues . . . . .	<u>8,171,238</u>	<u>8,390,379</u>	<u>9,227,822</u>	<u>837,443</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	4,184,137	4,315,541	3,956,171	359,370
Judicial. . . . .	1,080,485	1,359,071	1,249,787	109,284
Public safety . . . . .	3,056,807	3,144,416	2,826,260	318,156
Health . . . . .	129,321	146,019	115,870	30,149
Human services. . . . .	554,476	700,916	438,023	262,893
Other . . . . .	92,100	106,741	43,104	63,637
Intergovernmental. . . . .	496,779	692,756	691,741	1,015
Total expenditures . . . . .	<u>9,594,105</u>	<u>10,465,460</u>	<u>9,320,956</u>	<u>1,144,504</u>
Excess (deficiency ) of revenues (expenditures) over (under) expenditures. . . . .	<u>(1,422,867)</u>	<u>(2,075,081)</u>	<u>(93,134)</u>	<u>1,981,947</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets. . . . .	-	-	248	248
Transfers out. . . . .	<u>(682,659)</u>	<u>(682,659)</u>	<u>(607,964)</u>	<u>74,695</u>
Total other financing sources (uses) . . . . .	<u>(682,659)</u>	<u>(682,659)</u>	<u>(607,716)</u>	<u>74,943</u>
Net change in fund balances . . . . .	(2,105,526)	(2,757,740)	(700,850)	2,056,890
<b>Fund balances at beginning of year . . . . .</b>	1,485,839	1,485,839	1,485,839	-
<b>Prior year encumbrances appropriated . . . . .</b>	637,481	637,481	637,481	-
<b>Fund balance at end of year (deficit) . . . . .</b>	<u>\$ 17,794</u>	<u>\$ (634,420)</u>	<u>\$ 1,422,470</u>	<u>\$ 2,056,890</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MORROW COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 MOTOR VEHICLE AND GAS TAX FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2016  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Fines and forfeitures. . . . .	\$ 561	\$ 561	\$ 568	\$ 7
Intergovernmental. . . . .	4,284,709	4,284,709	4,335,662	50,953
Other. . . . .	52,497	52,497	53,121	624
Total revenues . . . . .	<u>4,337,767</u>	<u>4,337,767</u>	<u>4,389,351</u>	<u>51,584</u>
<b>Expenditures:</b>				
Current:				
Public works . . . . .	4,613,444	5,406,573	5,120,791	285,782
Total expenditures . . . . .	<u>4,613,444</u>	<u>5,406,573</u>	<u>5,120,791</u>	<u>285,782</u>
Net change in fund balances . . . . .	(275,677)	(1,068,806)	(731,440)	337,366
<b>Fund balances at beginning of year. . . . .</b>	1,162,233	1,162,233	1,162,233	-
<b>Prior year encumbrances appropriated . . . . .</b>	53,800	53,800	53,800	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 940,356</u>	<u>\$ 147,227</u>	<u>\$ 484,593</u>	<u>\$ 337,366</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**MORROW COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 PUBLIC ASSISTANCE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2016  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental. . . . .	\$ 4,998,778	\$ 5,003,389	\$ 4,990,512	\$ (12,877)
Other. . . . .	73,222	73,290	73,101	(189)
Total revenues . . . . .	<u>5,072,000</u>	<u>5,076,679</u>	<u>5,063,613</u>	<u>(13,066)</u>
<b>Expenditures:</b>				
Current:				
Human services. . . . .	5,650,026	6,543,748	5,456,836	1,086,912
Total expenditures . . . . .	<u>5,650,026</u>	<u>6,543,748</u>	<u>5,456,836</u>	<u>1,086,912</u>
Excess of expenditures over revenues . . . . .	<u>(578,026)</u>	<u>(1,467,069)</u>	<u>(393,223)</u>	<u>1,073,846</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	25,395	25,395
Total other financing sources (uses) . . . . .	<u>-</u>	<u>-</u>	<u>25,395</u>	<u>25,395</u>
Net change in fund balances . . . . .	(578,026)	(1,467,069)	(367,828)	1,099,241
<b>Fund balances at beginning of year . . . . .</b>	216,738	216,738	216,738	-
<b>Prior year encumbrances appropriated . . . . .</b>	569,237	569,237	569,237	-
<b>Fund balance at end of year (deficit) . . . . .</b>	<u>\$ 207,949</u>	<u>\$ (681,094)</u>	<u>\$ 418,147</u>	<u>\$ 1,099,241</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MORROW COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 COUNTY BOARD OF DEVELOPMENTAL DISABILITIES FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2016  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Real and other taxes . . . . .	\$ 2,107,336	\$ 2,110,668	\$ 2,104,017	\$ (6,651)
Intergovernmental . . . . .	691,865	692,959	690,775	(2,184)
Other . . . . .	362,799	363,373	362,228	(1,145)
Total revenues . . . . .	<u>3,162,000</u>	<u>3,167,000</u>	<u>3,157,020</u>	<u>(9,980)</u>
<b>Expenditures:</b>				
Current:				
Health . . . . .	3,452,384	3,514,305	3,168,445	345,860
Human services. . . . .	71,550	77,100	50,653	26,447
Total expenditures . . . . .	<u>3,523,934</u>	<u>3,591,405</u>	<u>3,219,098</u>	<u>372,307</u>
Net change in fund balances . . . . .	(361,934)	(424,405)	(62,078)	362,327
<b>Fund balances at beginning of year . . . . .</b>	532,298	532,298	532,298	-
<b>Prior year encumbrances appropriated . . .</b>	65,366	65,366	65,366	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 235,730</u>	<u>\$ 173,259</u>	<u>\$ 535,586</u>	<u>\$ 362,327</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY, OHIO

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2016

(SEE ACCOUNTANT'S COMPILATION REPORT)

	Business-type Activities - Enterprise Funds		
	Morrow County Hospital	Nonmajor	Total
<b>Assets:</b>			
Current assets:			
Equity in pooled cash and cash equivalents . . . . .	\$ -	\$ 260,533	\$ 260,533
Cash and cash equivalents in segregated accounts . . . . .	2,505,796	-	2,505,796
Receivables:			
Real and other taxes . . . . .	1,352,012	-	1,352,012
Accounts . . . . .	3,889,001	-	3,889,001
Accrued interest . . . . .	-	377	377
Materials and supplies inventory . . . . .	455,696	-	455,696
Prepayments . . . . .	329,809	-	329,809
Net pension asset . . . . .	43,387	38	43,425
Total current assets . . . . .	8,575,701	260,948	8,836,649
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents in segregated accounts . . . . .	368,010	-	368,010
Investments in segregated accounts . . . . .	971,183	-	971,183
Investments in segregated accounts . . . . .	167,261	-	167,261
Capital assets:			
Land and construction in progress . . . . .	980,901	735,980	1,716,881
Depreciable capital assets, net . . . . .	7,080,270	3,207,351	10,287,621
Total capital assets, net . . . . .	8,061,171	3,943,331	12,004,502
Total noncurrent assets . . . . .	9,567,625	3,943,331	13,510,956
Total assets . . . . .	18,143,326	4,204,279	22,347,605
<b>Deferred outflows of resources:</b>			
Pension - OPERS . . . . .	4,876,497	10,648	4,887,145
Total deferred outflows of resources . . . . .	4,876,497	10,648	4,887,145
Total assets and deferred outflows of resources . . . . .	23,019,823	4,214,927	27,234,750
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable . . . . .	2,566,148	-	2,566,148
Contracts payable . . . . .	-	14,215	14,215
Accrued wages and benefits . . . . .	1,030,508	435	1,030,943
Due to other governments . . . . .	-	67	67
Interfund loans payable . . . . .	-	56,400	56,400
Accrued interest payable . . . . .	-	9,193	9,193
Sanitary sewer revenue bonds payable - current . . . . .	-	9,949	9,949
Other accrued liabilities . . . . .	272,546	-	272,546
Compensated absences payable - current . . . . .	608,409	-	608,409
Estimated third-party payor settlements . . . . .	672,094	-	672,094
USDA bonds payable - current . . . . .	-	15,400	15,400
Capital lease obligations payable - current . . . . .	9,528	-	9,528
Hospital facilities revenue bonds payable - current . . . . .	289,620	-	289,620
Total current liabilities . . . . .	5,448,853	105,659	5,554,512
Long-term liabilities:			
Hospital facilities revenue bonds payable - noncurrent . . . . .	299,920	-	299,920
Sanitary sewer revenue bonds payable - noncurrent . . . . .	-	562,887	562,887
OWDA loans payable - noncurrent . . . . .	-	694,660	694,660
USDA bonds payable - noncurrent . . . . .	-	876,700	876,700
Capital lease obligations payable - noncurrent . . . . .	1,734	-	1,734
Net pension liability . . . . .	12,527,255	27,306	12,554,561
Total long-term liabilities . . . . .	12,828,909	2,161,553	14,990,462
Total liabilities . . . . .	18,277,762	2,267,212	20,544,974
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year . . . . .	1,352,012	-	1,352,012
Pension - OPERS . . . . .	261,849	2,117	263,966
Total deferred inflows of resources . . . . .	1,613,861	2,117	1,615,978
Total liabilities and deferred inflows of resources . . . . .	19,891,623	2,269,329	22,160,952
<b>Net position:</b>			
Net investment in capital assets . . . . .	7,460,368	1,769,520	9,229,888
Unrestricted (deficit) . . . . .	(4,332,168)	176,078	(4,156,090)
Total net position . . . . .	\$ 3,128,200	\$ 1,945,598	\$ 5,073,798

