

Financial Condition
Pickaway County
For the Year Ended December 31, 2018



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KEITH FABER



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Board of Commissioners
Pickaway County
207 South Court Street
Circleville, Ohio 43113

We have reviewed the *Independent Auditor's Report* of Pickaway County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 20, 2019

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Pickaway County Financial Condition
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For the Year Ended December 31, 2018

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Independent Auditor's Report

Board of Commissioners
Pickaway County
207 S. Court Street, Room 1
Circleville, Ohio 43113

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Pickaway 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 discretely presented component unit and remaining fund information of Pickaway 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 Fund, Auto, License and Gas Tax Fund, Job and Family Services Fund, and Board of Developmental Disabilities Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 4 to the financial statements, during fiscal year 2018, the County adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The 2018 financial statements have been restated due to this implementation. We did not modify our opinion regarding these matters

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16, the schedules of the County's proportionate share of net pension and OPEB liabilities, and the schedules of County contributions on pages 92 through 99 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

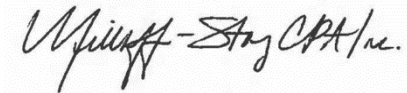
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of federal awards expenditures, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of federal awards expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2019 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's 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.



Millhuff-Stang, CPA, Inc.
Chillicothe, Ohio

September 10, 2019

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

The discussion and analysis of Pickaway County's financial performance provides an overall review of the County's financial activities for the fiscal year ended December 31, 2018. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- The assets and deferred outflows of the County exceeded its liabilities and deferred inflows at December 31, 2018, by \$67,400,281.
- The net position of governmental activities increased \$3,456,553 which represents a 5.60 percent increase from 2017, while the net position of business-type activities increased \$66,829, which represents a 3.10 percent increase.
- For 2018, all revenues of the County totaled \$47,533,624. General revenues accounted for \$21,708,457 in revenue or 45.67 percent of all revenues. Program revenues in the form of charges for services and grants and contributions accounted for \$25,825,167 or 54.33 percent of all revenues.
- The County had \$44,010,242 in total expenses: only \$25,825,167 of these expenses were offset by program specific charges for services, grants and contributions. General revenues were \$21,708,457 of which \$16,295,346 was taxes with the remaining \$5,413,111 interest, grants, entitlements not restricted and miscellaneous revenues.
- As of December 31, 2018, the County's governmental funds reported combined ending fund balances of \$40,249,406 an increase of \$2,920,607 or 7.82 percent in comparison with the prior year.

Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Pickaway County as a financial whole or as an entire operating entity. The statements then proceed to provide a detailed look at specific financial conditions.

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to the basic financial statements.

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 private-sector businesses. The Statement of Net Position and the Statement of Activities provide information about activities of the County as a whole, presenting both an aggregate view of the County's finances and a longer-term view of those assets.

Pickaway 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, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's tax base, current property tax laws in Ohio restricting revenue growth, and the condition of the County's capital assets (roads, bridges, sewer lines, etc.). These factors need to be considered when assessing the overall health of the County.

The Statement of Activities presents information showing how the County's net position changed during the recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, the County is divided into two distinct kinds of activities: governmental activities and business-type activities.

Governmental Activities - Most of the County's programs and services are reported here including human services, health, public safety, public works, economic development and assistance, conservation and recreation and general government (legislative and executive and judicial). 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 countywide water and sewer operation and the Sheriff web check activity are reported here.

Component Units - The County's financial statements include financial data for the Pickaway County Airport Authority. This component unit is described in the notes to the basic financial statements. The component unit is separate and may buy, sell, lease and mortgage property in its own name and can sue and be sued in its own name.

Fund Financial Statements

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General, Auto, License and Gas Tax, Job and Family Services, Board of Developmental Disabilities, and Fairground Capital Improvement.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. 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 one of three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Pickaway 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 in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds - The County maintains three proprietary funds. It uses enterprise funds to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Countywide Sewer, Countywide Water and Instant Web Check Funds. The County's major enterprise fund is the Countywide Sewer.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The County's fiduciary funds are private-purpose trust and agency.

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

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

Government-Wide Financial Analysis

You may recall that the statement of net position provides the perspective of the County as a whole. Table 1 provides a summary of the County's net position for 2018 compared to 2017:

Table 1

Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|--------------------------------|---------------------|---------------------------------|--------------------|---------------------|---------------------|
| | 2018 | Restated 2017 | 2018 | Restated 2017 | 2018 | Restated 2017 |
| <u>Assets:</u> | | | | | | |
| Current and Other Assets | \$59,907,940 | \$50,105,880 | \$307,176 | \$248,775 | \$60,215,116 | \$50,354,655 |
| Capital Assets, Net | 63,212,672 | 48,909,623 | 4,700,308 | 4,785,375 | 67,912,980 | 53,694,998 |
| Total Assets | 123,120,612 | 99,015,503 | 5,007,484 | 5,034,150 | 128,128,096 | 104,049,653 |
| Deferred Outflows of Resources | 5,707,047 | 9,881,041 | 35,172 | 68,537 | 5,742,219 | 9,949,578 |
| <u>Liabilities:</u> | | | | | | |
| Current and Other Liabilities | 7,689,359 | 1,618,751 | 100,202 | 19,697 | 7,789,561 | 1,638,448 |
| <u>Long-Term Liabilities:</u> | | | | | | |
| Due within One Year | 1,513,518 | 1,406,369 | 192,496 | 191,838 | 1,706,014 | 1,598,207 |
| <u>Due in More Than One Year:</u> | | | | | | |
| Net Pension Liability | 17,387,119 | 24,608,143 | 113,086 | 165,646 | 17,500,205 | 24,773,789 |
| Net OPEB Liability | 11,618,050 | 10,583,634 | 76,291 | 71,200 | 11,694,341 | 10,654,834 |
| Other Amounts | 12,433,768 | 2,239,505 | 2,304,501 | 2,496,429 | 14,738,269 | 4,735,934 |
| Total Liabilities | 50,641,814 | 40,456,402 | 2,786,576 | 2,944,810 | 53,428,390 | 43,401,212 |
| Deferred Inflows of Resources | 13,009,283 | 6,720,133 | 32,361 | 987 | 13,041,644 | 6,721,120 |
| <u>Net Position:</u> | | | | | | |
| Net Investments in Capital Assets | 51,489,455 | 46,727,999 | 2,203,311 | 2,097,108 | 53,692,766 | 48,825,107 |
| <u>Restricted For:</u> | | | | | | |
| Auto License and Gas Tax | 861,324 | 2,716,837 | 0 | 0 | 861,324 | 2,716,837 |
| Human Services | 370,772 | 169,588 | 0 | 0 | 370,772 | 169,588 |
| Developmental Disabilities | 13,156,195 | 13,358,542 | 0 | 0 | 13,156,195 | 13,358,542 |
| Debt Service | 304,341 | 83,486 | 0 | 0 | 304,341 | 83,486 |
| Capital Projects | 1,828,220 | 363,009 | 0 | 0 | 1,828,220 | 363,009 |
| Other Purposes | 13,307,369 | 10,381,388 | 0 | 0 | 13,307,369 | 10,381,388 |
| Unrestricted (Deficit) | (16,141,114) | (12,080,840) | 20,408 | 59,782 | (16,120,706) | (12,021,058) |
| Total Net Position | \$65,176,562 | \$61,720,009 | \$2,223,719 | \$2,156,890 | \$67,400,281 | \$63,876,899 |

