

**MORROW COUNTY**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

*Wilson, Phillips & Agin, CPA's, Inc.*  
*1100 Brandywine Blvd. Building G*  
*Zanesville, Ohio 43701*





# Dave Yost • Auditor of State

County Commissioners  
Morrow County  
48 E. High Street  
Mt. Gilead, Ohio 43338

We have reviewed the *Independent Auditors' Report* of Morrow County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Morrow County is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 12, 2016

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT**

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

To the Board of County Commissioners:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Morrow County, Ohio as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of the Morrow County Hospital, a major Enterprise fund, which represents 91.54 percent, 70.40 percent, and 99.49 percent, respectively, of the assets, net position, and revenues of the business-type activities. We also did not audit the financial statements of Whetstone Industries, Inc., Morrow County's only discretely presented component unit. The financial statements of the Morrow County Hospital and Whetstone Industries, Inc. were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Morrow County Hospital and Whetstone Industries, Inc., is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement. The other auditors audited the financial statements of Whetstone Industries, Inc. in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*.

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

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

## **Opinion**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Morrow County, Ohio as of December 31, 2015, and the respective changes in financial position and where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund, Motor Vehicle and Gasoline Tax Fund, Public Assistance Fund and County Board of Developmental Disabilities Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note 3 to the financial statements, during the year ended December 31, 2015, the County implemented GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*". We did not modify our opinion regarding this matter.

## **Other Matters**

### Required Supplementary Information

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

### *Supplementary and Other Information*

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

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated June 20, 2016, on our consideration of Morrow County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Morrow County's internal control over financial reporting and compliance.

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
June 20, 2016

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## MORROW COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015. 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 2015 are as follows:

- The total net position of the County decreased \$437,889. Net position of governmental activities increased \$245,265, which represents a 0.79% increase from 2014. Net position of business-type activities decreased \$683,154 or 13.31% from 2014. Net position for 2014 has been restated as described in Note 3.
- General revenues accounted for \$12,594,057 or 40.05% of total governmental activities revenue. Program specific revenues accounted for \$18,848,163 or 59.95% of total governmental activities revenue.
- The County had \$31,196,955 in expenses related to governmental activities; \$18,848,163 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$12,594,057 were not adequate to provide for these programs.
- The general fund, the County's most significant major governmental fund, had revenues and other financing sources of \$9,676,394 in 2015, an increase of \$957,425 or 10.98% from 2014 revenues. The general fund had expenditures and other financing uses of \$9,566,091 in 2015, an increase of \$1,689,422, or 21.45% from 2014. The net increase in revenues contributed to the general fund balance increase of \$110,303 from 2014 to 2015.
- The motor vehicle and gas tax fund, a County major fund, had revenues and other financing sources of \$4,491,227 in 2015. The motor vehicle and gas tax fund, had expenditures of \$5,401,974 in 2015. The motor vehicle and gas tax fund balance decreased \$910,747 from 2014 to 2015.
- The public assistance fund, a County major fund, had revenues of \$5,199,167 in 2015. The public assistance fund, had expenditures of \$4,908,974 in 2015. The public assistance fund balance increased \$290,193 from 2014 to 2015.
- The County board of developmental disabilities (DD) fund, a County major fund, had revenues of \$3,149,098 in 2015. The County board of DD fund, had expenditures of \$3,023,715 in 2015. The County board of DD fund balance increased \$125,383 from 2014 to 2015.
- Net position for the business-type activities, which are made up of the Ketterman and Johnsville Sewer Projects, the sewer debt administration fund and Morrow County Hospital enterprise funds, decreased in 2015 by \$683,154.
- In the general fund, the actual revenues and other financing sources came in \$2,382,050 higher than they were originally budgeted and actual expenditures and other financing uses were \$895,870 higher 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, 2015

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 2015?" 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 17-18 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, 2015

#### ***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 37-92 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 94-100 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, 2015 and December 31, 2014. Since comparative financial statements from the Hospital were not available from 2014 only 2015 net position for business-type activities is presented below.

**MORROW COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

|  | Governmental Activities |                     | Business-<br>Type Activities |                     | Total               |                     |
|--|-------------------------|---------------------|------------------------------|---------------------|---------------------|---------------------|
|  | 2015                    | Restated<br>2014    | 2015                         | Restated<br>2014    | 2015                | Restated<br>2014    |
| <b><u>Assets</u></b>                         |                         |                     |                              |                     |                     |                     |
| Current assets                               | \$21,170,682            | \$21,331,562        | \$ 11,502,900                | \$11,446,387        | \$32,673,582        | \$32,777,949        |
| Capital assets, net                          | <u>32,349,733</u>       | <u>31,778,225</u>   | <u>10,347,295</u>            | <u>11,634,878</u>   | <u>42,697,028</u>   | <u>43,413,103</u>   |
| Total assets                                 | <u>53,520,415</u>       | <u>53,109,787</u>   | <u>21,850,195</u>            | <u>23,081,265</u>   | <u>75,370,610</u>   | <u>76,191,052</u>   |
| <b><u>Deferred outflows of resources</u></b> |                         |                     |                              |                     |                     |                     |
| Unamortized deferred charges                 | 449,277                 | 43,210              | -                            | -                   | 449,277             | 43,210              |
| Pension                                      | <u>1,644,237</u>        | <u>1,066,857</u>    | <u>1,607,424</u>             | <u>370,133</u>      | <u>3,251,661</u>    | <u>1,436,990</u>    |
| Total deferred outflows of resources         | <u>2,093,514</u>        | <u>1,110,067</u>    | <u>1,607,424</u>             | <u>370,133</u>      | <u>3,700,938</u>    | <u>1,480,200</u>    |
| <b><u>Liabilities</u></b>                    |                         |                     |                              |                     |                     |                     |
| Current liabilities                          | 1,020,739               | 1,165,365           | 6,274,304                    | 5,683,940           | 7,295,043           | 6,849,305           |
| Long-term liabilities:                       |                         |                     |                              |                     |                     |                     |
| Due within one year                          | 623,590                 | 591,245             | 961,416                      | 961,270             | 1,585,006           | 1,552,515           |
| Net pension liability                        | 10,741,619              | 10,486,007          | 9,092,199                    | 8,886,838           | 19,833,818          | 19,372,845          |
| Other amounts                                | <u>7,417,696</u>        | <u>7,239,443</u>    | <u>1,178,074</u>             | <u>1,472,587</u>    | <u>8,595,770</u>    | <u>8,712,030</u>    |
| Total liabilities                            | <u>19,803,644</u>       | <u>19,482,060</u>   | <u>17,505,993</u>            | <u>17,004,635</u>   | <u>37,309,637</u>   | <u>36,486,695</u>   |
| <b><u>Deferred inflows of resources</u></b>  |                         |                     |                              |                     |                     |                     |
| Property taxes levied for next fiscal year   | 4,393,879               | 3,845,024           | 1,334,929                    | 1,300,000           | 5,728,808           | 5,145,024           |
| Pension                                      | <u>304,304</u>          | <u>25,933</u>       | <u>168,106</u>               | <u>15,018</u>       | <u>472,410</u>      | <u>40,951</u>       |
| Total deferred inflows of resources          | <u>4,698,183</u>        | <u>3,870,957</u>    | <u>1,503,035</u>             | <u>1,315,018</u>    | <u>6,201,218</u>    | <u>5,185,975</u>    |
| <b><u>Net Position</u></b>                   |                         |                     |                              |                     |                     |                     |
| Net investment in capital assets             | 25,720,758              | 24,922,804          | 8,887,107                    | 9,813,018           | 34,607,865          | 34,735,822          |
| Restricted                                   | 4,502,243               | 6,123,687           | -                            | -                   | 4,502,243           | 6,123,687           |
| Unrestricted (deficit)                       | <u>889,101</u>          | <u>(179,654)</u>    | <u>(4,438,516)</u>           | <u>(4,681,273)</u>  | <u>(3,549,415)</u>  | <u>(4,860,927)</u>  |
| Total net position                           | <u>\$31,112,102</u>     | <u>\$30,866,837</u> | <u>\$ 4,448,591</u>          | <u>\$ 5,131,745</u> | <u>\$35,560,693</u> | <u>\$35,998,582</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, 2015

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.

As a result of implementing GASB 68, the County is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, for governmental activities from \$40,306,400 to \$30,866,837 and business-type activities from \$13,439,670 to \$5,131,745.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2015, the County's asset plus deferred outflows exceeded liabilities plus deferred inflows by \$35,560,693. This amounts to \$31,112,102 in governmental activities and \$4,448,591 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 56.65% 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, 2015, was \$34,607,865. 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.

**MORROW COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

As of December 31, 2015, the County is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the County's net position, \$4,502,243 or 12.66%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net position is \$889,101.

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**MORROW COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

The table below shows the changes in net position for 2015 and 2014.

|  | <b>Change in Net Position</b> |                     |                      |                     |                      |                      |
|--|-------------------------------|---------------------|----------------------|---------------------|----------------------|----------------------|
|  | Governmental                  | Business-type       | Restated             | Restated            | Total                | Restated             |
|  | Activities                    | Activities          | Governmental         | Business-type       |                      |                      |
|  | <u>2015</u>                   | <u>2015</u>         | <u>2014</u>          | <u>2014</u>         | <u>2015</u>          | <u>2014</u>          |
| <b>Revenues</b>                              |                               |                     |                      |                     |                      |                      |
| Program revenues:                            |                               |                     |                      |                     |                      |                      |
| Charges for services and sales               | \$ 5,527,088                  | \$ 27,986,592       | \$ 5,035,026         | \$ 25,518,930       | \$ 33,513,680        | \$ 30,553,956        |
| Operating grants and contributions           | 13,091,250                    | -                   | 13,178,237           | -                   | 13,091,250           | 13,178,237           |
| Capital grants and contributions             | <u>229,825</u>                | <u>-</u>            | <u>56,336</u>        | <u>94,000</u>       | <u>229,825</u>       | <u>150,336</u>       |
| Total program revenues                       | <u>18,848,163</u>             | <u>27,986,592</u>   | <u>18,269,599</u>    | <u>25,612,930</u>   | <u>46,834,755</u>    | <u>43,882,529</u>    |
| General revenues:                            |                               |                     |                      |                     |                      |                      |
| Property taxes                               | 4,975,118                     | -                   | 3,628,330            | -                   | 4,975,118            | 3,628,330            |
| Sales tax                                    | 3,909,215                     | -                   | 3,571,794            | -                   | 3,909,215            | 3,571,794            |
| Unrestricted grants                          | 1,953,127                     | -                   | 1,934,732            | -                   | 1,953,127            | 1,934,732            |
| Investment earnings                          | 118,761                       | 7,810               | 61,709               | 11,136              | 126,571              | 72,845               |
| Other  | <u>1,637,836</u>              | <u>2,414,234</u>    | <u>1,238,619</u>     | <u>3,526,224</u>    | <u>4,052,070</u>     | <u>4,764,843</u>     |
| Total general revenues                       | <u>12,594,057</u>             | <u>2,422,044</u>    | <u>10,435,184</u>    | <u>3,537,360</u>    | <u>15,016,101</u>    | <u>13,972,544</u>    |
| Total revenues                               | <u>31,442,220</u>             | <u>30,408,636</u>   | <u>28,704,783</u>    | <u>29,150,290</u>   | <u>61,850,856</u>    | <u>57,855,073</u>    |
| <b>Expenses</b>                              |                               |                     |                      |                     |                      |                      |
| Program expenses:                            |                               |                     |                      |                     |                      |                      |
| General government                           |                               |                     |                      |                     |                      |                      |
| Legislative and executive                    | 4,900,860                     | -                   | 4,697,410            | -                   | 4,900,860            | 4,697,410            |
| Judicial                                     | 1,454,699                     | -                   | 1,465,535            | -                   | 1,454,699            | 1,465,535            |
| Public safety                                | 4,390,221                     | -                   | 3,827,431            | -                   | 4,390,221            | 3,827,431            |
| Public works                                 | 5,178,990                     | -                   | 4,934,493            | -                   | 5,178,990            | 4,934,493            |
| Health                                       | 3,106,523                     | -                   | 2,641,339            | -                   | 3,106,523            | 2,641,339            |
| Human services                               | 8,556,846                     | -                   | 7,821,194            | -                   | 8,556,846            | 7,821,194            |
| Economic development and assistance          | -                             | -                   | 221,432              | -                   | -                    | 221,432              |
| Intergovernmental                            | 723,695                       | -                   | 34,181               | -                   | 723,695              | 34,181               |
| Other  | 2,525,307                     | -                   | 2,137,648            | -                   | 2,525,307            | 2,137,648            |
| Interest and fiscal charges                  | 359,814                       | -                   | 332,564              | -                   | 359,814              | 332,564              |
| Morrow County Hospital                       | -                             | 30,897,988          | -                    | 30,801,894          | 30,897,988           | 30,801,894           |
| Ketterman Project                            | <u>-</u>                      | <u>193,802</u>      | <u>-</u>             | <u>232,865</u>      | <u>193,802</u>       | <u>232,865</u>       |
| Total expenses                               | <u>31,196,955</u>             | <u>31,091,790</u>   | <u>28,113,227</u>    | <u>31,034,759</u>   | <u>62,288,745</u>    | <u>59,147,986</u>    |
| Change in net position                       | 245,265                       | (683,154)           | 591,556              | (1,884,469)         | (437,889)            | (1,292,913)          |
| Net position at beginning of year (restated) | <u>30,866,837</u>             | <u>5,131,745</u>    | N/A                  | N/A                 | <u>35,998,582</u>    | N/A                  |
| Net position at end 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> |

**MORROW COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$2,207,059 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$2,000,516. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

|  | Governmental<br>Activities | Business-Type<br>Activities |
|--|----------------------------|-----------------------------|
| Total 2015 program expenses under GASB 68              | \$ 31,196,955              | \$ 31,091,790               |
| Pension expense under GASB 68                          | (1,011,728)                | (1,006,524)                 |
| 2015 contractually required contributions              | 1,069,862                  | 1,120,641                   |
| Adjusted 2015 program expenses                         | 31,255,089                 | 31,205,907                  |
| Total 2014 program expenses under GASB 27              | 28,113,227                 | 31,034,759                  |
| Increase in program<br>expenses not related to pension | \$ 3,141,862               | \$ 171,148                  |

**Governmental Activities**

Governmental net position increased by \$245,265 in 2015. Human services accounts for \$8,556,846 of expenses, or 27.43% of total governmental expenses of the County. These expenses were funded by \$1,087,737 in charges to users of services, and \$6,996,212 in operating grants and contributions in 2015. General government, which includes legislative and executive and judicial programs, expenses totaled \$6,355,559 or 20.37% of total governmental expenses. General government expenses were covered by \$2,740,582 of direct charges to users and \$60,527 in operating grants and contributions in 2015.

The State and federal government contributed to the County revenues of \$13,091,250 in operating grants and contributions and \$229,825 in capital grants and contributions during 2015. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions \$6,996,212 or 53.44%, subsidized human services programs.

General revenues totaled \$12,594,057, and amounted to 40.05% of total revenues. These revenues primarily consist of property and sales tax revenue of \$8,884,333 or 70.54% of total general revenues in 2015. 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 \$1,953,127, or 15.51% of the total.

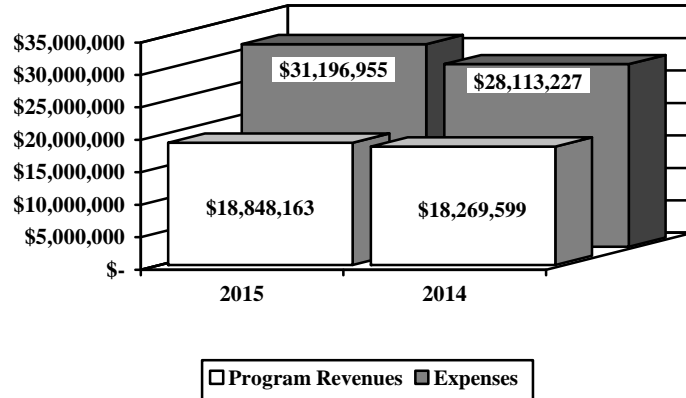
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2015 and 2014. That is, it identifies the cost of these 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.



**MORROW COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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



**Governmental Activities**

|                                     | Total Cost of<br>Services<br>2015 | Net Cost of<br>Services<br>2015 | Total Cost of<br>Services<br>2014 | Net Cost of<br>Services<br>2014 |
|-------------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Program Expenses:                   |                                   |                                 |                                   |                                 |
| General government                  |                                   |                                 |                                   |                                 |
| Legislative and executive           | \$ 4,900,860                      | \$ 2,570,998                    | \$ 4,697,410                      | \$ 2,337,089                    |
| Judicial                            | 1,454,699                         | 983,452                         | 1,465,535                         | 828,863                         |
| Public safety                       | 4,390,221                         | 3,552,325                       | 3,827,431                         | 2,622,804                       |
| Public works                        | 5,178,990                         | 626,848                         | 4,934,493                         | 1,352,649                       |
| Health                              | 3,106,523                         | 2,202,544                       | 2,641,339                         | 1,327,590                       |
| Human services                      | 8,556,846                         | 472,897                         | 7,821,194                         | 593,924                         |
| Economic development and assistance | -                                 | (88,208)                        | 221,432                           | (472,053)                       |
| Intergovernmental                   | 723,695                           | 723,695                         | 34,181                            | 34,181                          |
| Other                               | 2,525,307                         | 944,427                         | 2,137,648                         | 903,834                         |
| Interest and fiscal charges         | 259,114                           | 259,114                         | 258,464                           | 240,647                         |
| Bond issuance costs                 | 100,700                           | 100,700                         | 74,100                            | 74,100                          |
| <b>Total</b>                        | <b>\$ 31,196,955</b>              | <b>\$ 12,348,792</b>            | <b>\$ 28,113,227</b>              | <b>\$ 9,843,628</b>             |

The dependence upon general revenues for governmental activities is apparent, with 39.58% of expenses supported through taxes and other general revenues during 2015.