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MORROW COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Morrow County Hospital</b>	<b>Nonmajor</b>	<b>Total</b>
<b>Operating revenues:</b>			
Charges for services . . . . .	\$ -	\$ 139,567	\$ 139,567
Patient service revenue, net . . . . .	28,169,186	-	28,169,186
Other operating revenues . . . . .	1,746,010	121,364	1,867,374
<b>Total operating revenues.</b> . . . . .	<b>29,915,196</b>	<b>260,931</b>	<b>30,176,127</b>
<b>Operating expenses:</b>			
Personal services . . . . .	16,919,058	24,866	16,943,924
Contract services. . . . .	6,634,009	188,449	6,822,458
Materials and supplies. . . . .	3,988,990	-	3,988,990
Administrative costs. . . . .	-	5,613	5,613
Depreciation. . . . .	1,661,686	68,428	1,730,114
Other . . . . .	2,051,104	1,555	2,052,659
<b>Total operating expenses.</b> . . . . .	<b>31,254,847</b>	<b>288,911</b>	<b>31,543,758</b>
<b>Operating loss</b> . . . . .	<b>(1,339,651)</b>	<b>(27,980)</b>	<b>(1,367,631)</b>
<b>Nonoperating revenues (expenses):</b>			
Interest and fiscal charges . . . . .	(26,480)	(26,274)	(52,754)
Real and other taxes. . . . .	1,186,409	-	1,186,409
Intergovernmental . . . . .	163,505	-	163,505
Interest income. . . . .	12,602	11,116	23,718
<b>Total nonoperating revenues (expenses).</b> . . . . .	<b>1,336,036</b>	<b>(15,158)</b>	<b>1,320,878</b>
<b>Loss before capital contributions</b> . . . . .	<b>(3,615)</b>	<b>(43,138)</b>	<b>(46,753)</b>
<b>Capital contributions.</b> . . . . .	<b>-</b>	<b>671,960</b>	<b>671,960</b>
<b>Change in net position</b> . . . . .	<b>(3,615)</b>	<b>628,822</b>	<b>625,207</b>
<b>Net position at beginning of year</b> . . . . .	<b>3,131,815</b>	<b>1,316,776</b>	<b>4,448,591</b>
<b>Net position at end of year</b> . . . . .	<b>\$ 3,128,200</b>	<b>\$ 1,945,598</b>	<b>\$ 5,073,798</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MORROW COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2016  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Morrow County Hospital</b>	<b>Nonmajor</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Cash received from customers . . . . .	\$ -	\$ 142,193	\$ 142,193
Cash received from patients and third-party payors. . .	26,734,977	-	26,734,977
Cash received from other operations. . . . .	1,746,010	121,364	1,867,374
Cash payments to suppliers for services and goods. . .	(12,285,924)	(195,155)	(12,481,079)
Cash payments to employees for services . . . . .	(17,152,252)	(19,347)	(17,171,599)
Cash payments for other expenses . . . . .	-	(7,013)	(7,013)
	<u>(957,189)</u>	<u>42,042</u>	<u>(915,147)</u>
Net cash provided (used in) by operating activities . .			
<b>Cash flows from noncapital financing activities:</b>			
Property tax levy/intergovernmental revenue . . . . .	1,349,914	-	1,349,914
	<u>1,349,914</u>	<u>-</u>	<u>1,349,914</u>
Net cash provided by noncapital financing activities. . . . .			
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets . . . . .	(1,251,853)	(2,135,468)	(3,387,321)
Proceeds of USDA bonds . . . . .	-	900,000	900,000
Capital contributions . . . . .	-	671,960	671,960
OWDA loan proceeds . . . . .	-	708,875	708,875
Principal payments on long-term debt . . . . .	(289,310)	(17,540)	(306,850)
Interest and fiscal charges . . . . .	(26,480)	(17,081)	(43,561)
	<u>(1,567,643)</u>	<u>110,746</u>	<u>(1,456,897)</u>
Net cash provided by (used in) capital and related financing activities. . . . .			
<b>Cash flows from investing activities:</b>			
Interest received . . . . .	12,602	2,010	14,612
Assets limited as to use . . . . .	4,008	-	4,008
	<u>16,610</u>	<u>2,010</u>	<u>18,620</u>
Net cash provided by investing activities. . . . .			
Net increase (decrease) in cash and cash equivalents . . . . .	(1,158,308)	154,798	(1,003,510)
<b>Cash and cash equivalents at beginning of year. . . .</b>	<b>5,170,558</b>	<b>105,735</b>	<b>5,276,293</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b><u>\$ 4,012,250</u></b>	<b><u>\$ 260,533</u></b>	<b><u>\$ 4,272,783</u></b>
<b>Supplemental cash flow information:</b>			
Cash and cash equivalents . . . . .	\$ 2,505,796		
Cash . . . . .	167,261		
Board designated funds . . . . .	1,339,193		
<b>Cash and cash equivalents at end of year . . . . .</b>	<b><u>\$ 4,012,250</u></b>		

-- Continued

MORROW COUNTY, OHIO

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2016  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Morrow County Hospital</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities:</b>			
Operating loss . . . . .	\$ (1,339,651)	\$ (27,980)	\$ (1,367,631)
Adjustments:			
Depreciation . . . . .	1,661,686	68,428	1,730,114
Changes in assets, deferred outflows, liabilities, and deferred inflows:			
Accounts receivable . . . . .	-	2,626	2,626
Accrued interest . . . . .	-	183	183
Materials and supplies inventory . . . . .	6,134	-	6,134
Prepayments . . . . .	649,039	574	649,613
Other current assets. . . . .	(3,287,790)	-	(3,287,790)
Patient accounts receivable. . . . .	(416,367)	-	(416,367)
Third party settlement receivables . . . . .	(1,000,758)	-	(1,000,758)
Net pension assets . . . . .	-	(8)	(8)
Deferred outflows - pension - OPERS . . . . .	-	(8,280)	(8,280)
Accrued wages and benefits . . . . .	-	(325)	(325)
Due to other governments . . . . .	-	(3,636)	(3,636)
Due to other funds . . . . .	-	(50)	(50)
Accounts payable . . . . .	(310,672)	(3,156)	(313,828)
Accrued expenses . . . . .	3,081,190	-	3,081,190
Net pension liability . . . . .	-	11,942	11,942
Deferred inflows - pension - OPERS . . . . .	-	1,724	1,724
Net cash provided (used in) by operating activities . .	<u>\$ (957,189)</u>	<u>\$ 42,042</u>	<u>\$ (915,147)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

At December 31, 2016, the Chesterville Wastewater Treatment Plant had \$14,215 in capital assets purchased on account.

**MORROW COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 FIDUCIARY FUNDS  
 DECEMBER 31, 2016  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>Agency</b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents . . . . .	\$ 3,610,103
Cash and cash equivalents in segregated accounts. . . . .	925,027
Receivables (net of allowance for uncollectibles):	
Real and other taxes. . . . .	33,934,798
Accounts. . . . .	3,857
Due from other governments . . . . .	1,423,207
Prepayments. . . . .	2,193
Due from external parties . . . . .	7,896
Total assets . . . . .	\$ 39,907,081
<b>Liabilities:</b>	
Accounts payable . . . . .	\$ 90,305
Due to other governments. . . . .	3,955,743
Due to external parties. . . . .	250
Undistributed assets . . . . .	35,860,783
Total liabilities . . . . .	\$ 39,907,081

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, 2016 (SEE ACCOUNTANT'S COMPILATION REPORT)

#### NOTE 1 - DESCRIPTION OF THE COUNTY

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

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

The basic financial statements (BFS) of the County have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant of the County's accounting policies are described below.