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

The net pension liability (NPL) is the largest single liability 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 asset and deferred outflows related to pension and OPEB.

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

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

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

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

As a result of implementing GASB 75, the County is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation had the effect of restating net position at December 31, 2017, from \$72,156,726 to \$61,720,009 for governmental activities and from \$2,227,082 to \$2,156,890 for business-type activities.

The increase in governmental capital assets is due primarily to infrastructure and other capital asset additions exceeding current year depreciation.

The increase in current liabilities for governmental activities is due mostly to increases in accounts and contracts payable and notes payable in 2018, while long-term liabilities increased due to an increase in OPEB liability under the GASB 75 method of accounting for OPEB and new debt issues.

The County's net position is reflected in three categories: Net investment in capital assets, restricted and unrestricted.

For governmental activities, the County's largest portion of net position relates to net investment in capital assets. This accounts for 79.00 percent of net position. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its 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 capital assets themselves cannot be used to pay these liabilities.

The County's smallest portion of net position is unrestricted which has a deficit balance of \$16,141,114.

The remaining balance of \$29,828,221 or 45.77 percent is restricted assets. The restricted net position is subject to external restrictions on how they may be used.

Business-type current assets increased due primarily to an increase in cash and cash equivalents. Capital assets decreased due to the annual depreciation. Current liabilities for business-type activities increased primarily as a result of an increase in intergovernmental payable.

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

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

Table 2
Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------------|-------------------------|---------------------|--------------------------|--------------------|---------------------|---------------------|
| | 2018 | Restated 2017 | 2018 | Restated 2017 | 2018 | Restated 2017 |
| <i>Program Revenues:</i> | | | | | | |
| Charges for Services | \$6,472,722 | \$7,408,689 | \$548,359 | \$472,524 | \$7,021,081 | \$7,881,213 |
| Operating Grants & Contributions | 13,546,830 | 13,539,414 | 0 | 0 | 13,546,830 | 13,539,414 |
| Capital Grants & Contributions | 5,257,256 | 2,006,727 | 0 | 47,439 | 5,257,256 | 2,054,166 |
| <i>Total Program Revenues</i> | <u>25,276,808</u> | <u>22,954,830</u> | <u>548,359</u> | <u>519,963</u> | <u>25,825,167</u> | <u>23,474,793</u> |
| <i>General Revenues:</i> | | | | | | |
| Property Taxes | 7,513,050 | 7,805,550 | 0 | 0 | 7,513,050 | 7,805,550 |
| Sales Taxes | 8,782,296 | 10,465,260 | 0 | 0 | 8,782,296 | 10,465,260 |
| Payments in Lieu of Taxes | 0 | 160,505 | 0 | 0 | 0 | 160,505 |
| Grants & Entitlements | 3,574,935 | 2,894,282 | 0 | 0 | 3,574,935 | 2,894,282 |
| Interest | 544,960 | 476,487 | 0 | 0 | 544,960 | 476,487 |
| Miscellaneous | 1,287,413 | 1,296,624 | 5,803 | 4,696 | 1,293,216 | 1,301,320 |
| <i>Total General Revenues</i> | <u>21,702,654</u> | <u>23,098,708</u> | <u>5,803</u> | <u>4,696</u> | <u>21,708,457</u> | <u>23,103,404</u> |
| <i>Total Revenues</i> | <u>46,979,462</u> | <u>46,053,538</u> | <u>554,162</u> | <u>524,659</u> | <u>47,533,624</u> | <u>46,578,197</u> |
| <i>Program Expenses:</i> | | | | | | |
| <i>General Government:</i> | | | | | | |
| Legislative & Executive | 8,475,789 | 6,080,929 | 0 | 0 | 8,475,789 | 6,080,929 |
| Judicial | 2,818,129 | 2,799,880 | 0 | 0 | 2,818,129 | 2,799,880 |
| Public Safety | 9,409,576 | 9,533,924 | 0 | 0 | 9,409,576 | 9,533,924 |
| Public Works | 6,460,454 | 7,841,665 | 0 | 0 | 6,460,454 | 7,841,665 |
| Health | 6,367,606 | 5,844,102 | 0 | 0 | 6,367,606 | 5,844,102 |
| Human Services | 8,717,009 | 8,265,641 | 0 | 0 | 8,717,009 | 8,265,641 |
| Conservation & Recreation | 418,421 | 399,222 | 0 | 0 | 418,421 | 399,222 |
| Economic Development & Assistance | 384,902 | 496,500 | 0 | 0 | 384,902 | 496,500 |
| Interest & Fiscal Charges | 231,747 | 111,058 | 0 | 0 | 231,747 | 111,058 |
| Issuance Costs | 239,276 | 0 | 0 | 0 | 239,276 | 0 |
| Countywide Sewer | 0 | 0 | 412,843 | 407,304 | 412,843 | 407,304 |
| Countywide Water | 0 | 0 | 38,427 | 40,788 | 38,427 | 40,788 |
| Instant Web Checks | 0 | 0 | 36,063 | 36,593 | 36,063 | 36,593 |
| <i>Total Program Expenses</i> | <u>43,522,909</u> | <u>41,372,921</u> | <u>487,333</u> | <u>484,685</u> | <u>44,010,242</u> | <u>41,857,606</u> |
| <i>Changes in Net Position</i> | 3,456,553 | 4,680,617 | 66,829 | 39,974 | 3,523,382 | 4,720,591 |
| Net Position at January 1, Restated | <u>61,720,009</u> | <u>N/A</u> | <u>2,156,890</u> | <u>N/A</u> | <u>63,876,899</u> | <u>N/A</u> |
| Net Position at December 31 | <u>\$65,176,562</u> | <u>\$61,720,009</u> | <u>\$2,223,719</u> | <u>\$2,156,890</u> | <u>\$67,400,281</u> | <u>\$63,876,899</u> |