**Business-Type Activities**

The Morrow County Hospital, Johnsville Sewer Project, Ketterman Project and sewer debt administration are the County's only enterprise funds. These programs had revenues of \$30,408,636 and expenses of \$31,091,790 for 2015. The net position of the enterprise funds decreased \$683,154 or 13.31% during 2015.

**MORROW COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**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 \$13,123,627, which is \$581,853 higher than last year's total of \$12,541,774.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2015 and December 31, 2014 for all major and non-major governmental funds.

|                                   | <u>Fund Balance</u><br><u>December 31, 2015</u> | <u>Fund Balance</u><br><u>December 31, 2014</u> | <u>Change</u>         |
|-----------------------------------|---|---|-----------------------|
| Major Funds:                      |   |   |                       |
| General                           | \$ 3,851,674                                    | \$ 3,741,371                                    | \$ 110,303            |
| Motor Vehicle and Gas Tax         | 1,331,831                                       | 2,242,578                                       | (910,747)             |
| Public Assistance                 | 925,783   | 635,590   | 290,193               |
| County Board of DD                | 667,162   | 541,779   | 125,383               |
| Other Nonmajor Governmental Funds | <u>6,347,177</u>                                | <u>5,380,456</u>                                | <u>966,721</u>        |
| <br>Total                         | <br><u>\$ 13,123,627</u>                        | <br><u>\$ 12,541,774</u>                        | <br><u>\$ 581,853</u> |

**General Fund**

The County's general fund balance decreased \$110,303. The table that follows assists in illustrating the revenues of the general fund.

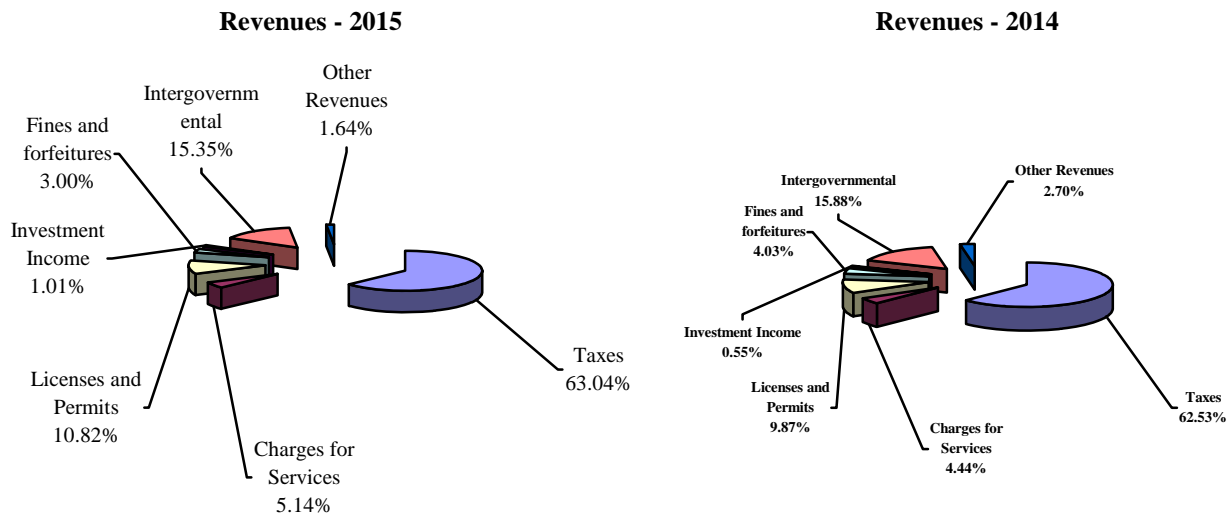
|                        | <u>2015</u><br><u>Amount</u> | <u>2014</u><br><u>Amount</u> | <u>Percentage</u><br><u>Change</u> |
|------------------------|------------------------------|------------------------------|------------------------------------|
| <b><u>Revenues</u></b> |                              |                              |                                    |
| Taxes                  | \$ 6,061,531                 | \$ 5,451,549                 | 11.19 %                            |
| Charges for services   | 494,714                      | 387,494                      | 27.67 %                            |
| Licenses and permits   | 1,040,487                    | 860,679                      | 20.89 %                            |
| Fines and forfeitures  | 288,465                      | 351,020                      | (17.82) %                          |
| Intergovernmental      | 1,475,967                    | 1,384,695                    | 6.59 %                             |
| Investment income      | 97,135                       | 47,632                       | 103.93 %                           |
| Other                  | <u>157,541</u>               | <u>235,900</u>               | (33.22) %                          |
| <br>Total              | <br><u>\$ 9,615,840</u>      | <br><u>\$ 8,718,969</u>      | <br>10.29 %                        |

## MORROW COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

Tax revenue represents 63.04% of all general fund revenue. Tax revenue increased by 11.19% 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 2015. 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 2015. Grant income remained consistent to 2014. All other revenue remained comparable to 2015.

The following graphs detail revenues by source for 2015 and 2014:



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

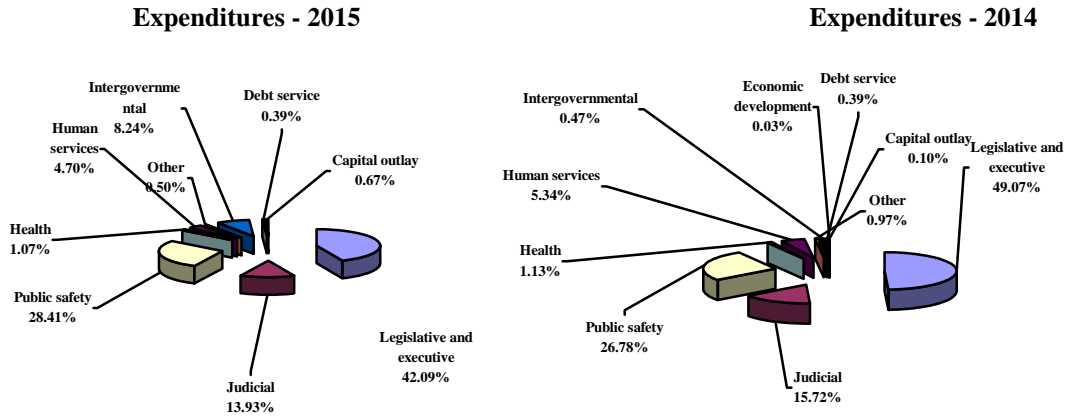
|                            | <u>2015</u><br><u>Amount</u> | <u>2014</u><br><u>Amount</u> | <u>Percentage</u><br><u>Change</u> |
|----------------------------|------------------------------|------------------------------|------------------------------------|
| <b><u>Expenditures</u></b> |                              |                              |                                    |
| General government         |                              |                              |                                    |
| Legislative and executive  | \$ 3,791,989                 | \$ 3,601,714                 | 5.28 %                             |
| Judicial                   | 1,222,804                    | 1,154,377                    | 5.93 %                             |
| Public safety              | 2,493,875                    | 1,965,608                    | 26.88 %                            |
| Health                     | 93,911                       | 83,018                       | 13.12 %                            |
| Human services             | 315,009                      | 392,337                      | (19.71) %                          |
| Economic Development       | -                            | 2,339                        | (100.00) %                         |
| Other                      | 44,155                       | 71,266                       | (38.04) %                          |
| Capital outlay             | 59,025                       | 7,449                        | 692.39 %                           |
| Intergovernmental          | 723,695                      | 34,181                       | 2,017.24 %                         |
| Debt service               | 34,418                       | 28,359                       | 21.37 %                            |
| <b>Total</b>               | <b><u>\$ 8,778,881</u></b>   | <b><u>\$ 7,340,648</u></b>   | <b>19.59 %</b>                     |

Public safety increased due to an increase in employee salaries and fringe benefits. Intergovernmental expenditures increased due to an increase the amount of money expended as part of the social services grant. Human services expenditures decreased due to an decrease 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, 2015

The graphs below detail expenditures by function for 2015 and 2014:



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

The motor vehicle and gas tax fund, a County major fund, had revenues and over financing sources of \$4,491,227 in 2015. The motor vehicle and gas tax fund, had expenditures of \$5,401,974 in 2015. The motor vehicle and gas tax fund balance decreased \$910,747 from 2014 to 2015.

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

The public assistance fund, a County major fund, had revenues of \$5,199,167 in 2015. The public assistance fund, had expenditures of \$4,908,974 in 2015. The public assistance fund balance increased \$290,193 from 2014 to 2015.

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

The County board of developmental disabilities (DD) fund, a County major fund, had revenues and other financing sources of \$3,149,098 in 2015. The County board of DD fund, had expenditures of \$3,023,715 in 2015. The County board of DD fund balance increased \$125,383 from 2014 to 2015.

#### ***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 \$9,279,358 exceeded final budgeted revenues of \$8,394,517 by \$884,841. This increase is due to the County's conservative approach to budgeting.

Original budgeted expenditures and other financing uses of \$8,955,799 were \$1,344,497 lower than final budgeted expenditures and other financing uses of \$10,300,296. Actual expenditures and other financing uses of \$9,851,669 were \$448,627 lower than final budgeted expenditures and other financing uses.

**MORROW COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

***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 2015, the County had \$42,697,028 (net of accumulated depreciation) invested in land, land improvements, buildings, buildings and improvements, equipment, vehicles, infrastructure and construction in progress. Of this total, \$32,349,733 was reported in governmental activities and \$10,347,295 was reported in business-type activities. The following table shows December 31, 2015 balances compared to December 31, 2014.

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

|                          | <u>Governmental Activities</u> |                             | <u>Business-Type Activities</u> |                             | <u>Total</u>                |                             |
|--------------------------|--------------------------------|-----------------------------|---------------------------------|-----------------------------|-----------------------------|-----------------------------|
|                          | <u>2015</u>                    | <u>2014</u>                 | <u>2015</u>                     | <u>2014</u>                 | <u>2015</u>                 | <u>2014</u>                 |
| Land                     | \$ 748,557                     | \$ 748,557                  | \$ 233,315                      | \$ 233,315                  | \$ 981,872                  | \$ 981,872                  |
| Land Improvements        | 2,828                          | 4,713                       | 47,121                          | 34,954                      | 49,949                      | 39,667                      |
| Buildings                | 7,367,203                      | 7,458,313                   | 2,373,754                       | 2,475,521                   | 9,740,957                   | 9,933,834                   |
| Building Improvements    | 3,556,436                      | 3,732,114                   | -                               | -                           | 3,556,436                   | 3,732,114                   |
| Equipment                | 509,675                        | 492,776                     | 5,857,843                       | 6,442,858                   | 6,367,518                   | 6,935,634                   |
| Vehicles                 | 914,213                        | 744,212                     | -                               | -                           | 914,213                     | 744,212                     |
| Infrastructure           | 19,229,358                     | 18,458,364                  | 1,377,178                       | 1,408,677                   | 20,606,536                  | 19,867,041                  |
| Construction in progress | 21,463                         | 139,176                     | 458,084                         | 1,039,553                   | 479,547                     | 1,178,729                   |
| <b>Total</b>             | <b><u>\$ 32,349,733</u></b>    | <b><u>\$ 31,778,225</u></b> | <b><u>\$ 10,347,295</u></b>     | <b><u>\$ 11,634,878</u></b> | <b><u>\$ 42,697,028</u></b> | <b><u>\$ 43,413,103</u></b> |

***Debt Administration***

At December 31, 2015 the County had \$6,926,491 in general obligation bonds, loans payable, OWDA loans, and capital leases outstanding in governmental activities. Of this total, \$434,919 is due within one year and \$6,491,572 is due in greater than one year. Business-type activities had \$1,472,587 in revenue bonds, capital leases, and hospital facilities revenue bonds outstanding at December 31, 2015. See Note 14 to the basic financial statements for detail.

## MORROW COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

The following table summarizes the bonds, notes and loan outstanding at December 31, 2015.

|                                   | Governmental Activities |                     | Business-Type Activities |                     |
|-----------------------------------|-------------------------|---------------------|--------------------------|---------------------|
|                                   | <u>2015</u>             | <u>2014</u>         | <u>2015</u>              | <u>2014</u>         |
| Long-Term Obligations             |                         |                     |                          |                     |
| General obligation bonds          | \$ 6,560,000            | \$ 6,570,000        | \$ -                     | \$ -                |
| Revenue bonds                     | -                       | -                   | 582,476                  | 591,901             |
| Loans payable                     | 165,000                 | 176,000             | -                        | -                   |
| OWDA loans                        | 28,125                  | 31,875              | -                        | -                   |
| Capital leases                    | 173,366                 | 152,775             | 20,976                   | 90,754              |
| Hospital facilities revenue bonds | -                       | -                   | 869,135                  | 1,139,206           |
| Total                             | <u>\$ 6,926,491</u>     | <u>\$ 6,930,650</u> | <u>\$ 1,472,587</u>      | <u>\$ 1,821,861</u> |

At December 31, 2015 the County's overall legal debt margin was \$11,628,865.

#### **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 facilities at State Route 61/95 and Interstate 71. While the County's overall unemployment rate of 5.4% 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 along the I-71 interchanges as opportunity intersects with progressive growth. For the time being, the agriculture industry still leads all growth in Morrow County as new entrepreneurs create innovative new companies.

In the past, 70% of eligible citizens leave the County to find jobs elsewhere. In recent years however, the County Commission has prioritized developing industry within the County. In 2009 through 2013 industry closures in Morrow County were directly related to the national economic downturn. Because of the measures taken by County Commission industry has started to become attracted to build and expand 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.

#### **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, 2015

|  | Governmental<br>Activities | Business-type<br>Activities | Total                | Component Unit    |
|--|----------------------------|-----------------------------|----------------------|-------------------|
| <b>Assets:</b>                                   |                            |                             |                      |                   |
| Equity in pooled cash and investments            | \$ 10,511,704              | \$ 105,735                  | \$ 10,617,439        | \$ 96,736         |
| Cash and cash equivalents in segregated accounts | -                          | 3,440,769                   | 3,440,769            | -                 |
| Investments in segregated accounts               | -                          | 166,971                     | 166,971              | -                 |
| Receivables:                                     |                            |                             |                      |                   |
| Sales taxes                                      | 968,623                    | -                           | 968,623              | -                 |
| Real and other taxes                             | 4,918,870                  | 1,334,928                   | 6,253,798            | -                 |
| Accounts   | 211,073                    | 3,475,260                   | 3,686,333            | 6,757             |
| Accrued interest                                 | 35,178                     | 540                         | 35,718               | -                 |
| Due from other governments                       | 3,125,794                  | -                           | 3,125,794            | -                 |
| Prepayments                                      | 223,698                    | 983,431                     | 1,207,129            | 2,328             |
| Materials and supplies inventory                 | 250,969                    | 461,830                     | 712,799              | 11,910            |
| Loans receivable                                 | 758,851                    | -                           | 758,851              | -                 |
| Restricted assets:                               |                            |                             |                      |                   |
| Cash and cash equivalents in segregated accounts | -                          | 595,643                     | 595,643              | -                 |
| Investments in segregated accounts               | -                          | 967,175                     | 967,175              | -                 |
| Due from external parties                        | 89,216                     | -                           | 89,216               | -                 |
| Net pension asset                                | 20,256                     | 27,068                      | 47,324               | -                 |
| Internal balance                                 | 56,450                     | (56,450)                    | -                    | -                 |
| Capital assets:                                  |                            |                             |                      |                   |
| Land and construction in progress                | 770,020                    | 691,399                     | 1,461,419            | -                 |
| Depreciable capital assets, net                  | 31,579,713                 | 9,655,896                   | 41,235,609           | 15,009            |
| Total capital assets, net                        | <u>32,349,733</u>          | <u>10,347,295</u>           | <u>42,697,028</u>    | <u>15,009</u>     |
| Total assets                                     | <u>53,520,415</u>          | <u>21,850,195</u>           | <u>75,370,610</u>    | <u>132,740</u>    |
| <b>Deferred outflows of resources:</b>           |                            |                             |                      |                   |
| Unamortized deferred charges on debt refunding   | 449,277                    | -                           | 449,277              | -                 |
| Pension - OPERS                                  | 1,631,556                  | 1,607,424                   | 3,238,980            | -                 |
| Pension - STRS                                   | 12,681                     | -                           | 12,681               | -                 |
| Total deferred outflows of resources             | <u>2,093,514</u>           | <u>1,607,424</u>            | <u>3,700,938</u>     | <u>-</u>          |
| Total assets and deferred outflows of resources  | <u>55,613,929</u>          | <u>23,457,619</u>           | <u>79,071,548</u>    | <u>132,740</u>    |
| <b>Liabilities:</b>                              |                            |                             |                      |                   |
| Accounts payable                                 | 479,529                    | 2,879,976                   | 3,359,505            | -                 |
| Accrued wages and benefits                       | 397,187                    | 1,513,827                   | 1,911,014            | -                 |
| Due to other governments                         | 132,591                    | 3,455                       | 136,046              | -                 |
| Accrued interest payable                         | 11,432                     | 9,348                       | 20,780               | -                 |
| Other accrued liabilities                        | -                          | 194,846                     | 194,846              | 5,786             |
| Estimated third-party payor settlements          | -                          | 1,672,852                   | 1,672,852            | -                 |
| Long-term liabilities:                           |                            |                             |                      |                   |
| Due within one year                              | 623,590                    | 961,416                     | 1,585,006            | -                 |
| Due in more than one year:                       |                            |                             |                      |                   |
| Net pension liability                            | 10,741,619                 | 9,092,199                   | 19,833,818           | -                 |
| Other amounts due in more than one year          | 7,417,696                  | 1,178,074                   | 8,595,770            | -                 |
| Total liabilities                                | <u>19,803,644</u>          | <u>17,505,993</u>           | <u>37,309,637</u>    | <u>5,786</u>      |
| <b>Deferred inflows of resources:</b>            |                            |                             |                      |                   |
| Property taxes levied for the next fiscal year   | 4,393,879                  | 1,334,929                   | 5,728,808            | -                 |
| Pension - OPERS                                  | 270,943                    | 168,106                     | 439,049              | -                 |
| Pension - STRS                                   | 33,361                     | -                           | 33,361               | -                 |
| Total deferred inflows of resources              | <u>4,698,183</u>           | <u>1,503,035</u>            | <u>6,201,218</u>     | <u>-</u>          |
| <b>Net position:</b>                             |                            |                             |                      |                   |
| Net investment in capital assets                 | 25,720,758                 | 8,887,107                   | 34,607,865           | 15,009            |
| Restricted for:                                  |                            |                             |                      |                   |
| Debt service                                     | 33,284                     | -                           | 33,284               | -                 |
| Public safety                                    | 551,011                    | -                           | 551,011              | -                 |
| Public works                                     | 866,007                    | -                           | 866,007              | -                 |
| Human services                                   | 472,426                    | -                           | 472,426              | -                 |
| Other purposes                                   | 747,382                    | -                           | 747,382              | -                 |
| General government                               | 737,036                    | -                           | 737,036              | -                 |
| Economic and development                         | 1,095,097                  | -                           | 1,095,097            | -                 |
| Unrestricted (deficit)                           | 889,101                    | (4,438,516)                 | (3,549,415)          | 111,945           |
| Total net position                               | <u>\$ 31,112,102</u>       | <u>\$ 4,448,591</u>         | <u>\$ 35,560,693</u> | <u>\$ 126,954</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY, OHIO