##### A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus". The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statement of the County are not misleading.

The primary government consists of all funds, departments, Boards, and agencies that are not legally separate from the County. For the County, this includes the Morrow County Board of Developmental Disabilities (County Board of DD); the Children Services Board; the Morrow County Hospital and Foundation; and other departments and activities that are directly operated by the elected County officials.

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

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

**MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

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

*DISCRETELY PRESENTED COMPONENT UNIT*

Whetstone Industries, Inc. - Whetstone Industries, Inc. (the "Workshop") is a legally separate, not-for-profit corporation, served by a self-appointing Board of Trustees. The Workshop, under a contractual agreement with the DD Board, provides sheltered, transitional, and outside employment for the developmentally disabled and handicapped adults in Morrow County. The County Board of DD provides the Workshop with available resources and staff for operation of the Workshop. Based on the significant resources and services provided by the County to the Workshop and the Workshop's sole purpose of providing assistance to developmentally disabled and handicapped adults of the County, the Workshop is reflected as a discretely presented component unit of the County. It is reported separately to emphasize that it is legally separate from the County. Separately issued financial statements can be obtained from Whetstone Industries, Inc., Mt. Gilead, Ohio 43338.

*EXCLUDED POTENTIAL COMPONENT UNITS*

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

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

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

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

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

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

*JOINT VENTURE WITHOUT EQUITY INTEREST*

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

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

**B. Basis of Presentation**

*Government-wide Financial Statements* - The statement of net 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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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 the Ketterman project, and other revenues for the Johnsville Sewer District. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

**C. Fund Accounting**

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

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

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

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

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

Public assistance - This fund accounts for various federal and State grants, as well as amounts charged to the general fund 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 fund:

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

The County has five non-major enterprise funds to account for the Ketterman sewer operations, Johnsville sewer operations, sewer district administration, Chesterville sewer operations, and State Route 95 sewer construction.

**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 agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. The County has no trust funds. Agency funds are custodial in nature (assets plus deferred outflows of resources equal liabilities plus deferred inflows of resources) and do not involve measurement of results of operations. The County's fiduciary funds are agency funds which are used to account for property taxes, special assessments, and other "pass through" monies to be distributed to local governments other than the County.

**COMPONENT UNIT**

**Component Unit** - Component units are either legally separate organizations for which the elected officials of the County are not financially accountable, or legally separate organizations for which the nature and significance of its relationship with the County is such that exclusion would not cause the County's financial statement to be misleading or incomplete. The County considers Whetstone Industries, Inc. to be a separate discretely presented component unit of the County.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

**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.

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

**E. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred 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, 2016 (SEE ACCOUNTANT'S COMPILATION REPORT)

#### 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: (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, 2016, but which were levied to finance 2017 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: (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.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

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

**F. Budgetary Data**

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

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

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

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

*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 2016.



## MORROW COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

The allocation of appropriations among departments and objects within a fund (the legal level of budgetary control) may be modified during the year by a resolution of the County Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during the year. In the budgetary statements, the original budgeted amounts represent the original budgeted appropriations that covered the entire year of 2016. The final budgeted figures reflect the original budgeted amounts plus all budgetary amendments and supplemental appropriations that were legally enacted during 2016.

**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 2016, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), US Government Money Market funds, negotiable certificates of deposit, Municipal bonds, and US 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 an NAV per share that approximates fair value.

For 2016, 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 \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 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 2016 amounted to \$87,947 which includes \$65,084 assigned from other County funds.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

For presentation on the basic financial statements and for purposes of the statement of cash flows, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are considered to be cash equivalents. In addition, non-current investments in the Hospital fund are considered cash and cash equivalents for purposes of the statement of cash flows. Investments with an initial maturity of more than three months are reported as investments.

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

**H. 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 fair market values as of the date received. The County maintains a capitalization threshold of \$5,000. The County's infrastructure consists of roads, bridges, culverts and sanitary sewers. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized for the proprietary funds.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

All reported capital assets are depreciated except for land and construction in process. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County’s historical records of necessary improvements and replacements.

Depreciation is computed using the straight-line method over the following useful lives:

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

**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, 2016, 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, 2016 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 hours worked basis. Vacation pay is vested after one year and sick pay upon eligibility for retirement. Accumulated vacation cannot exceed three times the annual accumulation rate for an employee.

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

## MORROW COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

#### **K. Prepayments**

Payments made to vendors for services that will benefit periods beyond December 31, 2016, 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 position.

#### **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.

#### **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 agency funds are reported as "due to / due from external parties".

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

**N. Fund Balance**

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

The classifications are as follows:

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

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

*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.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

Bond and note issue costs are expensed when they occur.

**P. Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component "Net investment in capital assets", consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. 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 2016.

**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.

**MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

	<u>2016</u>
Patient accounts receivable	\$ 8,552,333
Less:	
Allowance for uncollectible accounts	(1,747,958)
Allowance for contractual adjustments	<u>(2,915,374)</u>
Net accounts receivable	<u>\$ 3,889,001</u>

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

	<u>2016</u>
Medicare	59.00%
Medicaid	35.00%
Commercial insurance and HMO's	3.00%
Self-pay	<u>3.00%</u>
Total	<u>100.00%</u>

**T. Assets Limited as to Use**

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

**U. Net Patient Service Revenue**

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

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

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 2016, the Hospital provided charity care of approximately \$677,497.

X. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems 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 2016, the County has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 77, "Tax Abatement Disclosures", GASB Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans" and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The County incorporated the corresponding GASB 72 guidance into its financial statements. However, there was no effect on beginning net position or fund balance.



**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the County.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the County.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. See Note 29 for disclosure of the County's tax abatements.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant

state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the County.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The County participates in STAR Ohio which implemented GASB Statement No. 79 for 2016. The County incorporated the corresponding GASB 79 guidance into its 2016 financial statements; however, there was no effect on beginning net position/fund balance.

**B. Deficit Fund Balances**

Fund balances at December 31, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
DETRAC	\$ 1,918
Opiate task force	143
Sheriff radio grant	1,537
County projects special projects	55

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

## MORROW COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (SEE ACCOUNTANT'S COMPILATION REPORT)

#### NOTE 4 - DEPOSITS AND INVESTMENTS

##### Primary Government

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

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

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

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

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

*Cash on hand:* At year end, the County had \$256 in undeposited cash on hand which is included on the financial statements of the County as part of "equity in pooled cash and cash equivalents".

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

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

**B. Deposits with Financial Institutions**

At December 31, 2016, the carrying amount of all County deposits was \$9,404,626. As of December 31, 2016, \$7,871,671 of the County's bank balance of \$9,736,995 was exposed to custodial risk as discussed below, while \$1,865,324 was covered by the FDIC.

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

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Investments**

As of December 31, 2016, the County had the following investments and maturities:

Measurement/ Investment type	Measurement Amount	Investment Maturity				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Fair Value:						
U.S. Government money market funds	\$ 703,432	\$ 703,432	\$ -	\$ -	\$ -	\$ -
Negotiable CD's	6,664,493	1,743,683	492,431	1,744,513	494,425	2,189,441
FNMAN	887,521	-	-	-	493,585	393,936
FHLB	1,390,483	-	-	-	-	1,390,483
FHLM	490,945	-	-	-	-	490,945
Amortized Cost:						
STAR Ohio	134,975	134,975	-	-	-	-
<b>Total</b>	<b>\$ 10,271,849</b>	<b>\$ 2,582,090</b>	<b>\$ 492,431</b>	<b>\$ 1,744,513</b>	<b>\$ 988,010</b>	<b>\$ 4,464,805</b>

The County's investments in federal agency securities, negotiable certificates of deposit, commercial paper and U.S. Treasury notes are valued using quoted market prices (Level 1 inputs).

The weighted average maturity of investments is 2.07 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 carry a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The County's investments in U.S. government bonds carry a rating of AA+ by Standard & Poor's and Aaa by Moody's. The Federal Agency Securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The municipal notes - Marietta, Ohio were rated A by Standard & Poor's and Baa1 by Moody's. The municipal notes - Groveport, Ohio were rated A1 by Moody's. The municipal notes - Huber Heights, Ohio were rated A1 by Moody's. The municipal bonds - Fairfield, Ohio were rated Aa1 by Moody's. The municipal bonds - Sylvania, Ohio were rated AA by Standard & Poor's. The municipal bonds - Toledo, Ohio were rated A- by Standard & Poor's and A2 by Moody's. The municipal bonds - Greene, Ohio were rated Aa2 by Standard & Poor's and A2 by Moody's.