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

Governmental Activities

The most significant program expenses for the County are Legislative and Executive, Public Safety, Human Services, Public Works, and Health. These programs account for 90.59 percent of the total governmental activities. Legislative and Executive expenses, which is 19.47 percent of the total, represents costs associated with the general administration of county government including the County Commissioners, Auditor, Treasurer, Prosecutor and Recorder. Public Safety, which represents 21.62 percent of the total, represents costs mainly associated with the operation of the Sheriff's Department and County Jail. Human Services, which accounts for 20.03 percent of the total, represents costs associated with providing services for Workforce Investment Act, child support and enforcement assistance programs, and welfare programs for families and individuals. These expenses reflect programs administered by Job and Family Services, Child Support Enforcement Agency and Children Services. Public Works, which accounts for 14.84 percent of the total, represents costs associated with the operation of the County Engineer in maintaining the County's roads and bridges. Health, which accounts for 14.63 percent of the total, primarily represents costs associated with the services provided by the Board of Developmental Disabilities. Funding for the most significant programs indicated above is from charges for services, operating grants, and in some instances property and sales taxes. The Job and Family Services, Child Support Enforcement Agency, Children Services and Clerk of Courts are basically funded with federal and state monies. The operation of the Sheriff's Department and County Jail is funded through General Fund general revenues and per diem charges to house prisoners from other jurisdictions. The Board of Developmental Disabilities is partially funded by a voted property tax levy. The most significant funding sources for the County Engineer are motor vehicle license fees and gasoline taxes.

As noted previously, the net position for the governmental activities increased \$3,456,553 or 5.60 percent. This change is different from last year when net position increased \$4,680,617 or 6.94 percent. Total revenues increased \$925,924 or 2.01 percent from last year and expenses increased \$2,149,988 or 5.20 percent from last year.

Factors in the change in revenues are a significant increase in capital grants and contributions which increased \$3,250,529 or 161.98%, and sales taxes which decreased \$1,682,964 or 16.08%.

Expenses increased 5.20 percent during 2018. This increase is mainly due to Legislative and Executive expenditures increase of \$2,394,860 or 39.38 percent

Table 3, for governmental activities, indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Pickaway County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018
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Table 3
 Governmental Activities

| | Total Cost of Services | | Net Cost of Services | |
|------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 2018 | 2017 | 2017 | 2017 |
| General Government | | | | |
| Legislative and Executive | \$8,475,789 | \$6,080,929 | \$5,070,339 | \$2,533,356 |
| Judicial | 2,818,129 | 2,799,880 | 1,986,613 | 1,175,078 |
| Public Safety | 9,409,576 | 9,533,924 | 7,945,839 | 8,236,344 |
| Public Works | 6,460,454 | 7,841,665 | (4,632,845) | (657,465) |
| Health | 6,367,606 | 5,844,102 | 4,737,007 | 4,604,119 |
| Human Services | 8,717,009 | 8,265,641 | 1,864,802 | 1,960,389 |
| Conservation and Recreation | 418,421 | 399,222 | 418,421 | 399,222 |
| Community and Economic Development | 384,902 | 496,500 | 384,902 | 55,990 |
| Interest and Fiscal Charges | 231,747 | 111,058 | 231,747 | 111,058 |
| Issuance Costs | 239,276 | 0 | 239,276 | 0 |
| Total Expenses | <u>\$43,522,909</u> | <u>\$41,372,921</u> | <u>\$18,246,101</u> | <u>\$18,418,091</u> |

Of the \$43,522,909 in total governmental activities expenses, \$25,276,808 or 58.08 percent was covered by direct charges to users of the services and intergovernmental grants. The majority of program revenues are grants, with the remaining portion consisting of fees and charges for services. These charges are for fees charged for real estate transfers, for the collection of property taxes throughout the County, for title fees and for court fees. Public Safety charges for services include items such as fees for boarding prisoners, patrolling subdivisions, and for special details. Health includes charges for services provided to clients of the Board of Developmental Disabilities. For Public Works, the County Engineer has fully funded their operations.

Additional revenues were provided to the governmental activities by the state and federal governments for operations and capital improvements.

Business-Type Activities

This year, net position increased by \$66,829 or 3.10 percent. For 2018, there was an increase in expenses, which was the result of an increase of personal services expenses.

Financial Analysis of the County's Funds

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term receipts, disbursements, and balances of spendable resources. Such information is useful in assessing the County's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a County's net resources available for spending at the end of the calendar year.

Pickaway County, Ohio
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As of the end of the current year, the County's governmental funds reported combined ending fund balances of \$40,249,406. Of this total, \$12,124,863 represents unassigned fund balance, which is available for appropriation at the government's discretion within certain legal constraints and purposes restrictions. The majority of the governmental fund balances are restricted in the governmental fund statements, mandated by the source of the resources such as the state or federal government or the local tax levy.

The General Fund is the primary operating fund of the County. At the end of 2018, the unassigned fund balance of the General Fund was \$12,129,286. Unassigned fund balance represents 66.10 percent of expenditures. This is one measurement of the General Fund's liquidity. The fund balance of the General Fund increased by \$1,334,856, with the primary reasons being increases in expenditures were still maintained below revenues during 2018.

The Auto, License and Gas Tax Fund balance increased by \$512,908 which is due to an increase in intergovernmental revenues. The Job and Family Services Fund balance increased by \$205,825, which is the result of increased intergovernmental revenues. The Board of Developmental Disabilities Fund balance decreased by \$50,315 as expenditures exceeded revenues.

Proprietary Fund - The County's major proprietary fund is the Countywide Sewer Fund, which accounts for the providing of sewer services to several subdivisions. Net position of this proprietary fund at year end was \$1,392,680, of which \$27,403 was unrestricted, which is an increase of \$66,057 or 4.98 percent.

Budgetary Highlights - General Fund

By state statute, the Board of County Commissioners adopts the annual operating budget for the County. Essentially the budget is the County's appropriations, which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the Ohio Revised Code.

The County had several revisions to the original appropriations approved by the County Commissioners. Overall these changes resulted in a decrease from the original appropriations of 21.29 percent or \$4,957,925, from \$23,287,722 to \$18,329,797, in the General Fund. The most significant decrease occurred in the Public Safety expenditure function. The County spent 96.62 percent of the amount appropriated in the General Fund during 2018.