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

|   | <b>Program Revenues</b> |   |   |   |
|---|-------------------------|---|---|---|
|   | <b>Expenses</b>         | <b>Charges for<br/>Services and Sales</b> | <b>Operating Grants<br/>and<br/>Contributions</b> | <b>Capital Grants<br/>and<br/>Contributions</b> |
| <b>Primary Government:</b>                    |                         |   |   |   |
| <b>Governmental activities:</b>               |                         |   |   |   |
| General government:                           |                         |   |   |   |
| Legislative and executive. . . . .            | \$ 4,900,860            | \$ 2,329,862                              | \$ -  | \$ -  |
| Judicial . . . . .                            | 1,454,699               | 410,720                                   | 60,527  | -   |
| Public safety. . . . .                        | 4,390,221               | 78,930                                    | 758,966   | -   |
| Public works. . . . .                         | 5,178,990               | 434                                       | 4,551,708   | -   |
| Health . . . . .                              | 3,106,523               | 195,816                                   | 708,163   | -   |
| Human services . . . . .                      | 8,556,846               | 1,087,737                                 | 6,996,212   | -   |
| Economic development and assistance . . . . . | -                       | 72,534                                    | 15,674  | -   |
| Intergovernmental. . . . .                    | 723,695                 | -   | -   | -   |
| Other . . . . .                               | 2,525,307               | 1,351,055                                 | -   | 229,825   |
| Interest and fiscal charges. . . . .          | 359,814                 | -   | -   | -   |
| Total governmental activities . . . . .       | <u>31,196,955</u>       | <u>5,527,088</u>                          | <u>13,091,250</u>                                 | <u>229,825</u>                                  |
| <b>Business-type activities:</b>              |                         |   |   |   |
| Morrow County Hospital . . . . .              | 30,897,988              | 27,912,146                                | -   | -   |
| Other business-type activities . . . . .      | 193,802                 | 74,446                                    | -   | -   |
| Total business-type activities . . . . .      | <u>31,091,790</u>       | <u>27,986,592</u>                         | <u>-</u>  | <u>-</u>  |
| Total primary government . . . . .            | <u>\$ 62,288,745</u>    | <u>\$ 33,513,680</u>                      | <u>\$ 13,091,250</u>                              | <u>\$ 229,825</u>                               |
| <b>Component unit:</b>                        |                         |   |   |   |
| Whetstone Industries, inc . . . . .           | <u>\$ 628,249</u>       | <u>\$ 90,698</u>                          | <u>\$ 523,147</u>                                 | <u>\$ -</u>                                     |

**General revenues:**

Property taxes levied for:

General purposes . . . . .

Special purposes . . . . .

Sales taxes levied for:

General purposes . . . . .

Grants and entitlements not restricted to specific programs . . .

Investment earnings. . . . .

Miscellaneous . . . . .

Total general revenues . . . . .

Change in net position . . . . .

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

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

| <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>   | <b>Component<br/>Unit</b> |
|------------------------------------|-------------------------------------|----------------|---------------------------|
| \$ (2,570,998)                     | \$ -                                | \$ (2,570,998) | \$ -                      |
| (983,452)                          | -                                   | (983,452)      | -                         |
| (3,552,325)                        | -                                   | (3,552,325)    | -                         |
| (626,848)                          | -                                   | (626,848)      | -                         |
| (2,202,544)                        | -                                   | (2,202,544)    | -                         |
| (472,897)                          | -                                   | (472,897)      | -                         |
| 88,208                             | -                                   | 88,208         | -                         |
| (723,695)                          | -                                   | (723,695)      | -                         |
| (944,427)                          | -                                   | (944,427)      | -                         |
| (359,814)                          | -                                   | (359,814)      | -                         |
| (12,348,792)                       | -                                   | (12,348,792)   | -                         |
| -                                  | (2,985,842)                         | (2,985,842)    | -                         |
| -                                  | (119,356)                           | (119,356)      | -                         |
| -                                  | (3,105,198)                         | (3,105,198)    | -                         |
| (12,348,792)                       | (3,105,198)                         | (15,453,990)   | -                         |
| -                                  | -                                   | -              | (14,404)                  |
| 1,835,703                          | -                                   | 1,835,703      | -                         |
| 3,139,415                          | -                                   | 3,139,415      | -                         |
| 3,909,215                          | -                                   | 3,909,215      | -                         |
| 1,953,127                          | -                                   | 1,953,127      | -                         |
| 118,761                            | 7,810                               | 126,571        | 580                       |
| 1,637,836                          | 2,414,234                           | 4,052,070      | -                         |
| 12,594,057                         | 2,422,044                           | 15,016,101     | 580                       |
| 245,265                            | (683,154)                           | (437,889)      | (13,824)                  |
| 30,866,837                         | 5,131,745                           | 35,998,582     | 140,778                   |
| 3\$,112,102                        | \$ 4,448,591                        | \$ 35,560,693  | \$ 126,954                |

**MORROW COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

|   | <b>General</b>      | <b>Motor Vehicle<br/>and Gas Tax</b> | <b>Public<br/>Assistance</b> |
|---|---------------------|--------------------------------------|------------------------------|
| <b>Assets:</b>  |                     |                                      |                              |
| Equity in pooled cash and cash equivalents . . . . .                            | \$ 2,461,687        | \$ 1,248,419                         | \$ 785,975                   |
| Receivables:  |                     |                                      |                              |
| Sales taxes . . . . .   | 968,623             | -                                    | -                            |
| Real and other taxes . . . . .  | 2,606,020           | -                                    | -                            |
| Accounts . . . . .  | 52,554              | 40                                   | -                            |
| Interfund loans . . . . .   | 557,587             | -                                    | -                            |
| Accrued interest . . . . .  | 26,892              | 6,463                                | -                            |
| Due from other funds . . . . .  | 39,313              | 3,078                                | 94,822                       |
| Due from other governments . . . . .  | 590,504             | 1,702,407                            | 343,005                      |
| Loans receivable . . . . .  | -                   | -                                    | -                            |
| Prepayments . . . . .   | 95,204              | 26,850                               | 35,246                       |
| Materials and supplies inventory . . . . .                                      | 16,313              | 225,386                              | 5,459                        |
| Due from external parties . . . . .   | 89,216              | -                                    | -                            |
| <br>  |                     |                                      |                              |
| Total assets . . . . .  | <u>\$ 7,503,913</u> | <u>\$ 3,212,643</u>                  | <u>\$ 1,264,507</u>          |
| <br>  |                     |                                      |                              |
| <b>Liabilities:</b>   |                     |                                      |                              |
| Accounts payable . . . . .  | \$ 75,682           | \$ 157,291                           | \$ 55,997                    |
| Accrued wages and benefits . . . . .  | 159,410             | 50,681                               | 65,920                       |
| Compensated absences payable . . . . .  | -                   | -                                    | -                            |
| Due to other funds . . . . .  | 3,868               | -                                    | 195,915                      |
| Due to other governments . . . . .  | 60,224              | 13,971                               | 20,892                       |
| Interfund loans payable . . . . .   | -                   | 557,587                              | -                            |
| <br>  |                     |                                      |                              |
| Total liabilities . . . . .   | <u>299,184</u>      | <u>779,530</u>                       | <u>338,724</u>               |
| <br>  |                     |                                      |                              |
| <b>Deferred inflows of resources:</b>   |                     |                                      |                              |
| Property taxes levied for the next fiscal year . . . . .                        | 2,355,201           | -                                    | -                            |
| Delinquent property tax revenue not available . . . . .                         | 250,819             | -                                    | -                            |
| Accrued interest not available . . . . .  | 10,126              | 5,799                                | -                            |
| Sales tax revenue revenue not available . . . . .                               | 341,282             | -                                    | -                            |
| Other nonexchange transactions not available . . . . .                          | 395,627             | 1,095,483                            | -                            |
| <br>  |                     |                                      |                              |
| Total deferred inflows of resources . . . . .                                   | <u>3,353,055</u>    | <u>1,101,282</u>                     | <u>-</u>                     |
| <br>  |                     |                                      |                              |
| <b>Fund balances:</b>   |                     |                                      |                              |
| Nonspendable . . . . .  | 192,442             | 252,236                              | 40,705                       |
| Restricted . . . . .  | -                   | 1,079,595                            | 885,078                      |
| Committed . . . . .   | 478,365             | -                                    | -                            |
| Assigned . . . . .  | 2,147,252           | -                                    | -                            |
| Unassigned . . . . .  | 1,033,615           | -                                    | -                            |
| <br>  |                     |                                      |                              |
| Total fund balances . . . . .   | <u>3,851,674</u>    | <u>1,331,831</u>                     | <u>925,783</u>               |
| <br>  |                     |                                      |                              |
| Total liabilities, deferred inflows<br>of resources and fund balances . . . . . | <u>\$ 7,503,913</u> | <u>\$ 3,212,643</u>                  | <u>\$ 1,264,507</u>          |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

| <b>County Board<br/>of Developmental<br/>Disabilities</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|---|---|
| \$ 709,714  | \$ 5,305,909                            | \$ 10,511,704                           |
| -   | -                                       | 968,623                                 |
| 2,312,850   | -                                       | 4,918,870                               |
| 11,590  | 146,889                                 | 211,073                                 |
| -   | 56,400                                  | 613,987                                 |
| -   | 1,823                                   | 35,178                                  |
| -   | 202,848                                 | 340,061                                 |
| 41,177  | 448,701                                 | 3,125,794                               |
| -   | 758,851                                 | 758,851                                 |
| 38,774  | 27,624                                  | 223,698                                 |
| 1,984   | 1,827                                   | 250,969                                 |
| -   | -                                       | 89,216                                  |
| <u>\$ 3,116,089</u>                                       | <u>\$ 6,950,872</u>                     | <u>\$ 22,048,024</u>                    |
| \$ 29,917   | \$ 160,642                              | \$ 479,529                              |
| 56,850  | 64,326                                  | 397,187                                 |
| 4,663   | -                                       | 4,663                                   |
| 55  | 140,173                                 | 340,011                                 |
| 10,915  | 26,589                                  | 132,591                                 |
| -   | -                                       | 557,587                                 |
| <u>102,400</u>  | <u>391,730</u>                          | <u>1,911,568</u>                        |
| 2,038,678   | -                                       | 4,393,879                               |
| 274,172   | -                                       | 524,991                                 |
| -   | 1,610                                   | 17,535                                  |
| -   | -                                       | 341,282                                 |
| 33,677  | 210,355                                 | 1,735,142                               |
| <u>2,346,527</u>  | <u>211,965</u>                          | <u>7,012,829</u>                        |
| 40,758  | 29,451                                  | 555,592                                 |
| 626,404   | 4,519,503                               | 7,110,580                               |
| -   | 1,650,120                               | 2,128,485                               |
| -   | 148,103                                 | 2,295,355                               |
| -   | -                                       | 1,033,615                               |
| <u>667,162</u>  | <u>6,347,177</u>                        | <u>13,123,627</u>                       |
| <u>\$ 3,116,089</u>                                       | <u>\$ 6,950,872</u>                     | <u>\$ 22,048,024</u>                    |

**MORROW COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2015

|   |    |              |                   |
|---|----|--------------|-------------------|
| <b>Total governmental fund balances</b>   |    | \$           | 13,123,627        |
| <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.   |    |              | 32,349,733        |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.  |    |              |                   |
| Sales taxes receivable  | \$ | 341,282      |                   |
| Real and other taxes receivable   |    | 524,991      |                   |
| Accrued interest receivable   |    | 17,535       |                   |
| Intergovernmental receivable  |    | 1,735,142    |                   |
| Total   |    | 2,618,950    | 2,618,950         |
| Unamortized bond premiums and discounts are not recognized in the funds.  |    |              | (151,763)         |
| Unamortized deferred amounts on refundings are not recognized in the governmental funds.  |    |              | 449,277           |
| 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  |    | (11,432)     |                   |
| General obligation bonds payable  |    | (6,560,000)  |                   |
| Loans payable   |    | (193,125)    |                   |
| Capital lease payable   |    | (173,366)    |                   |
| Compensated absences payable  |    | (958,369)    |                   |
| Total   |    | (7,896,292)  | (7,896,292)       |
| The net pension asset is not available to pay for current period expenditures; therefore, the asset is not reported in the governmental funds.                    |    |              | 20,256            |
| 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   |    | 1,644,237    |                   |
| Deferred inflows  |    | (304,304)    |                   |
| Net pension liability   |    | (10,741,619) |                   |
| Total   |    | (9,401,686)  | (9,401,686)       |
| <b>Net position of governmental activities</b>  |    | <b>\$</b>    | <b>31,112,102</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, 2015

|   | <b>General</b>      | <b>Motor Vehicle<br/>and Gas Tax</b> | <b>Public<br/>Assistance</b> |
|---|---------------------|--------------------------------------|------------------------------|
| <b>Revenues:</b>  |                     |                                      |                              |
| From local sources:   |                     |                                      |                              |
| Real and other taxes. . . . .   | \$ 2,169,461        | \$ -                                 | \$ -                         |
| Sales taxes. . . . .  | 3,892,070           | -                                    | -                            |
| Charges for services. . . . .   | 494,714             | -                                    | -                            |
| Licenses and permits . . . . .  | 1,040,487           | -                                    | -                            |
| Fines and forfeitures . . . . .                                       | 288,465             | 434                                  | -                            |
| Intergovernmental. . . . .  | 1,475,967           | 4,377,605                            | 5,139,282                    |
| Investment income. . . . .  | 97,135              | 2,807                                | -                            |
| Rental income . . . . .   | -                   | -                                    | -                            |
| Contributions and donations. . . . .                                  | -                   | -                                    | -                            |
| Other. . . . .  | 157,541             | 75,608                               | 59,885                       |
| Total revenues . . . . .  | 9,615,840           | 4,456,454                            | 5,199,167                    |
| <b>Expenditures:</b>  |                     |                                      |                              |
| Current:  |                     |                                      |                              |
| General government:   |                     |                                      |                              |
| Legislative and executive. . . . .                                    | 3,791,989           | -                                    | -                            |
| Judicial. . . . .   | 1,222,804           | -                                    | -                            |
| Public safety . . . . .   | 2,493,875           | -                                    | -                            |
| Public works . . . . .  | -                   | 5,362,314                            | -                            |
| Health . . . . .  | 93,911              | -                                    | -                            |
| Human services. . . . .   | 315,009             | -                                    | 4,908,974                    |
| Economic development and assistance . . . . .                         | -                   | -                                    | -                            |
| Other . . . . .   | 44,155              | -                                    | -                            |
| Capital outlay. . . . .   | 59,025              | 34,773                               | -                            |
| Intergovernmental. . . . .  | 723,695             | -                                    | -                            |
| Debt service:   |                     |                                      |                              |
| Principal retirement. . . . .   | 30,586              | 4,448                                | -                            |
| Interest and fiscal charges. . . . .                                  | 3,832               | 439                                  | -                            |
| Bond issuance costs. . . . .  | -                   | -                                    | -                            |
| Total expenditures . . . . .  | 8,778,881           | 5,401,974                            | 4,908,974                    |
| Excess (deficiency) of revenues<br>over (under) expenditures. . . . . | 836,959             | (945,520)                            | 290,193                      |
| <b>Other financing sources (uses):</b>                                |                     |                                      |                              |
| Bond issuance . . . . .   | -                   | -                                    | -                            |
| Payment to refunded bond escrow agent. . . . .                        | -                   | -                                    | -                            |
| Capital lease transaction . . . . .                                   | 60,554              | 34,773                               | -                            |
| Transfers in. . . . .   | -                   | -                                    | -                            |
| Transfers (out) . . . . .   | (787,210)           | -                                    | -                            |
| Premium on bond issuance. . . . .                                     | -                   | -                                    | -                            |
| Total other financing sources (uses). . . . .                         | (726,656)           | 34,773                               | -                            |
| Net change in fund balances. . . . .                                  | 110,303             | (910,747)                            | 290,193                      |
| <b>Fund balances at beginning of year . . . . .</b>                   | 3,741,371           | 2,242,578                            | 635,590                      |
| <b>Fund balances at end of year . . . . .</b>                         | <b>\$ 3,851,674</b> | <b>\$ 1,331,831</b>                  | <b>\$ 925,783</b>            |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