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

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

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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, 2016:

<u>Measurement/ Investment type</u>	<u>Measurement Amount</u>	<u>% of Total</u>
Fair Value:		
US government money markets	\$ 703,432	6.85
Negotiable CD's	6,664,493	64.88
FNMAN	887,521	8.64
FHLB	1,390,483	13.54
FHLM	490,945	4.78
Amortized Cost:		
STAR Ohio	<u>134,975</u>	<u>1.31</u>
Total	<u>\$ 10,271,849</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, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 9,404,626
Investments	10,271,849
Cash on hand	<u>256</u>
Total	<u>\$ 19,676,731</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 10,868,818
Business-type activities	4,272,783
Agency funds	<u>4,535,130</u>
Total	<u>\$ 19,676,731</u>

**E. Component Unit**

At December 31, 2016, the carrying amount of the component unit's demand deposits was \$28,865 and the bank balance was \$28,865. The entire bank balance was covered by FDIC. See Note 25 for more information on the component unit's depository accounts. The component units cash balance at December 31, 2016 is reported as "cash and cash equivalents in segregated accounts" on the statement of net position.

**MORROW COUNTY, OHIO**

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**NOTE 5 - INTERFUND TRANSACTIONS**

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

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

- A.** Due from/to other funds consisted of the following at December 31, 2016, as reported on the fund financial statements:

	Due to			
	General	Public Assistance	Nonmajor Governmental	Total Due To
<u>Due from</u>				
General fund	\$ -	\$ 61,264	\$ 15,882	\$ 77,146
County board of DD	1,524	-	5,391	6,915
Nonmajor governmental	4,353	11,738	11,973	28,064
Total Due From	\$ 5,877	\$ 73,002	\$ 33,246	\$ 112,125

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

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

- B.** Interfund transfers for the year ended December 31, 2016, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	\$ 531,002
<u>Transfer from nonmajor governmental funds to:</u>	
Public assistance fund	25,395
Nonmajor governmental funds	1,528
Total	\$ 557,925

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfers were made during 2016 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**

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

- C. Due from external parties at December 31, 2016, consisted of the following as reported on the fund statements:

	Agency	County Board of DD	Nonmajor governmental funds	Total
General fund	\$ 250	\$ -	\$ -	\$ 250
Agency funds	<u>-</u>	<u>4,045</u>	<u>3,851</u>	<u>7,896</u>
Total	<u>250</u>	<u>4,045</u>	<u>3,851</u>	<u>8,146</u>

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, 2016 as reported on the fund statement:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Moter Vehicle & Gas Tax	\$ 415,713
Nonmajor governmental fund	Nonmajor enterprise fund	<u>56,400</u>
Total		<u>\$ 472,113</u>

**NOTE 6 - PROPERTY TAX**

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the County its portion of the taxes collected. 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, 2016 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 2016 operations and the collection of delinquent taxes has been offset by deferred inflows of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred inflows of resources.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 6 - PROPERTY TAX - (Continued)**

The full tax rate for all County operations for the year ended December 31, 2016 was \$11.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2016 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 706,666,230
Commercial/industrial/mineral	52,840,680
Personal public utility	<u>37,838,740</u>
Total assessed value	<u>\$ 797,345,650</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 2016 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 2016 amounted to \$3,970,465 on the governmental fund financial statements.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2016, consisted of taxes, accounts (billings for user charged services), accrued interest, loans and intergovernmental receivables arising from grants, notes entitlements and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2016. A summary of the principal items of receivables reported on the statement of net position follows:

<b><u>Governmental activities:</u></b>	
Sales taxes	\$ 1,017,169
Real and other local taxes	4,613,630
Accounts	470,558
Accrued interest	22,135
Due from other governments	3,314,889

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



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - LOANS RECEIVABLE**

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

	<u>Balance</u> <u>12/31/15</u>	<u>Loans</u> <u>Issued</u>	<u>Principal</u> <u>Received</u>	<u>Bankrupt</u> <u>Loans</u>	<u>Balance</u> <u>12/31/16</u>
<u>Special Revenue Funds</u>					
Community block and HOME Investments					
partnerships program grants commercial loans	\$ 492,816	\$ 50,000	\$ (146)	\$ (401,944)	\$ 140,726
Home investment partnership	79,120	-	(16,798)	-	62,322
Water/sewer revolving loans	74,779	-	(20,129)	-	54,650
Rural hardship revolving loans	<u>112,136</u>	<u>6,570</u>	<u>(30,210)</u>	<u>-</u>	<u>88,496</u>
Total	<u>\$ 758,851</u>	<u>\$ 56,570</u>	<u>\$ (67,283)</u>	<u>\$ (401,944)</u>	<u>\$ 346,194</u>

**NOTE 10 - RESTRICTED ASSETS**

The Hospital has assets whose use is limited consisting of invested funds securing bank debt and invested funds designated by the Hospital's Board of Trustees for the replacement, improvement and expansion of the Hospital's facilities. Investments consist principally of U.S. Government securities and are recorded at fair value. The composition of assets whose use is limited at December 31, 2016, is set forth in the following table:

Board restricted for capital improvements:	
Cash and cash equivalents in segregated accounts	\$ 368,010
Investments in segregated accounts	<u>971,183</u>
Total	<u>\$ 1,339,193</u>

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**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - CAPITAL ASSETS**

A. A summary of the business-type activities capital assets for the year ended December 31, 2016 is as follows:

<b><u>Business-type activities:</u></b>	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/16</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 233,315	\$ -	\$ -	\$ 233,315
Construction in progress	<u>458,084</u>	<u>1,409,224</u>	<u>(383,742)</u>	<u>1,483,566</u>
<i>Total capital assets, not being depreciated</i>	<u>691,399</u>	<u>1,409,224</u>	<u>(383,742)</u>	<u>1,716,881</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	653,322	36,345	-	689,667
Buildings	6,655,247	53,213	-	6,708,460
Equipment	21,689,918	831,473	-	22,521,391
Infrastructure	<u>1,574,952</u>	<u>1,440,808</u>	<u>-</u>	<u>3,015,760</u>
<i>Total capital assets, being depreciated</i>	<u>30,573,439</u>	<u>2,361,839</u>	<u>-</u>	<u>32,935,278</u>
Less: accumulated depreciation:				
Land improvements	(606,201)	(42,677)	-	(648,878)
Buildings	(4,281,493)	(191,236)	-	(4,472,729)
Equipment	(15,832,075)	(1,450,294)	-	(17,282,369)
Infrastructure	<u>(197,774)</u>	<u>(45,907)</u>	<u>-</u>	<u>(243,681)</u>
Total accumulated depreciation	<u>(20,917,543)</u>	<u>(1,730,114)</u>	<u>-</u>	<u>(22,647,657)</u>
Total capital assets, being depreciated, net	<u>9,655,896</u>	<u>631,725</u>	<u>-</u>	<u>10,287,621</u>
Business-type activities capital assets, net	<u>\$ 10,347,295</u>	<u>\$ 2,040,949</u>	<u>\$ (383,742)</u>	<u>\$ 12,004,502</u>

Construction in progress primarily consists of hospital facility improvements and sewer infrastructure construction at the I-95 interchange.

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

<b><u>Business-type activities:</u></b>	
Morrow County Hospital	\$ 1,661,686
Ketterman Project	5,127
Johnsville Sewer	48,893
Chesterville Sewer	<u>14,408</u>
Total depreciation expense - business-type activities	<u>\$ 1,730,114</u>

**MORROW COUNTY, OHIO**

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

**B.** Capital asset activity for the governmental activities for the year ended December 31, 2016, was as follows:

<b><u>Governmental activities:</u></b>	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/16</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 748,557	\$ -	\$ -	\$ 748,557
Construction in progress	21,463	551,406	-	572,869
Total capital assets, not being depreciated	<u>770,020</u>	<u>551,406</u>	<u>-</u>	<u>1,321,426</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	164,548	-	-	164,548
Buildings	13,164,293	-	-	13,164,293
Building improvements	4,918,666	-	-	4,918,666
Equipment	2,715,255	81,274	(7,338)	2,789,191
Vehicles	6,239,801	177,147	-	6,416,948
Infrastructure	48,374,124	1,038,353	-	49,412,477
Total capital assets, being depreciated	<u>75,576,687</u>	<u>1,296,774</u>	<u>(7,338)</u>	<u>76,866,123</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(161,720)	(1,885)	-	(163,605)
Buildings	(5,797,090)	(299,338)	-	(6,096,428)
Building improvements	(1,362,230)	(175,674)	-	(1,537,904)
Equipment	(2,205,580)	(144,341)	7,338	(2,342,583)
Vehicles	(5,325,588)	(253,103)	-	(5,578,691)
Infrastructure	(29,144,766)	(989,237)	-	(30,134,003)
Total accumulated depreciation	<u>(43,996,974)</u>	<u>(1,863,578)</u>	<u>7,338</u>	<u>(45,853,214)</u>
Total capital assets being depreciated, net	<u>31,579,713</u>	<u>(566,804)</u>	<u>-</u>	<u>31,012,909</u>
Governmental activities capital assets, net	<u>\$ 32,349,733</u>	<u>\$ (15,398)</u>	<u>\$ -</u>	<u>\$ 32,334,335</u>

