



OHIO AUDITOR OF STATE
KEITH FABER



**MONROE COUNTY
DECEMBER 31, 2018**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	19
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	20
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds.....	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	22
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual	
General Fund	23
Maintenance Fund	24
Developmental Disabilities Fund.....	25
Federal Emergency Management Agency Fund	26
Statement of Fund Net Position - Proprietary Fund	27
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	28
Statement of Cash Flows - Proprietary Fund	29
Statement of Fiduciary Assets and Liabilities Agency Funds	30
Notes to the Basic Financial Statements.....	31

**MONROE COUNTY
DECEMBER 31, 2018**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Required Supplementary Information:	
Schedule of the County's Proportionate Share of the Net Pension Liability - Ohio Public Employees Retirement System - Traditional Plan - Last Five Years	81
Schedule of the County's Proportionate Share of the Net Pension Asset - Ohio Public Employees Retirement System - Combined Plan - 2018	82
Schedule of the County's Proportionate Share of the Net OPEB Liability - Ohio Public Employees Retirement System – OPEB Plan – Last Two Years.....	83
Schedule of the County's Proportionate Share of the Net Pension Liability - State Teachers Retirement System of Ohio – Last Six Fiscal Years.....	84
Schedule of the County's Proportionate Share of the Net OPEB Liability/Asset - State Teachers Retirement System of Ohio - Last Two Fiscal Years.....	85
Schedule of the County's Contributions - Ohio Public Employees Retirement System - Last Six Years.....	86
Schedule of the County's Contributions - State Teachers Retirement System of Ohio - Last Ten Years.....	88
Notes to the Required Supplementary Information	90
Schedule of Expenditures of Federal Awards	93
Notes to the Schedule of Expenditures of Federal Awards.....	95
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	97
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	99
Schedule of Findings	103
Prepared by Management:	
Summary Schedule of Prior Audit Findings	109
Corrective Action Plan	110

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Monroe County
101 North Main Street
Woodsfield, Ohio 43793

To the Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Monroe County, Ohio (the County), as of and for the year ended December 31, 2018, 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 audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Monroe County, Ohio, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General, Maintenance, Developmental Disabilities, and Federal Emergency Management Agency Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 24 to the financial statements, during 2018, the County adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, and Schedules of Net Pension and Other Post-Employment Benefit Liabilities and Pension and Other Post-Employment Benefit Contributions listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2019, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Keith Faber
Auditor of State
Columbus, Ohio

September 19, 2019

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Monroe County, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2018 Unaudited

Management's Discussion and Analysis (MD&A) provides the reader with a narrative overview and analysis of Monroe County's (the County) financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the County's financial performance as a whole. The MD&A should be read in conjunction with the County's basic financial statements and notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- The County's total net position increased by \$9,329,657 from the total net position at the beginning of the year 2018.
- At the close of the current year, the assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources by \$57,138,027 (net position). Of this amount, (\$12,209,887) is unrestricted and that, when positive, may be used to meet the County's ongoing obligations to citizens and creditors.
- The County had \$26,383,305 in expenses related to governmental activities; program specific charges for services, grants, contributions, and interest were not sufficient to provide for these expenses and as a result, general revenues of \$13,724,037 were needed to help increase carryover net position into the next year.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$19,688,449, an increase of \$2,004,705 from the prior year. Of this amount, \$896,853 is non-spendable, \$9,562,376 is restricted, \$26,078 is committed, \$1,400,584 is assigned, and \$7,802,558 is unassigned and available for spending on behalf of its citizens, as defined in Governmental Accounting Standards Board Statement (GASB) No. 54.
- At the end of the current year, unassigned fund balance for the General Fund was \$7,861,556 which represents 83 percent of total General Fund expenditures.

Using This Annual Financial Report

This annual report consists of a series of financial statements. These statements are organized so the reader can understand the County as a financial whole or as an entire operating entity. The statements then proceed to provide an increased detailed look at specific financial conditions. The *Statement of Net Position* and the *Statement of Activities* provide information about the activities of the whole County, presenting an aggregate view of the County's finances as well as a longer-term view of those assets.

Fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's most significant funds in more detail than the government-wide statements. Nonmajor funds are presented separately from major funds in total and in one column.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

Statement of Net Position and Statement of Activities

While this document contains information about the funds used by the County to provide services to our citizens, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The *Statement of Net Position* and the *Statement of Activities* answer this question.

Monroe County, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2018 Unaudited

The Statement of Net Position presents information on all of the County's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between these reported as net position. The Statement of Activities presents information showing how the County's net position changed during the current year.

These statements are prepared using the accrual basis of accounting similar to the accounting method used by private sector companies. This basis of accounting takes into consideration all of the current year's revenues and expenses, regardless of when the cash is received or paid.

The change in net position is important because it tells the reader whether, for the County as a whole, the financial position of the County has improved or diminished. However, in evaluating the overall position of the County, nonfinancial information such as changes in the County's tax base and the condition of the County's capital assets will also need to be evaluated.

In the Statement of Net Position and the Statement of Activities, the County is divided into two kinds of activities:

Governmental Activities - Most of the County's programs and services are reported here, including general government, public safety, public works, health, human services, and economic development. 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 most of the cost of the services provided. The County's sole business-type activity is the Care Center.

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 statements provide detailed information about the County's major funds. Based on the restriction on the use of moneys, the County has established many funds that account for the multitude of services provided to its residents. The County's major governmental funds are the General Fund and the Maintenance, Developmental Disabilities, and Federal Emergency Management Agency (FEMA) Special Revenue Funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities on the government-wide financial statements. Most of the County's basic services are reported in these funds that focus on how money flows into and out of the funds and the year end balances available for spending. These funds are reported on the modified accrual basis of accounting that measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services being provided, along with the financial resources available.

Monroe County, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2018 Unaudited

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-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 on the governmental fund balance sheet and on the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds - The County maintains one proprietary fund, the Care Center Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities on the government-wide financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the County's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to the Basic Financial Statements - The notes provide additional information that is essential to the full understanding of the data provided on the government-wide and fund financial statements.

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net position for 2018 compared to 2017:

Monroe County, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2018 Unaudited

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and Other Assets	\$29,060,602	\$25,251,121	(\$6,138,602)	(\$4,457,379)	\$22,922,000	\$20,793,742
Noncurrent Assets:						
Net Pension/OPEB Assets	67,616	0	10,589	0	78,205	0
Capital Assets, Net	72,565,063	61,865,810	2,344,601	2,402,588	74,909,664	64,268,398
Total Assets	101,693,281	87,116,931	(3,783,412)	(2,054,791)	97,909,869	85,062,140
Deferred Outflows of Resources:						
Pension	2,490,034	4,806,116	938,538	738,261	3,428,572	5,544,377
OPEB	568,231	72,789	366,910	11,850	935,141	84,639
Total Deferred Outflows of Resources	3,058,265	4,878,905	1,305,448	750,111	4,363,713	5,629,016
Liabilities:						
Current and Other Liabilities	2,306,025	2,533,702	208,771	170,677	2,514,796	2,704,379
Long-Term Liabilities:						
Due Within One Year	560,379	252,628	179,451	192,845	739,830	445,473
Due in More Than One Year:						
Net Pension Liability	8,600,329	11,877,949	1,945,227	1,881,460	10,545,556	13,759,409
Net OPEB Liability	5,450,881	4,884,810	1,278,604	786,635	6,729,485	5,671,445
Other Amounts	15,982,970	15,951,102	1,205,136	1,315,561	17,188,106	17,266,663
Total Liabilities	32,900,584	35,500,191	4,817,189	4,347,178	37,717,773	39,847,369
Deferred Inflows of Resources:						
Property Taxes not intended to Finance						
Current Year Operations	4,259,819	2,606,451	0	0	4,259,819	2,606,451
Pension	1,995,609	84,162	626,552	344,804	2,622,161	428,966
OPEB	440,555	0	95,247	0	535,802	0
Total Deferred Inflows of Resources	6,695,983	2,690,613	721,799	344,804	7,417,782	3,035,417
Net Position:						
Net Investment in Capital						
Assets	55,935,525	47,767,100	1,084,195	1,024,330	57,019,720	48,791,430
Restricted	12,328,194	8,604,174	0	0	12,328,194	8,604,174
Unrestricted (Deficit)	(3,108,740)	(2,566,242)	(9,101,147)	(7,020,992)	(12,209,887)	(9,587,234)
Total Net Position (Deficit)	\$65,154,979	\$53,805,032	(\$8,016,952)	(\$5,996,662)	\$57,138,027	\$47,808,370

The net pension liability (NPL) is one of the largest liabilities reported by the County at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27". For 2018, the County adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the County's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting the net pension/OPEB asset and deferred outflows related to pension and OPEB.

Monroe County, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2018 Unaudited

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

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

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

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

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

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

Monroe County, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2018 Unaudited

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

As a result of implementing GASB 75, the County is reporting a net OPEB liability (asset) and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation, along with a fund structure restatement, had the effect of restating net position at December 31, 2017, from \$58,584,290 to \$53,805,032 for governmental activities and (\$5,221,877) to (\$5,996,662) for business-type activities.

As noted earlier, the County's net position, when reviewed over time, may serve as a useful indicator of the County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$57,138,027 (\$65,154,979 in governmental activities and (\$8,016,952) in business-type activities) as of December 31, 2018.

By far, the largest portion of the County's net position, \$57,019,720, or 99 percent, reflects its investment in capital assets (e.g., land, land improvements, infrastructure, buildings and improvements, and vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. This category of net position increased by \$8,228,290 with the largest change shown in governmental activities.

The next largest portion of the County's net position, \$12,328,194, or 22 percent, represents resources that are subject to restrictions on how they can be used. This category of net position increased by \$3,724,020 from the prior year.

The balance of unrestricted net position is (\$12,209,887) or (21) percent. In cases where this number is positive, this amount can be used to meet the County's ongoing obligations to citizens and creditors. Unrestricted net position decreased from the prior year in the amount of \$2,622,653.

Current and other assets increased in the amount of \$2,128,258. The majority of this increase is in governmental activities and is due to an increase in property taxes receivable. The tax base, specifically public utility personal property tax valuations, have increased by twenty-four percent from the prior year. Intergovernmental receivables increased by \$1,337,841 from 2017. The County has applied for, and been awarded, additional federal and state grants in order to ease the burden of operating costs paid for with local monies. These grants aided the County's desire to secure additional funding and lead to an increase in cash and cash equivalents in the amount of \$1,671,179. The decrease in investments of \$2,849,860 is the result of the spending the remainder of debt proceeds relating to the jail construction. Capital assets increased by \$10,641,266 from the prior year. Finishing the jail construction and major additions to the County's infrastructure accounted for this increase as capital outlays and capital contributions exceeded depreciation in the current period.

The significant decrease in deferred outflows of resources is largely due to the reported pension and OPEB amounts pursuant to GASB Statement Numbers 68 and 75.

Monroe County, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2018 Unaudited

Liabilities, excluding the pension/OPEB liability, minimally increased by \$26,217. The issuance of an OPWC loan and USDA bonds offset the current year payments on all of the County's debt. The liability for compensated absences remained consistent from the prior year.

The largest reason that total liabilities decreased by \$2,129,596 was due to a decrease in net pension liability. The net pension liability represents the County's proportionate share of the OPERS traditional plan's and STRS plan's unfunded benefits. Different factors, including changes in pension benefits, contribution rates, and return on investments affect the balance of the total pension liability.

Table 2 shows the changes in net position for 2018, compared to the changes in net position for 2017:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues						
Charges for Services	\$3,779,409	\$2,917,238	\$2,493,471	\$1,765,762	\$6,272,880	\$4,683,000
Operating Grants, Contributions, and Interest	9,227,933	7,744,507	0	0	9,227,933	7,744,507
Capital Grants and Contributions	11,001,873	10,276,787	0	0	11,001,873	10,276,787
Total Program Revenues	24,009,215	20,938,532	2,493,471	1,765,762	26,502,686	22,704,294
General Revenues						
Property Taxes	4,539,968	3,553,916	0	0	4,539,968	3,553,916
Permissive Sales Taxes	5,441,519	5,076,245	0	0	5,441,519	5,076,245
Intergovernmental	451,665	907,196	0	0	451,665	907,196
Royalty Revenue	10,560	428,130	0	0	10,560	428,130
Investment Earnings	230,448	193,241	0	0	230,448	193,241
Gain on Sale of Capital Assets	304	0	0	0	304	0
Miscellaneous	3,049,573	819,630	25,039	20,300	3,074,612	839,930
Total General Revenues	13,724,037	10,978,358	25,039	20,300	13,749,076	10,998,658
Transfers	0	(8,250)	0	8,250	0	0
Total Revenues and Transfers	37,733,252	31,908,640	2,518,510	1,794,312	40,251,762	33,702,952
Program Expenses						
General Government						
Legislative and Executive	4,829,115	3,931,622	0	0	4,829,115	3,931,622
Judicial	1,538,261	1,568,212	0	0	1,538,261	1,568,212
Public Safety	6,848,236	4,514,719	0	0	6,848,236	4,514,719
Public Works	5,423,127	5,020,001	0	0	5,423,127	5,020,001
Health	2,799,484	2,631,089	0	0	2,799,484	2,631,089
Human Services	4,320,869	3,800,840	0	0	4,320,869	3,800,840
Economic Development	280,941	1,018,703	0	0	280,941	1,018,703
Interest and Fiscal Charges	343,272	301,182	0	0	343,272	301,182
Care Center	0	0	4,538,800	3,719,674	4,538,800	3,719,674
Total Expenses	26,383,305	22,786,368	4,538,800	3,719,674	30,922,105	26,506,042
Change in Net Position	11,349,947	9,122,272	(2,020,290)	(1,925,362)	9,329,657	7,196,910
Net Position (Deficit) Beginning of Year	53,805,032	N/A	(5,996,662)	N/A	47,808,370	N/A
Net Position (Deficit) End of Year	\$65,154,979	\$53,805,032	(\$8,016,952)	(\$5,996,662)	\$57,138,027	\$47,808,370

Monroe County, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2018 Unaudited

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$84,639 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of \$723,154. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2018 program expenses under GASB 75	\$26,383,305	\$4,538,800	\$30,922,105
OPEB expense under GASB 75	490,563	232,591	723,154
2018 contractually required contribution	1,854	435	2,289
Adjusted 2018 program expenses	26,875,722	4,771,826	31,647,548
Total 2017 program expenses under GASB 45	22,786,368	3,719,674	26,506,042
Increase in program expenses not related to OPEB	\$4,089,354	\$1,052,152	\$5,141,506

Governmental Activities

Total revenues and transfers of governmental activities increased by \$5,824,612 during 2018. The County's direct charges to users of governmental services made up \$3,779,409 or 10 percent of total governmental revenues. These charges are for fees for real estate transfers, deed and lease recordings, rent, fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits and housing of prisoners from other governments. Operating grants, contributions, and restricted interest increased \$1,483,426 and represents 24 percent of total revenues for governmental activities. The County maintained its participation in various federal and state grants; however part of this increase is the result of the County being in the first year of multi-year grants and the receivable, along with the associated revenue, has increased. Operating grants, contributions, and restricted interest are normally the largest program revenues, however, for 2018, capital grants and contributions were the largest, with an increase from the prior year in the amount of \$725,086. This revenue was attributable to non-routine capital contributions of infrastructure from the oil and gas industry and as such the program public works showed net revenue for 2018 and did not need to rely on the general revenues of the County to cover expenses.

Permissive sales tax revenues account for \$5,441,519 or 15 percent of total governmental revenues and are directly reflective of the economy and taxable sales within the County. This revenue source, being the County's largest own source revenue, remained relatively stable from the prior year. Another major component of governmental general revenues was property tax revenues, which accounted for \$4,539,968 or 12 percent of total governmental revenues.

The County's largest expense program during 2018 was Public Safety. With expenses of \$6,848,236, this program had the largest change from the prior year, an increase of \$2,333,517 or 52 percent of the prior year amount. Noncapitalized expenses from final stages of the jail construction accounted for this increase. Another major program expense for governmental activities is Public Works which accounted for \$5,423,127 which reflects an 8 percent increase from the prior year. Operating expenditures in the Maintenance Special Revenue Fund produced this difference as an increased amount of noncapitalized maintenance expenditures were necessary during 2018. Other major program expenses include Legislative and Executive which accounted for \$4,829,115, and Human Services which accounted for \$4,320,869.

Monroe County, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2018 Unaudited

Business-Type Activities

The net position for business-type activities decreased \$2,020,290 during 2018 minimally changing from the prior year at a decrease of \$1,925,362. Charges for services were the only program revenue, accounting for \$2,493,471 or 99 percent of total business-type revenues. This revenue is derived from residents of the County's care and rehabilitation center and yearly fluctuations are based on the resident census and is dependent also on Medicaid/Medicare eligible residents. Due to the lack of sufficient operating revenue, the Care Center has had to rely upon the County's general government to provide advances to meet day to day needs. The accumulated interfund payable as of year-end totaled \$6,755,491, an increase of \$1,811,222 from the prior year.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services for 2018, as compared to 2017. The Statement of Activities reflects the cost of program services and the charges for services, grants, contributions, and interest offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues, unrestricted intergovernmental revenues, and unrestricted interest earnings.