| <b>County Board<br/>of Developmental<br/>Disabilities</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|---|---|
| \$ 2,110,857  | \$ 1,104,688                            | \$ 5,385,006                            |
| -   | -                                       | 3,892,070                               |
| -   | 2,266,711                               | 2,761,425                               |
| -   | 950,933                                 | 1,991,420                               |
| -   | 27,988                                  | 316,887                                 |
| 736,599   | 4,318,622                               | 16,048,075                              |
| -   | 19,038                                  | 118,980                                 |
| -   | 456,745                                 | 456,745                                 |
| -   | 1,000                                   | 1,000                                   |
| 301,642   | 1,038,317                               | 1,632,993                               |
| <u>3,149,098</u>  | <u>10,184,042</u>                       | <u>32,604,601</u>                       |
| -   | 943,876                                 | 4,735,865                               |
| -   | 215,603                                 | 1,438,407                               |
| -   | 1,782,516                               | 4,276,391                               |
| -   | -                                       | 5,362,314                               |
| 2,943,858   | 168,023                                 | 3,205,792                               |
| 43,911  | 3,071,315                               | 8,339,209                               |
| -   | 8,290                                   | 8,290                                   |
| -   | 2,450,177                               | 2,494,332                               |
| -   | 753,564                                 | 847,362                                 |
| -   | -                                       | 723,695                                 |
| 30,723  | 393,729                                 | 459,486                                 |
| 5,223   | 217,438                                 | 226,932                                 |
| -   | 100,700                                 | 100,700                                 |
| <u>3,023,715</u>  | <u>10,105,231</u>                       | <u>32,218,775</u>                       |
| <u>125,383</u>  | <u>78,811</u>                           | <u>385,826</u>                          |
| -   | 3,240,000                               | 3,240,000                               |
| -   | (3,304,924)                             | (3,304,924)                             |
| -   | -                                       | 95,327                                  |
| -   | 800,210                                 | 800,210                                 |
| -   | (13,000)                                | (800,210)                               |
| -   | 165,624                                 | 165,624                                 |
| -   | 887,910                                 | 196,027                                 |
| 125,383   | 966,721                                 | 581,853                                 |
| 541,779   | 5,380,456                               | 12,541,774                              |
| <u>\$ 667,162</u>   | <u>\$ 6,347,177</u>                     | <u>\$ 13,123,627</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, 2015

|  |                    |                    |
|--|--------------------|--------------------|
| <b>Net change in fund balances - total governmental funds</b>  |                    | \$ 581,853         |
| <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  | \$ 2,355,081       |                    |
| Current year depreciation  | <u>(1,778,987)</u> |                    |
| Total  |                    | 576,094            |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.  |                    | (4,586)            |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   |                    |                    |
| Sales taxes  | 17,145             |                    |
| Real and other taxes   | (37,330)           |                    |
| Interest income  | (181)              |                    |
| Intergovernmental revenues   | <u>(1,142,015)</u> |                    |
| Total  |                    | (1,162,381)        |
| 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.   |                    | (3,335,327)        |
| Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year: |                    |                    |
| Bonds refunded   | 2,880,000          |                    |
| Deferred charges on refundings   | <u>424,924</u>     |                    |
| Total  |                    | 3,304,924          |
| 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.   |                    | 459,486            |
| Premiums on general obligation bonds are recognized as other financing uses in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.   |                    | (165,624)          |
| 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   | 4,834              |                    |
| Amortization of bond discounts   | (23,561)           |                    |
| Amortization of deferred amounts on refunding  | (18,857)           |                    |
| Amortization of bond premiums  | <u>5,402</u>       |                    |
| Total  |                    | (32,182)           |
| 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.   |                    | (35,125)           |
| Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.  |                    | 1,069,862          |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.   |                    | <u>(1,011,729)</u> |
| <b>Change in net position of governmental activities</b>   |                    | <u>\$ 245,265</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, 2015

|   | <u>Budgeted Amounts</u> |                   |                     | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------|-------------------|---------------------|---|
|   | <u>Original</u>         | <u>Final</u>      | <u>Actual</u>       |   |
| <b>Revenues:</b>  |                         |                   |                     |   |
| Real and other taxes . . . . .  | \$2,016,515             | \$2,454,243       | \$2,476,159         | \$ 21,916   |
| Sales taxes . . . . .   | 2,901,563               | 3,531,409         | 3,516,165           | (15,244)  |
| Charges for services. . . . .   | 119,385                 | 145,300           | 210,440             | 65,140  |
| Licenses and permits . . . . .  | 672,434                 | 818,400           | 1,036,982           | 218,582   |
| Fines and forfeitures. . . . .  | 247,315                 | 301,000           | 287,958             | (13,042)  |
| Intergovernmental. . . . .  | 853,824                 | 1,039,165         | 1,472,267           | 433,102   |
| Investment income. . . . .  | 41,082                  | 50,000            | 100,629             | 50,629  |
| Other. . . . .  | 45,190                  | 55,000            | 81,177              | 26,177  |
| Total revenues . . . . .  | <u>6,897,308</u>        | <u>8,394,517</u>  | <u>9,181,777</u>    | <u>787,260</u>  |
| <b>Expenditures:</b>  |                         |                   |                     |   |
| Current:  |                         |                   |                     |   |
| General government:   |                         |                   |                     |   |
| Legislative and executive . . . . .   | 3,763,526               | 4,068,660         | 3,912,479           | 156,181   |
| Judicial. . . . .   | 957,079                 | 1,228,497         | 1,192,482           | 36,015  |
| Public safety . . . . .   | 2,344,639               | 2,654,225         | 2,601,266           | 52,959  |
| Health . . . . .  | 103,270                 | 103,270           | 102,451             | 819   |
| Human services. . . . .   | 588,042                 | 588,042           | 493,786             | 94,256  |
| Other . . . . .   | 35,717                  | 107,717           | 45,011              | 62,706  |
| Intergovernmental. . . . .  | 620,000                 | 621,500           | 621,500             | -   |
| Total expenditures . . . . .  | <u>8,412,273</u>        | <u>9,371,911</u>  | <u>8,968,975</u>    | <u>402,936</u>  |
| Excess (deficiency ) of revenues (expenditures)<br>over (under) expenditures. . . . . | <u>(1,514,965)</u>      | <u>(977,394)</u>  | <u>212,802</u>      | <u>1,190,196</u>  |
| <b>Other financing sources (uses):</b>  |                         |                   |                     |   |
| Sale of capital assets. . . . .   | -                       | -                 | 2,098               | 2,098   |
| Transfers in . . . . .  | -                       | -                 | 95,483              | 95,483  |
| Transfers out. . . . .  | (543,526)               | (928,385)         | (882,694)           | 45,691  |
| Total other financing sources (uses) . . . . .  | <u>(543,526)</u>        | <u>(928,385)</u>  | <u>(785,113)</u>    | <u>143,272</u>  |
| Net change in fund balances . . . . .   | (2,058,491)             | (1,905,779)       | (572,311)           | 1,333,468   |
| <b>Fund balances at beginning of year . . . . .</b>                                   | 1,448,999               | 1,448,999         | 1,448,999           | -   |
| <b>Prior year encumbrances appropriated . . . . .</b>                                 | 609,151                 | 609,151           | 609,151             | -   |
| <b>Fund balance at end of year (deficit) . . . . .</b>                                | <u>\$ (341)</u>         | <u>\$ 152,371</u> | <u>\$ 1,485,839</u> | <u>\$ 1,333,468</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, 2015

|   | <u>Budgeted Amounts</u> |                   | <u>Actual</u>       | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|-------------------|---------------------|---|
|   | <u>Original</u>         | <u>Final</u>      |                     |   |
| <b>Revenues:</b>                                      |                         |                   |                     |   |
| Fines and forfeitures . . . . .                       | \$ 419                  | \$ 480            | \$ 432              | \$ (48)   |
| Intergovernmental . . . . .                           | 4,021,301               | 4,605,664         | 4,285,242           | (320,422)   |
| Other . . . . .                                       | 107,180                 | 122,756           | 75,608              | (47,148)  |
| <b>Total revenues . . . . .</b>                       | <u>4,128,900</u>        | <u>4,728,900</u>  | <u>4,361,282</u>    | <u>(367,618)</u>  |
| <b>Expenditures:</b>                                  |                         |                   |                     |   |
| Current:  |                         |                   |                     |   |
| Public works . . . . .                                | 5,863,605               | 7,082,875         | 5,544,312           | 1,538,563   |
| <b>Total expenditures . . . . .</b>                   | <u>5,863,605</u>        | <u>7,082,875</u>  | <u>5,544,312</u>    | <u>1,538,563</u>  |
| Net change in fund balances . . . . .                 | (1,734,705)             | (2,353,975)       | (1,183,030)         | 1,170,945   |
| <b>Fund balances at beginning of year . . . . .</b>   | 1,293,334               | 1,293,334         | 1,293,334           | -   |
| <b>Prior year encumbrances appropriated . . . . .</b> | 1,051,929               | 1,051,929         | 1,051,929           | -   |
| <b>Fund balance at end of year . . . . .</b>          | <u>\$ 610,558</u>       | <u>\$ (8,712)</u> | <u>\$ 1,162,233</u> | <u>\$ 1,170,945</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, 2015

|   | <u>Budgeted Amounts</u> |                  | <u>Actual</u>     | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|------------------|-------------------|---|
|   | <u>Original</u>         | <u>Final</u>     |                   |   |
| <b>Revenues:</b>                                      |                         |                  |                   |   |
| Intergovernmental . . . . .                           | \$ 5,013,281            | \$ 5,013,281     | \$ 5,112,789      | \$ 99,508   |
| Other . . . . .                                       | 58,719                  | 58,719           | 59,885            | 1,166   |
| Total revenues . . . . .                              | <u>5,072,000</u>        | <u>5,072,000</u> | <u>5,172,674</u>  | <u>100,674</u>  |
| <b>Expenditures:</b>                                  |                         |                  |                   |   |
| Current:  |                         |                  |                   |   |
| Human services . . . . .                              | 4,583,767               | 5,505,938        | 5,392,122         | 113,816   |
| Total expenditures . . . . .                          | <u>4,583,767</u>        | <u>5,505,938</u> | <u>5,392,122</u>  | <u>113,816</u>  |
| Net change in fund balances . . . . .                 | 488,233                 | (433,938)        | (219,448)         | 214,490   |
| <b>Fund balances at beginning of year . . . . .</b>   | 24,137                  | 24,137           | 24,137            | -   |
| <b>Prior year encumbrances appropriated . . . . .</b> | 412,049                 | 412,049          | 412,049           | -   |
| <b>Fund balance at end of year . . . . .</b>          | <u>\$ 924,419</u>       | <u>\$ 2,248</u>  | <u>\$ 216,738</u> | <u>\$ 214,490</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, 2015

|   | <u>Budgeted Amounts</u> |                   | <u>Actual</u>     | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|-------------------|-------------------|---|
|   | <u>Original</u>         | <u>Final</u>      |                   |   |
| <b>Revenues:</b>                                    |                         |                   |                   |   |
| Real and other taxes . . . . .                      | \$ 1,604,417            | \$ 2,155,222      | \$ 2,042,414      | \$ (112,808)  |
| Intergovernmental . . . . .                         | 581,939                 | 781,722           | 817,829           | 36,107  |
| Other . . . . .                                     | 239,444                 | 321,647           | 313,247           | (8,400)   |
| Total revenues . . . . .                            | <u>2,425,800</u>        | <u>3,258,591</u>  | <u>3,173,490</u>  | <u>(85,101)</u>   |
| <b>Expenditures:</b>                                |                         |                   |                   |   |
| Current:  |                         |                   |                   |   |
| Health . . . . .                                    | 2,747,063               | 3,422,063         | 3,024,142         | 397,921   |
| Human services . . . . .                            | 53,571                  | 80,405            | 28,118            | 52,287  |
| Total expenditures . . . . .                        | <u>2,800,634</u>        | <u>3,502,468</u>  | <u>3,052,260</u>  | <u>450,208</u>  |
| Net change in fund balances . . . . .               | (374,834)               | (243,877)         | 121,230           | 365,107   |
| <b>Fund balances at beginning of year . . . . .</b> | 263,234                 | 263,234           | 263,234           | -   |
| <b>Prior year encumbrances appropriated . . .</b>   | 147,834                 | 147,834           | 147,834           | -   |
| <b>Fund balance at end of year . . . . .</b>        | <u>\$ 36,234</u>        | <u>\$ 167,191</u> | <u>\$ 532,298</u> | <u>\$ 365,107</u>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY, OHIO

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2015

|  | <b>Business-type Activities - Enterprise Funds</b> |                     |                     |
|--|--|---------------------|---------------------|
|  | <b>Morrow County</b>                               |                     |                     |
|  | <b>Hospital</b>                                    | <b>Nonmajor</b>     | <b>Total</b>        |
| <b>Assets:</b>   |  |                     |                     |
| Current assets:  |  |                     |                     |
| Equity in pooled cash and cash equivalents . . . . .                 | \$ -   | \$ 105,735          | \$ 105,735          |
| Cash and cash equivalents in segregated accounts . . . . .           | 3,440,769  | -                   | 3,440,769           |
| Receivables:   |  |                     |                     |
| Real and other taxes . . . . .                                       | 1,334,928  | -                   | 1,334,928           |
| Accounts . . . . .   | 3,472,634  | 2,626               | 3,475,260           |
| Accrued interest . . . . .   | -  | 540                 | 540                 |
| Materials and supplies inventory . . . . .                           | 461,830  | -                   | 461,830             |
| Prepayments . . . . .  | 982,857  | 574                 | 983,431             |
| Net pension asset . . . . .  | 27,038   | 30                  | 27,068              |
| <b>Total current assets . . . . .</b>                                | <b>9,720,056</b>                                   | <b>109,505</b>      | <b>9,829,561</b>    |
| Noncurrent assets:   |  |                     |                     |
| Restricted assets:   |  |                     |                     |
| Cash and cash equivalents in segregated accounts . . . . .           | 595,643  | -                   | 595,643             |
| Investments in segregated accounts . . . . .                         | 967,175  | -                   | 967,175             |
| Investments in segregated accounts . . . . .                         | 166,971  | -                   | 166,971             |
| Capital assets:  |  |                     |                     |
| Land and construction in progress . . . . .                          | 650,079  | 41,320              | 691,399             |
| Depreciable capital assets, net . . . . .                            | 7,820,925  | 1,834,971           | 9,655,896           |
| <b>Total capital assets, net . . . . .</b>                           | <b>8,471,004</b>                                   | <b>1,876,291</b>    | <b>10,347,295</b>   |
| <b>Total noncurrent assets . . . . .</b>                             | <b>10,200,793</b>                                  | <b>1,876,291</b>    | <b>12,077,084</b>   |
| <b>Total assets . . . . .</b>  | <b>19,920,849</b>                                  | <b>1,985,796</b>    | <b>21,906,645</b>   |
| <b>Deferred outflows of resources:</b>                               |  |                     |                     |
| Pension - OPERS . . . . .  | 1,605,056  | 2,368               | 1,607,424           |
| <b>Total deferred outflows of resources . . . . .</b>                | <b>1,605,056</b>                                   | <b>2,368</b>        | <b>1,607,424</b>    |
| <b>Total assets and deferred outflows of resources . . . . .</b>     | <b>21,525,905</b>                                  | <b>1,988,164</b>    | <b>23,514,069</b>   |
| <b>Liabilities:</b>  |  |                     |                     |
| Current liabilities:   |  |                     |                     |
| Accounts payable . . . . .   | 2,876,820  | 3,156               | 2,879,976           |
| Accrued wages and benefits . . . . .                                 | 1,513,081  | 746                 | 1,513,827           |
| Due to other funds . . . . .   | -  | 50                  | 50                  |
| Due to other governments . . . . .                                   | -  | 3,455               | 3,455               |
| Interfund loans payable . . . . .                                    | -  | 56,400              | 56,400              |
| Accrued interest payable . . . . .                                   | -  | 9,348               | 9,348               |
| Sanitary sewer revenue bonds payable - current . . . . .             | -  | 9,640               | 9,640               |
| Other accrued liabilities . . . . .                                  | 194,846  | -                   | 194,846             |
| Compensated absences payable - current . . . . .                     | 666,903  | -                   | 666,903             |
| Estimated third-party payor settlements . . . . .                    | 1,672,852  | -                   | 1,672,852           |
| Capital lease obligations payable . . . . .                          | 5,278  | -                   | 5,278               |
| Hospital facilities revenue bonds payable - current . . . . .        | 279,595  | -                   | 279,595             |
| <b>Total current liabilities . . . . .</b>                           | <b>7,209,375</b>                                   | <b>82,795</b>       | <b>7,292,170</b>    |
| Long-term liabilities:   |  |                     |                     |
| Hospital facilities revenue bonds payable . . . . .                  | 589,540  | -                   | 589,540             |
| Sanitary sewer revenue bonds payable . . . . .                       | -  | 572,836             | 572,836             |
| Capital lease obligations payable . . . . .                          | 15,698   | -                   | 15,698              |
| Net pension liability . . . . .                                      | 9,076,835  | 15,364              | 9,092,199           |
| <b>Total long-term liabilities . . . . .</b>                         | <b>9,682,073</b>                                   | <b>588,200</b>      | <b>10,270,273</b>   |
| <b>Total liabilities . . . . .</b>                                   | <b>16,891,448</b>                                  | <b>670,995</b>      | <b>17,562,443</b>   |
| <b>Deferred inflows of resources:</b>                                |  |                     |                     |
| Property taxes levied for the next fiscal year . . . . .             | 1,334,929  | -                   | 1,334,929           |
| Pension - OPERS . . . . .  | 167,713  | 393                 | 168,106             |
| <b>Total deferred inflows of resources . . . . .</b>                 | <b>1,502,642</b>                                   | <b>393</b>          | <b>1,503,035</b>    |
| <b>Total liabilities and deferred inflows of resources . . . . .</b> | <b>18,394,090</b>                                  | <b>671,388</b>      | <b>19,065,478</b>   |
| <b>Net position:</b>   |  |                     |                     |
| Net investment in capital assets . . . . .                           | 7,593,292  | 1,293,815           | 8,887,107           |
| Unrestricted (deficit) . . . . .                                     | (4,461,477)  | 22,961              | (4,438,516)         |
| <b>Total net position . . . . .</b>                                  | <b>\$ 3,131,815</b>                                | <b>\$ 1,316,776</b> | <b>\$ 4,448,591</b> |