The final budgeted revenues were \$16,885,116 representing no change from the original budgeted estimate. Actual revenues were \$1,742,220 more than the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

The County's net investment in capital assets for its governmental and business-type activities as of December 31, 2018 amounts to \$53,692,766. This net investment in capital assets includes land and improvements, buildings and improvements, improvements other than buildings, machinery and equipment, furniture and fixtures, vehicles, and infrastructure and less related debt. For more information regarding the County's capital assets, see Note 8 of the notes to the basic financial statements.

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

Debt

Outstanding special assessment bonds at December 31, 2018, totaled \$13,000 with \$12,000 being retired during the year. Special assessment bonds are backed by the full faith and credit of the County. In the event of payment default by the property owners, the County would be responsible for the debt service payments.

General obligation notes outstanding at December 31, 2018 were \$2,681,428 with \$208,861 being retired and \$2,624,788 being issued during the year. These notes relate to proceeds used to purchase equipment for the County Engineer and reconstruction of roads and sidewalks.

General obligation bonds at December 31, 2018 were \$9,197,807 with \$202,808 being retired and \$7,700,000 being issued during the year. These bonds relate to proceeds used to renovate all County buildings with improvements meant for energy savings.

Loans outstanding at December 31, 2018 were \$2,607,332 from the Ohio Public Works Commission, Ohio Water Development Authority, and local financial institutions with \$203,073 being retired during 2018. These loans relate to proceeds used to complete renovations of the Cromley Road Bridge Replacement Project and for drainage ditch construction.

The County continues to monitor its outstanding debt. Information relative to the County's debt is identified in Notes 9 and 11 of the notes to the basic financial statements.

Economic Factors

The economic outlook for the County continues to improve. The County's General Fund income increased in 2018 compared to 2017 revenues. Sales tax revenues are projected to continue to grow due to steady growth and the addition of new businesses locating in the County. Local government and casino revenues remained fairly constant in 2018 compared to 2017. They are expected to remain the same in 2019. Appropriations for 2019 are expected to slightly increase over the actual expenditures for 2018. The ending balance for 2019 is expected to be higher than it was at the end of 2018. These various economic factors were considered in the preparation of the County's 2018 budget and will be considered in the preparation of future budgets. With the slight increase in health insurance premiums and the small increase in salary and benefits, excluding union and bargaining employees and elected officials, the County took a conservative budget approach for the General Fund in 2018 by allowing only slight increases for department appropriations and other operating expenses.

Infrastructure

Progress continues to be made in local efforts to improve the transportation, utility, and community enhancement infrastructure needed to promote sustained economic growth in Pickaway County.

Southern Gateway Innovation Center – A \$500,000 appropriation was secured in the State of Ohio Capital Budget Bill to match the \$2.5 million federal grant that P3 helped Ohio Christian University secure for the construction of the Southern Gateway Innovation Center. This project presents an exciting opportunity to provide new resources for entrepreneurial support and small business development in Pickaway County. The Pickaway County Commissioners and the City of Circleville also pledged capital contributions to P3 for construction costs. Construction was completed in May of 2017. There are two new tenants in the building and an array of business development training, mentoring and financing programs have been implemented.

Pickaway County, Ohio
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Unaudited

Roundtown Trail – Construction of the Roundtown Trail began in the summer of 2016. This 7,200 foot paved recreational trail that will connect the campuses of Ohio Christian University and Circleville City Schools with the Pickaway County YMCA in Circleville. P3 secured over \$500,000 in grant monies for the construction of the trail that will improve pedestrian safety and provide new recreational opportunities for students, residents and visitors to the area. The project was completed in 2017. A second phase of the trail is now being planned by local stakeholders.

Rickenbacker Sewer Trunk – The City of Columbus has nearly completed construction of a new 60” diameter gravity sewer trunk line into Pickaway County. This new line will provide significant new capacity to accommodate development in the Rickenbacker area of northern Pickaway County. A second phase of construction that will extend the utility into Madison Township is in design with construction planned to begin in 2021.

Columbia Gas Pipeline – Columbia Gas of Ohio completed a new 12” diameter, 500 psi natural gas pipeline that runs approximately 12 miles from South Bloomfield to the manufacturing park in Pickaway Township. This new pipeline will serve the Sofidel project and provide a competitive advantage in our efforts to attract additional industrial development in the County.

Business Retention & Expansion

P3 is committed to providing support for existing industry in Pickaway County. 2018 saw a continuation of the trend from previous years with new investment and job creation by the major employers in the County.

Health Care Logistics – Health Care Logistics completed an overhaul of their production and warehouse facility in Circleville. In addition to a new sales floor and office space, a new 58,000 square foot warehouse was constructed and 80 new full-time jobs will be added over the next three years.

InnoPak – InnoPak leased additional space in the new 486,000 square foot warehouse and logistics facility in the northern Pickaway County Rickenbacker Intermodal area. The food products packaging manufacturer will bring 40 new jobs to Pickaway County.

DuPont – In December, 2018, DuPont approved plans for a \$220 million dollar expansion of its Kapton and Vespel lines at its facility in Pickaway Township. This new investment will bring approximately 50 new jobs to the site and will help secure DuPont’s long term presence in Pickaway County.

New Business Attraction

Collaborative planning and strategic investments in infrastructure and incentives have positioned Pickaway County to be the next growth frontier in the Columbus Region. P3 and its local government stakeholders are successfully competing and attracting new business investment in Pickaway County.

Sofidel – Sofidel, an Italian tissue paper products company, completed construction of a new \$400 million capital investment in a 1.7 million square foot facility to be built in Pickaway Township. 310 new full-time jobs averaging \$19.67/hour will comprise Phase 1 of the project. A potential second phase of investment could add another \$300 million investment and 300 more jobs over the next six years.

Northpoint – Northpoint Development continued construction of a new 140 acre logistics campus that will include three new facilities totaling ~2 million square feet. Northpoint reported 5 new leases that will result in \$30 million of annual payroll starting in 2019.

Production Plus – Production Plus has purchased the P3 Spec Building in Ashville. This company makes custom racks

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Unaudited

and hangers used in industrial powder coating applications. They currently employ 14 full-time employees and are poised for significant growth as a result of aggressive new ownership.

Forjak Industrial – Forjak announced intentions to open a new industrial blasting and coatings operation in Circleville. This ~\$3 million investment will revitalize a vacant industrial building and bring as many as 100 new jobs to Circleville over the next two years.