Table 3
Governmental Activities

	Total Cost of Services <u>2018</u>	Net Cost (Revenue) of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost (Revenue) of Services <u>2017</u>
General Government				
Legislative and Executive	\$4,829,115	\$3,349,808	\$3,931,622	\$2,397,434
Judicial	1,538,261	782,930	1,568,212	831,900
Public Safety	6,848,236	5,113,127	4,514,719	3,809,154
Public Works	5,423,127	(9,452,949)	5,020,001	(8,848,857)
Health	2,799,484	1,952,805	2,631,089	1,780,669
Human Services	4,320,869	694,869	3,800,840	564,059
Economic Development	280,941	(409,772)	1,018,703	1,012,295
Interest and Fiscal Charges	343,272	343,272	301,182	301,182
Total Expenses	<u>\$26,383,305</u>	<u>\$2,374,090</u>	<u>\$22,786,368</u>	<u>\$1,847,836</u>

Charges for services, operating and capital grants, contributions, and interest of \$24,009,215, were received and used to fund the governmental activities expenses of the County for 2018. The remaining governmental expenses in the amount of \$2,374,090 are funded by property and permissive sales taxes, non-restricted intergovernmental revenues, interest, and miscellaneous revenues. The net cost of \$4,132,738 in the legislative and executive and judicial programs represent activities related to the governing body as well as activities that directly support other County programs that serve the County's residents. As a result, these programs rely on the general revenues of the County to support their activities. During 2018, public safety net cost of services of \$5,113,127 indicates that the permissive sales tax and property tax levies are necessary for the operation of the sheriff's department and other public safety activity due to insufficient program revenues for these operations. The \$1,952,805 in net cost of services for health programs demonstrates the amount of the costs of services that were not supported from state and federal resources during 2018. As such, the taxpayers have approved property tax levies for the developmental disabilities program. The net revenue in the public works program in the amount of \$9,452,949 is primarily the result of capital donations recognized by the engineer's office for on-behalf work done on infrastructure throughout the County.

Monroe County, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2018 Unaudited

Financial Analysis of County 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. Governmental Accounting Standards Board (GASB) Statement No. 54 established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of resources reported in governmental funds. In particular, unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the year.

As of December 31, 2018, the County's governmental funds reported a combined ending fund balance of \$19,688,449, an increase of \$2,004,705 in comparison with the prior year. Of that total ending fund balance, \$896,853 is non-spendable, \$9,562,376 is restricted, \$26,078 is committed, \$1,400,584 is assigned, and \$7,802,558 is unassigned, as defined in GASB Statement No. 54. Of the amount restricted, \$169,287 is restricted for capital outlay, \$541,151 is restricted for court corrections, \$3,204,288 is restricted for roads and bridges, \$1,105,406 is restricted for human services, \$140,258 is restricted for community development, \$466,545 is restricted for public safety, \$2,557,742 is restricted for developmental disabilities, \$138,922 is restricted for health, \$861,824 is restricted for real estate assessment and delinquent tax collection, and \$376,953 is restricted for other purposes.

The General Fund is the primary operating fund of the County. At the end of 2018, unassigned fund balance was \$7,861,556, while total fund balance was \$9,669,759. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 83 percent to total General Fund expenditures, while total fund balance represents 102 percent of that same amount. The fund balance increased from 2017 by \$972,048. Management was successful at working hard to maintain expenditures and other financing uses at or below fixed revenue sources adding to the adequate carryover fund balance for the past few years.

The fund balance of the Maintenance Special Revenue Fund at December 31, 2018 was \$2,884,102, an increase of \$1,018,584 from the previous year. This 55 percent change is a direct result of increased revenues from state shared funding and also reimbursements from the oil and gas industry related to infrastructure maintenance.

At the end of 2018, the Developmental Disabilities Special Revenue Fund had an ending fund balance of \$2,565,658, an increase of 42 percent from the prior year. Property taxes receivable have added to this increase as the County's tax base has increased. In addition, this fund has been able to add to the carryover cash balance as it has successfully controlled expenditures below fixed revenues.

The FEMA Special Revenue Fund became a major fund during 2018 as the County was awarded federal and state monies for approved disaster relief efforts. This fund recorded receivables and payables according to generally accepted accounting principles. Most of the funding is reimbursed to the County after it is spent which results in a minimal carryover balance into the next year.

Monroe County, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2018 Unaudited

Proprietary Funds - The County maintains one proprietary fund, the Care Center Enterprise Fund. Enterprise funds are used to report functions presented as business-type activities on the government-wide financial statements. As of December 31, 2018, net position for the County's enterprise fund was (8,016,952). Of that total, (\$9,101,147) represents unrestricted net position. The County Care Center has raised fees and limited spending to attempt to increase their net position for the following year. As discussed earlier, the census of patients has increased from the prior year resulting in an increase in operating revenue. However, operating expenses and accumulated borrowing from the County's General Fund in the total amount of \$6,755,491, has created the majority of the overall deficit net position.

General Fund Budgetary Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. By State statute, the Board of County Commissioners adopts a temporary operating budget for the County prior to the first day of January.

The Board of County Commissioners adopts a permanent annual operating budget for the County prior to the first day of April.

During the course of 2018, the County amended its General Fund estimated revenues and appropriations, and the budgetary statements reflect both the original and final budgeted amounts. The change from the original to the final estimate for ending fund balance was a negative difference of \$2,685,132 due to the budgeting of advances. For the General Fund, actual revenues were \$2,375,937 higher than final budgeted amounts due mostly to conservative estimates for permissive sales tax revenues which also led to the ending fund balance being \$4,161,300 higher than final budgeted amount of (\$2,687,399).

Capital Assets and Debt Administration

Capital Assets - The County's capital assets for governmental and business-type activities as of December 31, 2018, were \$74,909,663 (net of accumulated depreciation). This includes land, land improvements, construction in progress, infrastructure, buildings and improvements, and vehicles and equipment. Table 4 provides a comparison of capital assets as of the end of 2017 and 2018. In addition, Note 9 (Capital Assets) provides capital asset activity during 2018:

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$15,539,476	\$13,359,464	\$0	\$0	\$15,539,476	\$13,359,464
Construction in Progress	0	13,147,624	0	0	0	13,147,624
Land Improvements	52,704	0	0	0	52,704	0
Infrastructure	36,079,904	29,359,091	0	0	36,079,904	29,359,091
Buildings and Improvements	17,474,365	2,550,414	2,315,622	2,366,234	19,789,987	4,916,648
Vehicles and Equipment	3,418,613	3,449,217	28,979	36,354	3,447,592	3,485,571
Total Capital Assets	\$72,565,062	\$61,865,810	\$2,344,601	\$2,402,588	\$74,909,663	\$64,268,398

Long-Term Debt - As of December 31, 2018, the County had total debt outstanding of \$17,250,220; \$15,946,397 in governmental activities and \$1,303,823 in business-type activities.

Monroe County, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2018 Unaudited

Table 5 outlines the long-term debt held by the County during 2018 and 2017:

Table 5
Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$15,617,000	\$15,500,000	\$1,299,990	\$1,418,053	\$16,916,990	\$16,918,053
OPWC Loan	225,000	0	0	0	225,000	0
Promissory Note	0	1,321	0	0	0	1,321
Capital Leases	104,397	156,425	3,833	7,569	108,230	163,994
Total Long-Term Debt	<u>\$15,946,397</u>	<u>\$15,657,746</u>	<u>\$1,303,823</u>	<u>\$1,425,622</u>	<u>\$17,250,220</u>	<u>\$17,083,368</u>

In addition to the above debt, the County's long-term obligations include compensated absences and net pension/OPEB liability. Additional information on the County's long-term debt can be found in Note 15 of this report. The County's total unvoted legal debt margin at December 31, 2018, was \$6,927,129.

Economic Factors

The County is currently stable financially with the help of the recent increase in the oil and gas industry. Department heads are continuing to remain within their appropriated budgets for the year.

The various economic factors were considered in the preparation of the County's 2018 budget, and will be considered in the preparation of future budgets. Appropriate measures will be taken to ensure spending is within available resources.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Pandora Neuhart, Monroe County Auditor, 101 North Main Street, Room 22, Woodsfield, Ohio 43793.

Monroe County, Ohio
Statement of Net Position
December 31, 2018

	Primary Government		
	Governmental Activities	Business - Type Activities	Total*
Assets			
Equity in Pooled Cash and Cash Equivalents	\$11,216,597	\$144,310	\$11,360,907
Cash and Cash Equivalents In Segregated Accounts	0	3,135	3,135
Cash and Cash Equivalents with Fiscal Agents	301,668	0	301,668
Property Taxes Receivable	4,351,518	0	4,351,518
Permissive Motor Vehicle License Taxes Receivable	5,700	0	5,700
Accrued Interest Receivable	11,867	0	11,867
Accounts Receivable	208,574	454,339	662,913
Internal Balances	6,755,491	(6,755,491)	0
Intergovernmental Receivable	3,990,214	0	3,990,214
Prepaid Items	294,924	773	295,697
Sales Taxes Receivable	1,338,618	0	1,338,618
Loans Receivable	7,037	0	7,037
Materials and Supplies Inventory	578,394	14,332	592,726
Net Pension Asset	45,141	10,589	55,730
Net OPEB Asset	22,475	0	22,475
Non-Depreciable Capital Assets	15,539,476	0	15,539,476
Depreciable Capital Assets, Net	57,025,587	2,344,601	59,370,188
<i>Total Assets</i>	<u>101,693,281</u>	<u>(3,783,412)</u>	<u>97,909,869</u>
Deferred Outflows of Resources			
Pension	2,490,034	938,538	3,414,583
OPEB	568,231	366,910	933,832
<i>Total Deferred Outflows of Resources</i>	<u>3,058,265</u>	<u>1,305,448</u>	<u>4,348,415</u>
Liabilities			
Matured Compensated Absences Payable	17,682	0	17,682
Accounts Payable	665,896	119,497	785,393
Contracts Payable	980,651	0	980,651
Accrued Wages Payable	163,990	48,287	212,277
Intergovernmental Payable	260,277	35,201	295,478
Accrued Interest Payable	126,224	5,786	132,010
Unearned Revenue	91,305	0	91,305
Long-Term Liabilities:			
Due Within One Year	560,379	179,451	739,830
Due In More Than One Year:			
Net Pension Liability (See Note 11)	8,600,329	1,945,227	10,545,556
Net OPEB Liability (See Note 12)	5,450,881	1,278,604	6,729,485
Other Amounts Due In More Than One Year	15,982,970	1,205,136	17,188,106
<i>Total Liabilities</i>	<u>32,900,584</u>	<u>4,817,189</u>	<u>37,717,773</u>
Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	4,259,819	0	4,259,819
Pension	1,995,609	626,552	2,608,172
OPEB	440,555	95,247	534,493
<i>Total Liabilities</i>	<u>6,695,983</u>	<u>721,799</u>	<u>7,402,484</u>
Net Position			
Net Investment in Capital Assets	55,935,525	1,084,195	57,019,720
Restricted for:			
Other Purposes	250,952	0	250,952
Unclaimed Monies	16,498	0	16,498
Capital Projects	1,278,970	0	1,278,970
Public Safety Services	527,025	0	527,025
Public Assistance	222,219	0	222,219
Child Support Enforcement	479,480	0	479,480
Children Services	458,308	0	458,308
Court Operations	880,589	0	880,589
Real Estate Assessment	710,077	0	710,077
Delinquent Tax Collection	149,966	0	149,966
Road and Bridge Maintenance	4,244,527	0	4,244,527
Developmental Disabilities	2,611,213	0	2,611,213
Community Development	498,370	0	498,370
Unrestricted (Deficit)	(3,108,740)	(9,101,147)	(12,209,887)
<i>Total Net Position (Deficit)</i>	<u>\$65,154,979</u>	<u>(\$8,016,952)</u>	<u>\$57,138,027</u>

* After deferred outflows and deferred inflows related to the change in internal proportionate share of pension and OPEB related items have been eliminated.

Monroe County, Ohio
Balance Sheet
Governmental Funds
December 31, 2018

	General	Maintenance	Developmental Disabilities	FEMA	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$2,028,131	\$1,290,768	\$2,278,070	\$1,104,560	\$4,326,951	\$11,028,480
Cash and Cash Equivalents with Fiscal Agents	0	0	301,668	0	0	301,668
Receivables:						
Property Taxes	2,727,330	0	1,435,412	0	188,776	4,351,518
Interfund	6,978,976	703,687	0	0	39,438	7,722,101
Accrued Interest	11,867	0	0	0	0	11,867
Accounts	179,674	1,300	0	0	27,600	208,574
Intergovernmental	299,487	1,612,765	141,225	868,715	1,068,022	3,990,214
Permissive Motor Vehicle License	0	5,700	0	0	0	5,700
Sales Taxes	1,338,618	0	0	0	0	1,338,618
Loans Receivable	0	0	0	0	7,037	7,037
Prepaid Items	256,414	11,272	5,032	0	22,206	294,924
Materials and Supplies Inventory	108,629	457,686	2,884	0	9,195	578,394
Restricted Cash and Cash Equivalents	16,498	0	0	0	171,619	188,117
<i>Total Assets</i>	<u>\$13,945,624</u>	<u>\$4,083,178</u>	<u>\$4,164,291</u>	<u>\$1,973,275</u>	<u>\$5,860,844</u>	<u>\$30,027,212</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$357,562	\$8,749	\$19,426	\$0	\$280,159	\$665,896
Contracts Payable	0	0	0	868,715	111,936	980,651
Matured Compensated Absences	518	0	16,814	0	350	17,682
Interfund Payable	1,486	48,990	9,835	700,000	206,299	966,610
Accrued Wages Payable	63,033	46,496	28,807	0	25,654	163,990
Unearned Revenue	0	0	0	0	91,305	91,305
Intergovernmental Payable	167,740	26,603	17,445	0	48,489	260,277
<i>Total Liabilities</i>	<u>590,339</u>	<u>130,838</u>	<u>92,327</u>	<u>1,568,715</u>	<u>764,192</u>	<u>3,146,411</u>
Deferred Inflows of Revenues						
Property Taxes not Levied to Finance Current						
Year Operations	2,669,857	0	1,405,164	0	184,798	4,259,819
Unavailable Revenue	1,015,669	1,068,238	101,142	0	747,484	2,932,533
<i>Total Deferred Inflows of Revenues</i>	<u>3,685,526</u>	<u>1,068,238</u>	<u>1,506,306</u>	<u>0</u>	<u>932,282</u>	<u>7,192,352</u>
Fund Balances						
Nonspendable:						
Inventory	108,629	457,686	2,884	0	9,195	578,394
Prepays	256,414	11,272	5,032	0	22,206	294,924
Long-Term Receivables	0	0	0	0	7,037	7,037
Unclaimed Monies	16,498	0	0	0	0	16,498
Restricted to:						
Capital Outlay	0	0	0	0	169,287	169,287
Court Corrections	0	0	0	0	541,151	541,151
Roads and Bridges	0	2,415,144	0	404,560	384,584	3,204,288
Human Services	0	0	0	0	1,105,406	1,105,406
Community Development	0	0	0	0	140,258	140,258
Public Safety	0	0	0	0	466,545	466,545
Developmental Disabilities	0	0	2,557,742	0	0	2,557,742
Health	0	0	0	0	138,922	138,922
Real Estate Assessment and						
Delinquent Tax Collection	0	0	0	0	861,824	861,824
Other Purposes	0	0	0	0	376,953	376,953
Committed to Unpaid Obligations	26,078	0	0	0	0	26,078
Assigned to:						
Purchases on Order	92,756	0	0	0	0	92,756
Subsequent Year's Appropriations	1,307,828	0	0	0	0	1,307,828
Unassigned (Deficit)	7,861,556	0	0	0	(58,998)	7,802,558
<i>Total Fund Balances</i>	<u>9,669,759</u>	<u>2,884,102</u>	<u>2,565,658</u>	<u>404,560</u>	<u>4,164,370</u>	<u>19,688,449</u>
<i>Total Liabilities, Deferred Inflows of Revenues, and Fund Balances</i>	<u>\$13,945,624</u>	<u>\$4,083,178</u>	<u>\$4,164,291</u>	<u>\$1,973,275</u>	<u>\$5,860,844</u>	<u>\$30,027,212</u>

See accompanying notes to the basic financial statements:

Monroe County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2018

Total Governmental Fund Balances		\$19,688,449
<i>Amounts reported for governmental activities in 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.		72,565,063
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds:		
Delinquent Property Taxes	91,699	
Permissive Sales Taxes	384,510	
Intergovernmental	2,077,071	
Accounts	379,253	
Total	2,932,533	2,932,533
The net pension/OPEB asset, net pension liability, and net OPEB liability are not due and payable in the current period, therefore, the asset, liability, and related deferred inflows/outflows are not reported in governmental funds:		
Net Pension Asset	45,141	
Net OPEB Asset	22,475	
Deferred Outflows - Pension	2,490,034	
Deferred Inflows - Pension	(1,995,609)	
Net Pension Liability	(8,600,329)	
Deferred Outflows - OPEB	568,231	
Deferred Inflows - OPEB	(440,555)	
Net OPEB Liability	(5,450,881)	
Total	(13,361,493)	(13,361,493)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(126,224)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Bonds	(15,617,000)	
Long-term Loans	(225,000)	
Compensated Absences	(596,952)	
Capital Leases	(104,397)	
Total	(16,543,349)	(16,543,349)
Net Position of Governmental Activities		\$65,154,979