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, 2015

|   | <b>Business-type Activities - Enterprise Funds</b> |                     |                     |
|---|--|---------------------|---------------------|
|   | <b>Morrow County<br/>Hospital</b>                  | <b>Nonmajor</b>     | <b>Total</b>        |
| <b>Operating revenues:</b>                                    |  |                     |                     |
| Charges for services . . . . .                                | \$ -   | \$ 74,446           | \$ 74,446           |
| Patient service revenue, net . . . . .                        | 27,912,146   | -                   | 27,912,146          |
| Other operating revenues . . . . .                            | 981,877  | 73,530              | 1,055,407           |
| <b>Total operating revenues.</b> . . . . .                    | <b>28,894,023</b>                                  | <b>147,976</b>      | <b>29,041,999</b>   |
| <b>Operating expenses:</b>                                    |  |                     |                     |
| Personal services . . . . .                                   | 16,919,002   | 18,592              | 16,937,594          |
| Contract services. . . . .                                    | 6,209,949  | 100,218             | 6,310,167           |
| Materials and supplies. . . . .                               | 4,170,911  | -                   | 4,170,911           |
| Administrative costs. . . . .                                 | -  | 4,649               | 4,649               |
| Depreciation. . . . .   | 1,671,787  | 54,020              | 1,725,807           |
| Other . . . . .   | 1,890,162  | -                   | 1,890,162           |
| <b>Total operating expenses.</b> . . . . .                    | <b>30,861,811</b>                                  | <b>177,479</b>      | <b>31,039,290</b>   |
| <b>Operating loss</b> . . . . .                               | <b>(1,967,788)</b>                                 | <b>(29,503)</b>     | <b>(1,997,291)</b>  |
| <b>Nonoperating revenues (expenses):</b>                      |  |                     |                     |
| Interest and fiscal charges . . . . .                         | (36,177)   | (16,323)            | (52,500)            |
| Real and other taxes. . . . .                                 | 1,185,165  | -                   | 1,185,165           |
| Intergovernmental . . . . .                                   | 162,562  | 11,100              | 173,662             |
| Interest income. . . . .                                      | 7,060  | 750                 | 7,810               |
| <b>Total nonoperating revenues (expenses).</b> . . . . .      | <b>1,318,610</b>                                   | <b>(4,473)</b>      | <b>1,314,137</b>    |
| <b>Change in net position</b> . . . . .                       | <b>(649,178)</b>                                   | <b>(33,976)</b>     | <b>(683,154)</b>    |
| <b>Net position at beginning of year (restated)</b> . . . . . | <b>3,780,993</b>                                   | <b>1,350,752</b>    | <b>5,131,745</b>    |
| <b>Net position at end of year</b> . . . . .                  | <b>\$ 3,131,815</b>                                | <b>\$ 1,316,776</b> | <b>\$ 4,448,591</b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY, OHIO

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2015

|   | <b>Business-type Activities - Enterprise Funds</b> |                   |                     |
|---|--|-------------------|---------------------|
|   | <b>Morrow County<br/>Hospital</b>                  | <b>Nonmajor</b>   | <b>Total</b>        |
| <b>Cash flows from operating activities:</b>                        |  |                   |                     |
| Cash received from customers . . . . .                              | \$ -   | \$ 71,820         | \$ 71,820           |
| Cash received from patients and third-party payors . . .            | 28,458,191   | -                 | 28,458,191          |
| Cash received from other operations . . . . .                       | 981,878  | 73,530            | 1,055,408           |
| Cash payments to suppliers for services and goods . . .             | (11,375,654)                                       | (115,241)         | (11,490,895)        |
| Cash payments to employees for services . . . . .                   | (17,412,340)                                       | (4,683)           | (17,417,023)        |
| Net cash provided by operating activities . . . . .                 | <u>652,075</u>                                     | <u>25,426</u>     | <u>677,501</u>      |
| <b>Cash flows from noncapital financing activities:</b>             |  |                   |                     |
| Property tax levy/intergovernmental revenue . . . . .               | 1,347,727  | 11,100            | 1,358,827           |
| Cash payment for interfund loan . . . . .                           | -  | (70,000)          | (70,000)            |
| Net cash provided by noncapital financing activities . . . . .      | <u>1,347,727</u>                                   | <u>(58,900)</u>   | <u>1,288,827</u>    |
| <b>Cash flows from capital and related financing activities:</b>    |  |                   |                     |
| Acquisition of capital assets . . . . .                             | (438,224)  | -                 | (438,224)           |
| Principal payments on long-term debt . . . . .                      | (339,848)  | (9,425)           | (349,273)           |
| Interest and fiscal charges . . . . .                               | (36,177)   | (16,276)          | (52,453)            |
| Net cash used in capital and related financing activities . . . . . | <u>(814,249)</u>                                   | <u>(25,701)</u>   | <u>(839,950)</u>    |
| <b>Cash flows from investing activities:</b>                        |  |                   |                     |
| Interest received . . . . .   | 7,058  | 625               | 7,683               |
| Net cash provided by investing activities . . . . .                 | <u>7,058</u>                                       | <u>625</u>        | <u>7,683</u>        |
| Net increase (decrease) in cash and cash equivalents . . . . .      | 1,192,611  | (58,550)          | 1,134,061           |
| <b>Cash and cash equivalents at beginning of year . . . .</b>       | <u>3,977,947</u>                                   | <u>164,285</u>    | <u>4,142,232</u>    |
| <b>Cash and cash equivalents at end of year . . . . .</b>           | <u>\$ 5,170,558</u>                                | <u>\$ 105,735</u> | <u>\$ 5,276,293</u> |
| <b>Supplemental cash flow information:</b>                          |  |                   |                     |
| Cash and cash equivalents . . . . .                                 | \$ 3,440,769                                       |                   |                     |
| Cash . . . . .  | 166,971  |                   |                     |
| Board designated funds . . . . .                                    | 1,562,818  |                   |                     |
| <b>Cash and cash equivalents at end of year . . . . .</b>           | <u>\$ 5,170,558</u>                                |                   |                     |

-- Continued

MORROW COUNTY, OHIO

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2015

|   | <u>Business-type Activities - Enterprise Funds</u> |                  |                   |
|---|--|------------------|-------------------|
|   | <u>Morrow County<br/>Hospital</u>                  | <u>Nonmajor</u>  | <u>Total</u>      |
| <b>Reconciliation of operating loss to net cash provided by operating activities:</b> |  |                  |                   |
| Operating loss . . . . .  | \$ (1,967,788)                                     | \$ (29,503)      | \$ (1,997,291)    |
| Adjustments:  |  |                  |                   |
| Depreciation . . . . .  | 1,671,787  | 54,020           | 1,725,807         |
| Changes in assets, deferred outflows,<br>liabilities, and deferred inflows:           |  |                  |                   |
| Materials and supplies inventory . . . . .  | 198,640  | -                | 198,640           |
| Prepayments . . . . .   | 207,329  | -                | 207,329           |
| Other current assets . . . . .  | (486,736)  | (3,200)          | (489,936)         |
| Patient accounts receivable . . . . .   | 238,662  | -                | 238,662           |
| Third party settlement receivables . . . . .  | 342,312  | -                | 342,312           |
| Net pension assets . . . . .  | -  | (22)             | (22)              |
| Deferred outflows - pension - OPERS . . . . .   | -  | (828)            | (828)             |
| Accrued wages and benefits . . . . .  | -  | (29)             | (29)              |
| Due to other governments . . . . .  | -  | 3,123            | 3,123             |
| Due to other funds . . . . .  | -  | 25               | 25                |
| Accounts payable . . . . .  | 110,694  | 1,101            | 111,795           |
| Accrued expenses . . . . .  | 337,175  | -                | 337,175           |
| Net pension liability . . . . .   | -  | 346              | 346               |
| Deferred inflows - pension - OPERS . . . . .  | -  | 393              | 393               |
| Net cash provided by operating activities . . . . .                                   | <u>\$ 652,075</u>                                  | <u>\$ 25,426</u> | <u>\$ 677,501</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**MORROW COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 FIDUCIARY FUNDS  
 DECEMBER 31, 2015

|   | <b>Agency</b> |
|---|---------------|
| <b>Assets:</b>  |               |
| Current assets:   |               |
| Equity in pooled cash and cash equivalents . . . . .      | \$ 3,555,629  |
| Cash and cash equivalents in segregated accounts. . . . . | 731,199       |
| Receivables (net of allowance for uncollectibles):        |               |
| Real and other taxes. . . . .                             | 30,896,234    |
| Accounts. . . . .   | 7,544         |
| Due from other governments . . . . .                      | 1,289,253     |
| Total assets . . . . .                                    | \$ 36,479,859 |
| <b>Liabilities:</b>                                       |               |
| Accounts payable . . . . .                                | \$ 12,481     |
| Due to other governments. . . . .                         | 4,028,088     |
| Due to external parties. . . . .                          | 89,216        |
| Undistributed assets . . . . .                            | 32,350,074    |
| Total liabilities . . . . .                               | \$ 36,479,859 |

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, 2015

#### 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, 2015**

**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, 2015

#### 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, 2015

**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, 2015

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 three non-major enterprise funds to account for the Ketterman sewer operations, Johnsville sewer operations, and sewer district administration.

*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, 2015

#### 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, 2015

#### 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, 2015, but which were levied to finance 2016 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, 2015

**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 2015.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**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 2015. The final budgeted figures reflect the original budgeted amounts plus all budgetary amendments and supplemental appropriations that were legally enacted during 2015.

*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 2015, 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.

The County has invested funds in STAR Ohio during 2015. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission (SEC) as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on December 31, 2015.

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 2015 amounted to \$97,135 which includes \$72,842 assigned from other County funds.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**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, 2015

**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<br/>Activities<br/>Estimated Lives</u> | <u>Business-Type<br/>Activities<br/>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, 2015, 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, 2015 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, 2015

**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, 2015, 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, 2015

**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, 2015**

**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 2015.

**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, 2015

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

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

|                                       | 2015         |
|---------------------------------------|--------------|
| Patient accounts receivable           | \$ 7,700,081 |
| Less:                                 |              |
| Allowance for uncollectible accounts  | (1,505,054)  |
| Allowance for contractual adjustments | (2,722,393)  |
| Net accounts receivable               | \$ 3,472,634 |

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:

|                                | 2015    |
|--------------------------------|---------|
| Medicare                       | 72.00%  |
| Medicaid                       | 20.00%  |
| Commercial insurance and HMO's | 6.00%   |
| Self-pay                       | 2.00%   |
| Total                          | 100.00% |

**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  
FOR THE YEAR ENDED DECEMBER 31, 2015

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 2015, the Hospital provided charity care of approximately \$760,132.

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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles/Restatement of Net Position

For 2015, the County implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the County's pension plan disclosures, as presented in Note 17 to the financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities and business-type activities at January 1, 2015 have been restated as follows:

|  | <u>Governmental<br/>Activities</u> |                                     |                          |  |
|--|------------------------------------|-------------------------------------|--------------------------|--|
| Net position as previously reported                            | \$ 40,306,400                      |                                     |                          |  |
| Net pension asset  | 5,520                              |                                     |                          |  |
| Deferred outflows - payments<br>subsequent to measurement date | 1,067,530                          |                                     |                          |  |
| Deferred inflows   | (25,933)                           |                                     |                          |  |
| Net pension liability  | <u>(10,486,680)</u>                |                                     |                          |  |
| Restated net position at January 1, 2015                       | <u>\$ 30,866,837</u>               |                                     |                          |  |
|  |                                    | <u>Business-Type<br/>Activities</u> | <u>Hospital<br/>Fund</u> | <u>Nonmajor<br/>Enterprise<br/>Funds</u> |
| Net position as previously reported                            | \$ 13,439,670                      | \$ 12,075,448                       | \$ 1,364,222             |  |
| Net pension asset  | 7,377                              | 7,369                               | 8                        |  |
| Deferred outflows - payments<br>subsequent to measurement date | 1,139,527                          | 1,137,987                           | 1,540                    |  |
| Net pension liability  | (8,886,838)                        | (8,871,820)                         | (15,018)                 |  |
| HCAP   | <u>(567,991)</u>                   | <u>(567,991)</u>                    | <u>-</u>                 |  |
| Restated net position at January 1, 2015                       | <u>\$ 5,131,745</u>                | <u>\$ 3,780,993</u>                 | <u>\$ 1,350,752</u>      |  |

Other than employer contributions subsequent to the measurement date, the County made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on governmental fund balances.

**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;

## MORROW COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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.

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 \$50 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".

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

**B. Deposits with Financial Institutions**

At December 31, 2015, the carrying amount of all County deposits was \$10,024,493. As of December 31, 2015, \$9,020,161 of the County’s bank balance of \$10,743,440 was exposed to custodial risk as discussed below, while \$1,723,279 was covered by the FDIC.

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

**C. Investments**

As of December 31, 2015, the County had the following investments and maturities:

| Investment type                    | Fair Value           | Investment Maturity |                     |                     |                   |                        |
|------------------------------------|----------------------|---------------------|---------------------|---------------------|-------------------|------------------------|
|                                    |                      | 6 months or less    | 7 to 12 months      | 13 to 18 months     | 19 to 24 months   | Greater than 24 months |
| STAR Ohio                          | \$ 134,256           | \$ 134,256          | \$ -                | \$ -                | \$ -              | \$ -                   |
| US Government Money Market         | 1,262,226            | 1,262,226           | -                   | -                   | -                 | -                      |
| Negotiable certificates of deposit | 4,913,911            | 247,913             | 250,203             | 1,988,901           | 247,241           | 2,179,653              |
| Municipal bonds                    | 2,021,153            | 700,714             | 1,320,439           | -                   | -                 | -                      |
| FNMA                               | 748,405              | -                   | -                   | -                   | -                 | 748,405                |
| US Government Securities           | 967,175              | -                   | 967,175             | -                   | -                 | -                      |
| <b>Total</b>                       | <b>\$ 10,047,126</b> | <b>\$ 2,345,109</b> | <b>\$ 2,537,817</b> | <b>\$ 1,988,901</b> | <b>\$ 247,241</b> | <b>\$ 2,928,058</b>    |

The weighted average maturity of investments is 1.36 years.

*Interest Rate Risk:* The Ohio Revised Code general limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase.

The County’s investment policy addresses interest rate risk by requiring the consideration of market conditions and cash flow requirements in determining the term of an investment.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

*Credit Risk:* STAR Ohio and the U.S. government money market mutual fund carry a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard 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.

*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, 2015:

| <u>Investment type</u>                 | <u>Fair Value</u>    | <u>% of Total</u> |
|--|----------------------|-------------------|
| STAR Ohio                              | \$ 134,256           | 1.34              |
| US Government money market mutual fund | 1,262,226            | 12.56             |
| Negotiable certificates of deposit     | 4,913,911            | 48.91             |
| Municipal bonds                        | 2,021,153            | 20.11             |
| FNMAN                                  | 748,405              | 7.45              |
| US Government Securities               | 967,175              | 9.63              |
| Total                                  | <u>\$ 10,047,126</u> | <u>100.00</u>     |

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2015:

|   |                      |
|---|----------------------|
| <u>Cash and investments per note</u>                          |                      |
| Carrying amount of deposits                                   | \$ 10,027,649        |
| Investments   | 10,047,126           |
| Cash on hand  | <u>50</u>            |
| Total   | <u>\$ 20,074,825</u> |
| <br><u>Cash and investments per statement of net position</u> |                      |
| Governmental activities                                       | \$ 10,511,704        |
| Business-type activities                                      | 5,276,293            |
| Agency funds  | <u>4,286,828</u>     |
| Total   | <u>\$ 20,074,825</u> |

**E. Component Unit**

At December 31, 2015, the carrying amount of the component unit's demand deposits was \$96,736 and the bank balance was \$96,736. 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, 2015 is reported as "cash and cash equivalents in segregated accounts" on the statement of net position.

**NOTE 5 - INTERFUND TRANSACTIONS**

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

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

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

- A. Due from/to other funds consisted of the following at December 31, 2015, as reported on the fund financial statements:

|                       | Due to   |                   |                    |                       |                     |              |
|-----------------------|----------|-------------------|--------------------|-----------------------|---------------------|--------------|
|                       | General  | Public Assistance | County Board of DD | Nonmajor Governmental | Nonmajor Enterprise | Total Due To |
| <u>Due from</u>       |          |                   |                    |                       |                     |              |
| General               | \$ -     | \$ 165            | \$ 55              | \$ 39,043             | \$ 50               | \$ 39,313    |
| Motor Vehicle Gas Tax | 2,904    | -                 | -                  | 174                   | -                   | 3,078        |
| Public Assistance     | -        | -                 | -                  | 94,822                | -                   | 94,822       |
| County Board of DD    | -        | -                 | -                  | -                     | -                   | -            |
| Other Governmental    | 964      | 195,750           | -                  | 6,134                 | -                   | 202,848      |
| Total Due From        | \$ 3,868 | \$ 195,915        | \$ 55              | \$ 140,173            | \$ 50               | \$ 340,061   |

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, 2015, consisted of the following, as reported on the fund financial statements:

|  |            |
|--|------------|
| <u>Transfers from general fund to:</u>               |            |
| Nonmajor governmental funds                          | \$ 787,210 |
| <u>Transfer from nonmajor governmental funds to:</u> |            |
| Nonmajor governmental funds                          | 13,000     |
| Total  | \$ 800,210 |

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 2015 to make debt payments out of the appropriate funds.

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

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



**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

- C. Due from external parties at December 31, 2015, consisted of the following as reported on the fund statements:

|              | <u>Agency</u>    |
|--------------|------------------|
| General fund | <u>\$ 89,216</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, 2015 as reported on the fund statement:

| <u>Receivable Fund</u>     | <u>Payable Fund</u>   | <u>Amount</u>     |
|----------------------------|-----------------------|-------------------|
| General fund               | Motor vehicle gas tax | \$ 557,587        |
| Nonmajor governmental fund | Other enterprise fund | <u>56,400</u>     |
| Total                      |                       | <u>\$ 613,987</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. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the County its portion of the taxes collected. 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, 2015 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 2015 operations and the collection of delinquent taxes has been offset by deferred inflows of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred inflows of resources.