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

Legislative and executive	\$ 268,339
Judicial	9,649
Public safety	184,865
Public works	1,108,013
Health	48,872
Human services	242,796
Other	1,044
Total depreciation expense - governmental activities	<u>\$ 1,863,578</u>

**MORROW COUNTY, OHIO**

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

- A.** In the current year and during prior years, the County entered into capital leases for the acquisition of copier equipment, a telephone system, a printer and a scanner. 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 copier equipment, scanners, printers and a computer have been capitalized in the amount of \$515,791. This amount represents the present value at the minimum lease payments at the time of acquisition. A corresponding liability is recorded on the government-wide financial statements. Accumulated depreciation as of December 31, 2016, was \$370,108, leaving a current book value of \$131,929. Principal payments in 2016 totaled \$55,779, made out of the general fund, the motor vehicle and gas tax fund, the Morrow County Transit Authority fund (a nonmajor governmental fund), the recorder's fund (a nonmajor governmental fund), computer equipment fund (a nonmajor governmental fund), and the County Board of DD fund. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2016:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2017	\$ 56,405
2018	48,782
2019	30,875
2020	16,377
2021	<u>3,658</u>
Total future minimum lease payments	156,097
Less: amount representing interest	<u>(13,295)</u>
Present value of net minimum lease payments	<u>\$ 142,802</u>

- B.** At December 31, 2016, the Hospital has capital leases for medical and office equipment and furniture and fixtures. The lease agreements require the Hospital to pay insurance and maintenance costs. These capital leases are due in monthly installments including interest at rates ranging from 3.63 percent to 5.44 percent annually. These leases expire in 2018, and are collateralized by the leased equipment. Capitalized costs of the leased equipment at December 31, 2016 were \$613,000. The liability for the obligation under capital lease at December 31, 2016 was \$11,262.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)**

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, 2016:

Year Ending December 31,	Amount
2017	\$ 9,903
2018	1,868
Total future minimum lease payments	11,771
Less: amount representing interest	(509)
Present value of net minimum lease payments	\$ 11,262

**NOTE 13 - COMPENSATED ABSENCES**

Vacation, compensatory time, and sick leave accumulated by governmental fund type employees have been recorded in the governmental activities on the statement of net position. Vacation, compensatory time and sick leave earned by proprietary funds type employees is expensed when earned.

County employees earn vacation at varying rates ranging from two to five weeks per year. Vacation is to be taken within one year of the employee's anniversary date. In certain cases, vacation can accumulate up to three times the annual vacation rate for an employee. All accumulated, unused vacation time is paid upon separation from the County. Compensatory time is time accrued by employees that are exempt from overtime. Such employees can accrue compensatory time up to, but not exceed an 80 hour limit. Sick leave is accumulated at the rate of .0575/hour for every hour worked. Upon retirement, employees with ten years of service are entitled to 25 percent of their accumulated sick leave up to a maximum of 30 days. At December 31, 2016, vested benefits for vacation leave and compensatory time for governmental fund employees totaled \$713,905 and vested benefits for sick leave totaled \$247,347. The total liability for governmental fund employees was \$961,252. Of this total, \$178,476 is due within one year and \$782,776 is due in greater than one year.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - LONG-TERM OBLIGATIONS**

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

During 2016, the following changes occurred in the County's governmental activities long-term obligations.

	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/16</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<u>General obligation bonds:</u>							
County services facility refunding bonds	2022	1.0-2.5%	\$ 1,050,000	\$ -	\$ (140,000)	\$ 910,000	\$ 145,000
Courthouse Improvement bonds	2035	1.0-4.50%	1,940,000	-	(75,000)	1,865,000	75,000
Various purpose bonds	2033	3.00-5.375%	375,000	-	(120,000)	255,000	125,000
Various purpose refunding bonds	2033	1.20-4.00	<u>3,195,000</u>	<u>-</u>	<u>(30,000)</u>	<u>3,165,000</u>	<u>30,000</u>
Total general obligation bonds			<u>6,560,000</u>	<u>-</u>	<u>(365,000)</u>	<u>6,195,000</u>	<u>375,000</u>
<u>Loans payable:</u>							
JFS service garage	2026	4.55%	<u>165,000</u>	<u>-</u>	<u>(12,000)</u>	<u>153,000</u>	<u>13,000</u>
<u>OWDA loans payable:</u>							
OWDA loan payable	2023	0.00%	<u>28,125</u>	<u>-</u>	<u>(3,750)</u>	<u>24,375</u>	<u>3,750</u>
<u>Other long-term obligations:</u>							
Compensated absences payable			963,032	73,038	(74,818)	961,252	178,476
Net pension liability			10,741,619	3,202,542	-	13,944,161	-
Capital lease payable			<u>173,366</u>	<u>25,215</u>	<u>(55,779)</u>	<u>142,802</u>	<u>49,449</u>
Total other long-term obligations			<u>11,878,017</u>	<u>3,300,795</u>	<u>(130,597)</u>	<u>15,048,215</u>	<u>227,925</u>
Total long-term obligations			\$ 18,631,142	\$ 3,300,795	\$ (511,347)	\$ 21,420,590	\$ 619,675
Less: unamortized discount on bonds			(33,466)			(9,408)	
Add: unamortized premium			<u>1,446</u>			<u>152,532</u>	
Total reported on statement of net position			<u>\$ 18,599,122</u>			<u>\$ 21,563,714</u>	

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

*General Obligation Bonds:* The general obligation bonds are supported by the full faith and credit of the County. On August 15, 2002, the County issued bonds to provide for building renovation and improvements to the County services building. The County services building bonds bear an interest rate ranging from 1.5% to 4.8% and are scheduled to mature in 2022. On December 16, 2008, the County issued bonds in the amount of \$4,000,000 to retire previously issued bond anticipation notes that were issued to finance various construction and renovation projects undertaken by the County. The bonds bear an interest rate ranging from 3.00% to 5.375% and are scheduled to mature in 2033. These bonds are being retired through rental charges and other County operating sources; however, repayment is backed by the full faith and credit of the County. During 2015, \$2,880,000 of the Series 2008 bonds were refunded. The remaining \$255,000 will mature in 2018. A principal payment of \$120,000 was made on the remaining debt during 2016.

During 2014 the County issued Court House Renovation Bonds to help fund upgrades to the County's Courthouse. These bonds will mature on December 1, 2035. For 2016, principal payments amounted to \$75,000.

During 2016, a principal payment of \$120,000 on the County services building general obligation bonds was made from the social services bond retirement fund (a nonmajor governmental fund).

On March 13, 2012, the City 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. During 2016, a principal payment of \$140,000 was made from the social services bond retirement fund (a nonmajor governmental fund). The balance of the refunded bonds at December 31, 2016 was \$910,000.

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

The bonds maturing on December 1, 2020 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>
2019	\$150,000

The remaining principal amount of such bonds (\$150,000) will be paid at stated maturity on December 1, 2020.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

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 City issued \$3,240,000 in Refunding Bonds (Series 2015) which mature serially on December 1, 2016 through December 1, 2018 inclusive, and term bonds which mature on December 1, 2027, December 1, 2029, December 1, 2031, and December 1, 2033. The bonds were issued to refund \$2,880,000 of the Series 2008 general obligation bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. During 2016, a principal payment of \$30,000 was made from the social services bond retirement fund (a nonmajor governmental fund). The balance of the refunded bonds at December 31, 2016 was \$3,165,000.

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

The bonds maturing on December 1, 2018 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>
2015	\$140,000
2016	30,000
2017	30,000

The remaining principal amount of such bonds (\$35,000) will be paid at stated maturity on December 1, 2018.

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.