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	General	Maintenance	Developmental Disabilities	FEMA	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$2,497,578	\$0	\$1,760,358	\$0	\$256,296	\$4,514,232
Permissive Sales Taxes	5,573,961	0	0	0	0	5,573,961
Permissive MVL Taxes	0	80,845	0	0	0	80,845
Intergovernmental	629,765	3,650,534	717,980	1,511,908	4,806,636	11,316,823
Interest	205,232	9,019	3,205	0	27,958	245,414
Licenses and Permits	1,522	92,214	0	0	58,445	152,181
Fines and Forfeitures	71,442	27,530	0	0	59,061	158,033
Rentals	46,388	0	0	0	3,162	49,550
Leases	7,045	0	0	0	0	7,045
Charges for Services	2,125,467	23,823	2,038	0	1,215,508	3,366,836
Contributions and Donations	4,900	0	0	0	45,925	50,825
Other	557,780	2,278,052	57,597	0	215,634	3,109,063
<i>Total Revenues</i>	<u>11,721,080</u>	<u>6,162,017</u>	<u>2,541,178</u>	<u>1,511,908</u>	<u>6,688,625</u>	<u>28,624,808</u>
Expenditures						
Current:						
General Government:						
Legislative and Executive	2,470,054	0	0	0	460,104	2,930,158
Judicial	1,121,128	0	0	0	314,481	1,435,609
Public Safety	5,222,414	0	0	0	1,446,887	6,669,301
Public Works	30,129	5,011,866	0	1,116,801	899,240	7,058,036
Health	391,561	0	1,782,054	0	460,111	2,633,726
Human Services	281,329	0	0	0	3,789,014	4,070,343
Economic Development	0	0	0	0	285,717	285,717
Capital Outlay	0	0	0	0	1,490,646	1,490,646
Debt Service:						
Principal Retirement	2,649	49,379	0	0	1,321	53,349
Interest and Fiscal Charges	162	4,109	0	0	338,847	343,118
<i>Total Expenditures</i>	<u>9,519,426</u>	<u>5,065,354</u>	<u>1,782,054</u>	<u>1,116,801</u>	<u>9,486,368</u>	<u>26,970,003</u>
<i>Excess of Revenues Over (Under)</i> <i>Expenditures</i>	<u>2,201,654</u>	<u>1,096,663</u>	<u>759,124</u>	<u>395,107</u>	<u>(2,797,743)</u>	<u>1,654,805</u>
Other Financing Sources (Use)						
Transfers In	0	194,324	0	0	1,313,285	1,507,609
General Obligation Bonds Issued	0	0	0	0	117,000	117,000
Loans Issued	0	0	0	0	225,000	225,000
Proceeds from Sale of Capital Assets	0	0	0	0	7,900	7,900
Transfers Out	(1,229,606)	(272,403)	0	0	(5,600)	(1,507,609)
<i>Total Other Financing Sources (Use)</i>	<u>(1,229,606)</u>	<u>(78,079)</u>	<u>0</u>	<u>0</u>	<u>1,657,585</u>	<u>349,900</u>
<i>Net Change in Fund Balances</i>	972,048	1,018,584	759,124	395,107	(1,140,158)	2,004,705
Fund Balances (Deficit) at Beginning of Year	<u>8,697,711</u>	<u>1,865,518</u>	<u>1,806,534</u>	<u>9,453</u>	<u>5,304,528</u>	<u>17,683,744</u>
<i>Fund Balances at End of Year</i>	<u>\$9,669,759</u>	<u>\$2,884,102</u>	<u>\$2,565,658</u>	<u>\$404,560</u>	<u>\$4,164,370</u>	<u>\$19,688,449</u>

See accompanying notes to the basic financial statements

Monroe 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, 2018

Net Change in Fund Balances - Governmental Funds \$2,004,705

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

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

Capital Asset Additions - Capital Outlay	5,702,932	
Capital Asset Additions - Capital Contributions	8,876,386	
Current Year Depreciation	<u>(2,100,855)</u>	
Total		12,478,463

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of gain and loss from the disposal of assets.

Gain on Sale of Capital Assets	304	
Loss on Disposal of Capital Assets	<u>(1,779,514)</u>	
Total		(1,779,210)

Revenues and expenses in the statement of activities that do not provide current financial resources are not reported as revenues and expenditures in the funds:

Property Taxes	25,736	
Intergovernmental	422,471	
Sales Taxes	(132,442)	
Licenses and Permits	(150)	
Charges for Services	(27,886)	
Royalty Revenue	3,515	
Other	(59,490)	
Legislative and Executive	<u>147,485</u>	
Total		379,239

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

Pension	1,187,362	
OPEB	<u>1,854</u>	
Total		1,189,216

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

Pension	(2,092,130)	
OPEB	<u>(490,563)</u>	
Total		(2,582,693)

Long-term debt proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of net position

Proceeds of Bonds	(117,000)	
Proceeds of Loans	<u>(225,000)</u>	
Total		(342,000)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:

Notes	1,321	
Capital Leases	<u>52,028</u>	
Total		53,349

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. (154)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated Absences Payable	<u>(50,968)</u>	
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Change in Net Position of Governmental Activities \$11,349,947

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,515,000	\$1,515,000	\$2,494,195	\$979,195
Permissive Sales Taxes	4,000,000	4,000,000	5,528,530	1,528,530
Intergovernmental	653,120	698,300	800,717	102,417
Charges for Services	2,582,768	2,582,768	2,064,458	(518,310)
Fines and Forfeitures	45,250	45,250	71,462	26,212
Licenses and Permits	700	700	1,397	697
Interest	135,000	135,000	210,508	75,508
Contributions and Donations	1,800	5,500	4,900	(600)
Rent	0	0	46,388	46,388
Other	201,500	349,541	485,441	135,900
<i>Total Revenues</i>	9,135,138	9,332,059	11,707,996	2,375,937
Expenditures				
Current:				
General Government:				
Legislative and Executive	2,785,431	2,972,082	2,514,288	457,794
Judicial	1,215,378	1,297,383	1,170,853	126,530
Public Safety	5,903,079	6,320,544	5,595,833	724,711
Public Works	15,000	55,952	55,952	0
Health	588,601	628,824	380,378	248,446
Human Services	423,449	466,140	305,193	160,947
Community and Economic Development	11,096	1,246	1,246	0
Debt Service:				
Principal Retirement	2,649	2,649	2,649	0
Interest and Fiscal Charges	162	162	162	0
<i>Total Expenditures</i>	10,944,845	11,744,982	10,026,554	1,718,428
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,809,707)	(2,412,923)	1,681,442	4,094,365
Other Financing Sources (Uses)				
Transfers In	7,420	0	0	0
Advances In	65,454	65,454	63,454	(2,000)
Transfers Out	(478,520)	(1,296,169)	(1,229,606)	66,563
Advances Out	(500,000)	(1,756,847)	(1,754,475)	2,372
<i>Total Other Financing Sources (Uses)</i>	(905,646)	(2,987,562)	(2,920,627)	66,935
<i>Net Change in Fund Balance</i>	(2,715,353)	(5,400,485)	(1,239,185)	4,161,300
Fund Balance at Beginning of Year	2,107,825	2,107,825	2,107,825	0
Prior Year Encumbrances Appropriated	605,261	605,261	605,261	0
<i>Fund Balance at End of Year</i>	(\$2,267)	(\$2,687,399)	\$1,473,901	\$4,161,300

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Maintenance Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Permissive Motor Vehicle License Tax	\$100,000	\$100,000	\$80,800	(\$19,200)
Intergovernmental	3,310,000	3,310,000	3,643,123	333,123
Charges for Services	30,000	30,000	23,443	(6,557)
Licenses and Permits	44,000	44,000	95,690	51,690
Fines and Forfeitures	12,500	12,500	27,530	15,030
Interest	3,500	3,500	8,980	5,480
Other	7,500	2,002,295	2,278,052	275,757
<i>Total Revenues</i>	<u>3,507,500</u>	<u>5,502,295</u>	<u>6,157,618</u>	<u>655,323</u>
Expenditures				
Current:				
Public Works	2,694,519	6,423,550	5,392,587	1,030,963
Debt Service:				
Principal Retirement	49,379	49,379	49,379	0
Interest and Fiscal Charges	4,109	4,109	4,109	0
<i>Total Expenditures</i>	<u>2,748,007</u>	<u>6,477,038</u>	<u>5,446,075</u>	<u>1,030,963</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>759,493</u>	<u>(974,743)</u>	<u>711,543</u>	<u>1,686,286</u>
Other Financing Source (Uses)				
Transfers In	75,000	121,664	194,324	72,660
Transfers Out	(307,360)	(307,360)	(272,403)	34,957
Advances Out	(746,454)	(746,454)	(741,454)	5,000
<i>Total Other Financing Source (Uses)</i>	<u>(978,814)</u>	<u>(932,150)</u>	<u>(819,533)</u>	<u>112,617</u>
<i>Net Change in Fund Balance</i>	<u>(219,321)</u>	<u>(1,906,893)</u>	<u>(107,990)</u>	<u>1,798,903</u>
Fund Balance at Beginning of Year	1,090,646	1,090,646	1,090,646	0
Prior Year Encumbrances Appropriated	219,321	219,321	219,321	0
<i>Fund Balance at End of Year</i>	<u>\$1,090,646</u>	<u>(\$596,926)</u>	<u>\$1,201,977</u>	<u>\$1,798,903</u>

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Developmental Disabilities
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,208,000	\$1,208,000	\$1,757,458	\$549,458
Charges for Services	2,000	2,000	2,038	38
Intergovernmental	676,000	676,000	725,323	49,323
Interest	1,000	1,000	3,205	2,205
Other	47,000	47,000	57,597	10,597
<i>Total Revenues</i>	1,934,000	1,934,000	2,545,621	611,621
Expenditures				
Current:				
Health	2,126,606	2,245,156	1,879,421	365,735
<i>Total Expenditures</i>	2,126,606	2,245,156	1,879,421	365,735
<i>Excess of Revenues Over (Under) Expenditures</i>	(192,606)	(311,156)	666,200	977,356
Other Financing Source (Use)				
Transfers In	240,000	240,000	0	(240,000)
Transfers Out	(140,000)	(651,000)	0	651,000
<i>Total Other Financing Source (Use)</i>	100,000	(411,000)	0	411,000
<i>Net Change in Fund Balance</i>	(92,606)	(722,156)	666,200	1,388,356
Fund Balance at Beginning of Year	1,756,951	1,756,951	1,756,951	0
Prior Year Encumbrances Appropriated	98,606	98,606	98,606	0
<i>Fund Balance at End of Year</i>	\$1,762,951	\$1,133,401	\$2,521,757	\$1,388,356

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Federal Emergency Management Agency
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$0	\$0	\$643,193	\$643,193
Expenditures				
Current:				
Public Works	1,561,782	1,561,782	859,178	702,604
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,561,782)	(1,561,782)	(215,985)	1,345,797
Other Financing Source				
Advances In	700,000	700,000	700,000	0
<i>Net Change in Fund Balance</i>	(861,782)	(861,782)	484,015	1,345,797
Fund Balance at Beginning of Year	9,453	9,453	9,453	0
<i>Fund Balance at End of Year</i>	<u>(\$852,329)</u>	<u>(\$852,329)</u>	<u>\$493,468</u>	<u>\$1,345,797</u>

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Fund Net Position
Proprietary Fund
December 31, 2018

	Business-Type Activity Care Center <hr/>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$144,310
Cash and Cash Equivalents in Segregated Accounts	3,135
Accounts Receivable	454,339
Prepaid Items	773
Materials and Supplies Inventory	14,332
<i>Total Current Assets</i>	<hr/> <u>616,889</u>
Noncurrent Assets:	
Net Pension Asset	10,589
Depreciable Capital Assets, Net	2,344,601
<i>Total Noncurrent Assets</i>	<hr/> <u>2,355,190</u>
<i>Total Assets</i>	<hr/> <u>2,972,079</u>
Deferred Outflows of Resources	
Pension	938,538
OPEB	366,910
<i>Total Deferred Outflows of Resources</i>	<hr/> <u>1,305,448</u>
Liabilities	
Current Liabilities:	
Accounts Payable	119,497
Accrued Wages Payable	48,287
Intergovernmental Payable	35,201
Accrued Interest Payable	5,786
Compensated Absences Payable	60,618
General Obligation Bonds Payable	115,000
Capital Leases Payable	3,833
Interfund Payable	6,755,491
<i>Total Current Liabilities</i>	<hr/> <u>7,143,713</u>
Long-Term Liabilities (Net of Current Portion):	
Compensated Absences Payable	20,146
General Obligation Bonds Payable	1,184,990
Net Pension Liability	1,945,227
Net OPEB Liability	1,278,604
<i>Total Long-Term Liabilities</i>	<hr/> <u>4,428,967</u>
<i>Total Liabilities</i>	<hr/> <u>11,572,680</u>
Deferred Inflows of Resources	
Pension	626,552
OPEB	95,247
<i>Total Deferred Inflows of Resources</i>	<hr/> <u>721,799</u>
Net Position	
Net Investment in Capital Assets	1,084,195
Unrestricted (Deficit)	(9,101,147)
<i>Total Net Position (Deficit)</i>	<hr/> <u>(\$8,016,952)</u>

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended December 31, 2018

	Business-Type Activity
	Care Center
Operating Revenues	
Charges for Services	\$2,493,471
Other	25,039
<i>Total Operating Revenues</i>	2,518,510
Operating Expenses	
Personal Services	2,841,137
Contractual Services	1,101,000
Materials and Supplies	407,331
Depreciation	90,176
Other	27,882
<i>Total Operating Expenses</i>	4,467,526
<i>Operating Loss</i>	(1,949,016)
Non-Operating Expense	
Interest and Fiscal Charges	(71,274)
<i>Change in Net Position</i>	(2,020,290)
Net Position (Deficit) Beginning of Year (Restated - See Note 24)	(5,996,662)
<i>Net Position (Deficit) End of Year</i>	(\$8,016,952)

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2018

	Business-Type Activity
	Care Center
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	\$2,488,940
Cash Received from Other Operating Revenues	25,039
Cash Payments for Employee Services and Benefits	(2,462,558)
Cash Payments for Goods and Services	(1,348,924)
Cash Payments for Other Operating Expenses	(30,769)
<i>Net Cash Used for Operating Activities</i>	<i>(1,328,272)</i>
Cash Flows from Noncapital Financing Activities	
Advances In	1,710,975
Advances Out	(22,000)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<i>1,688,975</i>
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(32,189)
Principal Paid on General Obligation Bonds	(115,000)
Principal Paid Capital Leases	(3,736)
Interest and Fiscal Charges Paid on General Obligation Bonds	(74,575)
Interest and Fiscal Charges Paid on Capital Leases	(162)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<i>(225,662)</i>
<i>Net Increase in Cash and Cash Equivalents</i>	<i>135,041</i>
Cash and Cash Equivalents Beginning of Year	12,404
<i>Cash and Cash Equivalents End of Year</i>	<i>\$147,445</i>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$1,949,016)
Adjustments:	
Depreciation	90,176
Changes in Assets and Deferred Outflows of Resources and Liabilities and Deferred Inflows of Resources:	
Increase in Accounts Receivable	(4,816)
Increase in Materials and Supplies Inventory	(756)
Decrease in Prepaid Items	10,614
Decrease in Interfund Receivable	285
Decrease in Deferred Outflows of Resources - Pension	484,482
Decrease in Deferred Outflows of Resources - OPEB	186,628
Increase in Accounts Payable	29,450
Increase in Accrued Wages Payable	8,149
Decrease in Compensated Absences Payable	(2,020)
Increase in Interfund Payable	121,962
Decrease in Deferred Inflows of Resources - Pension	(388,936)
Decrease in Deferred Inflows of Resources - OPEB	(23,812)
Increase in Net Pension Liability	39,103
Increase in Net OPEB Liability	69,340
Increase in Intergovernmental Payable	895
<i>Net Cash Used for Operating Activities</i>	<i>(1,328,272)</i>

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2018

Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,338,961
Cash and Cash Equivalents in Segregated Accounts	257,916
Investments in Segregated Accounts	44,546
Receivables:	
Property Taxes	37,925,957
Accounts	113,141
Permissive Motor Vehicle License	1,328
Intergovernmental	<u>1,837,302</u>
<i>Total Assets</i>	<u><u>\$43,519,151</u></u>
 Liabilities	
Intergovernmental Payable	\$42,326,688
Deposits Held and Due to Others	868,368
Undistributed Monies	<u>324,095</u>
<i>Total Liabilities</i>	<u><u>\$43,519,151</u></u>

See accompanying notes to the basic financial statements

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

NOTE 1 - REPORTING ENTITY

Established in 1813, Monroe County, Ohio (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 who manage various segments of the County's operations are the County Auditor, County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a County Court Judge, and a Common Pleas-Juvenile-Probate 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 chief administrators of public services for the County, including each of these departments.

Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements 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.

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 program'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 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 that are fiscally dependent on the County in that the County approves the budget, the levying of taxes, the issuance of debt, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burden on, the primary government. The Monroe Adult Crafts Organization, Inc. (Workshop) was previously presented as a component unit of the County. However, for 2018, this component unit's activity was considered insignificant and thus excluded from the financial statements.

The following potential component units have been excluded from the County's financial statements because the County is not financially accountable for these organizations nor are these entities for which the County approves the budget, the issuing of debt, or the levying of taxes:

Monroe County Agricultural Society
Monroe County Historical Society

As the custodian of public funds, the County Treasurer invests all 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, but is not financially accountable for their operations. Accordingly, the activity of the following entities is presented as agency funds in the County's financial statements:

Monroe County General Health District (District) - The District is a separately elected governing body that is legally separate. The five-member Board of Directors which oversees the operation of the District is elected by a District Advisory Council comprised of township trustees, mayors of participating municipalities, and members of the District, and approves the District's budget; however, this oversight is ministerial. The County will report the District and its activity will be reported as an agency fund.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

Monroe County Soil and Water Conservation District (SWCD) - The SWCD is statutorily created as a separate and distinct political subdivision of the State. The five supervisors of the SWCD are elected officials, authorized to contract and sue on behalf of the District. The supervisors adopt their own budget, authorize SWCD expenditures, hire and fire staff, and do not rely on the County to finance deficits.

The Monroe County Regional Planning Commission, the Monroe County Family and Children First Council, and the Monroe County Park District are presented as agency funds of the County because the County Auditor is the fiscal agent for these organizations.

The County participates in the following organizations which are defined as jointly governed organizations. Additional financial information concerning the jointly governed organizations is discussed in Note 18.

Buckeye Hills Regional Council (Council)
Southeastern Ohio Joint Solid Waste District (District)
Guernsey-Monroe-Noble Community Action Corporation (GMN)
Belmont, Harrison, and Monroe Counties Cluster
Mental Health Recovery Board (Board)
Monroe County Family and Children First Council
Buckeye Hills Resource Conservation and Development Project (RC&D)
Mid Eastern Ohio Regional Council of Governments (MEORC)
Ohio Valley Employment Resource
Oakview Juvenile Residential Center

The County is associated with the following organizations which are defined as related organizations. Additional financial information concerning the related organizations is presented in Note 19.

Monroe County District Public Library
Monroe County Community Improvement Corporation (CIC)
Monroe County Emergency Medical Service (EMS)

The County is associated with the County Risk Sharing Authority, Inc. (CORSA) and the County Commissioners Association of Ohio Workers' Compensation Group Retrospective Rating Program which are defined as public entity pools. Additional information concerning these organizations is presented in Note 20.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

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

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the County at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and for the business-type activities of the County. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The policy of the County is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the 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 enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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, the County's primary operating fund, accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Maintenance Fund - This fund accounts for revenue derived from motor vehicle licenses, gasoline taxes, grants, permissive sales taxes, and interest. Expenditures in this fund are restricted by State law to County road and bridge repair/improvements programs.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

Developmental Disabilities Fund - This fund accounts for property tax revenues and federal and state grants. Expenditures are restricted by state law to those that benefit the developmentally disabled. County expenditures have been for social service contracts, medical providers, and costs to maintain and operate buildings and buses provided for the developmentally disabled.

Federal Emergency Management Agency (FEMA) – This fund accounts for state and federal grants restricted to expenditures relating to a disaster response within the County,

The other governmental funds of the County account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprises funds may be used to account for any activity for which a fee is charged to external users for goods and services. The County reports the following major enterprise fund:

Care Center Fund - The Care Center Fund accounts for activity associated with the operation of a nursing home and rehabilitation center. Revenues are derived from patients and other non-operating sources. Expenses are for operating and capital related financing activities from the operation of the center.

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's fiduciary funds are all classified as agency funds. The agency funds account for assets held by the County as agent for the Board of Health and other districts and entities and for various taxes and state shared resources collected on behalf of and distributed to other local governments.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the 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 and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all 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 Revenues, Expenses, and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

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

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. 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 fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 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 taxes (see Note 7), interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees, and rentals.

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, 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 are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 12.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

In addition to liabilities, the statements of financial position 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, pension, OPEB, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance year 2019 operations. These amounts have been recorded as a deferred inflow 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 delinquent property taxes, permissive sales taxes, accounts receivable, and intergovernmental grants and entitlements. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 20. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Notes 11 and 12)

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

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

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by County Commissioners at the fund, program, department, and object level. Budgetary modifications may only be made by resolution of the County Commissioners.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources approved.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the County Commissioners during the year.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

Cash and Cash Equivalents

Cash balances of the County's funds, except cash held by a trustee, fiscal agent, or held in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. During 2018, investments were limited to money markets, marketable certificates of deposit, non-participating certificates of deposit, and STAROhio. Except for nonparticipating certificates of deposit, investments are reported at fair value which is based on quoted market prices. Non-participating certificates of deposit are reported at cost or amortized cost. STAROhio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants". The County measures their investment in STAROhio at the net asset value (NAV) per share provided by STAROhio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAROhio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

The County has segregated accounts for monies held separate from the County's central bank accounts. These bank accounts are presented on the financial statements as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the County Treasury. The County has amounts presented on the financial statements as "Cash and Cash Equivalents with Fiscal Agents" which represents money held by a jointly governed organization (see Note 5).

Provisions of the Ohio Revised Code restrict investment procedures. 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 is distributed to the funds according to the Monroe County Prosecutor's interpretation of Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2018 amounted to \$205,232 which includes \$177,410 assigned from other County funds.

Restricted Assets

The Governmental Balance Sheet is showing restricted cash and cash equivalents in the General Fund for unclaimed monies not available for appropriation. In addition, restricted cash and cash equivalents represent unspent debt proceeds that are restricted according to debt covenants.

Receivables and Payables

Receivables and payables are recorded on the County's financial statements to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also, by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility. Using these criteria, the County has elected to not record child support arrearages. These amounts, while potentially significant, are not considered measurable, and because collections are often significantly in arrears, the County is unable to determine a reasonable value.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

Inventory of Supplies

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2018, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term and long-term interfund loans or interfund services provided and used are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Capital Assets

General 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 enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The County was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price level to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The County maintains a capitalization threshold of \$5,000. 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.

All reported capital assets are depreciated except for land, land improvements, and construction in progress. Improvements are depreciated or amortized 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 replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Infrastructure	25-75 Years	25-75 Years
Buildings and Improvements	20-40 Years	20-40 Years
Vehicles and Equipment	4-20 Years	4-20 Years

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

Infrastructure consisting of roads and bridges are capitalized and includes infrastructure acquired prior to the implementation of Governmental Accounting Standards Board Statement No. 34.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the County will compensate the employees for the benefits through paid time off or some other means. The County records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The liability for vacation benefits is recorded as a long-term liability, as the balances can be accumulated for greater than one year.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the County has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year-end taking into consideration any limits specified in the County's termination policy. The County records a liability for sick leave for employees with twenty or more years of service at any age or 10 years of service at age 50.

The entire compensated absences liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

Pensions/Other Postemployment Benefits (OPEB)

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

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, claims and judgments, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, long-term loans, and long-term notes are recognized as a liability in the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

Bond Premiums, Discounts, and Issuance Costs

Bond Premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

On the governmental fund financial statements, governmental fund types recognize bond premiums or discounts in the period in which the related debt is issued. The face amount of the debt issue is reported as other financing sources. Premiums received or discounts paid on debt issuances are shown as other financing sources or uses on the governmental fund financial statements. Debt issuance costs are reported as expenses in the period incurred.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

Capital Contributions

Contributions of capital arise from contributions of capital assets from governmental activities to business-type activities, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

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 governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually 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, prepaids, as well as inventory, unless the use of the proceeds from the collection of those receivables, or from the use of the prepaids and inventory, is restricted, committed, or assigned.

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

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 County Commissioners. Those committed amounts cannot be used for any other purpose unless the County 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 or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

restricted or committed. These amounts are assigned by the County Commissioners. In the General Fund, assigned amounts represent intended uses established by the County Commissioners or a County official delegated that authority by resolution or by State Statute. State statute authorizes the County Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The County Commissioners assigned fund balance to cover a gap between estimated revenue and appropriations in 2019's appropriated budget.

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 used only to report a deficit balance.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are 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.

Internal Activity

The County uses an internal proportionate share to allocate its net pension/OPEB liability and corresponding deferred outflows/inflows of resources and pension/OPEB expense to its various funds. This allocation creates a change in internal proportionate share. The effects of the internal proportionate share are eliminated from the pension/OPEB deferred outflows/inflows of resources in the governmental and business-type activities columns of the Statement of Net Position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position, this allowing the total column to present the change in proportionate share for the County as a whole.

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

Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Net Position

Net position represents the difference between all other elements in a statement of financial position. 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. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors,

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

grantors, or laws or regulations of other governments. Net position restricted for other purposes primarily includes net assets restricted for senior services, youth services, and local health and victims advocate programs. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for operating a nursing home and rehabilitation center. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as non-operating.

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 and that are either unusual in nature or infrequent in occurrence.

Estimates

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund and each major special revenue 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 as follows:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- C. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance.
- D. Unrecorded cash and prepaid items are reported on the balance sheet (GAAP basis), but not on the budgetary basis.
- E. Cash that is held by the agency funds on behalf of County funds on a budget basis are allocated and reported on the balance sheet (GAAP basis) in the appropriate County fund.

Monroe County, Ohio

**Notes to the Basic Financial Statements
December 31, 2018**

- F. Advances-in and advances-out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

Adjustments necessary to convert the results of operations at year-end on the Budget basis to the GAAP basis are as follows:

Net Change in Fund Balances
General and Major Special Revenue Funds

	<u>General</u>	<u>Maintenance</u>	<u>Developmental Disabilities</u>	<u>FEMA</u>
GAAP Basis	\$972,048	\$1,018,584	\$759,124	\$395,107
Net Adjustment for Revenue Accruals	(83,464)	(4,360)	7,343	(868,715)
Beginning of the Year:				
Unrecorded Cash	216,740	389	0	0
Agency Fund Cash Allocation	32,307	0	27,691	0
Prepaid Items	187,113	16,129	7,285	0
End of the Year:				
Unrecorded Cash	(49,917)	(428)	0	0
Agency Fund Cash Allocation	(128,750)	0	(30,591)	0
Prepaid Items	(256,414)	(11,272)	(5,032)	0
Net Adjustment for Expenditure Accruals	(45,766)	(297,215)	(72,230)	868,715
Advances In	63,454	0	0	700,000
Advances Out	(1,754,475)	(741,454)	0	0
Encumbrances	(392,061)	(88,363)	(27,390)	(611,092)
Budget Basis	<u>(\$1,239,185)</u>	<u>(\$107,990)</u>	<u>\$666,200</u>	<u>\$484,015</u>

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

Accountability

The Dog and Kennel Special Revenue Fund and the Care Center Enterprise Fund had deficit fund balance/net position in the amounts of \$56,958 and \$8,016,952, respectively, as of December 31, 2018. These deficits are due to the recognition of payables in accordance with generally accepted accounting principles as well as interfund loans from the General Fund needed for operations by the Care Center Enterprise Fund. The General Fund provides operating transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Compliance

Contrary to Section 5705.39, Revised Code, the General Fund and the FEMA Special Revenue Fund had original appropriations exceeding original estimated resources in the amounts of \$2,267 and \$852,329, respectively.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

Contrary to Section 5705.39, Revised Code, the following funds had final appropriations exceeding final estimated resources:

- General Fund - \$2,687,399
- Maintenance Special Revenue Fund - \$596,926
- FEMA Special Revenue Fund - \$852,329
- Community Development Special Revenue Fund - \$301,383
- Bond Retirement Debt Service Fund - \$29,287
- Dog Shelter Building Capital Projects Fund - \$4,071
- Engineer Capital Improvement Capital Projects Fund - \$96,666

Contrary to Section 5705.41, Revised Code, the following funds/accounts had expenditures plus encumbrances in excess of appropriations:

- DRETAC Special Revenue Fund
 - Legislative and Executive
 - Personal Services - \$1,701

- Issue II Capital Projects Fund
 - Public Works
 - Contractual Services - \$625,000

- Engineer Capital Improvement Capital Projects Fund
 - Public Works
 - Contractual Services - \$10,185

The County will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

NOTE 5 - DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demands 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.

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, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Monies held by the County, which are not considered active, are classified as inactive. Inactive monies may be deposited or invested, with certain limitations, in the following securities provided the County has filed a written investment policy with the Ohio Auditor of State:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States;

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

2. Bonds, notes, debentures, or any other obligations or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of this state or the political subdivisions of this state, provided the bonds or other obligations of political subdivisions mature within ten years from the date of settlement;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts, in eligible institutions pursuant to ORC section 135.32;
6. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service or consisting exclusively of obligations described in (1) or (2) above; commercial paper as described in ORC section 135.143 (6); and repurchase agreements secured by such obligations, provided these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities or cash, equal value for equal value, within certain limitations;
9. Up to forty percent of the County's average portfolio, if training requirements have been met, in either of the following:
 - a. Commercial paper notes in entities incorporated under the laws of Ohio, or any other State, that have assets exceeding five hundred million dollars, which are rated in the highest classification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation, which mature within 270 days after purchase, and the investment in commercial paper notes of a single issuer shall not exceed the aggregate five percent of interim monies available for investment at the time of purchase.
 - b. Bankers acceptances of banks that are insured by the federal deposit corporation and that mature not later than 180 days after purchase.
10. Up to fifteen percent of the County's average portfolio in notes issued by U.S. corporations or by depository institutions doing business under authority granted by the U.S. or any state provided that the notes are rated in the three highest categories by at least two nationally recognized standard rating services at the time of purchase and the notes mature not later than three years after purchase;

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

11. A current unpaid or delinquent tax line of credit, provided certain conditions are met related to a County land reutilization corporation under ORC Chapter 1724; and,
12. Up to two percent of the County’s average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government, subject to certain limitations. All interest and principal shall be denominated and payable in United States funds.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of settlement, 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At December 31, 2018, the Developmental Disabilities Special Revenue Fund had a cash balance of \$301,668 with MEORC, a jointly governed organization (see Note 18). The money is held by MEORC in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 40. Any risk associated with the cash and cash equivalents and investments for MEORC as a whole may be obtained from their audit report. To obtain financial information, write to the Mid East Ohio Regional Council, Cathy Henthorn, who serves as Director of Financial Operations, 1 Avalon Road, Mt. Vernon, Ohio 43050.

Cash on Hand

At year-end, the County had \$13,990 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” and “Cash and Cash Equivalents in Segregated Accounts”.

Investments

As of December 31, 2018, the County had the following investments which are in the internal investment pool:

	Measure- ment Amount	Maturity	Percent of Total Investments	Rating	Rating Agency
Fair Value - Level 2 Inputs:					
US Treasury Bill	\$2,564,423	2/28/2019-6/20/2019	37%	N/A	N/A
Marketable Certificates of Deposit	4,454,232	1/1/2019-5/19/2022	63%	N/A	N/A
Net Asset Value Per Share:					
STAROhio	1,189,966	44.9 days	N/A	AAAm	S&P
Total	\$8,208,621				

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the County's recurring fair value measurements as of December 31, 2018. The County's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest Rate Risk The County's investment policy does not address interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County, and that an investment must be purchased with the expectation that it will be held to maturity. The intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The County has no investment policy that would limit its investment choices other than what has been approved by State statute.

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 negotiable certificates of deposit are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agency but not in the County's name. The County has no investment policy dealing with investment custodial credit 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 places no limit on the amount it may invest in any one issuer. The percentage of total investments is listed in the table above.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2018 for real and public utility property taxes represents collections of 2017 taxes.

2018 real property taxes were levied after October 1, 2018, on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

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 tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

2018 public utility property taxes which became a lien December 31, 2017, were levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2018, was \$9.30 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2018 property tax receipts were based are as follows:

Real Property	\$422,330,030
Public Utility Personal Property	292,522,570
Total Assessed Value	<u>\$714,852,600</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds. Property taxes receivable represents real and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2018, and for which there is an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2018 operations is offset to deferred inflows of resources - property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources - unavailable revenue.

NOTE 7 - PERMISSIVE SALES AND USE TAXES

In 1967, in accordance with Section 5739.02 of the Revised Code, counties were authorized to levy an excise tax of 0.5% to 1-1/2%. The tax must be levied pursuant to a resolution of the County Commissioners and a copy of the resolution of the County Commissioners sent to the Tax Commissioner not later than 60 days prior to the effective date of the tax.