The full tax rate for all County operations for the year ended December 31, 2015 was \$11.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2015 property tax receipts were based are as follows:

|                               |                       |
|-------------------------------|-----------------------|
| <u>Real property</u>          |                       |
| Residential/agricultural      | \$ 697,612,500        |
| Commercial/industrial/mineral | 50,158,270            |
| Personal public utility       | <u>32,624,020</u>     |
| Total assessed value          | <u>\$ 780,394,790</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 2015 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 2015 amounted to \$3,892,070 on the governmental fund financial statements.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2015, 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, 2015. A summary of the principal items of receivables reported on the statement of net position follows:

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 8 - RECEIVABLES - (Continued)**

**Governmental activities:**

|                            |            |
|----------------------------|------------|
| Sales taxes                | \$ 968,623 |
| Real and other local taxes | 4,918,870  |
| Accounts                   | 211,073    |
| Accrued interest           | 35,178     |
| Due from other governments | 3,125,794  |

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

**NOTE 9 - LOANS RECEIVABLE**

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

|  | <u>Balance</u><br><u>12/31/14</u> | <u>Loans</u><br><u>Issued</u> | <u>Principal</u><br><u>Received</u> | <u>Balance</u><br><u>12/31/15</u> |
|--|-----------------------------------|-------------------------------|-------------------------------------|-----------------------------------|
| <u>Special Revenue Funds</u>                 |                                   |                               |                                     |                                   |
| Community block and HOME Investments         |                                   |                               |                                     |                                   |
| partnerships program grants commercial loans | \$ 495,121                        | \$ 1,234                      | \$ (3,539)                          | \$ 492,816                        |
| Home investment partnership                  | 99,548                            | 460                           | (20,888)                            | 79,120                            |
| Water/sewer revolving loans                  | 78,340                            | 14,161                        | (17,722)                            | 74,779                            |
| Rural hardship revolving loans               | <u>129,931</u>                    | <u>15,196</u>                 | <u>(32,991)</u>                     | <u>112,136</u>                    |
| Total  | <u>\$ 802,940</u>                 | <u>\$ 31,051</u>              | <u>\$ (75,140)</u>                  | <u>\$ 758,851</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, 2015, is set forth in the following table:

Board restricted for capital improvements:

|  |                     |
|--|---------------------|
| Cash and cash equivalents in segregated accounts | \$ 595,643          |
| Investments in segregated accounts               | <u>967,175</u>      |
| Total  | <u>\$ 1,562,818</u> |

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 11 - CAPITAL ASSETS**

A. A summary of the business-type activities capital assets for the year ended December 31, 2015 is as follows:

| <b><u>Business-type activities:</u></b>            | <u>Balance</u><br><u>12/31/14</u> | <u>Additions</u>    | <u>Disposals</u>    | <u>Balance</u><br><u>12/31/15</u> |
|--|-----------------------------------|---------------------|---------------------|-----------------------------------|
| <i>Capital assets, not being depreciated:</i>      |                                   |                     |                     |                                   |
| Land   | \$ 233,315                        | \$ -                | \$ -                | \$ 233,315                        |
| Construction in progress                           | <u>1,039,553</u>                  | <u>181,530</u>      | <u>(762,999)</u>    | <u>458,084</u>                    |
| <i>Total capital assets, not being depreciated</i> | <u>1,272,868</u>                  | <u>181,530</u>      | <u>(762,999)</u>    | <u>691,399</u>                    |
| <i>Capital assets, being depreciated:</i>          |                                   |                     |                     |                                   |
| Land improvements                                  | 605,618                           | 47,704              | -                   | 653,322                           |
| Buildings  | 6,568,057                         | 87,190              | -                   | 6,655,247                         |
| Equipment  | 20,805,119                        | 884,799             | -                   | 21,689,918                        |
| Infrastructure                                     | <u>1,574,952</u>                  | <u>-</u>            | <u>-</u>            | <u>1,574,952</u>                  |
| <i>Total capital assets, being depreciated</i>     | <u>29,553,746</u>                 | <u>1,019,693</u>    | <u>-</u>            | <u>30,573,439</u>                 |
| Less: accumulated depreciation:                    |                                   |                     |                     |                                   |
| Land improvements                                  | (570,664)                         | (35,537)            | -                   | (606,201)                         |
| Buildings  | (4,092,536)                       | (188,957)           | -                   | (4,281,493)                       |
| Equipment  | (14,362,261)                      | (1,469,814)         | -                   | (15,832,075)                      |
| Infrastructure                                     | <u>(166,275)</u>                  | <u>(31,499)</u>     | <u>-</u>            | <u>(197,774)</u>                  |
| Total accumulated depreciation                     | <u>(19,191,736)</u>               | <u>(1,725,807)</u>  | <u>-</u>            | <u>(20,917,543)</u>               |
| Total capital assets, being depreciated, net       | <u>10,362,010</u>                 | <u>(706,114)</u>    | <u>-</u>            | <u>9,655,896</u>                  |
| Business-type activities capital assets, net       | <u>\$ 11,634,878</u>              | <u>\$ (524,584)</u> | <u>\$ (762,999)</u> | <u>\$ 10,347,295</u>              |

Construction in progress primarily consists of hospital facility improvements.

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

|   |                     |
|---|---------------------|
| <b><u>Business-type activities:</u></b>               |                     |
| Morrow County Hospital                                | \$ 1,671,787        |
| Ketterman Project                                     | 5,127               |
| Johnsville Sewer                                      | <u>48,893</u>       |
| Total depreciation expense - business-type activities | <u>\$ 1,725,807</u> |

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

**B.** Capital asset activity for the governmental activities for the year ended December 31, 2015, was as follows:

| <b><u>Governmental activities:</u></b>        | <u>Balance</u><br><u>12/31/14</u> | <u>Additions</u>   | <u>Disposals</u>    | <u>Balance</u><br><u>12/31/15</u> |
|---|-----------------------------------|--------------------|---------------------|-----------------------------------|
| <i>Capital assets, not being depreciated:</i> |                                   |                    |                     |                                   |
| Land  | \$ 748,557                        | \$ -               | \$ -                | \$ 748,557                        |
| Construction in progress                      | <u>139,176</u>                    | <u>229,825</u>     | <u>(347,538)</u>    | <u>21,463</u>                     |
| Total capital assets, not being depreciated   | <u>887,733</u>                    | <u>229,825</u>     | <u>(347,538)</u>    | <u>770,020</u>                    |
| <i>Capital assets, being depreciated:</i>     |                                   |                    |                     |                                   |
| Land improvements                             | 164,548                           | -                  | -                   | 164,548                           |
| Buildings                                     | 12,955,030                        | 209,263            | -                   | 13,164,293                        |
| Building improvements                         | 4,918,666                         | -                  | -                   | 4,918,666                         |
| Equipment                                     | 2,631,498                         | 135,848            | (52,091)            | 2,715,255                         |
| Vehicles                                      | 5,836,439                         | 403,362            | -                   | 6,239,801                         |
| Infrastructure                                | <u>46,649,803</u>                 | <u>1,724,321</u>   | <u>-</u>            | <u>48,374,124</u>                 |
| Total capital assets, being depreciated       | <u>73,155,984</u>                 | <u>2,472,794</u>   | <u>(52,091)</u>     | <u>75,576,687</u>                 |
| <i>Less: accumulated depreciation:</i>        |                                   |                    |                     |                                   |
| Land improvements                             | (159,835)                         | (1,885)            | -                   | (161,720)                         |
| Buildings                                     | (5,496,717)                       | (300,373)          | -                   | (5,797,090)                       |
| Building improvements                         | (1,186,552)                       | (175,678)          | -                   | (1,362,230)                       |
| Equipment                                     | (2,138,722)                       | (114,363)          | 47,505              | (2,205,580)                       |
| Vehicles                                      | (5,092,227)                       | (233,361)          | -                   | (5,325,588)                       |
| Infrastructure                                | <u>(28,191,439)</u>               | <u>(953,327)</u>   | <u>-</u>            | <u>(29,144,766)</u>               |
| Total accumulated depreciation                | <u>(42,265,492)</u>               | <u>(1,778,987)</u> | <u>47,505</u>       | <u>(43,996,974)</u>               |
| Total capital assets being depreciated, net   | <u>30,890,492</u>                 | <u>693,807</u>     | <u>(4,586)</u>      | <u>31,579,713</u>                 |
| Governmental activities capital assets, net   | <u>\$ 31,778,225</u>              | <u>\$ 923,632</u>  | <u>\$ (352,124)</u> | <u>\$ 32,349,733</u>              |

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

|  |                            |
|--|----------------------------|
| Legislative and executive                            | \$ 256,606                 |
| Judicial   | 9,172                      |
| Public safety  | 161,465                    |
| Public works   | 1,058,958                  |
| Health   | 45,968                     |
| Human services                                       | 245,774                    |
| Other  | <u>1,044</u>               |
| Total depreciation expense - governmental activities | <u><u>\$ 1,778,987</u></u> |

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**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, 2015, was \$331,298, leaving a current book value of \$184,493. Principal payments in 2015 totaled \$11,508, \$4,448, \$2,348, \$19,078, \$6,631, and \$30,723 - 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, respectively. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2015:

| <u>Year Ending</u><br><u>December 31,</u>   | <u>Amount</u>     |
|---|-------------------|
| 2016  | \$ 63,199         |
| 2017  | 50,695            |
| 2018  | 43,072            |
| 2019  | 25,222            |
| 2020  | <u>10,572</u>     |
| Total future minimum lease payments         | 192,760           |
| Less: amount representing interest          | <u>(19,394)</u>   |
| Present value of net minimum lease payments | <u>\$ 173,366</u> |

- B.** At December 31, 2015, 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 and accumulated depreciation of the leased equipment at December 31, 2015 were \$613,000. The liability for the obligation under capital lease at December 31, 2015 was \$20,976.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**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, 2015:

| Year Ending<br>December 31,                 | Amount    |
|---|-----------|
| 2016  | \$ 5,884  |
| 2017  | 6,440     |
| 2018  | 9,767     |
| Total future minimum lease payments         | 22,091    |
| Less: amount representing interest          | (1,115)   |
| Present value of net minimum lease payments | \$ 20,976 |

**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, 2015, vested benefits for vacation leave and compensatory time for governmental fund employees totaled \$736,161 and vested benefits for sick leave totaled \$227,000. The total liability for governmental fund employees was \$963,161. Of this total, \$188,703 is due within one year and \$774,458 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.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 14 - LONG-TERM OBLIGATIONS**

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

During 2015, the following changes occurred in the County's governmental activities long-term obligations. Long-term obligations have been restated as described in Note 3.

|   | <u>Maturity<br/>Date</u> | <u>Interest<br/>Rate</u> | <u>Restated<br/>Balance<br/>12/31/14</u> | <u>Additions</u>    | <u>Reductions</u>     | <u>Balance<br/>12/31/15</u> | <u>Amount<br/>Due in<br/>One Year</u> |
|---|--------------------------|--------------------------|--|---------------------|-----------------------|-----------------------------|---------------------------------------|
| <u>General obligation bonds:</u>            |                          |                          |  |                     |                       |                             |                                       |
| County services facility refunding bonds    | 2022                     | 1.0-2.5%                 | \$ 1,185,000                             | \$ -                | \$ (135,000)          | \$ 1,050,000                | \$ 140,000                            |
| Courthouse Improvement bonds                | 2035                     | 1.0-4.50%                | 2,010,000                                | -                   | (70,000)              | 1,940,000                   | 75,000                                |
| Various purpose bonds                       | 2033                     | 3.00-5.375%              | 3,375,000                                | -                   | (3,000,000)           | 375,000                     | 120,000                               |
| Various purpose refunding bonds             | 2033                     | 1.20-4.00                | <u>-</u>                                 | <u>3,240,000</u>    | <u>(45,000)</u>       | <u>3,195,000</u>            | <u>30,000</u>                         |
| Total general obligation bonds              |                          |                          | <u>6,570,000</u>                         | <u>3,240,000</u>    | <u>(3,250,000)</u>    | <u>6,560,000</u>            | <u>365,000</u>                        |
| <u>Loans payable:</u>                       |                          |                          |  |                     |                       |                             |                                       |
| JFS service garage                          | 2026                     | 4.55%                    | <u>176,000</u>                           | <u>-</u>            | <u>(11,000)</u>       | <u>165,000</u>              | <u>12,000</u>                         |
| <u>OWDA loans payable:</u>                  |                          |                          |  |                     |                       |                             |                                       |
| OWDA loan payable                           | 2023                     | 0.00%                    | <u>31,875</u>                            | <u>-</u>            | <u>(3,750)</u>        | <u>28,125</u>               | <u>3,750</u>                          |
| <u>Other long-term obligations:</u>         |                          |                          |  |                     |                       |                             |                                       |
| Compensated absences payable                |                          |                          | 932,058                                  | 141,314             | (110,211)             | 963,032                     | 188,671                               |
| Net pension liability                       |                          |                          | 10,486,680                               | 254,939             | -                     | 10,741,619                  | -                                     |
| Capital lease payable                       |                          |                          | <u>152,775</u>                           | <u>95,327</u>       | <u>(74,736)</u>       | <u>173,366</u>              | <u>54,169</u>                         |
| Total other long-term obligations           |                          |                          | <u>11,571,513</u>                        | <u>491,580</u>      | <u>(184,947)</u>      | <u>11,878,017</u>           | <u>242,840</u>                        |
| Total long-term obligations                 |                          |                          | \$ 18,349,388                            | <u>\$ 3,731,580</u> | <u>\$ (3,449,697)</u> | \$ 18,631,142               | <u>\$ 623,590</u>                     |
| Less: unamortized discount on bonds         |                          |                          | (33,466)                                 |                     |                       | (9,904)                     |                                       |
| Add: unamortized premium                    |                          |                          | <u>1,446</u>                             |                     |                       | <u>161,667</u>              |                                       |
| Total reported on statement of net position |                          |                          | <u>\$ 18,317,368</u>                     |                     |                       | <u>\$ 18,782,905</u>        |                                       |



MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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 \$375,000 will mature in 2018. A principal payment of \$120,000 was made on the remaining debt during 2015.

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 2015, principal payments amounted to \$70,000.

During 2015, a principal payment of \$135,000 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 2015, a principal payment of \$135,000 was made from the social services bond retirement fund (a nonmajor governmental fund). The balance of the refunded bonds at December 31, 2015 was \$1,050,000.

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<br/>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  
FOR THE YEAR ENDED DECEMBER 31, 2015

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<br/>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 2015, a principal payment of \$45,000 was made from the social services bond retirement fund (a nonmajor governmental fund). The balance of the refunded bonds at December 31, 2015 was \$3,195,000.

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<br/>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<br/>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  
FOR THE YEAR ENDED DECEMBER 31, 2015

**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<br/>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<br/>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<br/>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 2015, the County made principal payments of \$3,750 on this loan leaving a balance at December 31, 2015 of \$28,125. 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 2015, the County made principal payments of \$11,000 on this loan leaving a balance of \$165,000 at December 31, 2015. This loan is being retired from the JFS service garage fund (a nonmajor governmental fund).

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**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<br>December 31, | General Obligation Bonds |                     |                     | Courthouse Renovation Bonds |                   |                     |
|----------------------------|--------------------------|---------------------|---------------------|-----------------------------|-------------------|---------------------|
|                            | Principal                | Interest            | Total               | Principal                   | Interest          | Total               |
| 2016                       | \$ 290,000               | \$ 284,667          | \$ 574,667          | \$ 75,000                   | \$ 72,969         | \$ 147,969          |
| 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 - 2025                | 1,250,000                | 435,363             | 1,685,363           | 420,000                     | 298,669           | 718,669             |
| 2026 - 2030                | 1,075,000                | 270,200             | 1,345,200           | 520,000                     | 203,231           | 723,231             |
| 2031 - 2035                | 750,000                  | 60,797              | 810,797             | 625,000                     | 84,800            | 709,800             |
| Total                      | <u>\$ 4,620,000</u>      | <u>\$ 1,819,994</u> | <u>\$ 6,439,994</u> | <u>\$ 1,940,000</u>         | <u>\$ 938,570</u> | <u>\$ 2,878,570</u> |

| Year Ended<br>December 31, | JFS Service Garage Loan |                  |                   | OWDA Loans       |             |                  |
|----------------------------|-------------------------|------------------|-------------------|------------------|-------------|------------------|
|                            | Principal               | Interest         | Total             | Principal        | Interest    | Total            |
| 2016                       | \$ 12,000               | \$ 7,598         | \$ 19,598         | \$ 3,750         | \$ -        | \$ 3,750         |
| 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 - 2025                | 81,000                  | 15,703           | 96,703            | 9,375            | -           | 9,375            |
| 2026                       | 18,000                  | 829              | 18,829            | -                | -           | -                |
| Total                      | <u>\$ 165,000</u>       | <u>\$ 48,675</u> | <u>\$ 213,675</u> | <u>\$ 28,125</u> | <u>\$ -</u> | <u>\$ 28,125</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  
FOR THE YEAR ENDED DECEMBER 31, 2015

**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 \$11,628,881 at December 31, 2015 and the unvoted legal debt margin was \$7,982,959 at December 31, 2015.

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

During 2015, 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 | Restated             |                     | Balance               |                      | Amount            |
|--|----------|----------------------|---------------------|-----------------------|----------------------|-------------------|
|  | Rate     | Balance              | Additions           | Reductions            | 12/31/15             | Due in            |
|  |          | 12/31/14             |                     |                       |                      | One Year          |
| Capital lease payable                                |          | \$ 90,753            | \$ -                | \$ (69,777)           | \$ 20,976            | \$ 5,278          |
| Sanitary sewer revenue bonds, series 2011            | 2.75%    | 591,901              | -                   | (9,425)               | 582,476              | 9,640             |
| Hospital facilities revenue bonds, series 2011       | 3.50%    | 1,139,206            | -                   | (270,071)             | 869,135              | 279,595           |
| Net pension liability                                |          | 8,886,838            | 205,361             | -                     | 9,092,199            | -                 |
| Compensated absences payable                         |          | 611,996              | 920,160             | (865,253)             | 666,903              | 666,903           |
| Total business-type activities long-term obligations |          | <u>\$ 11,320,694</u> | <u>\$ 1,125,521</u> | <u>\$ (1,214,526)</u> | <u>\$ 11,231,689</u> | <u>\$ 961,416</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  
FOR THE YEAR ENDED DECEMBER 31, 2015

**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, 2015, the Hospital had issued \$869,135 of the total authorized. No amortization schedule is available at this time; the project is still in progress.