**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

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

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

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

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

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

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

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

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

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

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

The County has received a zero percent interest rate loan from the OWDA for the purpose of financing septic system replacements. During 2016, the County made principal payments of \$3,750 on this loan leaving a balance at December 31, 2016 of \$24,375. 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 bears an interest rate of 4.55% and is scheduled to mature in 2026. During 2016, the County made principal payments of \$12,000 on this loan leaving a balance of \$153,000 at December 31, 2016. This loan is being retired from the JFS service garage fund (a nonmajor governmental fund).

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

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

*Capital Leases Payable:* Capital lease principal and interest payments are being made from the general fund, the motor vehicles and gas tax fund, the County Board of Developmental Disabilities fund, the Morrow County transit authority fund (a nonmajor governmental fund), the recorder's fund (a nonmajor governmental fund), and the computer equipment fund (a nonmajor governmental fund). See Note 12.A. for further detail on the capital lease obligations.

*Net pension liability:* See Note 17 for more information about net pension liability.

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

Year Ended December 31,	General Obligation Bonds			Courthouse Renovation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 300,000	\$ 276,707	\$ 576,707	\$ 75,000	\$ 71,919	\$ 146,919
2018	315,000	268,134	583,134	75,000	70,869	145,869
2019	320,000	115,413	435,413	75,000	68,994	143,994
2020	320,000	108,713	428,713	75,000	67,119	142,119
2021	325,000	102,013	427,013	80,000	65,244	145,244
2022 - 2026	1,125,000	401,138	1,526,138	435,000	282,831	717,831
2027 - 2031	1,115,000	232,413	1,347,413	540,000	181,050	721,050
2032 - 2036	510,000	30,800	540,800	510,000	57,575	567,575
Total	<u>\$ 4,330,000</u>	<u>\$ 1,535,331</u>	<u>\$ 5,865,331</u>	<u>\$ 1,865,000</u>	<u>\$ 865,601</u>	<u>\$ 2,730,601</u>

Year Ended December 31,	JFS Service Garage Loan			OWDA Loans		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 13,000	\$ 7,046	\$ 20,046	\$ 3,750	\$ -	\$ 3,750
2018	13,000	6,447	19,447	3,750	-	3,750
2019	14,000	5,848	19,848	3,750	-	3,750
2020	14,000	5,204	19,204	3,750	-	3,750
2021	15,000	4,559	19,559	3,750	-	3,750
2022 - 2026	84,000	11,973	95,973	5,625	-	5,625
Total	<u>\$ 153,000</u>	<u>\$ 41,077</u>	<u>\$ 194,077</u>	<u>\$ 24,375</u>	<u>\$ -</u>	<u>\$ 24,375</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.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

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 \$12,419,944 at December 31, 2016 and the unvoted legal debt margin was \$8,154,760 at December 31, 2016.

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

During 2016, the following changes occurred in the County's business-type activities long-term obligations. Long-term obligations have been restated as described in Note 3.

	Interest Rate	Balance 12/31/15	Additions	Reductions	Balance 12/31/16	Amount Due in One Year
Capital lease payable		\$ 20,976	\$ -	\$ (9,714)	\$ 11,262	\$ 9,528
OWDA loan #7105		-	694,660	-	694,660	-
Sanitary sewer revenue bonds, series 2011	2.75%	582,476	-	(9,640)	572,836	9,949
Chesterville USDA WWTP loan		-	768,848	(768,848)	-	-
2016 USDA revenue bonds, series 2016	1.875%	-	900,000	(7,900)	892,100	15,400
Hospital facilities revenue bonds, series 2011	3.50%	869,135	-	(279,595)	589,540	289,620
Net pension liability		9,092,199	3,462,362	-	12,554,561	-
Compensated absences payable		666,903	887,063	(945,557)	608,409	608,409
Total business-type activities long-term obligations		<u>\$ 11,231,689</u>	<u>\$ 6,712,933</u>	<u>\$ (2,021,254)</u>	<u>\$ 15,923,368</u>	<u>\$ 932,906</u>

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

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 Johnsville sewer project fund (a nonmajor enterprise fund). Pledged revenues began being collected in 2013.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

Hospital Facility Revenue Bonds: During 2011, the Hospital authorized the issuance of revenue bonds in a principal amount of \$3,200,000 for the purpose of acquiring and installing the Meditech computer system. All debt charges on the bonds are expected to be paid from adjusted annual revenue of the Hospital. The Hospital made interest only payments on a monthly basis, commencing September 24, 2011. A mandatory redemption of \$1,800,000 in principal of the bonds is due on or before December 24, 2013. The Hospital will then be required to make monthly principal and interest payments through December, 2018. The bonds bear interest at a fixed rate equal to 3.5%. Interest is calculated on the outstanding principal amount of the disbursed bonds from the respective disbursement. As of December 31, 2016, the Hospital had issued \$589,540 of the total authorized. The following is a summary of the Hospital's obligations for the revenue bonds:

Year Ended <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 289,620	\$ 16,011	\$ 305,631
2018	<u>299,920</u>	<u>5,710</u>	<u>305,630</u>
Total	<u>\$ 589,540</u>	<u>\$ 21,721</u>	<u>\$ 611,261</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. As of December 31, 2016, OWDA has disbursed \$694,660 of the total amount financed. At December 31, 2016 the project had not been completed and an amortization schedule was not available.

Chesterville USDA WWTP loan: During 2016, the County acquired debt used to finance the construction of a wastewater treatment plant and supporting structures from the Village of Chesterville, Ohio. The outstanding balance of the loan was immediately paid by the County.

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 27.66 percent of net revenues and 10.52 percent of total revenues. Principal and interest payments will be made from the Chesterville WWTP fund (a nonmajor enterprise fund). During 2016, the County made principal and interest payments of \$7,900 and \$1,664, respectively.

Net pension liability: See Note 17 for more information on net pension liability

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the County's future annual debt service principal and interest requirements for general long-term obligations.

Year Ended December 31,	<u>Sanitary Sewer Revenue Bonds</u>			<u>USDA Bonds - Series 2016</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 9,949	\$ 15,746	\$ 25,695	\$ 15,400	\$ 16,655	\$ 32,055
2018	10,223	15,472	25,695	15,700	16,365	32,065
2019	10,504	15,191	25,695	16,000	16,069	32,069
2020	10,752	14,943	25,695	16,300	15,768	32,068
2021	11,088	14,607	25,695	16,600	15,460	32,060
2022 - 2026	60,146	68,329	128,475	87,900	72,492	160,392
2027 - 2031	68,888	59,587	128,475	96,600	63,892	160,492
2032 - 2036	78,875	49,600	128,475	105,600	54,456	160,056
2037 - 2041	90,370	38,105	128,475	116,400	44,108	160,508
2042 - 2046	103,505	24,970	128,475	127,700	32,729	160,429
2047 - 2051	118,536	9,936	128,472	140,100	20,243	160,343
2052 - 2056	-	-	-	137,800	6,541	144,341
Total	<u>\$ 572,836</u>	<u>\$ 326,486</u>	<u>\$ 899,322</u>	<u>\$ 892,100</u>	<u>\$ 374,778</u>	<u>\$ 1,266,878</u>

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

**NOTE 15 - NET PATIENT SERVICE REVENUE**

The Hospital provides services to certain patients covered by various third party payer arrangements that provide for payments to the Hospital at amounts different than its established rates. Net patient service revenue for 2016 recorded in the Hospital enterprise fund was \$28,169,186.

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**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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 2016, the County contracted with the County Risk Sharing Authority, Inc. (CORSA) for liability, property, automotive, and crime insurance. The CORSA program has a \$2,500 deductible. Coverage provided by CORSA is as follows:

	<u>Amount</u>
General Liability (per occurrence)	\$ 1,000,000
Law Enforcement Liability (per occurrence)	1,000,000
Automobile Liability and Physical Damage Liability (per occurrence)	1,000,000
Medical Payments	
Per Person	5,000
Per Occurrence	50,000
Uninsured/Underinsured Motorists (per person)	250,000
Cyber Security Liability	1,000,000
Physical Damage	Actual Cost
Flood and Earthquake (pool limit)	100,000,000
Property	
Other Property Insurance:	
Extra Expense	1,000,000
Contractors’ Equipment	Actual Cash Value
Valuable Papers and Records	1,000,000
Inland Marine	Actual Cash Value
Automatic Acquisition	5,000,000
Crime Insurance:	
Faithful Performance	\$ 1,000,000
Money and Securities (inside and outside)	1,000,000
Depositor’s Forgery	1,000,000
Money Orders and Counterfeit Paper Currency	1,000,000
Attorney Disciplinary Proceedings (per occurrence)	25,000
Boiler and Machinery	100,000,000
Public Officials (per occurrence)	1,000,000
Umbrella (per occurrence)	4,000,000
Medical Professional Liability	5,000,000

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

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 16 - RISK MANAGEMENT - (Continued)**

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; medical malpractice; and employee health dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims for the Hospital have not exceeded this coverage in the past three years and there has been no significant reduction in coverage from the prior year for the Hospital. Also see Note 22.B. for information on the Hospital's medical malpractice insurance coverage.