Vendor collections of the permissive sales tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the 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 each month. The Tax Commissioner shall then, on or before the twentieth day of the month in which certification is made, provide for payment to the County. Proceeds of the tax are credited entirely to the General Fund.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

NOTE 8 - RECEIVABLES

Receivables at December 31, 2018, consisted of taxes, sales taxes, interfund, accrued interest, accounts (billings for user charged services), loans, permissive motor vehicle license tax, and intergovernmental receivables arising from grants, entitlements and shared revenues. A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amount
Property Tax Allocations	\$110,927
Local Government, Local Government Revenue Assistance, and Library and Local Governmental Support Subsidies	118,166
Motor Vehicle License Tax	441,156
Motor Vehicle Gas Tax	1,170,064
Community Development Block Grants	410,725
Casino Revenue	84,856
Indigent Defense	25,800
Justice Reinvestment Grants	19,573
DARE Grants	5,439
Youth Services Grants	28,075
Targeted Community Alternatives Grant	46,074
FEMA Grants	868,715
Emergency Management Grants and Subsidies	38,585
Public Assistance Grants and Subsidies	218,615
Child Support Enforcement Grants and Subsidies	62,591
Children Services Subsidies	47,107
Federal IV-E Reimbursements	33,135
Monroe County Public Transportation Grants	119,254
Community Corrections Grants	5,000
Developmental Disabilities State and Federal Grants and Subsidies	104,745
VWAP Grants	26,737
Miscellaneous Intergovernmental Receivables	4,875
Total Intergovernmental Receivables	\$3,990,214

Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for non-payment. Management believes all other receivables are fully collectible within one year, except for property taxes and loans.

Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$91,699 may not be collected within one year.

The Community Development Block Grant Special Revenue Fund reflects loans receivable of \$7,037. This amount is for the principal owed to the County for Federal Community Development Block Grant Program monies loaned to businesses for improvements.

Monroe County, Ohio

**Notes to the Basic Financial Statements
December 31, 2018**

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018
<u>Governmental Activities</u>				
Non-Depreciable Capital Assets:				
Land and Land Improvements	\$13,359,464	\$2,768,028	(\$588,016)	\$15,539,476
Construction In Progress	13,147,624	0	(13,147,624)	0
Total Non-Depreciable Capital Assets	<u>26,507,088</u>	<u>2,768,028</u>	<u>(13,735,640)</u>	<u>15,539,476</u>
Depreciable Capital Assets:				
Land Improvements	0	52,704	0	52,704
Infrastructure	35,334,945	9,147,005	(2,124,876)	42,357,074
Buildings and Improvements	4,548,480	15,052,314	0	19,600,794
Vehicles and Equipment	8,124,831	706,890	(25,314)	8,806,407
Total Depreciable Capital Assets	<u>48,008,256</u>	<u>24,958,913</u>	<u>(2,150,190)</u>	<u>70,816,979</u>
Accumulated Depreciation:				
Infrastructure	(5,975,854)	(1,242,594)	941,278	(6,277,170)
Buildings and Improvements	(1,998,066)	(128,363)	0	(2,126,429)
Vehicles and Equipment	(4,675,614)	(729,898)	17,718	(5,387,794)
Total Accumulated Depreciation	<u>(12,649,534)</u>	<u>(2,100,855) *</u>	<u>958,996</u>	<u>(13,791,393)</u>
Total Depreciable Capital Assets, Net	<u>35,358,722</u>	<u>22,858,058</u>	<u>(1,191,194)</u>	<u>57,025,586</u>
Governmental Capital Assets, Net	<u>\$61,865,810</u>	<u>\$25,626,086</u>	<u>(\$14,926,834)</u>	<u>\$72,565,062</u>

*Depreciation expense was charged to governmental activities as follows:

Legislative and Executive	\$70,345
Judicial	18,216
Public Safety	285,773
Public Works	1,458,297
Health	187,044
Human Services	80,395
Economic Development	785
Total Depreciation Expense	<u>\$2,100,855</u>

During 2018, the County received infrastructure capital contributions valued at \$8,876,386 from vendors in the oil and gas industry. These contributions are the result of keeping the condition of the roads at, or above, standards set by the County Engineer.

Included in additions and deletions in the above table is a reclass of construction in progress in the amount of \$13,147,624 to buildings and improvements as a result of completion of the county jail.

Monroe County, Ohio

**Notes to the Basic Financial Statements
December 31, 2018**

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018
<u>Business - Type Activities</u>				
Depreciable Capital Assets:				
Buildings and Improvements	\$3,940,654	\$32,189	\$0	\$3,972,843
Vehicles and Equipment	159,786	0	0	159,786
Total Depreciable Capital Assets	<u>4,100,440</u>	<u>32,189</u>	<u>0</u>	<u>4,132,629</u>
Accumulated Depreciation:				
Buildings and Improvements	(1,574,420)	(82,801)	0	(1,657,221)
Vehicles and Equipment	(123,432)	(7,375)	0	(130,807)
Total Accumulated Depreciation	<u>(1,697,852)</u>	<u>(90,176)</u>	<u>0</u>	<u>(1,788,028)</u>
Total Depreciable Capital Assets/ Business-Type Activities Capital Assets, Net	<u>\$2,402,588</u>	<u>(\$57,987)</u>	<u>\$0</u>	<u>\$2,344,601</u>

NOTE 10 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; employee injuries; and natural disasters. The County contracts with County Risk Sharing Authority, Inc. (CORSA) to address liability, auto, and crime insurance coverage. CORSA, a non-profit corporation sponsored by the County Commissioners Association of Ohio, was created to provide affordable liability, property, casualty, and crime insurance coverage for its members and was established May 12, 1987. Coverage is as follows:

General Liability	\$1,000,000 each occurrence
Law Enforcement Liability	\$1,000,000 each occurrence
Automobile Liability	\$1,000,000 each occurrence
Errors and Omissions Liability	\$1,000,000 each occurrence
	\$1,000,000 annual aggregate
	\$100,000 each occurrence back wages
Excess Liability	\$3,000,000 each occurrence
	\$3,000,000 annual aggregate
Ohio Stop Gap Employers' Liability	\$1,000,000 each occurrence
Employee Benefits Liability	\$1,000,000 each occurrence
Cyber Liability	\$1,000,000 each occurrence
	\$1,000,000 annual aggregate
Medical and Professional Liability	\$3,000,000
Property Damage Liability	\$57,858,490
Equipment Breakdown	\$100,000,000
Contingent Business Interruption	\$100,000 each occurrence
Crime	\$1,000,000
Gross Earnings/Extra Expense	\$2,500,000 each occurrence
Uninsured/Underinsured Motorists	\$250,000
Attorney Disciplinary Proceedings	\$25,000 each occurrence
	\$25,000 annual aggregate
Declaratory, Injunctive or Equitable Relief	\$25,000 each occurrence
	\$25,000 annual aggregate
Law Enforcement Canines	\$75,000
Unmanned Aerial Vehicles	\$8,828

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

The deductible on the above coverage for each occurrence is \$2,500.

Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

The County participates in the workers' compensation program provided by the State of Ohio. For 2018, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Retrospective Rating Program (Program), an insurance purchasing pool (see Note 20). The Program is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The participating counties continue to pay their own premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending on that performance, the participating counties can either receive a premium refund or assessment. Employers will pay experience - or base rated premiums under the same terms as if they were not in a retro group. The total premium for the entire group is the standard premium of the group. The standard premium serves as the benchmark that is adjusted up and down retroactively. In order to allocate the savings derived by formation of the Program, the Program's executive committee annually calculates the group-retrospective premium based on developed incurred claim losses for the whole group. The new premium is compared to the standard premium. If the retrospective premium is lower than the standard premium, a refund will be distributed to the employers of the group. If the retrospective premium is higher, an assessment will be charged to each participant.

Participation in the Program is limited to counties that can meet the Program's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the Program. Each year, the County pays an enrollment fee to the Program to cover the costs of administering the Program.

The County may withdraw from the Program if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Program prior to withdrawal.

The County pays all elected official bonds by state statute.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability (Asset)/Net OPEB Liability (Asset)

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

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a *net pension/OPEB asset* or a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

Plan Description - Ohio Public Employees Retirement System (OPERS)

County employees, other than licensed teachers and other faculty members, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

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

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

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

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

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 traditional plan 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. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. 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.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan, and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions, and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	State and Local	Law Enforcement
2018 Statutory Maximum Contribution Rates		
Employer	14.0 %	18.1 %
Employee *	10.0 %	**
 2018 Actual Contribution Rates		
Employer:		
Pension ***	14.0 %	18.1 %
Post-employment Health Care Benefits ***	0.0 %	0.0 %
Total Employer	14.0 %	18.1 %
 Employee	 10.0 %	 13.0 %

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** This rate is determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

*** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

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

For 2018, the County's contractually required contribution was \$1,399,644 for the traditional plan, \$3,439 for the combined plan, and \$5,723 for the member-directed plan. Of these amounts, \$143,973 is reported as an intergovernmental payable for the traditional plan, \$8,022 for the combined plan, and \$811 for the member-directed plan.

Plan Description - State Teachers Retirement System (STRS)

County licensed teachers and other faculty members participate in STRS, 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.

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.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of-living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 or later.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit 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.

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 2018 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2018, the full employer contribution was allocation to pension.

The County's contractually required contribution to STRS was \$26,293 for 2018. Of this amount, \$385 is reported as an intergovernmental payable.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

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

The net pension liability (asset) for OPERS was measured as of December 31, 2017, and the net pension liability for STRS was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of the respective measurement dates. The County's proportion of the net pension liability (asset) was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Plan	OPERS Combined Plan	STRS	Total
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.0652600%	0.0409390%	0.00139863%	
Prior Measurement Date	0.0591810%	0.0166990%	0.00134880%	
Change in Proportionate Share	0.0060790%	0.0242400%	0.00004983%	
Proportionate Share of the:				
Net Pension Liability	\$10,238,029	\$0	\$307,527	\$10,545,556
Net Pension Asset	0	55,730	0	55,730
Pension Expense	\$2,489,224	(\$23,448)	\$33,352	\$2,499,128

2018 pension expense for the member-directed defined contribution plan was \$5,723.

At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	STRS	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	\$10,457	\$0	\$7,099	\$17,556
Change of assumptions	1,223,513	4,870	54,499	1,282,882
Changes in proportion and differences between County contributions and proportionate share of contributions	654,152	0	11,466	665,618
County contributions subsequent to the measurement date	1,399,644	33,774	15,109	1,448,527
Total Deferred Outflows of Resources	\$3,287,766	\$38,644	\$88,173	\$3,414,583
Deferred Inflows of Resources				
Differences between expected and actual experience	\$201,759	\$16,602	\$2,009	\$220,370
Net difference between projected and actual earnings on pension plan investments	2,197,970	8,793	18,649	2,225,412
Changes in proportion and differences between County contributions and proportionate share of contributions	149,152	11,757	1,481	162,390
Total Deferred Inflows of Resources	\$2,548,881	\$37,152	\$22,139	\$2,608,172

\$1,448,527 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 or increase to the net pension asset in 2019.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

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

Year Ending December 31,	OPERS Traditional Plan	OPERS Combined Plan	STRS	Total
2019	\$1,122,919	(\$4,208)	\$30,185	\$1,148,896
2020	87,369	(4,449)	18,838	101,758
2021	(967,869)	(6,419)	4,156	(970,132)
2022	(903,178)	(6,211)	(2,254)	(911,643)
2023	0	(3,123)	0	(3,123)
Thereafter	0	(7,872)	0	(7,872)
	(\$660,759)	(\$32,282)	\$50,925	(\$642,116)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017, are presented below:

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

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

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.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan, and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 16.82 percent for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate

The discount rate used to measure the total pension liability for 2017 was 7.5 percent for the traditional 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 contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following table presents the County's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	\$18,180,131	\$10,238,029	\$3,616,709
OPERS Combined Plan	(30,295)	(55,730)	(73,281)

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the County's net pension liability is not known.

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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

Actuarial assumptions used in the July 1 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

Monroe County, Ohio

**Notes to the Basic Financial Statements
December 31, 2018**

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

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.5 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
County's proportionate share of the net pension liability	\$449,103	\$307,527	\$187,703

NOTE 12 - POST BENEFIT OPEB PLANS

See Note 11 for a description of the net OPEB liability (asset).

Plan Description - Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit pension plan; the Member - Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

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

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

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local government employers contributed at a rate of 14 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The County's contractually required contribution was \$2,289 for 2018. Of this amount, \$232 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums.

Monroe County, Ohio

**Notes to the Basic Financial Statements
December 31, 2018**

Medicare Part B premium reimbursements will be discontinued effective January 1, 2019. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Plan. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the year ended December 31, 2018, STRS did not allocate any employer contributions to postemployment health care.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. For STRS, the net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an independent actuarial valuation as of that date. The County's proportion of the net OPEB liability (asset) was based on the County's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.061970%	0.00139863%	
Prior Measurement Date	<u>0.055630%</u>	<u>0.00134880%</u>	
Change in Proportionate Share	<u>0.0063400%</u>	<u>0.00004983%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$6,729,485	\$0	\$6,729,485
Net OPEB Asset	0	22,475	22,475
OPEB Expense	\$768,155	(\$45,001)	\$723,154

At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Monroe County, Ohio

**Notes to the Basic Financial Statements
December 31, 2018**

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$5,242	\$1,316	\$6,558
Changes of assumptions	489,978	0	489,978
Changes in proportion and differences between County contributions and proportionate share of contributions	433,232	1,775	435,007
County contributions subsequent to the measurement date	<u>2,289</u>	<u>0</u>	<u>2,289</u>
Total Deferred Outflows of Resources	<u>\$930,741</u>	<u>\$3,091</u>	<u>\$933,832</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$0	\$0
Changes of assumptions	0	30,624	30,624
Net difference between projected and actual earnings on OPEB plan investments	<u>501,302</u>	<u>2,567</u>	<u>503,869</u>
Total Deferred Inflows of Resources	<u>\$501,302</u>	<u>\$33,191</u>	<u>\$534,493</u>

\$2,289 reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or increase to the net OPEB asset in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$318,570	(\$5,411)	\$313,159
2020	318,570	(5,411)	313,159
2021	(84,663)	(5,411)	(90,074)
2022	(125,327)	(4,828)	(130,155)
2023	0	(4,623)	(4,623)
Thereafter	<u>0</u>	<u>(4,416)</u>	<u>(4,416)</u>
	<u>\$427,150</u>	<u>(\$30,100)</u>	<u>\$397,050</u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including Inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current Measurement Date	3.85 percent
Prior Measurement Date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan, and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Monroe County, Ohio

**Notes to the Basic Financial Statements
December 31, 2018**

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate

A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the County's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the County's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Discount Rate (3.85%)	1% Increase (4.85%)
County's proportionate share of the net OPEB liability	\$8,940,412	\$6,729,485	\$4,940,868

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	<u>1% Decrease</u>	<u>Current Health Care Cost Trend Rate Assumption</u>	<u>1% Increase</u>
County's proportionate share of the net OPEB liability	\$6,438,683	\$6,729,485	\$7,029,877

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the County's net OPEB liability is not known.

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	5 percent initial, 4 percent ultimate
Medical	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	-5.23 initial, 4 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Monroe County, Ohio

**Notes to the Basic Financial Statements
December 31, 2018**

Since the Prior Measurement Date, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

Sensitivity of the County's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate

The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
County's proportionate share of the net OPEB asset	(\$19,263)	(\$22,475)	(\$25,174)
		<u>Current Trend Rate</u>	<u>1% Increase</u>
County's proportionate share of the net OPEB asset	(\$25,022)	(\$22,475)	(\$19,888)

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

NOTE 13 - OTHER EMPLOYEE BENEFITS

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn two to five weeks of vacation per year, depending on length of service. Vacation accumulation is limited to three years of accrual. All accumulated, unused vacation time is paid to eligible employees upon termination of employment.

Employees earn sick leave at the rate of 1.25 days per month of service and unused sick leave may be accumulated without limit. Upon retirement or death, an employee can be paid twenty-five percent of accumulated, unused sick leave up to a maximum of 30 days.

NOTE 14 - CAPITAL LEASES-LESSEE DISCLOSURE

Copiers and road equipment acquired by lease have been capitalized in the government-wide statements in the amount of \$282,568, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government-wide statements as part of governmental and business-type activities. Each lease meets the criteria of a capital lease which is defined as transferring benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the basic financial statements.

These capitalized leased assets are reflected net of accumulated depreciation in the amount of \$194,861 at December 31, 2018. There were principal payments towards these leases of \$52,028 in governmental activities and \$3,736 in business-type activities during 2018. These leases are being repaid by the General Fund, the Maintenance Special Revenue Fund, and the Care Center Enterprise Fund.