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

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

| Year Ended<br>December 31, | Sanitary Sewer Revenue Bonds |            |            |
|----------------------------|------------------------------|------------|------------|
|                            | Principal                    | Interest   | Total      |
| 2016                       | \$ 9,640                     | \$ 16,055  | \$ 25,695  |
| 2017                       | 9,949                        | 15,746     | 25,695     |
| 2018                       | 10,223                       | 15,472     | 25,695     |
| 2019                       | 10,504                       | 15,191     | 25,695     |
| 2020                       | 10,752                       | 14,943     | 25,695     |
| 2021 - 2025                | 58,536                       | 69,939     | 128,475    |
| 2026 - 2030                | 67,044                       | 61,431     | 128,475    |
| 2031 - 2035                | 76,788                       | 51,687     | 128,475    |
| 2036 - 2040                | 87,928                       | 40,547     | 128,475    |
| 2041 - 2045                | 100,734                      | 27,741     | 128,475    |
| 2046 - 2050                | 115,374                      | 13,101     | 128,475    |
| 2051                       | 25,004                       | 688        | 25,692     |
| Total                      | \$ 582,476                   | \$ 342,541 | \$ 925,017 |

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 2015 recorded in the Hospital enterprise fund was \$25,476,547.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**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 2015, 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<br>Liability (per occurrence) | 1,000,000         |
| Medical Payments   |                   |
| Per Person   | 5,000             |
| Per Occurrence   | 50,000            |
| Uninsured/Underinsured Motorists (per person)                          | 250,000           |
| 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.

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.

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - RISK MANAGEMENT - (Continued)

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

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

The Hospital is partially self-insured under a plan covering substantially all employees for health benefits. The plan is covered by a stop-loss policy that covers claims over \$125,000 per employee and provides up to a maximum benefits of \$875,000 per person. Claims, charged to operations when incurred, were approximately \$2,647,346 for the year ended December 31, 2015.

A reconciliation of accrued health insurance for the Hospital at December 31, 2015 consists of the following:

|                              |                    |
|------------------------------|--------------------|
| Balance at January 1, 2015   | \$ 636,727         |
| Health insurance expense     | 2,647,346          |
| Payments made                | <u>(2,716,986)</u> |
| Balance at December 31, 2015 | <u>\$ 567,087</u>  |

The beginning balance at January 1, 2013 was restated to properly reflect amounts due.

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.



**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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. 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:

|  | State<br>and Local | Public<br>Safety | Law<br>Enforcement |
|--|--------------------|------------------|--------------------|
| <b>2015 Statutory Maximum Contribution Rates</b> |                    |                  |                    |
| Employer   | 14.0 %             | 18.1 %           | 18.1 %             |
| Employee   | 10.0 %             | 12.0 %           | 12.0 %             |
| <b>2015 Actual Contribution Rates</b>            |                    |                  |                    |
| Employer:  |                    |                  |                    |
| Pension  | 12.0 %             | 14.1 %           | 14.1 %             |
| Post-employment Health Care Benefits             | 2.0 %              | 4.0 %            | 4.0 %              |
| Total Employer                                   | 14.0 %             | 18.1 %           | 18.1 %             |
| Employee   | 10.0 %             | 11.5 %           | 12.1 %             |

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

The County's contractually required contribution for both the Traditional Pension Plan and the Combined Plan was \$2,186,145 for 2015. Of this amount, \$166,955 is reported as due to other governments.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**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.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**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, 2015 through June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. For July 1, 2015 through December 31, 2015, plan members were required to contribute 13 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 2015 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was \$8,715 for 2015.

***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, respectively, were measured as of December 31, 2014, 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 total pension liability was measured as of June 30, 2015, 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>  |
|--|---------------|-------------|---------------|
| Proportionate share of the net pension liability | \$ 19,677,796 | \$ 156,022  | \$ 19,833,818 |
| Proportionate share of the net pension asset     | 47,324        | -           | 47,324        |
| Proportion of the net pension liability          | 0.16373800%   | 0.00056540% |               |
| Proportion of the net pension asset              | 0.05303900%   |             |               |
| Pension expense                                  | \$ 1,980,080  | \$ 20,436   | \$ 2,000,516  |

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>OPERS</u>        | <u>STRS</u>      | <u>Total</u>        |
|--|---------------------|------------------|---------------------|
| <b>Deferred outflows of resources</b>  |                     |                  |                     |
| Differences between expected and actual experience                                 | \$ -                | \$ 8,125         | \$ 8,125            |
| Net difference between projected and actual earnings on pension plan investments   | 1,052,836           | -                | 1,052,836           |
| Difference between employer contributions and proportionate share of contributions | -                   | 198              | 198                 |
| County contributions subsequent to the measurement date                            | <u>2,186,145</u>    | <u>4,358</u>     | <u>2,190,503</u>    |
| Total deferred outflows of resources   | <u>\$ 3,238,981</u> | <u>\$ 12,681</u> | <u>\$ 3,251,662</u> |
| <b>Deferred inflows of resources</b>   |                     |                  |                     |
| Differences between expected and actual experience                                 | \$ 360,140          | \$ -             | \$ 360,140          |
| Net difference between projected and actual earnings on pension plan investments   | -                   | 30,671           | 30,671              |
| Difference between employer contributions and proportionate share of contributions | <u>78,909</u>       | <u>2,690</u>     | <u>81,599</u>       |
| Total deferred inflows of resources  | <u>\$ 439,049</u>   | <u>\$ 33,361</u> | <u>\$ 472,410</u>   |

\$2,196,775 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

|                          | <u>OPERS</u>      | <u>STRS</u>        | <u>Total</u>      |
|--------------------------|-------------------|--------------------|-------------------|
| Year Ending December 31: |                   |                    |                   |
| 2016                     | \$ 65,574         | \$ (7,795)         | \$ 57,779         |
| 2017                     | 65,574            | (7,795)            | 57,779            |
| 2018                     | 228,726           | (7,795)            | 220,931           |
| 2019                     | 261,489           | (1,653)            | 259,836           |
| 2020                     | (1,717)           | -                  | (1,717)           |
| Thereafter               | <u>(5,856)</u>    | <u>-</u>           | <u>(5,856)</u>    |
| Total                    | <u>\$ 613,790</u> | <u>\$ (25,038)</u> | <u>\$ 588,752</u> |

MORROW COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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 in the December 31, 2014, 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 | 4.25 to 10.05 percent including wage inflation |
| COLA or ad hoc COLA                          | 3 percent, 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 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 6.95 percent for 2014.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**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 2014 and the long-term expected real rates of return:

| Asset Class            | Target<br>Allocation | Weighted Average<br>Long-Term Expected<br>Real Rate of Return<br>(Arithmetic) |
|------------------------|----------------------|---|
| Fixed income           | 23.00 %              | 2.31 %  |
| Domestic equities      | 19.90                | 5.84  |
| Real estate            | 10.00                | 4.25  |
| Private equity         | 10.00                | 9.25  |
| International equities | 19.10                | 7.40  |
| Other investments      | 18.00                | 4.59  |
| <b>Total</b>           | <b>100.00 %</b>      | <b>5.28 %</b>   |

**Discount Rate** - The discount rate used to measure the total pension liability/asset was 8 percent for both the Traditional Pension Plan and the Combined 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 statutorily required rates. 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 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<br>(7.00%) | Current<br>Discount Rate<br>(8.00%) | 1% Increase<br>(9.00%) |
|---|------------------------|-------------------------------------|------------------------|
| County's proportionate share<br>of the net pension liability (asset): |                        |                                     |                        |
| Traditional Pension Plan  | \$ 36,331,825          | \$ 19,677,796                       | \$ 5,781,589           |
| Combined Plan   | 6,163                  | (47,324)                            | (89,982)               |



**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

*Actuarial Assumptions - STRS*

The total pension liability in the June 30, 2015, 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, 2015, 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, 2015. 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, 2015. 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, 2015.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**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<br>(6.75%) | Current<br>Discount Rate<br>(7.75%) | 1% Increase<br>(8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| County's proportionate share<br>of the net pension liability | \$ 216,727             | \$ 156,022                          | \$ 104,688             |

**NOTE 18 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement**

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but 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 administrated in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2015 local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2015 was 2.00% for members in the state and local category and 4.00% for members in the public safety and law enforcement categories.

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.

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$177,759, \$418,385, and \$208,446, respectively; 98.27% has been contributed for 2015 and 100% has been contributed for 2014 and 2013. The remaining 2015 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

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 2015, 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, 2015, 2014 and 2013 were \$0, \$614 and \$545, respectively. The full amount has been contributed for 2015, 2014 and 2013.

**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);

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**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<br>and<br><u>Gas Tax</u> | Public<br><u>Assistance</u> | County Board<br>of<br>Developmental<br><u>Disabilities</u> |
|---|---------------------|--|-----------------------------|--|
| Budget basis                            | \$ (572,311)        | \$ (1,183,030)                         | \$ (219,448)                | \$ 121,230   |
| Net adjustment for revenue accruals     | 34,214              | 95,172                                 | 26,493                      | (24,392)   |
| Net adjustment for expenditure accruals | (62,981)            | (909,591)                              | 459,011                     | (119,289)  |
| Net adjustment for other sources/uses   | 58,457              | 34,773                                 |                             | -  |
| Funds budgeted elsewhere                | 43,773              | -                                      | -                           | -  |
| Adjustment for encumbrances             | <u>609,151</u>      | <u>1,051,929</u>                       | <u>24,137</u>               | <u>147,834</u>   |
| GAAP basis                              | <u>\$ 110,303</u>   | <u>\$ (910,747)</u>                    | <u>\$ 290,193</u>           | <u>\$ 125,383</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.

**MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**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<br>Vehicle<br>and Gas Tax | Public<br>Assistance | County Board<br>of Developmental<br>Disabilities | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|----------------------------------|---------------------|---------------------------------|----------------------|--|-----------------------------------|--------------------------------|
| Nonspendable:                    |                     |                                 |                      |  |                                   |                                |
| Materials and supplies inventory | \$ 16,313           | \$ 225,386                      | \$ 5,459             | \$ 1,984   | \$ 1,827                          | \$ 250,969                     |
| Prepays                          | 95,204              | 26,850                          | 35,246               | 38,774   | 27,624                            | 223,698                        |
| Unclaimed monies                 | 80,925              | -                               | -                    | -  | -                                 | 80,925                         |
| Total nonspendable               | <u>192,442</u>      | <u>252,236</u>                  | <u>40,705</u>        | <u>40,758</u>                                    | <u>29,451</u>                     | <u>555,592</u>                 |
| Restricted:                      |                     |                                 |                      |  |                                   |                                |
| General government               | -                   | -                               | -                    | -  | 927,085                           | 927,085                        |
| Public safety                    | -                   | -                               | -                    | -  | 591,121                           | 591,121                        |
| Public works                     | -                   | 1,079,595                       | -                    | -  | 1,798                             | 1,081,393                      |
| Human services                   | -                   | -                               | 885,078              | -  | 563,536                           | 1,448,614                      |
| Health                           | -                   | -                               | -                    | 626,404  | 82,774                            | 709,178                        |
| Debt service                     | -                   | -                               | -                    | -  | 30,908                            | 30,908                         |
| Economic and development         | -                   | -                               | -                    | -  | 1,093,764                         | 1,093,764                      |
| Other purposes                   | -                   | -                               | -                    | -  | 1,228,517                         | 1,228,517                      |
| Total restricted                 | <u>-</u>            | <u>1,079,595</u>                | <u>885,078</u>       | <u>626,404</u>                                   | <u>4,519,503</u>                  | <u>7,110,580</u>               |
| Committed:                       |                     |                                 |                      |  |                                   |                                |
| Self-Insurance                   | 478,365             | -                               | -                    | -  | -                                 | 478,365                        |
| Capital projects                 | -                   | -                               | -                    | -  | 704,339                           | 704,339                        |
| Other purposes                   | -                   | -                               | -                    | -  | 945,781                           | 945,781                        |
| Total committed                  | <u>478,365</u>      | <u>-</u>                        | <u>-</u>             | <u>-</u>   | <u>1,650,120</u>                  | <u>2,128,485</u>               |
| Assigned:                        |                     |                                 |                      |  |                                   |                                |
| General government               | 306,655             | -                               | -                    | -  | -                                 | 306,655                        |
| Public safety                    | 142,251             | -                               | -                    | -  | -                                 | 142,251                        |
| Human services                   | 145,544             | -                               | -                    | -  | -                                 | 145,544                        |
| Health                           | 14,651              | -                               | -                    | -  | -                                 | 14,651                         |
| Sheriff's rotary                 | 47,867              | -                               | -                    | -  | -                                 | 47,867                         |
| Prepayments interest account     | 6,625               | -                               | -                    | -  | -                                 | 6,625                          |
| Motor vehicle bond retirement    | -                   | -                               | -                    | -  | 148,103                           | 148,103                        |
| Subsequent year appropriations   | 1,468,045           | -                               | -                    | -  | -                                 | 1,468,045                      |
| Other purposes                   | 15,614              | -                               | -                    | -  | -                                 | 15,614                         |
| Total assigned                   | <u>2,147,252</u>    | <u>-</u>                        | <u>-</u>             | <u>-</u>   | <u>148,103</u>                    | <u>2,295,355</u>               |
| Unassigned                       | <u>1,033,615</u>    | <u>-</u>                        | <u>-</u>             | <u>-</u>   | <u>-</u>                          | <u>1,033,615</u>               |
| Total fund balances              | <u>\$ 3,851,674</u> | <u>\$ 1,331,831</u>             | <u>\$ 925,783</u>    | <u>\$ 667,162</u>                                | <u>\$ 6,347,177</u>               | <u>\$ 13,123,627</u>           |

**MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**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<br/>Encumbrances</u> |
|--|----------------------------------|
| General                                    | \$ 650,134                       |
| Motor vehicle and gas tax                  | 53,800                           |
| Public assistance                          | 561,070                          |
| County Board of Developmental Disabilities | 44,399                           |
| Other governmental                         | <u>317,486</u>                   |
| <br>Total                                  | <br><u>\$ 1,626,889</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, 2015.

**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, 2015

**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, 2015, the County’s contributions totaled \$523,147.

**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, 2015

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

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

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

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

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

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

**C. Cash and Cash Equivalents**

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

| <u>Depository</u>        | <u>Description</u> | <u>Balance<br/>12/31/15</u> |
|--------------------------|--------------------|-----------------------------|
| First Federal            | Operating account  | \$ 12,970                   |
| First Federal            | Payroll account    | 654                         |
| First Knox National Bank | Operating account  | \$ 18,789                   |
| First Knox National Bank | Payroll account    | 2,215                       |
| Cash on hand             | Operations         | <u>355</u>                  |
| Total                    |                    | <u>\$ 34,983</u>            |

The Workshop has three negotiable certificates of deposit at December 31, 2015. 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 0.40% to 1.15%.

**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, 2015

**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 2015:

|                          | Balance<br>12/31/14 | Additions         | Reductions  | Balance<br>12/31/15 |
|--------------------------|---------------------|-------------------|-------------|---------------------|
| Property and equipment   | \$ 63,383           | \$ -              | \$ -        | \$ 63,383           |
| Accumulated depreciation | <u>(43,853)</u>     | <u>(4,521)</u>    | <u>-</u>    | <u>(48,374)</u>     |
| Total                    | <u>\$ 19,530</u>    | <u>\$ (4,521)</u> | <u>\$ -</u> | <u>\$ 15,009</u>    |

**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 \$646,000 for the year ended December 31, 2015. Amounts due to OhioHealth for services amounted to approximately \$313,000 at December 31, 2015 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, 2015**

**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.

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 TWO YEARS

|   | <u>2014</u>   | <u>2013</u>   |
|---|---------------|---------------|
| <i>Traditional Plan:</i>  |               |               |
| County's proportion of the net pension liability  | 0.16373800%   | 0.16373800%   |
| County's proportionate share of the net pension liability   | \$ 10,600,961 | \$ 10,361,522 |
| County's covered-employee payroll   | \$ 8,669,350  | \$ 18,309,523 |
| County's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 122.28%       | 56.59%        |
| Plan fiduciary net position as a percentage of the total pension liability                                | 86.45%        | 86.36%        |
| <i>Combined Plan:</i>   |               |               |
| County's proportion of the net pension asset  | 0.053039%     | 0.053039%     |
| County's proportionate share of the net pension asset   | \$ 20,286     | \$ 5,528      |
| County's covered-employee payroll   | \$ 193,875    | \$ 149,477    |
| County's proportionate share of the net pension asset as a percentage of its covered-employee payroll     | 10.46%        | 3.70%         |
| Plan fiduciary net position as a percentage of the total pension asset                                    | 114.83%       | 104.56%       |

Note: Information prior to 2013 was unavailable.

Amounts presented as of the County's measurement date which is the prior year.

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

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

Note: Information prior to 2014 was unavailable.