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

The County has entered into a participation agreement with the County Employee Benefit Consortium of Ohio, Inc (CEBCO) to obtain employee health insurance and benefits and administrative services relating to an employee health benefit plan. The County will contract with CEBCO to provide medical, prescription drug, dental, vision, and life insurance coverage. The County will pay 80% of the monthly premium and employees will pay 20%.

In 2016, the Hospital participated in a fully insured Health insurance plan. The balance of accrued health insurance that is part of the accrued compensation and other liabilities for the Years ended December 31, 2016 and 2015 were \$0 and \$567,087, respectively.

**NOTE 17 - DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability/Asset*

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* or *net pension asset*, respectively, 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/pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

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

Plan Description - County employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

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

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



**MORROW COUNTY, OHIO**

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

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

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service.

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

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

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

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
<b>2016 Statutory Maximum Contribution Rates</b>			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
<b>2016 Actual Contribution Rates</b>			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	<u>2.0 %</u>	<u>2.0</u>	<u>2.0</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

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 \$2,488,094 for 2016. Of this amount, \$162,551 is reported as due to other governments.

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

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

Plan Description - County licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://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 will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 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, member contributions are allocated among investment choices by the member, and employer contributions 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

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 statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For January 1, 2016 through June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. For July 1, 2016 through December 31, 2016, plan members were required to contribute 14 percent of their annual covered salary. The County was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2016 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was \$8,649 for 2016.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan and Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2015, 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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability or asset was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.16080400%	0.00056540%	
Proportion of the net pension liability current measurement date	<u>0.08044400%</u>	<u>0.00057612%</u>	
Change in proportionate share	<u>-0.08036000%</u>	<u>0.00001072%</u>	
Proportion of the net pension asset prior measurement date	0.05303900%		
Proportion of the net pension asset current measurement date	<u>0.08989100%</u>		
Change in proportionate share	<u>0.03685200%</u>		
Proportionate share of the net pension liability	\$ 26,305,877	\$ 192,845	\$ 26,498,722
Proportionate share of the net pension asset	62,690	-	62,690
Pension expense	3,025,205	(8,380)	3,016,825

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

At December 31, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	STRS	Total
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 1,313	\$ 7,792	\$ 9,105
Net difference between projected and actual earnings on pension plan investments	7,759,574	16,011	7,775,585
Changes in employer's proportionate percentage/ difference between employer contributions	-	2,737	2,737
City contributions subsequent to the measurement date	2,488,094	4,325	2,492,419
Total deferred outflows of resources	\$ 10,248,981	\$ 30,865	\$ 10,279,846
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 536,800	\$ -	\$ 536,800
Changes in employer's proportionate percentage/ difference between employer contributions	793,731	2,017	795,748
Total deferred inflows of resources	\$ 1,330,531	\$ 2,017	\$ 1,332,548

\$2,492,419 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, 2017.

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	STRS	Total
Year Ending December 31:			
2017	\$ 1,317,337	\$ 3,793	\$ 1,321,130
2018	1,472,205	3,793	1,475,998
2019	1,891,488	9,936	1,901,424
2020	1,762,799	7,000	1,769,799
2021	(3,452)	1	(3,451)
Thereafter	(10,021)	-	(10,021)
Total	\$ 6,430,356	\$ 24,523	\$ 6,454,879

MORROW COUNTY, OHIO

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NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

*Actuarial Assumptions - OPERS*

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability/asset in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation COLA or ad hoc COLA	4.25 to 10.05 percent including wage inflation Pre 1/7/2013 retirees: 3 percent, simple Post 1/7/2013 retirees: 3 percent, simple through 2018, then 2.80% simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term 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.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 401 (h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. 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 money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40 percent for 2015.

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

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.31 %
Domestic equities	20.70	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	18.30	7.40
Other investments	18.00	4.59
<b>Total</b>	<b>100.00 %</b>	<b>5.27 %</b>

**Discount Rate** - The discount rate used to measure the total pension liability/asset was 8 percent for both the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. 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 to Changes in the Discount Rate** - The following table presents the County's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8 percent, as well as what the County's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 42,155,189	\$ 26,305,877	\$ 13,219,227
Combined Plan	(1,289)	(62,498)	(112,119)
Member-Directed Plan	502	(192)	(502)

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

***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

***Discount Rate*** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.



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

*Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
County's proportionate share of the net pension liability	\$ 256,275	\$ 192,845	\$ 139,338

**NOTE 18 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

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

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

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2016, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2016 was 2.00%.

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

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**NOTE 18 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$264,639, \$177,759, and \$418,385, respectively; 98.16% has been contributed for 2016 and 100% has been contributed for 2015 and 2014. The remaining 2016 post-employment health care benefits liability has been reported as due to other governments.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

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

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

Funding Policy - Ohio law authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS did not allocate any percentage of employer contributions to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2016, 2015 and 2014 were \$0, \$0 and \$614, respectively. The full amount has been contributed for 2014.

**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);

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 19 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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	\$ (700,850)	\$ (731,440)	\$ (367,828)	\$ (62,078)
Net adjustment for revenue accruals	48,362	32,638	157,829	200,035
Net adjustment for expenditure accruals	(235,792)	(74,750)	41,941	98,144
Net adjustment for other sources/uses	94,075	-	-	-
Funds budgeted elsewhere	(166,634)	-	-	-
Adjustment for encumbrances	<u>476,871</u>	<u>551,405</u>	<u>441,896</u>	<u>93,103</u>
GAAP basis	<u>\$ (483,968)</u>	<u>\$ (222,147)</u>	<u>\$ 273,838</u>	<u>\$ 329,204</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 sheriff's rotary fund, the County unclaimed monies fund, the self-insurance fund, the public defender reimbursement and fees fund, the prepayment interest fund, the certificate of title administration fund, the recorder's fees fund, and the casino/capital improvement fund.

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**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
<b>Nonspendable:</b>						
Materials and supplies inventory	\$ 17,363	\$ 80,625	\$ 4,717	\$ 2,366	\$ 3,204	\$ 108,275
Prepays	83,720	34,789	63,335	87,489	93,146	362,479
Unclaimed monies	97,336	-	-	-	-	97,336
<b>Total nonspendable</b>	<b>198,419</b>	<b>115,414</b>	<b>68,052</b>	<b>89,855</b>	<b>96,350</b>	<b>568,090</b>
<b>Restricted:</b>						
General government	-	-	-	-	740,804	740,804
Public safety	-	-	-	-	649,416	649,416
Public works	-	994,270	-	-	-	994,270
Human services	-	-	1,131,569	-	1,088,882	2,220,451
Health	-	-	-	906,511	80,999	987,510
Debt service	-	-	-	-	33,200	33,200
Economic and development	-	-	-	-	604,513	604,513
Other purposes	-	-	-	-	1,550,850	1,550,850
<b>Total restricted</b>	<b>-</b>	<b>994,270</b>	<b>1,131,569</b>	<b>906,511</b>	<b>4,748,664</b>	<b>7,781,014</b>
<b>Committed:</b>						
Public safety	-	-	-	-	116,855	116,855
Public works	-	-	-	-	77,451	77,451
General government	-	-	-	-	449,349	449,349
Human services	-	-	-	-	47,625	47,625
Self-Insurance	255,472	-	-	-	-	255,472
Capital projects	-	-	-	-	673,547	673,547
Other purposes	-	-	-	-	333,276	333,276
<b>Total committed</b>	<b>255,472</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,698,103</b>	<b>1,953,575</b>
<b>Assigned:</b>						
General government	18,149	-	-	-	-	18,149
Public safety	41,725	-	-	-	-	41,725
Human services	66,118	-	-	-	-	66,118
Health	42,231	-	-	-	-	42,231
Prepayments interest account	6,625	-	-	-	-	6,625
Motor vehicle bond retirement	-	-	-	-	148,103	148,103
Subsequent year appropriations	999,985	-	-	-	-	999,985
Other purposes	2,301	-	-	-	-	2,301
<b>Total assigned</b>	<b>1,177,134</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>148,103</b>	<b>1,325,237</b>
<b>Unassigned</b>	<b>1,736,681</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,653)</b>	<b>1,733,028</b>
<b>Total fund balances</b>	<b>\$ 3,367,706</b>	<b>\$ 1,109,684</b>	<b>\$ 1,199,621</b>	<b>\$ 996,366</b>	<b>\$ 6,687,567</b>	<b>\$ 13,360,944</b>

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**NOTE 21 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 175,531
Motor vehicle and gas tax	282,440
Public assistance	253,000
County Board of Developmental Disabilities	62,031
Other governmental	<u>198,332</u>
Total	<u>\$ 971,334</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, 2016.