Future minimum lease payments through 2020 for governmental activities are as follows:

Year Ending December 31,	Principal	Interest	Total
2019	\$52,321	\$2,803	\$55,124
2020	52,076	1,412	53,488
Total	<u>\$104,397</u>	<u>\$4,215</u>	<u>\$108,612</u>

Future minimum lease payments through 2019 for business-type activities are as follows:

Year Ending December 31,	Principal	Interest	Total
2019	\$3,833	\$170	\$4,003

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in the County's long-term obligations during 2018 consist of the following:

	Outstanding 12/31//2017	Additions	Deletions	Outstanding 12/31//2018	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds:					
USDA Series 2017A - \$9,000,000 - 2.375%	\$9,000,000	\$0	\$0	\$9,000,000	\$142,706
USDA Series 2017B - \$6,500,000 - 2.375%	6,500,000	0	0	6,500,000	103,066
USDA Series 2018 - \$117,000 -3.875%	0	117,000	0	117,000	9,800
Total General Obligation Bonds	<u>15,500,000</u>	<u>117,000</u>	<u>0</u>	<u>15,617,000</u>	<u>255,572</u>
OPWC State Capital Improvement Loan: \$225,000 - 0%	0	225,000	0	225,000	7,500
2017 Dog and Kennel Promissory Note - \$12,095 - 3.80%	1,321	0	1,321	0	0
Capital Leases	156,425	0	52,028	104,397	52,321
Net Pension Liability:					
OPERS	11,557,538	0	3,264,736	8,292,802	0
STRS	320,411	0	12,884	307,527	0
Total Net Pension Liability	<u>11,877,949</u>	<u>0</u>	<u>3,277,620</u>	<u>8,600,329</u>	<u>0</u>
Net OPEB Liability:					
OPERS	4,832,184	618,697	0	5,450,881	0
STRS	52,626	0	52,626	0	0
Total Net OPEB Liability	<u>4,884,810</u>	<u>618,697</u>	<u>52,626</u>	<u>5,450,881</u>	<u>0</u>
Compensated Absences	545,984	347,297	296,329	596,952	244,986
Total Governmental Activities	<u>32,966,489</u>	<u>1,307,994</u>	<u>3,679,924</u>	<u>30,594,559</u>	<u>560,379</u>
Business-Type Activities					
General Obligation Bonds:					
2002 Care Center Improvement Term					
Bonds - 795,000 - 5.15%	175,000	0	35,000	140,000	35,000
Bond Discount	(4,311)	0	(884)	(3,427)	0
2009 County Care Center Serial					
Bonds - 710,000 - Variable Interest Rate	160,000	0	80,000	80,000	80,000
Bond Premium	47,364	0	3,947	43,417	0
2009 County Care Center Term Bonds -					
\$1,040,000 - Variable Interest Rate	1,040,000	0	0	1,040,000	0
Total General Obligation Bonds	<u>1,418,053</u>	<u>0</u>	<u>118,063</u>	<u>1,299,990</u>	<u>115,000</u>
Capital Lease	7,569	0	3,736	3,833	3,833
Net Pension Liability - OPERS	1,881,460	63,767	0	1,945,227	0
Net OPEB Liability - OPERS	786,635	491,969	0	1,278,604	0
Compensated Absences	82,784	70,380	72,400	80,764	60,618
Total Business-Type Activities	<u>4,176,501</u>	<u>626,116</u>	<u>194,199</u>	<u>4,608,418</u>	<u>179,451</u>
Total Long-Term Obligations	<u>\$37,142,990</u>	<u>\$1,934,110</u>	<u>\$3,874,123</u>	<u>\$35,202,977</u>	<u>\$739,830</u>

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

Governmental Activities

On August 28, 2017, the County issued \$9,000,000 and \$6,500,000 in United States Department of Agriculture (USDA) County Jail Facilities General Obligation Bonds. The proceeds of these bonds were used to construct and furnish a county jail facility, furnishing and equipping the same, landscaping and improving the site thereof, and to retire a bond anticipation note previously issued for the same. The bonds are backed by the full faith and credit of the County and are being retired from the Bond Retirement Debt Service Fund using General Fund transfers. The bonds were issued for a forty year period with final maturity in 2057. The bonds are subject to redemption, at the option of the County, in whole or in part in inverse order of maturity, at any time prior to stated maturity, at their par value plus accrued interest to the date fixed for redemption.

On December 18, 2018, the County issued \$117,000 in United States Department of Agriculture (USDA) Engineer Equipment General Obligation Bonds. The proceeds of these bonds were used to purchase trucks with snow plows and related equipment. The bonds are backed by the full faith and credit of the County and are being retired from the Maintenance Special Revenue Fund. The bonds shall be callable for redemption at any time prior to maturity at the option of the County in such order of maturity as the County shall determine at par plus accrued interest to the date of redemption.

Principal and estimated interest requirements to maturity for the USDA bonds are as follows:

August 1,	Principal	Interest	Total
2019	\$255,572	\$372,445	\$628,017
2020	261,810	366,442	628,252
2021	268,185	360,071	628,256
2022	274,603	353,543	628,146
2023	281,466	346,858	628,324
2024-2028	1,513,105	1,628,017	3,141,122
2029-2033	1,629,557	1,439,932	3,069,489
2034-2038	1,832,478	1,237,007	3,069,485
2039-2043	2,060,670	1,008,816	3,069,486
2044-2048	2,317,277	752,209	3,069,486
2049-2053	2,605,840	463,648	3,069,488
2054-2058	2,316,437	139,152	2,455,589
Total	<u>\$15,617,000</u>	<u>\$8,468,140</u>	<u>\$24,085,140</u>

During 2018, the County entered into a contractual agreement for a resurfacing and culvert replacement construction loan from OPWC. Under the terms of this agreement, OPWC reimbursed, advanced, or directly paid the construction costs of the approved project. OPWC capitalized administrative costs and construction interest and added them to the total amount of the final loan. During 2018, the Issue II Capital Projects Fund received a total of \$225,000 of this interest free loan. This loan will be repaid from the Issue II Capital Projects Fund with transfers from the General Fund. Principal requirements to maturity are as follows:

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

August 1,	Principal
2019	\$7,500
2020	15,000
2021	15,000
2022	15,000
2023	15,000
2024-2028	75,000
2029-2033	75,000
2034-2038	7,500
Total	\$225,000

During 2017, the County issued a long-term promissory note for the purchase of a truck. The note was backed by the full faith and credit of the County and was fully repaid by the Dog and Kennel Special Revenue Fund during 2018.

Capital Lease

The County has entered into capital leases for a copier and road equipment. These leases will be repaid through the General Fund and the Maintenance Special Revenue Fund.

Net Pension/OPEB Liability

There is no repayment schedule for the net pension/OPEB liability. However, employer pension/OPEB contributions are made from the following funds: General Fund and the Public Assistance, Maintenance, Developmental Disabilities, Emergency Management, Court Computer, DARE, Dog and Kennel, Child Support Enforcement Agency, Real Estate Assessment, Youth Services, Federal IV-E Reimbursement, Monroe County Public Transportation, Delinquent Real Estate Tax and Assessment Collection, Community Correction, Victims Advocate, and 911 Special Revenue Funds. For additional information related to the net pension/OPEB liability see Notes 11 and 12.

Compensated Absences

The County will pay compensated absences from the General Fund and the Public Assistance, Maintenance, Emergency Management, Developmental Disabilities, Real Estate Assessment, Dog and Kennel, Child Support Enforcement Agency, Monroe County Public Transportation, Youth Services, Federal IV-E, VWAP, and Community Corrections Special Revenue Funds.

Business-Type Activities

General Obligation Bonds

The 2002 Care Center Improvement General Obligation Bonds were issued to provide funding for various repairs and improvements to the Care Center. These bonds will be paid from revenues derived from the operation of the Care Center. The bonds were sold at a discount that will be amortized over the life of the bonds using the straight-line method. The amount amortized during 2018 was \$884 leaving an unamortized balance at December 31, 2018 of \$3,427.

On November 12, 2009, the County issued \$1,750,000 in various interest rate general obligation bonds. The proceeds of these bonds were used to renovate the existing County Care Center. The bonds were sold at a premium of \$78,947 that will be amortized over the life of the bonds using the straight-line method. The amount amortized for 2018 was \$3,947 leaving an unamortized balance at December 31, 2018 of \$43,417. These bonds are backed by the full faith and credit of the County and will be repaid from the Care Center Enterprise Fund revenues.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

General Obligation Bond debt service requirements to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
2019	\$115,000	\$69,435	\$184,435
2020	115,000	64,433	179,433
2021	120,000	58,430	178,430
2022	125,000	52,165	177,165
2023	95,000	45,638	140,638
2024-2028	560,000	142,950	702,950
2029-2033	130,000	7,800	137,800
Total	<u>\$1,260,000</u>	<u>\$440,851</u>	<u>\$1,700,851</u>

The term bonds maturing on December 1, 2024 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 years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2020	\$80,000
2021	85,000
2022	90,000
2023	95,000
Total	<u>\$350,000</u>

The remaining principal amount of such term bonds (\$100,000) will be paid at maturity on December 1, 2024.

The term 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 years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2025	\$105,000
2026	110,000
2027	120,000
2028	125,000
Total	<u>\$460,000</u>

The remaining principal amount of such term bonds (\$130,000) will be paid at maturity on December 1, 2024.

On February, 1, 2017, Moody's Investors Service, Inc. withdrew its rating on the County's general obligation bonds. The largest of reasons for this rating withdrawal is the contingent liability risk associated with the underperforming county owned care center that has received operating support from the County and in recent years has lost certification of Medicaid and Medicare reimbursement.

Monroe County, Ohio

**Notes to the Basic Financial Statements
December 31, 2018**

Capital Lease

The County has entered into a capital lease for a copier. This lease will be repaid through the Care Center Enterprise Fund.

Net Pension/OPEB Liability

There is no repayment schedule for the net pension/OPEB liability. However, employer pension/OPEB contributions are made from Care Center Enterprise Fund. See Notes 11 and 12 for additional information relating to the net pension/OPEB liability.

Compensated Absences

The County will pay compensated absences from the Care Center Enterprise Fund.

The County's overall legal debt margin at December 31, 2018 was \$16,149,918.

NOTE 16 - INTERNAL BALANCES

Interfund balances at December 31, 2018 consist of the following individual fund receivables and payables:

	Interfund Receivable			Total
	Major Funds		Other Nonmajor	
Interfund Payable	General	Maintenance	Governmental	
Major Funds				
General Fund	\$0	\$0	\$1,486	\$1,486
Maintenance	48,990	0	0	48,990
Developmental Disabilities	9,835	0	0	9,835
FEMA	0	700,000	0	700,000
Care Center	6,755,491	0	0	6,755,491
Other Nonmajor Governmental	164,660	3,687	37,952	206,299
Total All Funds	\$6,978,976	\$703,687	\$39,438	\$7,722,101

The above interfund receivables/payables are due to time lags between the dates interfund goods and services are provided, transactions recorded in the accounting system, and payments between funds were made. In addition, a portion of the interfund balances are the result of short-term loans. All amounts, with the exception of balances owed by the Care Center Enterprise Fund are expected to be repaid within one year.

Interfund transfers during 2018 consisted of the following:

Transfer from	Transfer To		Totals
	Major Fund Maintenance	Other Nonmajor Governmental	
Major Funds:			
General Fund	\$194,324	\$1,035,282	\$1,229,606
Maintenance	0	272,403	272,403
Other Nonmajor Governmental	0	5,600	5,600
Totals	\$194,324	\$1,313,285	\$1,507,609

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

Transfers were used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 17 - SIGNIFICANT COMMITMENTS

Encumbrances are commitments to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

<u>Governmental Funds</u>	
General Fund	\$392,061
Maintenance	88,363
Developmental Disabilities	27,390
FEMA	611,092
Other Governmental Funds	39,061
Total Governmental Funds	<u>\$1,157,967</u>

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Buckeye Hills Regional Council (Council) - The Council serves as the Area Agency on Aging for Monroe, Athens, Hocking, Meigs, Morgan, Noble, Perry, and Washington Counties. The Council was created to foster a cooperative effort in regional planning, programming, and implementing plans and programs. The Council is governed by a fifteen-member Board of Directors. The Board is comprised of one County Commissioner from each county, one member from the City of Athens Council, one member from the City of Marietta Council, four at-large members appointed from the ten government members, and one member from the minority sector. The Board exercises total control over the operations of the District including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board.

The Council administers County Community Development Block Grant and Transportation Improvement Program. During 2018, the County contributed \$1,964 to the Council. The Council has no outstanding debt.

Southeastern Ohio Joint Solid Waste District (District) - The County is a member of the District, which is a jointly governed organization involving Noble, Guernsey, Monroe, Morgan, Muskingum, Noble, and Washington counties. The District provides for management strategies and local government funding on behalf of the participating counties regarding contractual arrangements with private solid waste disposal facilities, which would assure continued access to adequate disposal capacity for the District. The District was created in 1989 as required by the Ohio Revised Code.

The District is governed and operated through three groups. An eighteen member board of directors, comprised of three commissioners from each county, is responsible for the District's financial matters. Financial records were maintained by Muskingum County until May 1993 at which time Noble County assumed the responsibility. The Board exercises total control over the operations of the District including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. A forty-three member policy committee, comprised of seven

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

members from each county and one at-large member appointed by the policy committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council whose members are appointed by the policy committee. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. No contributions were received from the County during 2018.

Guernsey-Monroe-Noble Community Action Corporation (GMN) - The GMN is a non-profit organization formed to plan, conduct, and coordinate programs designed to combat social and economic problems to help eliminate conditions of poverty within Guernsey, Monroe, and Noble counties. The GMN is governed by a fifteen-member Board of Directors which consists of three Commissioners from each county, three business owners from each county, and three low income individuals elected by each county. The three business owners are nominated by other local business owners and the three low income individuals are nominated by local town council meetings. The Board exercises total control over the operations of the District including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. GMN received federal and state funding which is applied for and received by, and in the name of, the Board of Directors. During 2018, the County contracted with GMN to provide senior citizens services. Through this contract, the County is acting as fiscal agent for the collection and settlement of the senior citizens levy.

Belmont, Harrison, and Monroe Counties Cluster (Cluster) - Belmont, Harrison, and Monroe Counties Cluster provide services to multi-need youth in Belmont, Harrison, and Monroe Counties. Members of the Cluster include the Belmont, Harrison, and Monroe Counties Alcohol, Drug Addiction, and Mental Health Services Board, the Children Services Board, the Belmont, Harrison, Monroe Drug and Alcohol Councils, student services, Belmont-Harrison Juvenile District, the superintendent of public instruction, and the directors of youth services, human services, and developmental disabilities. The Cluster is controlled by an advisory committee which consists of a representative from each agency. The advisory committee exercise total control of the operation of the Cluster including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Advisory Committee. In 2018, the County contributed no money to the Cluster.

Mental Health Recovery Board (Board) - The Board is responsible for delivery of comprehensive mental health and substance abuse services in Belmont, Harrison, and Monroe Counties. The Board provides no direct services but contracts for their delivery. The Board's function is to assess needs, and to plan, monitor, fund, and evaluate the services. The Board is managed by eighteen members, six appointed by Commissioners of Belmont County, two each by Commissioners of Harrison and Monroe Counties and are proportionate to population, four by Ohio Department of Drug and Alcohol, and four by the State Department of Mental Health. The Board exercises total control of the budgeting, appropriation, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. The County's 2018 contribution to the Board was \$6,000.

Monroe County Family and Children First Council - The Monroe County Family and Children First Council is a jointly governed organization created under the Ohio Revised Code Section 121.37. The Council is comprised of the following members: Superintendent of Monroe Board of Developmental Disabilities, a designee from the Monroe County Health Department, Director of Monroe County Department of Job and Family Services, Superintendent of Switzerland of Ohio Local School District, Monroe County Commissioner, Mayor of the Village of Woodsfield, a representative from Ohio Department of Youth Services, a designee from the Mental Health and Recovery Board, Executive Director of GMN Tri-County CAC, a representative from GMN Tri-County CAC, and three parent representatives. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. In 2018, the County made no contributions to the Council.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

Buckeye Hills Resource Conservation and Development Council (RC&D) - RC&D is a 501 (c) (3) non-profit entity, serving a nine county region in southeastern Ohio including Monroe, Athens, Belmont, Hocking, Meigs, Morgan, Noble, Perry, and Washington Counties. The Council was created to identify and solve problems in rural communities including human, economic, natural resources and environmental issues. The RC&D is sponsored by the Boards of County Commissioners and the Soil and Water Conservation Districts in the nine counties, along with the Muskingum Watershed Conservancy District and the Rush Creek Conservancy District. The governing body of RC&D is the Executive Council, made up of 29 members that include three representatives from each county and one representative from each conservancy district. The Executive Council exercises total control over the operations of RC&D including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Executive Council. The County contributed \$400 in membership dues to the RC&D in 2018.

Mid East Ohio Regional Council of Governments (MEORC) - MEORC is a jointly governed organization which serves eighteen counties in Ohio. MEORC provides services to the developmentally disabled residents in the participating counties. MEORC is governed by a Council made up of the superintendents of each county's Board of Developmental Disabilities. Revenues are generated by fees and state grants. The Board exercises total control over the operations of the MEORC including budgeting, contracting, appropriating, and designating management. Each participant's degree of control is limited to its representation on the Board. The County did not contribute financially to MEORC during 2018.