Goodyear – Goodyear has built a new 1.2 million square foot logistics facility in northern Pickaway County. This \$60 million facility will employ approximately 200 new full time employees.

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 County's finances. Questions concerning any of the information provided in this report, request for additional financial information or about obtaining the separately issued financial statements of the County's component unit should be addressed to Melissa A. Betz, Pickaway County Auditor, 207 S. Court Street, Room 1, Circleville, Ohio 43113.

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

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|---------------------|---|
| | Governmental Activities | Business-Type Activities | Total | Pickaway County Airport Authority |
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$42,553,676 | \$264,041 | \$42,817,717 | \$231,132 |
| Cash and Cash Equivalents in Segregated Accounts | 205,760 | 0 | 205,760 | 0 |
| Cash and Cash Equivalents With Fiscal Agents | 261,842 | 0 | 261,842 | 0 |
| Materials and Supplies Inventory | 574,902 | 0 | 574,902 | 46,317 |
| Accrued Interest Receivable | 85,772 | 0 | 85,772 | 0 |
| Accounts Receivable | 16,212 | 87,339 | 103,551 | 0 |
| Loans Receivable | 428,790 | 0 | 428,790 | 0 |
| Internal Balance | 45,274 | (45,274) | 0 | 0 |
| Intergovernmental Receivable | 4,673,997 | 0 | 4,673,997 | 0 |
| Sales Taxes Receivable | 2,239,374 | 0 | 2,239,374 | 0 |
| Property Taxes Receivable | 8,493,291 | 0 | 8,493,291 | 0 |
| Special Assessments Receivable | 15,010 | 0 | 15,010 | 0 |
| Prepaid Items | 301,928 | 1,070 | 302,998 | 0 |
| Net OPEB Asset | 12,112 | 0 | 12,112 | 0 |
| Nondepreciable Capital Assets | 15,362,124 | 13,964 | 15,376,088 | 342,860 |
| Depreciable Capital Assets, Net | 47,850,548 | 4,686,344 | 52,536,892 | 1,567,492 |
| <i>Total Assets</i> | <u>123,120,612</u> | <u>5,007,484</u> | <u>128,128,096</u> | <u>2,187,801</u> |
| Deferred Outflows of Resources | | | | |
| Pension | 4,681,772 | 29,557 | 4,711,329 | 0 |
| OPEB | 1,025,275 | 5,615 | 1,030,890 | 0 |
| <i>Total Deferred Outflows of Resources</i> | <u>5,707,047</u> | <u>35,172</u> | <u>5,742,219</u> | <u>0</u> |
| Liabilities: | | | | |
| Accounts Payable | 574,314 | 16,734 | 591,048 | 856 |
| Accrued Wages and Benefits | 983,242 | 6,628 | 989,870 | 0 |
| Contracts Payable | 2,727,779 | 0 | 2,727,779 | 0 |
| Intergovernmental Payable | 212,688 | 70,775 | 283,463 | 0 |
| Accrued Interest Payable | 63,709 | 6,065 | 69,774 | 0 |
| Unearned Revenue | 127,627 | 0 | 127,627 | 0 |
| Notes Payable | 3,000,000 | 0 | 3,000,000 | 0 |
| <i>Long-Term Liabilities:</i> | | | | |
| Due Within One Year | 1,513,518 | 192,496 | 1,706,014 | 0 |
| <i>Due In More Than One Year:</i> | | | | |
| Net Pension Liability | 17,387,119 | 113,086 | 17,500,205 | 0 |
| Net OPEB Liability | 11,618,050 | 76,291 | 11,694,341 | 0 |
| Other Amounts Due in More than One Year | 12,433,768 | 2,304,501 | 14,738,269 | 0 |
| <i>Total Liabilities</i> | <u>50,641,814</u> | <u>2,786,576</u> | <u>53,428,390</u> | <u>856</u> |
| Deferred Inflows of Resources | | | | |
| Property Taxes | 8,073,717 | 0 | 8,073,717 | 0 |
| Pension | 4,051,508 | 26,505 | 4,078,013 | 0 |
| OPEB | 884,058 | 5,856 | 889,914 | 0 |
| <i>Total Deferred Inflows of Resources</i> | <u>13,009,283</u> | <u>32,361</u> | <u>13,041,644</u> | <u>0</u> |
| Net Position: | | | | |
| Net Investment in Capital Assets | 51,489,455 | 2,203,311 | 53,692,766 | 1,910,352 |
| <i>Restricted for:</i> | | | | |
| Auto License and Gas Tax | 861,324 | 0 | 861,324 | 0 |
| Human Services | 370,772 | 0 | 370,772 | 0 |
| Developmental Disabilities | 13,156,195 | 0 | 13,156,195 | 0 |
| Debt Service | 304,341 | 0 | 304,341 | 0 |
| Capital Projects | 1,828,220 | 0 | 1,828,220 | 7,037 |
| Other Purposes | 13,307,369 | 0 | 13,307,369 | 0 |
| Unrestricted (Deficit) | (16,141,114) | 20,408 | (16,120,706) | 269,556 |
| <i>Total Net Position</i> | <u>\$65,176,562</u> | <u>\$2,223,719</u> | <u>\$67,400,281</u> | <u>\$2,186,945</u> |

See accompanying notes to the basic financial statements.

Pickaway County, Ohio
Statement of Activities
For the Year Ended December 31, 2018

| | Program Revenues | | | |
|---------------------------------------|---------------------|-------------------------|---------------------------------------|--------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| <i>Current:</i> | | | | |
| <i>General Government:</i> | | | | |
| Legislative and Executive | \$8,475,789 | \$3,377,588 | \$27,862 | \$0 |
| Judicial | 2,818,129 | 825,821 | 5,695 | 0 |
| Public Safety | 9,409,576 | 683,755 | 779,982 | 0 |
| Public Works | 6,460,454 | 984,773 | 4,851,270 | 5,257,256 |
| Health | 6,367,606 | 180,769 | 1,449,830 | 0 |
| Human Services | 8,717,009 | 420,016 | 6,432,191 | 0 |
| Conservation and Recreation | 418,421 | 0 | 0 | 0 |
| Community and Economic Development | 384,902 | 0 | 0 | 0 |
| Interest and Fiscal Charges | 231,747 | 0 | 0 | 0 |
| <i>Debt Service:</i> | | | | |
| Issuance Costs | 239,276 | 0 | 0 | 0 |
| <i>Total Governmental Activities</i> | <u>43,522,909</u> | <u>6,472,722</u> | <u>13,546,830</u> | <u>5,257,256</u> |
| Business-Type Activities: | | | | |
| Countywide Sewer | 412,843 | 473,140 | 0 | 0 |
| Countywide Water | 38,427 | 38,939 | 0 | 0 |
| Instant Web Checks | 36,063 | 36,280 | 0 | 0 |
| <i>Total Business-Type Activities</i> | <u>487,333</u> | <u>548,359</u> | <u>0</u> | <u>0</u> |
| <i>Total Primary Government</i> | <u>\$44,010,242</u> | <u>\$7,021,081</u> | <u>\$13,546,830</u> | <u>\$5,257,256</u> |
| Component Units: | | | | |
| Pickaway County Airport Authority | \$155,956 | \$129,187 | \$7,961 | \$262,496 |
| <i>Total Component Units</i> | <u>\$155,956</u> | <u>\$129,187</u> | <u>\$7,961</u> | <u>\$262,496</u> |