Amounts presented as of the County's measurement date which is as of June 30 of the respective year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**MORROW COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

|  | <b>2015</b>  | <b>2014</b>  | <b>2013</b>   | <b>2012</b>   |
|--|--------------|--------------|---------------|---------------|
| <i>Traditional Plan:</i>   |              |              |               |               |
| Contractually required contribution                                  | \$ 1,044,651 | \$ 1,040,322 | \$ 2,380,238  | \$ 1,914,412  |
| Contributions in relation to the contractually required contribution | (1,044,651)  | (1,040,322)  | (2,380,238)   | (1,914,412)   |
| Contribution deficiency (excess)                                     | \$ -         | \$ -         | \$ -          | \$ -          |
| County's covered-employee payroll                                    | \$ 8,705,425 | \$ 8,669,350 | \$ 18,309,523 | \$ 19,144,120 |
| Contributions as a percentage of covered-employee payroll            | 12.00%       | 12.00%       | 13.00%        | 10.00%        |
| <br><i>Combined Plan:</i>  |              |              |               |               |
| Contractually required contribution                                  | \$ 22,400    | \$ 23,265    | \$ 19,432     | \$ 11,282     |
| Contributions in relation to the contractually required contribution | (22,400)     | (23,265)     | (19,432)      | (11,282)      |
| Contribution deficiency (excess)                                     | \$ -         | \$ -         | \$ -          | \$ -          |
| County's covered-employee payroll                                    | \$ 186,667   | \$ 193,875   | \$ 149,477    | \$ 141,912    |
| Contributions as a percentage of covered-employee payroll            | 12.00%       | 12.00%       | 13.00%        | 7.95%         |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2011</u>        | <u>2010</u>        | <u>2009</u>        | <u>2008</u>        | <u>2007</u>        | <u>2006</u>        |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 1,975,068       | \$ 1,635,787       | \$ 1,516,025       | \$ 1,413,501       | \$ 2,843,759       | \$ 2,658,918       |
| <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>(2,658,918)</u> |
| <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| \$ 19,750,680      | \$ 18,338,419      | \$ 18,647,294      | \$ 20,192,871      | \$ 34,056,994      | \$ 28,901,283      |
| 10.00%             | 8.92%              | 8.13%              | 7.00%              | 8.35%              | 9.20%              |
| \$ 8,478           | \$ 16,227          | \$ -               | \$ -               | \$ -               | \$ -               |
| <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>        | <u>\$ -</u>        |
| \$ 106,642         | \$ 167,461         | \$ -               | \$ -               | \$ -               | \$ -               |
| 7.95%              | 9.69%              | 8.13%              | 7.00%              | 8.35%              | 9.20%              |

**MORROW COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

|  | <u>2015</u>    | <u>2014</u>    | <u>2013</u>    | <u>2012</u>    |
|--|----------------|----------------|----------------|----------------|
| Contractually required contribution                                  | \$ 8,715       | \$ 7,977       | \$ 7,091       | \$ 7,681       |
| Contributions in relation to the contractually required contribution | <u>(8,715)</u> | <u>(7,977)</u> | <u>(7,091)</u> | <u>(7,681)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| County's covered-employee payroll                                    | \$ 62,250      | \$ 61,362      | \$ 54,546      | \$ 59,085      |
| Contributions as a percentage of covered-employee payroll            | 14.00%         | 13.00%         | 13.00%         | 13.00%         |



| <u>2011</u>    | <u>2010</u>    | <u>2009</u>    | <u>2008</u>    | <u>2007</u>    | <u>2006</u>    |
|----------------|----------------|----------------|----------------|----------------|----------------|
| \$ 7,587       | \$ 7,358       | \$ 7,144       | \$ 6,862       | \$ 7,105       | \$ 7,000       |
| <u>(7,587)</u> | <u>(7,358)</u> | <u>(7,144)</u> | <u>(6,862)</u> | <u>(7,105)</u> | <u>(7,000)</u> |
| <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| \$ 58,362      | \$ 56,600      | \$ 54,954      | \$ 52,785      | \$ 54,654      | \$ 53,846      |
| 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, 2015

*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. 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 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS.**

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

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Morrow County, Ohio, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Morrow County's basic financial statements and have issued our report thereon dated June 20, 2016. Other auditors audited the financial statements of the Morrow County Hospital, a major enterprise fund, as described in our report on Morrow County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that those auditors separately reported. Other auditors audited the financial statements of Whetstone Industries, Inc., a component unit, in accordance with auditing standards generally accepted in the United States of America and not in accordance with Government Auditing Standards and , accordingly, this report does not extend to that component unit. We noted the County adopted Governmental Accounting Standards No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB No. 68*".

***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of Morrow County's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2015-001 to be a significant deficiency.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Morrow County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

***Entity's Response to Findings***

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

***Purpose of this Report***

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

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
June 20, 2016

**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

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

To the Board of County Commissioners:

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

We have audited Morrow County's compliance with the applicable requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could directly and materially affect each of Morrow County's major federal programs for the year ended December 31, 2015. The *Summary of Audit Results* in the accompanying schedule of findings identifies Morrow County's major federal programs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion***

In our opinion, Morrow County complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2015.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance with Uniform Guidance requires us to report, described in the accompanying schedule of findings as item 2015-002. This finding did not require us to modify our compliance opinion on the major federal program.

The County's response to our noncompliance finding is described in the accompanying schedule of findings. We did not audit the County's response and, accordingly, we express no opinion on it.

### **Report on Internal Control Over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent or to timely detect and correct noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2015-002.

The County's response to the internal control over compliance finding we identified is described in the accompanying schedule of findings. We did not audit the County's response and, accordingly, we express no opinion on it.

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

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
June 20, 2016

**MORROW COUNTY  
SCHEDULE OF FINDINGS  
December 31, 2015**

**1. Summary of Auditor's Results**

|              |  |  |
|--------------|--|--|
| (d)(1)(I)    | Type of Financial Statement Opinion  | Unmodified   |
| (d)(1)(ii)   | Were there any material control weakness conditions reported at the financial statement level (GAGAS)?               | No   |
| (d)(1)(ii)   | Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)? | Yes  |
| (d)(1)(iii)  | Was there any reported non-compliance at the financial statement level (GAGAS)?                                      | No   |
| (d)(1)(iv)   | Were there any material internal control weakness conditions reported for major federal programs?                    | No   |
| (d)(1)(iv)   | Were there any other significant deficiencies in internal control reported for major federal programs?               | No   |
| (d)(1)(v)    | Type of Major Programs' Compliance Opinion   | Unmodified   |
| (d)(1)(vi)   | Are there any reportable findings under section. 510?  | No   |
| (d)(1)(vii)  | Major Programs:  | Medical Assistance; CFDA #97.778<br>TANF, CFDA #93.558 |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs:   | Type A: >\$750,000; Type B: All Others                 |
| (d)(1)(ix)   | Low Risk Auditee?  | Yes  |

**2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS**

**FINDING NUMBER 2015-001**

**Significant Deficiency – Capital Assets**

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. This responsibility remains intact even if management decides to outsource this function for efficiency purposes or any other reason. It is important that control procedures are developed related to capital assets that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

**MORROW COUNTY  
SCHEDULE OF FINDINGS  
December 31, 2015**

**2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS (continued)**

**FINDING NUMBER 2015-001 (Continued)**

The County has not had an appraisal related to capital assets inventory in several years. Capital asset records are updated during each year by additions and disposals via the financial statements and are not maintained by the County on a regular basis.

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

While alternative and various methods of testing were able to be performed for purposes of the audit, the County lacks internal controls over their reporting of capital assets.

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

**Client Response:** The County will consider preparing a physical inventory in the future.

**3. Findings and Questioned Costs for Federal Awards**

**FINDING NUMBER 2015-002**

Grant Title – Community Development Block Grant  
CFDA #14.228  
Federal Agency – U.S. Department of Housing and Urban Development  
Pass Through Agency – Ohio Department of Development

Noncompliance/Significant Deficiency – Cash Management

Grantees must develop a cash management system to ensure compliance with the Fifteen-Day Rule relating to prompt disbursements of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds. Lump sum draw downs are not permitted. Escrow accounts are permitted only in the case of rehabilitation of private property. For the purpose of the Fifteen-Day Rule only, funds deposited into an escrow account will be considered expended, but it should be noted that funds may only be in an escrow account for 20 days. In 2015, draw downs were made but the disbursements made did not bring the balance on hand to \$5,000.

**Client Response and Corrective Action Plan:** We will closely monitor draw downs and the expenditures to try to be in compliance with this rule.



**MORROW COUNTY**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

| Federal Grantor/<br>Sub-Grantor<br>Program Title                                     | Pass Through<br>Entity Number | Federal<br>CFDA<br>Number | Receipts       | Expenditures   | Expenditures<br>to<br>Subrecipients |
|--|-------------------------------|---------------------------|----------------|----------------|-------------------------------------|
| <b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u></b>                      |                               |                           |                |                |                                     |
| <b>(Pass through Ohio Department of Development)</b>                                 |                               |                           |                |                |                                     |
| Community Development Block Grant  | BF-14-1CB-1                   | 14.228                    | \$ 375,000     | \$ 375,000     |                                     |
|  | BC-14-1CB-1                   |                           | 150,171        | 149,297        |                                     |
|  | Program Income                |                           | 7,684          | 4,487          |                                     |
|  | Program Income                |                           | 19,580         | 8,495          |                                     |
|  |                               |                           | <u>552,435</u> | <u>537,279</u> |                                     |
| HOME Partnership Grant   | BC-14-1CB-2                   | 14.239                    | 112,456        | 109,563        |                                     |
|  | Program Income                |                           | 6,454          | 4,589          |                                     |
|  |                               |                           | <u>118,910</u> | <u>114,152</u> |                                     |
| <b>Total U.S. Department of Housing and Urban Development</b>                        |                               |                           | <b>671,345</b> | <b>651,431</b> |                                     |
| <b><u>U.S. DEPARTMENT OF JUSTICE:</u></b>  |                               |                           |                |                |                                     |
| <b>Pass through Ohio Attorney General's Office</b>                                   |                               |                           |                |                |                                     |
| Byrne JAG Program  | 2014-DL-LEF-5808              | 16.738                    | <b>2,158</b>   | <b>2,158</b>   |                                     |
| Crime Victim Assistance  | 2016-SVAA-19812569            | 16.575                    | 6,318          | 6,318          |                                     |
|  | 2015-SVAA-10201550            |                           | 24,388         | 24,388         |                                     |
|  |                               |                           | <u>30,706</u>  | <u>30,706</u>  |                                     |
| <b>Total U.S. Department of Justice</b>  |                               |                           | <b>32,864</b>  | <b>32,864</b>  |                                     |
| <b><u>U.S. DEPARTMENT OF LABOR:</u></b>  |                               |                           |                |                |                                     |
| <b>Pass through Ohio Department of JFS and Area 7<br/>Workforce Investment Board</b> |                               |                           |                |                |                                     |
| Workforce Investment Act Cluster:  |                               |                           |                |                |                                     |
| WIA Adult  | 2014/2015 7259-1              | 17.258                    | 45,313         | 44,816         |                                     |
| WIA Adult Administration   |                               |                           | 1,886          | 1,716          |                                     |
| Total WIA Adult  |                               |                           | <u>47,199</u>  | <u>46,532</u>  |                                     |
| WIA Youth Activities   | 2014/2015 7259-1              | 17.259                    | 48,337         | 46,997         |                                     |
| WIA Youth Administration   |                               |                           | 102            | 102            |                                     |
| Total WIA Youth  |                               |                           | <u>48,439</u>  | <u>47,099</u>  |                                     |
| WIA Dislocated Worker  | 2014/2015 7259-1              | 17.278                    | 66,369         | 64,814         |                                     |
| WIA Dislocated Worker Administration   |                               |                           | 1,862          | 1,573          |                                     |
| Total WIA Dislocated Worker  |                               |                           | <u>68,231</u>  | <u>66,387</u>  |                                     |
| <b>Total Workforce Investment Act Cluster</b>  |                               |                           | <b>163,869</b> | <b>160,018</b> |                                     |
| <b>Total U.S. Department of Labor</b>  |                               |                           | <b>163,869</b> | <b>160,018</b> |                                     |
| <b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>                                      |                               |                           |                |                |                                     |
| <b>Pass through Ohio Department of Transportation</b>                                |                               |                           |                |                |                                     |
| State and Community Highway Safety   | STEP-2015-59-00-00-00538      | 20.600                    | <b>9,083</b>   | <b>9,083</b>   |                                     |
| National Priority Safety Programs  | IDEP-2015-59-00-00-00408      | 20.616                    | <b>13,061</b>  | <b>13,061</b>  |                                     |
| <b>Transit Services Program Cluster:</b>   |                               |                           |                |                |                                     |
| Enhanced Mobility of Seniors/Individuals with Disabilities                           | OPCX0059-010151               | 20.513                    | 37,018         | 62,229         |                                     |
| Job Access and Reverse Commute Program   | JARC4059-103151               | 20.516                    | 28,051         | 31,221         |                                     |
| <b>Total Transit Services Program Cluster</b>  |                               |                           | <b>65,069</b>  | <b>93,450</b>  |                                     |

See notes to Schedule of Federal Awards Expenditures.

**MORROW COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

| Federal Grantor/<br>Sub-Grantor<br>Program Title            | Pass Through<br>Entity Number | Federal<br>CFDA<br>Number | Receipts         | Expenditures     | Expenditures<br>to<br>Subrecipients |
|---|-------------------------------|---------------------------|------------------|------------------|-------------------------------------|
| <b>FAA Direct Award</b>                                     |                               |                           |                  |                  |                                     |
| Airport Improvement Grant                                   | 3-39-0114-011-2013            | 20.106                    | 20,302           | 20,697           |                                     |
|   |                               |                           | <b>20,302</b>    | <b>20,697</b>    |                                     |
| <b>Total U.S. Department of Transportation</b>              |                               |                           | <b>107,515</b>   | <b>136,291</b>   |                                     |
| <b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u></b> |                               |                           |                  |                  |                                     |
| <b>Pass through Ohio Department of DD</b>                   |                               |                           |                  |                  |                                     |
| Social Services Block Grant                                 | n/a                           | 93.667                    | 26,869           | 26,869           |                                     |
| <b>Pass through Ohio Department of Mental Health</b>        |                               |                           |                  |                  |                                     |
| Promoting Safe and Stable Families                          | 5AU-15-100-22-059             | 93.556                    | 5,977            | 5,977            |                                     |
| Substance Abuse and Mental Health Services                  | n/a                           | 93.243                    | 4,422            | 4,422            |                                     |
| <b>Pass through Ohio Department of JFS</b>                  |                               |                           |                  |                  |                                     |
| Temporary Assistance to Needy Families (TANF)               | G-1415-11-5404                | 93.558                    | 468,893          | 507,224          |                                     |
| Promoting Safe and Stable Families                          | G-1415-11-5404                | 93.556                    | 27,799           | 24,829           |                                     |
| Medical Assistance Program                                  | G-1415-11-5404                | 93.778                    | 1,290,764        | 1,152,116        | 779,526                             |
| Child Welfare Services                                      | G-1415-11-5404                | 93.645                    | 44,536           | 27,878           |                                     |
| Social Services Block Grant                                 | G-1415-11-5404                | 93.667                    | 622,211          | 817,085          |                                     |
| Child Care Cluster  | G-1415-11-5404                | 93.575                    | 53,535           | 58,888           |                                     |
| Child Support Enforcement Agency                            | G-1415-11-5404                | 93.563                    | 492,343          | 469,670          |                                     |
| Chafee Foster Care Independence Program                     | G-1415-11-5404                | 93.674                    | 10,983           | 2,729            |                                     |
| IV-E Foster Care Maintenance                                | G-1415-11-5404                | 93.658                    | 258,220          | 258,220          |                                     |
| IV-E Admin and Training Payment                             | G-1415-11-5404                | 93.659                    | 20,329           | 19,589           |                                     |
| <b>Total U.S. Department of Health and Human Services</b>   |                               |                           | <b>3,326,881</b> | <b>3,375,496</b> | <b>779,526</b>                      |
| <b><u>DEPARTMENT OF HOMELAND SECURITY</u></b>               |                               |                           |                  |                  |                                     |
| <b>Pass through Ohio EMA</b>                                |                               |                           |                  |                  |                                     |
| Emergency Management Performance Grant                      | EMW-2015-EP-00034             | 97.042                    | 26,077           | 26,077           |                                     |
| <b>Total Department of Homeland Security</b>                |                               |                           | <b>26,077</b>    | <b>26,077</b>    |                                     |
| <b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>                |                               |                           |                  |                  |                                     |
| <b>(Passed through Ohio Department of JFS)</b>              |                               |                           |                  |                  |                                     |
| Supplemental Nutrition Assistance Program                   | n/a                           | 10.561                    | 270,377          | 302,947          |                                     |
| <b>Total U.S. Department of Agriculture</b>                 |                               |                           | <b>270,377</b>   | <b>302,947</b>   |                                     |

See notes to Schedule of Federal Awards Expenditures.

**MORROW COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

| <b>Federal Grantor/<br/>Sub-Grantor<br/>Program Title</b> | <b>Pass Through<br/>Entity Number</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>Receipts</b>            | <b>Expenditures</b>        | <b>Expenditures<br/>to<br/>Subrecipients</b> |
|---|---------------------------------------|------------------------------------|----------------------------|----------------------------|--|
| <b><u>U.S. DEPARTMENT OF EDUCATION</u></b>                |                                       |                                    |                            |                            |  |
| <b>Pass through Ohio Department of Health</b>             |                                       |                                    |                            |                            |  |
| Special Education-Grants for Infants and Families         | 59-1-002-1-HG-07-16                   | 84.181                             | 14,277                     | 14,277                     |  |
|   | 59-1-002-1-HG-06-15                   |                                    | <u>24,254</u>              | <u>24,254</u>              |  |
| <b>Total U.S. Department of Education</b>                 |                                       |                                    | <b>38,531</b>              | <b>38,531</b>              |  |
| <b>Total Federal Awards Expenditures</b>                  |                                       |                                    | <b><u>\$ 4,637,459</u></b> | <b><u>\$ 4,723,655</u></b> | <b><u>\$ 779,526</u></b>                     |

See notes to Schedule of Federal Awards Expenditures.

**MORROW COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures is a summary of the activity of the County’s federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - GENERAL**

The basis for determining when federal awards are expended is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. In addition, expenditures reported on the Schedule are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

**NOTE C - SUBRECIPIENTS**

The County passes-through certain Federal assistance received from the U.S. Department of Health and Human Services to other governments or not-for-profit agencies (subrecipients). As described in Note A, the County records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under the Uniform Guidance, the County is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

**NOTE D - LOANS OUTSTANDING**

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low to moderate income households. The U.S. Department of Housing and Urban Development (HUD) grants the money for these loans to the County, passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the schedule. Significant delinquencies existing at December 31, 2015 were \$402,755 in principal and related interest for outstanding Housing Program loans.

The County had the following loan balances outstanding at December 31, 2015:

| <u>Program Title</u>                                  | <u>CFDA<br/>Number</u> | <u>Amount<br/>Outstanding</u> |
|---|------------------------|-------------------------------|
| CDBG Economic Development Revolving Loan Fund Program | 14.228                 | \$ 492,816                    |
| CDBG Economic Development Revolving Loan Fund Program | 14.228                 | 74,779                        |
| HOME Investment Partnership Program RLF Program       | 14.239                 | 79,120                        |
| Total   |                        | <u>\$ 646,715</u>             |



# Dave Yost • Auditor of State

## MORROW COUNTY

### CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
SEPTEMBER 22, 2016