Ohio Valley Employment Resource - The Ohio Valley Employment Resource is a jointly governed organization whereby the three county commissioners from Monroe, Noble, Morgan, and Washington Counties serve on the governing board. The Ohio Valley Employment Resource was formed for the purpose of creating and providing employment and training programs in response to local need, a part of which is implementation of the Workforce Investment Act, P.L. 105-220. The continued existence of the Ohio Valley Employment is not dependent on the County's continued participation and no equity interest exists. The Ohio Valley Employment Resource has no outstanding debt.

Oakview Juvenile Residential Center - The Oakview Juvenile Residential Center is a jointly governed organization among Monroe, Belmont, Harrison, Guernsey, Jefferson, and Noble Counties. The Center was formed to operate a regional juvenile rehabilitation facility for the use of member counties, and to house and treat adjudicated non-violent felony offenders. The facility is operated and managed by Oakview Juvenile Residential Center. The participating entities created a Judicial Rehabilitation Board the members of which are made-up of the juvenile judges of each participating county. The Board exercises total control of the budgeting, appropriating, contracting, and designating management. Each County's degree of control is limited to its representation on the Board.

NOTE 19 - RELATED ORGANIZATIONS

Monroe County District Public Library (Library) - The Library is statutorily created as a distinct political subdivision of the State of Ohio governed by a Board of Trustees consisting of seven members. The Monroe County Commissioners appoint four members, and the judges of the Monroe County Court of Common Pleas appoint three members. The County made no contributions to the Library during the year. The Board of Trustees possesses its own contracting and budgeting authority, hires personnel, and does not depend on the County for operational subsidies. Although the County does serve as taxing authority of the Library, this is strictly a ministerial function. The County cannot influence the Library's operation nor does the Library represent a potential financial benefit for, or a burden on, the County. Once the Board of Trustees has determined that a levy is necessary, its amount, and its duration, the County must place the levy before the voters. The Library may issue debt or the County may provide facilities for the Library through the issuance of debt if the voters agree. The Library currently has no outstanding debt.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

Monroe County Community Improvement Corporation (CIC) - The CIC is a non-profit organization that was created under Ohio Revised Code Section 1724.04. Two-fifths of the governing board shall be mayors, county commissioners, or appointed or elected public officials. The remaining three-fifths of the sixteen member Board of Directors is comprised of volunteers. The CIC administers the County's Revolving Loan Fund (RLF), established with Community Development Block Grant Funds. The RLF is used to make loans to small businesses for the purchase of buildings, machinery, and equipment as well as working capital. The County cannot influence the CIC's operation nor does the CIC represent a potential financial benefit for, or burden on, the County.

Monroe County Emergency Medical Service (EMS) - The EMS is a non-profit organization created under Ohio Revised Code Section 1702. The governing officers consist of a president, vice-president, secretary, and twelve trustees – two from each squad. The EMS furnishes emergency services to Monroe County and to such other political subdivisions that sign and have contracts with the Monroe County Commissioners. The EMS is to conduct an educational course or courses in emergency victim care and rescue to all members and coordinates with existing organizations for planning further education between various emergency rescue services. The County cannot influence the EMS's operation nor does the EMS represent a potential financial benefit for, or burden on, the County.

NOTE 20 - PUBLIC ENTITY POOLS

County Risk Sharing Authority, Inc. (CORSA) - The County Risk Sharing Authority, Inc. (CORSA) is a public entity shared risk pool among sixty-five counties in Ohio. CORSA was formed as an Ohio non-profit 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 of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance, and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation 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. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in or a financial responsibility for CORSA. The County's payment for insurance to CORSA in 2018 was \$180,621.

County Commissioners Association of Ohio (CCAO) Workers' Compensation Group Retrospective Rating Program - The County Commissioners Association of Ohio (CCAO) Workers Compensation Group Retrospective Rating Program (Program) is a shared risk pool among thirty counties in Ohio. Section 4123.29, Ohio Revised Code, permits the establishment of employer group retrospective rating plans for workers' compensation rating purposes. The Program is governed by the CCAO Group Executive Committee that consists of eleven members as follows: the president and the secretary/treasurer of the CCAO and nine representatives elected from the participating counties.

CCAO, a Bureau of Workers' Compensation (BWC)-certified sponsor, established the Program based upon guidelines set forth by the Bureau of Workers' Compensation (BWC). CCAO created a group of counties that will practice effective workplace safety and claims management to achieve lower premiums for workers compensation coverage than they would individually. The participating counties continue to pay

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2018

their own premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending upon that performance, the participating counties can receive either a premium refund or assessment. CCAO, with approval of the Group Executive Committee, retains the services of a third party administrator (TPA) that will assist CCAO staff in the day-to-day management of the plan, prepare and file necessary reports with the Ohio Bureau of Workers' Compensation and member counties, assist with loss control programs, and other duties, (excluding claims related matters, which will be the responsibility of each individual participating county). The cost of the TPA will be paid by each participating county to CCAO in proportion to its payroll to the total payroll of the group. The County's premium payments to BWC were \$152,056 and the payment to CCAO for administrative and membership fees was \$6,089.

NOTE 21 - RELATED PARTY TRANSACTIONS

Monroe Adult Crafts Organization (MACO), an immaterial component unit of Monroe County, received contributions from the County for facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of its programs. These contributions are reflected as in-kind contributions and expenses at cost or fair market value, as applicable, in MACO's basic financial statements.

NOTE 22 - FOOD ASSISTANCE

The County's Department of Job and Family Services (Welfare) distributes, through contracting issuance centers, federal food assistance to entitled recipients within Monroe County. The receipt and issuance of the assistance have the characteristics of a federal grant. However, the Department of Job and Family Services merely acts in an intermediary capacity. Therefore, the inventory value of this assistance is not reflected in the accompanying financial statements, as the only economic interest related to this assistance rests with the ultimate recipient.

NOTE 23 - CONTINGENT LIABILITIES

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the county commissioners believe such disallowances, if any, will be immaterial.

Claims and lawsuits are pending against the County. Based upon information provided by the County's legal counsel, any potential liability and effect on the financial statements, if any, is not determinable at this time.

NOTE 24 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2018, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For 2018, the County also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the County's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

Monroe County, Ohio

**Notes to the Basic Financial Statements
December 31, 2018**

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the County’s fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the County’s 2018 financial statements; however, there was no effect on beginning net position.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2017:

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>
Net Position December 31, 2017	\$58,584,290	(\$5,221,877)
Adjustments:		
Fund Reclassification	32,763	0
Net OPEB Liability	(4,884,810)	(786,635)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>72,789</u>	<u>11,850</u>
Restated Net Position December 31, 2017	<u>\$53,805,032</u>	<u>(\$5,996,662)</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.

In addition to the restatement for GASB 75, the County restated the December 31, 2017 for a fund reclassification. The Emergency Management Agency (EMA) Fund was reclassified from an agency fund to a special revenue fund due to the make-up of the EMA’s board.

NOTE 25 – SUBSEQUENT EVENTS

A. Discontinued Operation

On June 24, 2019, the County Commissioners signed the letter of intent with Alternative Living Solutions for the purchase of the Monroe County Care Center with the proposed aggregate purchase price for the property assets will be \$500,000 and continued discussion on other terms will ensue at a later date.

B. Road Repairs

On July 15, 2019, the County approved to sign a contract with Shelly & Sands, Inc., for Monroe County Road Repair Project on CR 25, CR 37, CR 64 & CR 81 for a total of \$1,935,456 which will be funded by oil and gas companies.

Monroe County, Ohio
 Required Supplementary Information
 Schedule of the County's Proportionate Share of the Net Pension Liability
 Ohio Public Employees Retirement System - Traditional Plan
 Last Five Years (1)

	2018	2017	2016	2015	2014
County's Proportion of the Net Pension Liability	0.0652600%	0.0591810%	0.0625550%	0.0596930%	0.0596930%
County's Proportionate Share of the Net Pension Liability	\$10,238,029	\$13,438,998	\$10,835,314	\$7,199,643	\$7,037,027
County's Covered Payroll	\$8,279,855	\$7,345,880	\$7,504,856	\$7,081,122	\$6,848,129
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	123.65%	182.95%	144.38%	101.67%	102.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

Monroe County, Ohio
 Required Supplementary Information
 Schedule of the County's Proportionate Share of the Net Pension Asset
 Ohio Public Employees Retirement System - Combined Plan
 2018 (1)

	2018
County's Proportion of the Net Pension Asset	0.0409390%
County's Proportionate Share of the Net Pension Asset	\$55,730
County's Covered Payroll	\$167,662
County's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-33.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	137.28%

(1) Amounts for the combined plan are not presented prior to 2018 as the County's participation in this plan was considered immaterial in previous years.

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

Monroe County, Ohio
 Required Supplementary Information
 Schedule of the County's Proportionate Share of the Net OPEB Liability
 Ohio Public Employees Retirement System - OPEB Plan
 Last Two Years (1)

	<u>2018</u>	<u>2017</u>
County's Proportion of the Net OPEB Liability	0.0619700%	0.0556300%
County's Proportionate Share of the Net OPEB Liability	\$6,729,485	\$5,618,819
County's Covered Payroll	\$8,451,592	\$7,410,880
County's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	79.62%	75.82%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

Monroe County, Ohio
 Required Supplementary Information
 Schedule of the County's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Six Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
County's Proportion of the Net Pension Liability	0.00139863%	0.00134880%	0.00133795%	0.00134968%	0.00130236%	0.00130236%
County's Proportionate Share of the Net Pension Liability	\$307,527	\$320,411	\$447,852	\$373,012	\$316,779	\$377,344
County's Covered Payroll	\$159,000	\$148,286	\$140,779	\$140,814	\$143,300	\$131,238
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	193.41%	216.08%	318.12%	264.90%	221.06%	287.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available. An additional column will be added each year.

Amounts presented for each fiscal year were determined as of June 30th

Monroe County, Ohio
 Required Supplementary Information
 Schedule of the County's Proportionate Share of the Net OPEB Liability/Asset
 State Teachers Retirement System of Ohio
 Last Two Fiscal Years (1)

	<u>2018</u>	<u>2017</u>
County's Proportion of the Net OPEB Liability/Asset	0.00139863%	0.00134880%
County's Proportionate Share of the Net OPEB Liability (Asset)	(\$22,475)	\$52,626
County's Covered Payroll	\$159,000	\$148,286
County's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-14.14%	35.49%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	176.00%	47.11%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented for each fiscal year were determined as of June 30th

Monroe County, Ohio
Required Supplementary Information
Schedule of County Contributions
Ohio Public Employees Retirement System
Last Six Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net Pension Liability - Traditional Plan (1)						
Contractually Required Contribution	\$1,399,644	\$1,122,107	\$920,309	\$936,246	\$879,889	\$916,299
Contributions in Relation to the Contractually Required Contribution	<u>(1,399,644)</u>	<u>(1,122,107)</u>	<u>(920,309)</u>	<u>(936,246)</u>	<u>(879,889)</u>	<u>(916,299)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered Payroll	\$9,588,914	\$8,279,855	\$7,345,880	\$7,504,856	\$7,081,122	\$6,848,129
Pension Contributions as a Percentage of Covered Payroll	<u>14.60%</u>	<u>13.55%</u>	<u>12.53%</u>	<u>12.48%</u>	<u>12.43%</u>	<u>13.38%</u>
Net Pension Liability/Asset - Combined Plan (1)						
Contractually Required Contribution	\$33,774	\$21,796	\$7,800	\$4,166	\$4,333	\$3,421
Contributions in Relation to the Contractually Required Contribution	<u>(33,774)</u>	<u>(21,796)</u>	<u>(7,800)</u>	<u>(4,166)</u>	<u>(4,333)</u>	<u>(3,421)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered Payroll	\$241,243	\$167,662	\$65,000	\$34,717	\$36,108	\$26,315
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>
Net OPEB Liability - OPEB Plan (2)						
Contractually Required Contribution	\$2,289	\$84,639	\$148,217			
Contributions in Relation to the Contractually Required Contribution	<u>(2,289)</u>	<u>(84,639)</u>	<u>(148,217)</u>			
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>			
County Covered Payroll (3)	\$9,887,382	\$8,451,592	\$7,410,880			
OPEB Contributions as a Percentage of Covered Payroll	<u>0.02%</u>	<u>1.00%</u>	<u>2.00%</u>			

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available. An additional column will be added each year

(2) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans, therefore, information prior to 2016 is not presented.

(3) The OPEB plan includes members from the Traditional Plan, the Combined Plan, and the Member Directed Plan. The Member Directed Pension Plan is a defined contribution pension plan; therefore, the pension side is not included above.

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Monroe County, Ohio
Required Supplementary Information
Schedule of County Contributions
State Teachers Retirement System of Ohio
Last Ten Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$26,293	\$20,871	\$20,790	\$20,026
Contributions in Relation to the Contractually Required Contribution	<u>(26,293)</u>	<u>(20,871)</u>	<u>(20,790)</u>	<u>(20,026)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered Payroll	\$187,807	\$149,079	\$148,500	\$143,043
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability/Asset				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered Payroll	\$187,807	\$149,079	\$148,500	\$143,043
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$18,629	\$77,860	\$67,745	\$63,514	\$60,535	\$61,540
<u>(18,629)</u>	<u>(77,860)</u>	<u>(67,745)</u>	<u>(63,514)</u>	<u>(60,535)</u>	<u>(61,540)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$137,888	\$598,923	\$521,115	\$488,569	\$465,654	\$473,385
13.51%	13.00%	13.00%	13.00%	13.00%	13.00%
\$586	\$5,989	\$5,211	\$4,886	\$4,657	\$4,734
<u>(586)</u>	<u>(5,989)</u>	<u>(5,211)</u>	<u>(4,886)</u>	<u>(4,657)</u>	<u>(4,734)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$137,888	\$598,923	\$521,115	\$488,569	\$465,654	\$473,385
0.43%	1.00%	1.00%	1.00%	1.00%	1.00%

Monroe County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2018

Changes in Assumptions - OPERS Pension

Amounts reported beginning in 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

	2017	2016 and prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates 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.

Changes in Assumptions - STRS Pension

Amounts reported beginning in 2017 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

Monroe County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2018

	2017	2016 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	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 commences on fifth anniversary of retirement date.

Beginning in 2017, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70% of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For 2016 and prior actuarial valuation, 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 no set back from age 90 and above.

Changes in Assumptions - OPERS OPEB

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

Changes in Assumptions - STRS OPEB

For 2018, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

Changes in Benefit Terms - STRS OPEB

For 2018, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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MONROE COUNTY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

FEDERAL GRANTOR Pass Through Grantor Program/Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through To Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed through Ohio Department of Jobs and Family Services</i>				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1718-11-5401	\$0	\$148,749
Total SNAP Cluster			<u>0</u>	<u>148,749</u>
<i>Passed Through Ohio Department of Natural Resources</i>				
Forest Service Schools and Road Cluster:				
Schools and Roads - Grants to States	10.665	N/A	20,287	40,575
Total Forest Service Schools and Road Cluster			<u>20,287</u>	<u>40,575</u>
<i>Direct from U.S. Department of Agriculture</i>				
Community Facilities Loans and Grants Cluster:				
Community Facilities Loans and Grants	10.766	N/A	0	139,836
Total Community Facilities Loans and Grants Cluster			<u>0</u>	<u>139,836</u>
Total U.S. Department of Agriculture			20,287	329,160
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed Through Ohio Development Services Agency/ Office of Community Development</i>				
Community Development Block Grant/State's Program:				
Community Development Program	14.228	B-X-17-1BZ-1	0	24,050
Community Development Program		B-F-16-1BZ-1	0	4,704
Community Housing Improvement Program		B-C-17-1BZ-1	0	82,728
Revolving Loan Fund		N/A	0	7,455
Total Community Development Block Grant/State's Program			<u>0</u>	<u>118,937</u>
Home Investment Partnership Program:				
Community Housing Impact and Preservation Program	14.239	B-C-17-1BZ-2	0	108,045
Total U.S. Department of Housing and Urban Development			0	226,982
U.S. DEPARTMENT OF THE INTERIOR				
<i>Passed through Ohio Department of Natural Resources</i>				
Payment in Lieu of Taxes	15.226	N/A	0	18,288
National Forest Acquired Lands	15.438	N/A	38,474	76,947
Total U.S. Department of the Interior			38,474	95,235
U.S. DEPARTMENT OF LABOR				
<i>Passed Through Ohio Valley Employment Resource (Workforce Investment Act Area 15)</i>				
Workforce Innovation and Opportunity (WIOA) Cluster:				
WIA/WIOA Adult Program	17.258	N/A	0	40,719
WIA/WIOA Youth Activities	17.259	N/A	0	90,205
WIA/WIOA Dislocated Worker Formula Grants	17.278	N/A	0	23,568
Total WIOA Cluster			<u>0</u>	<u>154,492</u>
Total U.S. Department of Labor			0	154,492
U.S. DEPARTMENT OF TRANSPORTATION				
<i>Passed Through Ohio Department of Transportation</i>				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	PID-103460	0	4,221
		PID-106950	0	18,013
		PID-106957	0	1,980
		PID-106255	0	70,434
		PID-106861	0	520
		PID-108424	0	3,920
Total Highway Planning and Construction Cluster			<u>0</u>	<u>99,088</u>
Formula Grants for Rural Areas				
	20.509	RPTF-4112-050-181	0	96,358
		BABF-0112-052-182	0	32,332
		112-RPTF-17-0100	0	34,798
Total Formula Grants for Rural Areas			<u>0</u>	<u>163,488</u>
National Infrastructure Investments	20.933	0112-TRRG-160100	0	105,646
Total U.S. Department of Transportation			0	368,222