General Revenues:

Property Taxes Levied for:

General Purposes

Health

Debt Service

Sales Tax for:

General Purposes

Capital Projects

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Changes in Net Position

Net Position at Beginning of Year, As Restated (See Note 4)

Net Position at End of Year

See accompanying notes to the basic financial statements.

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|--------------------------|---------------------|-----------------------------------|
| Primary Government | | | Component Units |
| Governmental Activities | Business-Type Activities | Total | Pickaway County Airport Authority |
| (\$5,070,339) | \$0 | (\$5,070,339) | \$0 |
| (1,986,613) | 0 | (1,986,613) | 0 |
| (7,945,839) | 0 | (7,945,839) | 0 |
| 4,632,845 | 0 | 4,632,845 | 0 |
| (4,737,007) | 0 | (4,737,007) | 0 |
| (1,864,802) | 0 | (1,864,802) | 0 |
| (418,421) | 0 | (418,421) | 0 |
| (384,902) | 0 | (384,902) | 0 |
| (231,747) | 0 | (231,747) | 0 |
| (239,276) | 0 | (239,276) | 0 |
| (18,246,101) | 0 | (18,246,101) | 0 |
| 0 | 60,297 | 60,297 | 0 |
| 0 | 512 | 512 | 0 |
| 0 | 217 | 217 | 0 |
| 0 | 61,026 | 61,026 | 0 |
| (18,246,101) | 61,026 | (18,185,075) | 0 |
| 0 | 0 | 0 | 243,688 |
| 0 | 0 | 0 | 243,688 |
| 3,781,438 | 0 | 3,781,438 | 0 |
| 3,729,908 | 0 | 3,729,908 | 0 |
| 1,704 | 0 | 1,704 | 0 |
| 8,430,679 | 0 | 8,430,679 | 0 |
| 351,617 | 0 | 351,617 | 0 |
| 3,574,935 | 0 | 3,574,935 | 0 |
| 544,960 | 0 | 544,960 | 941 |
| 1,287,413 | 5,803 | 1,293,216 | 3,494 |
| 21,702,654 | 5,803 | 21,708,457 | 4,435 |
| 3,456,553 | 66,829 | 3,523,382 | 248,123 |
| 61,720,009 | 2,156,890 | 63,876,899 | 1,938,822 |
| <u>\$65,176,562</u> | <u>\$2,223,719</u> | <u>\$67,400,281</u> | <u>\$2,186,945</u> |

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

| | General | Auto, License and Gas Tax | Job and Family Services | Board of Developmental Disabilities |
|---|---------------------|------------------------------|-------------------------------|---|
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$11,128,381 | \$1,661,148 | \$131,050 | \$18,171,253 |
| Cash and Cash Equivalents In Segregated Accounts | 103,667 | 0 | 0 | 0 |
| Cash and Cash Equivalents In Fiscal Agents | 0 | 0 | 0 | 0 |
| Materials and Supplies Inventory | 80,278 | 494,624 | 0 | 0 |
| Accounts Receivable | 15,147 | 0 | 0 | 0 |
| Loans Receivable | 0 | 0 | 0 | 0 |
| Accrued Interest Receivable | 85,772 | 0 | 0 | 0 |
| Interfund Receivable | 88,968 | 6,489 | 124,522 | 0 |
| Intergovernmental Receivable | 623,791 | 2,115,716 | 446,731 | 212,193 |
| Prepaid Items | 166,138 | 12,020 | 57,237 | 48,462 |
| Sales Taxes Receivable | 2,183,077 | 0 | 0 | 0 |
| Property Taxes Receivable | 4,065,464 | 0 | 0 | 4,427,827 |
| Special Assessments Receivable | 0 | 0 | 0 | 0 |
| <i>Total Assets</i> | <u>\$18,540,683</u> | <u>\$4,289,997</u> | <u>\$759,540</u> | <u>\$22,859,735</u> |
| Liabilities: | | | | |
| Accounts Payable | \$103,261 | \$244,800 | \$26,243 | \$62,754 |
| Accrued Wages and Benefits | 559,719 | 94,580 | 130,151 | 114,855 |
| Contracts Payable | 5,448 | 450,063 | 0 | 0 |
| Intergovernmental Payable | 99,196 | 0 | 12,284 | 32,104 |
| Accrued Interest Payable | 0 | 0 | 0 | 0 |
| Interfund Payable | 8,970 | 0 | 0 | 0 |
| Unearned Revenue | 0 | 0 | 0 | 0 |
| Notes Payable | 0 | 0 | 0 | 0 |
| <i>Total Liabilities</i> | <u>776,594</u> | <u>789,443</u> | <u>168,678</u> | <u>209,713</u> |
| Deferred Inflows of Resources: | | | | |
| Property Taxes | 4,065,464 | 0 | 0 | 4,629,024 |
| Sales Tax | 831,948 | 0 | 0 | 0 |
| Special Assessments | 0 | 0 | 0 | 0 |
| Unavailable Grants Revenue | 375,066 | 1,305,893 | 0 | 0 |
| Unavailable Interest Revenue | 35,997 | 0 | 0 | 0 |
| <i>Total Deferred Inflows of Resources</i> | <u>5,308,475</u> | <u>1,305,893</u> | <u>0</u> | <u>4,629,024</u> |
| Fund Balances: | | | | |
| Nonspendable | 326,328 | 506,644 | 57,237 | 48,462 |
| Restricted | 0 | 1,688,017 | 533,625 | 17,972,536 |
| Committed | 0 | 0 | 0 | 0 |
| Assigned | 0 | 0 | 0 | 0 |
| Unassigned (Deficit) | 12,129,286 | 0 | 0 | 0 |
| <i>Total Fund Balances</i> | <u>12,455,614</u> | <u>2,194,661</u> | <u>590,862</u> | <u>18,020,998</u> |
| <i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i> | <u>\$18,540,683</u> | <u>\$4,289,997</u> | <u>\$759,540</u> | <u>\$22,859,735</u> |

See accompanying notes to the basic financial statements.