**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 \$4,000,000 of coverage.

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

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

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

**C. Litigation**

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

**NOTE 23 - RELATED PARTY TRANSACTION**

Whetstone Industries, Inc. (the "Workshop"), a discretely presented component unit of the County, received contributions from the County for certain personnel and salaries. The contributions are reflected as revenues in the statement of activities for the Workshop. For the year ended December 31, 2016, the County's contributions totaled \$667,061.

**NOTE 24 - FEDERAL TRANSACTIONS**

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

**NOTE 25 - WHETSTONE INDUSTRIES, INC. - COMPONENT UNIT**

**A. Reporting Entity**

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

**B. Summary of Significant Accounting Policies**

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

*Cash and Cash Equivalents* - The Workshop maintains depository accounts at financial institutions. See Note 25.C. for more detail on the Workshop's cash balances.

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

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

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT’S COMPILATION REPORT)

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

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

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

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

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

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

**C. Cash and Cash Equivalents**

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

Depository	Description	Balance 12/31/16
First Federal	Operating account	\$ 27,607
First Federal	Payroll account	903
Cash on hand	Operations	355
Total		\$ 28,865

The Workshop has three negotiable certificates of deposit at December 31, 2016. These certificates of deposit are recorded at fair value, with maturities of nine to twenty-four months. These certificates of deposit earn interest at rates of 0.10%.

**D. Contracts and Support**

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

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT’S COMPILATION REPORT)

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

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

**E. Related Party Transactions**

The Morrow County Board of DD provides the management and administrative personnel, at no charge, to the Workshop. In addition, land and facilities, utilities and certain other general and administrative costs are provided by the Morrow County Board of DD to the Workshop. The Workshop has recognized this support in the statement of activities.

**F. Concentration of Risk**

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

**G. Capital Assets**

The following is a summary of the Workshop’s capital assets activity for 2016:

	Balance 12/31/15	Additions	Reductions	Balance 12/31/16
Property and equipment	\$ 63,383	\$ -	\$ -	\$ 63,383
Accumulated depreciation	(48,374)	(4,523)	-	(52,897)
Total	\$ 15,009	\$ (4,523)	\$ -	\$ 10,486

**NOTE 26 - AFFILIATION**

The Hospital contracts with OhioHealth for management, information technology, and other support services. OhioHealth employs the Hospital’s chief executive and chief financial officers and also appoints one nonvoting representative to the Hospital’s Board of Trustees. Fees for services amounted to approximately \$667,000 for the year ended December 31, 2016. Amounts due to OhioHealth for services amounted to approximately \$315,000 at December 31, 2016 and has been included in accounts payable of the Hospital on the financial statements.

**NOTE 27 - COST REPORT SETTLEMENTS**

Approximately 36 percent of the Hospital’s revenues from patient services are received from the Medicare and Medicaid programs. The Hospital has agreements with these payors that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under these reimbursement programs represent the difference between the Hospital’s established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with these third-party payors follows:



**MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

**NOTE 27 - COST REPORT SETTLEMENTS - (Continued)**

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

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

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

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

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

**NOTE 28 – TRANSFER OF OPERATIONS**

During 2016, the County acquired the Chesterville wastewater treatment plant from the Village of Chesterville, Ohio (the "Village") and assumed operations. The County funded this acquisition through a loan from the United States Department of Agriculture (USDA). The assets transferred in this transaction consisted of the Chesterville wastewater treatment plant and its related infrastructure. The total value of assets transferred to the County amounted to \$1,440,808. See Note 11 for more information on the assets acquired. The County also assumed the debt obligations associated with this transfer. The debt obligation assumed from the Village of Chesterville was paid off by the County taking out its own debt obligation with USDA. This transaction allowed the County to apply for a lower interest rate.

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**MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

**NOTE 29 - TAX ABATEMENTS**

As of December 31, 2016, 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 2016, 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>\$ 19,070</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**MORROW COUNTY, OHIO**

SCHEDULES OF 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 THREE YEARS  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>			
County's proportion of the net pension liability	0.080444%	0.163738%	0.163738%
County's proportionate share of the net pension liability	\$ 13,931,455	\$ 10,600,961	\$ 10,361,522
County's covered-employee payroll	\$ 8,705,425	\$ 8,669,350	\$ 18,309,523
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	160.03%	122.28%	56.59%
Plan fiduciary net position as a percentage of the total pension liability	81.08%	86.45%	86.36%
<i>Combined Plan:</i>			
County's proportion of the net pension asset	0.039720%	0.053039%	0.053039%
County's proportionate share of the net pension asset	\$ 19,326	\$ 20,286	\$ 5,528
County's covered-employee payroll	\$ 186,667	\$ 193,875	\$ 149,477
County's proportionate share of the net pension asset as a percentage of its covered-employee payroll	10.35%	10.46%	3.70%
Plan fiduciary net position as a percentage of the total pension asset	116.90%	114.83%	104.56%
<i>Member Directed Plan:</i>			
County's proportion of the net pension asset	0.050171%	n/a	n/a
County's proportionate share of the net pension asset	\$ 192	n/a	n/a
County's covered-employee payroll	\$ 199,575	n/a	n/a
County's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.10%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	103.91%	n/a	n/a

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 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 REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability	0.00057612%	0.00056454%	0.00130236%
County's proportionate share of the net pension liability	\$ 192,845	\$ 156,022	\$ 140,176
County's covered-employee payroll	\$ 62,250	\$ 56,979	\$ 54,546
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	309.79%	273.82%	256.99%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%

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 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 REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 1,295,407	\$ 1,044,651	\$ 1,040,322	\$ 2,380,238
Contributions in relation to the contractually required contribution	(1,295,407)	(1,044,651)	(1,040,322)	(2,380,238)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 10,795,058	\$ 8,705,425	\$ 8,669,350	\$ 18,309,523
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
 <i>Combined Plan:</i>				
Contractually required contribution	\$ 17,153	\$ 22,400	\$ 23,265	\$ 19,432
Contributions in relation to the contractually required contribution	(17,153)	(22,400)	(23,265)	(19,432)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 142,942	\$ 186,667	\$ 193,875	\$ 149,477
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
 <i>Member Directed Plan:</i>				
Contractually required contribution	\$ -	\$ 23,949		
Contributions in relation to the contractually required contribution	-	(23,949)		
Contribution deficiency (excess)	\$ -	\$ -		
County's covered-employee payroll	\$ -	\$ 199,575		
Contributions as a percentage of covered-employee payroll	12.00%	12.00%		

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,914,412	\$ 1,975,068	\$ 1,635,787	\$ 1,516,025	\$ 1,413,501	\$ 2,843,759
<u>(1,914,412)</u>	<u>(1,975,068)</u>	<u>(1,635,787)</u>	<u>(1,516,025)</u>	<u>(1,413,501)</u>	<u>(2,843,759)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 19,144,120	\$ 19,750,680	\$ 18,338,419	\$ 18,647,294	\$ 20,192,871	\$ 34,056,994
10.00%	10.00%	8.92%	8.13%	7.00%	8.35%
\$ 11,282	\$ 8,478	\$ 16,227	\$ -	\$ -	\$ -
<u>(11,282)</u>	<u>(8,478)</u>	<u>(16,227)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 141,912	\$ 106,642	\$ 167,461	\$ -	\$ -	\$ -
7.95%	7.95%	9.69%	8.13%	7.00%	8.35%

**MORROW COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 8,649	\$ 8,715	\$ 7,977	\$ 7,091
Contributions in relation to the contractually required contribution	<u>(8,649)</u>	<u>(8,715)</u>	<u>(7,977)</u>	<u>(7,091)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 61,779	\$ 62,250	\$ 61,362	\$ 54,546
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%



<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 7,681	\$ 7,587	\$ 7,358	\$ 7,144	\$ 6,862	\$ 7,105
<u>(7,681)</u>	<u>(7,587)</u>	<u>(7,358)</u>	<u>(7,144)</u>	<u>(6,862)</u>	<u>(7,105)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 59,085	\$ 58,362	\$ 56,600	\$ 54,954	\$ 52,785	\$ 54,654
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**MORROW COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

*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.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.