MONROE COUNTY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

FEDERAL GRANTOR Pass Through Grantor Program/Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through To Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Special Education Cluster (IDEA)				
Special Education - Grants to States (IDEA, Part B)	84.027	066142-6BSF-2019	\$0	\$4,218
		066142-6BSF-2018	0	16,339
Total Special Education Cluster (IDEA)			<u>0</u>	<u>20,557</u>
Total U.S. Department of Education			0	20,557
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed Through Ohio Department of Mental Health and Addiction Services</i>				
Promoting Safe and Stable Families	93.556	5AU-18-C0056	0	14,504
Stephanie Tubbs Jones Child Welfare Services Program	93.645	5AU-18-C0056	0	1,793
<i>Passed Through Ohio Department of Developmental Disabilities</i>				
Social Services Block Grant	93.667	FY18TXXC056	0	13,484
<i>Passed through Ohio Department of Jobs and Family Services</i>				
Promoting Safe and Stable Families	93.556	G-1617-11-5555/G-1819-11-5781	0	20,409
TANF Cluster				
Temporary Assistance for Needy Families (TANF) State Programs	93.558	G-1617-11-5555/G-1819-11-5781	251,397	989,865
Total TANF Cluster			<u>251,397</u>	<u>989,865</u>
Child Support Enforcement	93.563	G-1617-11-5555/G-1819-11-5781	0	146,317
CCDF Cluster				
Child Care and Development Block Grant	93.575	G-1819-11-5781	0	17,689
Total CCDF Cluster			<u>0</u>	<u>17,689</u>
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1819-11-5781	0	3,797
Foster Care-Title IV-E:				
Foster Care Title IV-E Administration	93.658	G-1819-11-5781	0	10,892
Foster Care Title IV-E		G-1819-11-5781	0	82,049
Foster Care Title IV-E		G-1819-06-0134	0	10,660
Foster Care Title IV-E		G-1819-06-0134	0	150,125
Total Foster Care Title IV-E			<u>0</u>	<u>253,726</u>
Adoption Assistance Administration	93.659	G-1617-11-5555/G-1819-11-5781	0	27,384
Social Services Block Grant	93.667	G-1819-11-5781	25,850	207,515
Chafee Foster Care Independence Program	93.674	G-1819-11-5781	0	7,737
Medicaid Cluster				
Medical Assistance Program	93.778	G-1819-11-5781	134,126	304,436
Total Medicaid Cluster			<u>134,126</u>	<u>304,436</u>
Total U.S. Department of Health and Human Services			<u>411,373</u>	<u>2,008,656</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
<i>Passed Through Ohio Emergency Management Agency</i>				
Disaster Grants - Public Assistance	97.036	FEMA-DR-4360-OH	0	562,915
Emergency Management Performance Grants:				
FY17 Emergency Management Performance Grants	97.042	EMC-2017-EP-00006-S01	0	38,260
FY18 Emergency Management Performance Grants		EMC-2018-EP-00008-S01	0	11,326
Total Emergency Management Performance Grants			<u>0</u>	<u>49,586</u>
Total U.S. Department of Homeland Security			<u>0</u>	<u>612,501</u>
Total Expenditures of Federal Awards			<u>\$470,134</u>	<u>\$3,815,805</u>

The accompanying notes are an integral part of this Schedule.

MONROE COUNTY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Monroe County (the County's) under programs of the federal government for the year ended December 31, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - SUBRECIPIENTS

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

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

NOTE E – LOAN PROGRAMS WITH CONTINUING COMPLIANCE REQUIREMENTS

The federal loan programs listed below are administered directly by the County, and balances and transactions relating to these programs are included in the County's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balances of loans outstanding at December 31, 2018 consist of:

CFDA Number	Program/Cluster Name	Outstanding Balance at December 31, 2018
10.766	Community Facilities Loans & Grants	\$117,000

MONROE COUNTY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

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

The current cash balance on the County's local program income account as of December 31, 2018 is \$76,835.

NOTE G - MATCHING REQUIREMENTS

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



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

Monroe County
101 North Main Street
Woodsfield, Ohio 43793

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Monroe County, Ohio (the County), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 19, 2019, wherein we noted the County adopted new accounting guidance in Governmental Accounting Standards Board Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the 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 the County's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider Finding 2018-003 to be material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2018-001 and 2018-002.

County's Response to Findings

The County's responses to the Findings identified in our audit are described in the accompanying Schedule of Findings and corrective action plan. We did not subject the County's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

September 19, 2019

OHIO AUDITOR OF STATE KEITH FABER



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

Monroe County
101 North Main Street
Woodsfield, Ohio 43793

To the Board of County Commissioners:

Report on Compliance for each Major Federal Program

We have audited Monroe County, Ohio's (the County), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the County's major federal programs for the year ended December 31, 2018. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the County's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Disaster Grants – Public Assistance

As described in Finding 2018-004 in the accompanying Schedule of Findings, the County did not comply with requirements regarding cash management applicable to its Disaster Grants – Public Assistance major federal program. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to this program.

Qualified Opinion on Disaster Grants – Public Assistance

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Disaster Grants – Public Assistance* paragraph, the County complied, in all material respects, with the requirements referred to above that could directly and materially affect its Disaster Grants – Public Assistance for the year ended December 31, 2018.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the County complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings for the year ended December 31, 2018.

Other Matters

The County's response to our noncompliance finding is described in the accompanying Schedule of Findings and Corrective Action Plan. We did not subject the County's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying Schedule of Findings as item 2018-004.

Monroe County
Independent Auditor's Report on Compliance with Requirements Applicable to Each
Major Federal Program and on Internal Control Over Compliance Required By
The Uniform Guidance
Page 3

The County's response to our internal control over compliance finding is described in the accompanying Schedule of Findings and Corrective Action Plan. We did not subject the County's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

September 19, 2019

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MONROE COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion <ul style="list-style-type: none"> • Unmodified for all major programs except for Disaster Grants – Public Assistance which we qualified. 	
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list): <ul style="list-style-type: none"> • CFDA #93.558 - Temporary Assistance for Needy Families (TANF Cluster) • CFDA #97.036 - Disaster Grants – Public Assistance 	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2018-001

Noncompliance

Ohio Rev. Code § 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total estimated resources.

MONROE COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2018
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2018-001 (Continued)

Noncompliance – Ohio Rev. Code § 5705.39 (Continued)

Appropriations exceeded estimated resources at December 31, 2018 for the following funds:

Fund	Estimated Resources	Appropriations	Variance
General	\$11,505,338	\$14,192,737	(\$2,687,399)
Maintenance	6,714,605	7,311,531	(596,926)
Federal Emergency Management Agency (FEMA)	709,453	1,561,782	(852,329)
Community Development	839,879	1,141,262	(301,383)
Bond Retirement	338,838	368,125	(29,287)
Dog Shelter Building	95,929	100,000	(4,071)
Engineer Capital Improvement	277,993	374,659	(96,666)

Appropriating funds in excess of estimated resources could result in deficit spending.

The County Auditor should monitor the estimated resources and appropriations of each fund to ensure that appropriations are within estimated resources.

Officials' Response: See Corrective Action Plan on page 110.

FINDING NUMBER 2018-002

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated as provided in Chapter 5705.

The following funds/function/object had expenditures plus encumbrances in excess of appropriations at December 31, 2018:

Fund /Function/Object	Appropriations	Expenditures	Variance
DRETAC Special Revenue Fund/ Legislative and Executive/ Personal Services	\$38,992	\$40,693	(\$1,701)
Issue II Capital Projects Fund/ Public Works/ Contractual Services	0	625,000	(625,000)
Engineer Capital Improvement Capital Projects Fund/ Public Works/ Contractual Services	257,671	267,856	(10,185)

This could cause the County to overspend.

MONROE COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2018
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2018-002 (Continued)

Noncompliance – Ohio Rev. Code § 5705.41(B) (Continued)

The County should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the County Auditor should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The County Auditor should deny requests for payment when appropriations are not available.

Officials' Response: See Corrective Action Plan on page 110.

FINDING NUMBER 2018-003

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles (GAAP), and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

AOS Bulletin 2000-008 provides guidance for cash basis accounting for on-behalf funding. In short, the Bulletin indicates that when a local government enters into an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made. In addition, the applicable budgetary legal requirements should be followed for the program the same as if the moneys were received and expended by the local government.

We noted the following errors:

- Contracts Payable and Intergovernmental Receivable were understated by \$78,510 in the FEMA Fund.
- The County received capital contributions of infrastructure from the oil and gas industry throughout the year. However, the County's road infrastructure additions for 2018 were understated by \$2,966,412 due to some of the contribution amounts not getting communicated to the asset valuation company.
- The County had a Construction in Progress balance for the Jail in the amount of \$1,050,273. The Jail construction was completed and the cumulative asset should have been reported under Depreciable Capital Assets - Buildings.
- Capital asset additions for buildings in 2018 were understated by \$310,471.

MONROE COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2018
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2018-003 (Continued)

Material Weakness (Continued)

The adjustments noted above, with which management agrees, are reflected in the accompanying financial statements.

We also noted the following errors:

- Charges for Services in the amount of \$30,568 was posted to Other Revenue in the County Court Special Projects Fund (RFI).
- Charges for Services in the amount of \$103,081 was posted to Property Taxes in the General Fund.
- Other Revenue in the amount of \$21,047 was posted to Charges for Services in the General Fund.
- Property Taxes Receivable was understated in the following funds: Developmental Disabilities, E-Squad Levy, Soil and Water, Park District, Board of Health, Knowlton Covered Bridge and Undivided Taxes in the amounts of \$3,960, \$521, \$274, \$783, \$817, \$20 and \$102,738, respectively.
- Intergovernmental Receivable was understated by \$13,776 in the Developmental Disabilities Fund.
- The Care Center Accounts Receivable was understated by \$18,859.
- DARE Resource Officer Charges for Services fees in the amount of \$122,966 were posted to Intergovernmental revenue in the DARE Grant Fund (RFI).
- Rural Transit Grant federal share of \$32,332 was an on-behalf payment that was not posted by the County as Intergovernmental revenue nor was a respective Capital Outlay expenditure recorded for the purchase of a mini-van for the program in the Monroe County Public Transportation Fund (RFI).
- Expenditures in the amount of \$19,993 were expended out of the Maintenance Fund, instead of the 2018 Sign Upgrade and 2018 Curve Sign Upgrade Funds in the amounts of \$18,013 and \$1,980, respectively. In addition, the Ohio Department of Transportation reimbursable grant for these expenditures was 100% posted to the 2018 Sign Upgrade Fund Reimbursements line item instead of \$18,013 to Intergovernmental revenue within that fund and \$1,980 to Intergovernmental revenue within the 2018 Curve Sign Upgrade Fund.

These adjustments were not deemed significant and are not reflected in the accompanying financial statements.

The County did not have internal control procedures in place to determine amounts were posted to the accurate classification nor did the County have procedures in place to ensure the completeness of capital asset additions.

The County should utilize available authoritative resources to ensure the financial statements accurately classify and record all receipt and expenditure transactions and appropriately compile receivable/payable transactions at year-end. The County should also communicate all gas and oil contributions to their asset valuation company. The County should refer to Auditor of State Bulletins 2000-008 and follow the recommended accounting treatment for on-behalf-of funding.

Officials' Response: See Corrective Action Plan on page 110.

MONROE COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2018
(Continued)

3. FINDING FOR FEDERAL AWARDS

Cash Management - Disaster Grants – Public Assistance

Finding Number	2018-004		
CFDA Title and Number	Disaster Grants – Public Assistance – CFDA #97.036		
Federal Award Identification Number / Year	FEMA-DR-4360-OH		
Federal Agency	U.S. Department of Homeland Security		
Compliance Requirement	Cash Management		
Pass-Through Entity	Ohio Emergency Management Agency		
Repeat Finding from Prior Audit?	Yes	Finding Number (if repeat)	2017-004

Noncompliance and Material Weakness

2 CFR § 200.305(b)(3) states reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets a specific condition per § 200.207 Specific conditions, or when the non-Federal entity requests payment by reimbursement. This method may be used on any Federal award for construction, or if the major portion of the construction project is accomplished through private market financing or Federal loans, and the Federal award constitutes a minor portion of the project. When the reimbursement method is used, the Federal awarding agency or pass-through entity must make payment within 30 calendar days after receipt of the billing, unless the Federal awarding agency or pass-through entity reasonably believes the request to be improper.

2 CFR § 200.305(b)(1) states, in part, the timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs.

The County had 3 out of 7 (43%) project cash requests that were not timely spent within 30 days.

The above projects were large projects that should have been on a reimbursable basis but, instead, the County was requesting advance funding and not timely spending this money.

A non-Federal entity must be paid in advance provided that it maintains, or demonstrates the willingness to maintain, both written procedures that minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the non-Federal entity, as well as a financial management system that meets the specified standards for fund control and accountability. The County has adopted these written procedures as noted above but the policy also states funding must be spent within 30 days.

The County did not have internal control procedures in place to ensure funds were expended in accordance with their written cash management policy.

MONROE COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2018
(Continued)

3. FINDING FOR FEDERAL AWARDS (Continued)
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FINDING NUMBER 2018-004 (Continued)

Noncompliance and Material Weakness - 2 CFR § 200.305(b)(3)

The County should fully expend all drawdowns for the FEMA grant within 30 days and prior to requesting any additional draw downs and in accordance with their written cash management policy.

Officials' Response: See Corrective Action Plan on page 110.

MONROE COUNTY COMMISSIONERS

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Tim R. Price, President
 Carl M. Davis, Vice President
 Mick Schumacher

Sheila Turner, Clerk

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR § 200.511(b) DECEMBER 31, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Ohio Rev. Code § 5705.39 – The County had appropriations exceeding estimated resources	Not corrected	Working with software company to have notification when appropriations exceed estimated resources.
2017-002	Material Weakness regarding material and immaterial mispostings and adjustments	Not corrected	Redoing pay-in slips to acquire more information on money being paid in.
2017-003	Significant Deficiency regarding the County Treasurer not performing monthly bank reconciliations	Corrected	
2017-004	2 CFR Part 200.305(b)- The County did not fully expend all advance drawdowns for the CDBG grants within the required days and prior to requesting any additional draw downs.	Not corrected	We are working on this to make sure money is expended within 30 days.
2017-005	2 CFR Part 200.510(b) – Material errors noted on the Schedule of Federal Awards	Partially Corrected	Will continue working with Elected officials and Department Heads to get complete and accurate information on Federal Schedule.

MONROE COUNTY COMMISSIONERS

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Sheila Turner, Clerk

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) DECEMBER 31, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	The Auditor's office will work with elected officials and Department Heads to eliminate this problem. We are also working with our software company to see if this is something that if a fund is over appropriated it would let us know-like a red flag. We must be more diligent to make sure this does not happen.	December 31, 2019	Pandora Neuhart, County Auditor and Erika Hooper, Budgetary Supervisor
2018-002	The Auditor's office will compare expenditures to appropriations at the end of each month to make sure this does not happen.	December 31, 2019	Pandora Neuhart, County Auditor and Erika Hooper, Budgetary Supervisor
2018-003	The Auditor's office must redesign our pay-in sheets to reflect more information to ensure that we are indeed crediting the correct amount and account code. The Commissioners will work with their capital assets management group, HCA, to ensure all capital assets are properly recorded.	December 31, 2019	Pandora Neuhart, County Auditor Tim Price, Carl Davis, and Mick Schumacher, Commissioners
2018-004	<p>The County Engineers office is responsible for requesting disbursements for large projects under the FEMA program. Due to our limited local funds available, the County is not able to pay hundreds of thousands of dollars and then be reimbursed. Therefore, we do our best to anticipate what work will be completed within the next 30-day period and request the funds needed to pay bills associated with that work. Due to unpredictable weather conditions, contractor scheduling changes and the delay in receiving invoices from subcontractors/contractors, there are cases where our best estimate is off by several days, resulting in a delay of payment/funds being expended.</p> <p>In order to resolve this issue, one option is to wait until invoices are received and then request disbursement based on work completed/invoiced. This would meet the CFR requirements, however, it creates a financial cash-flow issue for both the County Engineers budget and the contractors that are performing the work. Disbursement requests can take weeks to receive from the state, and are not on a set schedule that would help the County predict when to make requests. The County Engineers office will do our best to only request disbursements when we are very certain the work will be completed and invoiced within the 30 day window.</p>	December 31, 2019	Amy Zwick, Engineer

OHIO AUDITOR OF STATE
KEITH FABER



MONROE 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 26, 2019**