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

| Fairground Capital Improvement | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|--------------------------------|--------------------------------|
| \$6,491,356 | \$4,970,488 | \$42,553,676 |
| 0 | 102,093 | 205,760 |
| 0 | 261,842 | 261,842 |
| 0 | 0 | 574,902 |
| 0 | 1,065 | 16,212 |
| 0 | 428,790 | 428,790 |
| 0 | 0 | 85,772 |
| 0 | 2,481 | 222,460 |
| 0 | 1,275,566 | 4,673,997 |
| 0 | 18,071 | 301,928 |
| 0 | 56,297 | 2,239,374 |
| 0 | 0 | 8,493,291 |
| 0 | 15,010 | 15,010 |
| <u>\$6,491,356</u> | <u>\$7,131,703</u> | <u>\$60,073,014</u> |
| \$0 | \$137,256 | \$574,314 |
| 0 | 83,937 | 983,242 |
| 2,019,973 | 252,295 | 2,727,779 |
| 0 | 69,104 | 212,688 |
| 29,750 | 0 | 29,750 |
| 0 | 168,216 | 177,186 |
| 0 | 127,627 | 127,627 |
| <u>3,000,000</u> | <u>0</u> | <u>3,000,000</u> |
| <u>5,049,723</u> | <u>838,435</u> | <u>7,832,586</u> |
| 0 | 0 | 8,694,488 |
| 0 | 0 | 831,948 |
| 0 | 26,010 | 26,010 |
| 0 | 721,620 | 2,402,579 |
| 0 | 0 | 35,997 |
| <u>0</u> | <u>747,630</u> | <u>11,991,022</u> |
| 0 | 447,662 | 1,386,333 |
| 1,441,633 | 4,297,588 | 25,933,399 |
| 0 | 542,499 | 542,499 |
| 0 | 262,312 | 262,312 |
| 0 | (4,423) | 12,124,863 |
| <u>1,441,633</u> | <u>5,545,638</u> | <u>40,249,406</u> |
| <u>\$6,491,356</u> | <u>\$7,131,703</u> | <u>\$60,073,014</u> |

| | |
|--|----------------------------|
| Total Governmental Funds Balances | \$40,249,406 |
| <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. | 63,212,672 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: | |
| Property Taxes | 620,771 |
| Sales Tax | 831,948 |
| Special Assessments | 26,010 |
| Intergovernmental Revenue | 2,402,579 |
| Accrued Interest | <u>35,997</u> |
| Total | 3,917,305 |
| In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds an interest expenditure is reported when due. | (33,959) |
| Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds: | |
| General Obligation Notes | (2,650,915) |
| General Obligation Bonds | (9,197,807) |
| OPWC Loans Payable | (140,848) |
| Special Assessment Bonds | (13,000) |
| Premium on Bonds | (531,904) |
| Capital Leases Payable | (26,384) |
| Compensated Absences | <u>(1,386,428)</u> |
| Total | (13,947,286) |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds: | |
| Deferred Outflows - Pension | 4,681,772 |
| Deferred Outflows - OPEB | 1,025,275 |
| Deferred Inflows - Pension | (4,051,508) |
| Deferred Inflows - OPEB | (884,058) |
| Net OPEB Asset | 12,112 |
| Net Pension Liability | (17,387,119) |
| Net OPEB Liability | <u>(11,618,050)</u> |
| Total | (28,221,576) |
| Net Position of Governmental Activities | <u>\$65,176,562</u> |

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

| | General | Auto, License and Gas Tax | Job and Family Services | Board of Developmental Disabilities |
|---|---------------------|------------------------------|-------------------------------|---|
| Revenues: | | | | |
| Property Taxes | \$3,861,777 | \$0 | \$0 | \$4,098,787 |
| Sales Tax | 8,438,764 | 0 | 0 | 0 |
| Special Assessments | 0 | 0 | 0 | 0 |
| Charges for Services | 4,000,853 | 811,148 | 0 | 79,549 |
| Licenses and Permits | 49,412 | 0 | 0 | 0 |
| Fines and Forfeitures | 60,776 | 92 | 0 | 0 |
| Intergovernmental | 3,196,979 | 6,902,019 | 4,143,420 | 1,456,664 |
| Interest | 700,373 | 23,802 | 0 | 0 |
| Contributions and Donations | 0 | 0 | 0 | 0 |
| Decrease in Fair Value of Investments | (190,766) | 0 | 0 | 0 |
| Rent | 46,963 | 0 | 0 | 0 |
| Other | 292,769 | 59,859 | 163,147 | 72,346 |
| <i>Total Revenues</i> | <u>20,457,900</u> | <u>7,796,920</u> | <u>4,306,567</u> | <u>5,707,346</u> |
| Expenditures: | | | | |
| <i>Current:</i> | | | | |
| <i>General Government:</i> | | | | |
| Legislative and Executive | 6,195,069 | 0 | 0 | 0 |
| Judicial | 2,176,379 | 0 | 0 | 0 |
| Public Safety | 7,372,950 | 0 | 0 | 0 |
| Public Works | 291,669 | 7,144,297 | 0 | 0 |
| Health | 109,093 | 0 | 0 | 5,757,661 |
| Human Services | 723,190 | 0 | 4,095,784 | 0 |
| Conservation and Recreation | 414,842 | 0 | 0 | 0 |
| Community and Economic Development | 0 | 0 | 0 | 0 |
| Capital Outlay | 1,030,178 | 597,774 | 0 | 0 |
| <i>Debt Service:</i> | | | | |
| Principal Retirement | 34,155 | 12,805 | 4,958 | 0 |
| Interest and Fiscal Charges | 1,910 | 0 | 0 | 0 |
| Issuance Costs | 0 | 0 | 0 | 0 |
| <i>Total Expenditures</i> | <u>18,349,435</u> | <u>7,754,876</u> | <u>4,100,742</u> | <u>5,757,661</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>2,108,465</u> | <u>42,044</u> | <u>205,825</u> | <u>(50,315)</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 0 | 0 | 0 | 0 |
| General Obligation Bonds Issued | 0 | 0 | 0 | 0 |
| Notes Issued | 0 | 624,788 | 0 | 0 |
| Premium on Debt Issued | 0 | 0 | 0 | 0 |
| Transfers Out | (773,609) | (153,924) | 0 | 0 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(773,609)</u> | <u>470,864</u> | <u>0</u> | <u>0</u> |
| <i>Net Change in Fund Balances</i> | 1,334,856 | 512,908 | 205,825 | (50,315) |
| <i>Fund Balances at Beginning of Year</i> | <u>11,120,758</u> | <u>1,681,753</u> | <u>385,037</u> | <u>18,071,313</u> |
| <i>Fund Balances at End of Year</i> | <u>\$12,455,614</u> | <u>\$2,194,661</u> | <u>\$590,862</u> | <u>\$18,020,998</u> |

See accompanying notes to the basic financial statements.

Pickaway 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*

| Fairground Capital Improvement | All Other Governmental Funds | Total Governmental Funds | | |
|--------------------------------------|------------------------------------|--------------------------------|--|---------------------------|
| | | | Net Change in Fund Balances - Total Governmental Funds | \$2,920,607 |
| | | | <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | |
| \$0 | \$13,704 | \$7,974,268 | 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 exceeded depreciation in the current period: | |
| 0 | 351,617 | 8,790,381 | Capital Asset Additions | 16,572,859 |
| 0 | 95,669 | 95,669 | Depreciation | <u>(2,192,771)</u> |
| 0 | 1,144,118 | 6,035,668 | Total | 14,380,088 |
| 0 | 0 | 49,412 | Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. | (77,039) |
| 0 | 170,592 | 231,460 | Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds: | |
| 0 | 6,887,854 | 22,586,936 | Property Taxes | (74,399) |
| 0 | 9,705 | 733,880 | Sales Tax | (8,085) |
| 0 | 27,280 | 27,280 | Payments in Lieu of Taxes | (253,365) |
| 0 | 0 | (190,766) | Special Assessments | (12,000) |
| 0 | 0 | 46,963 | Intergovernmental Revenue | (343,098) |
| 5,000 | 694,292 | 1,287,413 | Interest Revenue | <u>1,845</u> |
| | | | Total | (689,102) |
| 5,000 | 9,394,831 | 47,668,564 | Repayment of principal of long-term liabilities (e.g. bonds, notes, leases) is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | 477,458 |
| | | | Other financing sources in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues in the statement of activities: | |
| 0 | 774,857 | 6,969,926 | General Obligation Bonds Issued | (7,700,000) |
| 0 | 426,991 | 2,603,370 | Notes Issued | (2,624,788) |
| 0 | 1,211,818 | 8,584,768 | Premium on Debt Issued | <u>(531,904)</u> |
| 0 | 3,414,176 | 10,850,142 | Total | (10,856,692) |
| 0 | 158,276 | 6,025,030 | In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. | (29,189) |
| 0 | 3,311,097 | 8,130,071 | 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. These activities consist of: | |
| 0 | 0 | 414,842 | Compensated Absences | 77,822 |
| 0 | 384,902 | 384,902 | Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred inflows. | 2,216,417 |
| 6,234,653 | 2,859,701 | 10,722,306 | Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. | (4,963,817) |
| 0 | 425,540 | 477,458 | <i>Changes in Net Position of Governmental Activities</i> | <u><u>\$3,456,553</u></u> |
| 29,750 | 170,898 | 202,558 | | |
| 9,644 | 229,632 | 239,276 | | |
| 6,274,047 | 13,367,888 | 55,604,649 | | |
| (6,269,047) | (3,973,057) | (7,936,085) | | |
| 0 | 941,106 | 941,106 | | |
| 7,700,000 | 0 | 7,700,000 | | |
| 0 | 2,000,000 | 2,624,788 | | |
| 10,680 | 521,224 | 531,904 | | |
| 0 | (13,573) | (941,106) | | |
| 7,710,680 | 3,448,757 | 10,856,692 | | |
| 1,441,633 | (524,300) | 2,920,607 | | |
| 0 | 6,069,938 | 37,328,799 | | |
| \$1,441,633 | \$5,545,638 | \$40,249,406 | | |

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

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|--------------------|--------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Property Taxes | \$3,515,000 | \$3,515,000 | \$3,861,777 | \$346,777 |
| Sales Tax | 8,000,000 | 8,000,000 | 8,459,814 | 459,814 |
| Charges for Services | 2,809,899 | 2,809,899 | 3,375,223 | 565,324 |
| Licenses and Permits | 40,337 | 40,337 | 49,412 | 9,075 |
| Fines and Forfeitures | 87,565 | 87,565 | 80,857 | (6,708) |
| Intergovernmental | 1,598,426 | 1,598,426 | 1,832,092 | 233,666 |
| Interest | 454,500 | 454,500 | 685,813 | 231,313 |
| Rent | 50,000 | 50,000 | 46,963 | (3,037) |
| Other | 329,389 | 329,389 | 235,385 | (94,004) |
| <i>Total Revenues</i> | <u>16,885,116</u> | <u>16,885,116</u> | <u>18,627,336</u> | <u>1,742,220</u> |
| Expenditures: | | | | |
| <i>Current:</i> | | | | |
| <i>General Government:</i> | | | | |
| Legislative and Executive | 5,805,380 | 6,404,208 | 6,161,941 | 242,267 |
| Judicial | 2,091,429 | 2,129,935 | 1,933,248 | 196,687 |
| Public Safety | 7,087,981 | 7,128,947 | 7,092,988 | 35,959 |
| Public Works | 209,552 | 241,034 | 237,218 | 3,816 |
| Health | 145,928 | 147,264 | 116,411 | 30,853 |
| Human Services | 831,223 | 833,389 | 724,340 | 109,049 |
| Conservation and Recreation | 414,811 | 414,842 | 414,842 | 0 |
| Capital Outlay | 0 | 1,030,178 | 1,030,178 | 0 |
| <i>Total Expenditures</i> | <u>16,586,304</u> | <u>18,329,797</u> | <u>17,711,166</u> | <u>618,631</u> |
| <i>Excess of Revenues Over (Under)Expenditures</i> | <u>298,812</u> | <u>(1,444,681)</u> | <u>916,170</u> | <u>2,360,851</u> |
| Other Financing Sources (Uses): | | | | |
| Advances In | 0 | 0 | 87,943 | 87,943 |
| Advances Out | 0 | 0 | (83,743) | (83,743) |
| Transfers In | 0 | 0 | 397,450 | 397,450 |
| Transfers Out | (366,599) | (812,050) | (812,049) | 1 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(366,599)</u> | <u>(812,050)</u> | <u>(410,399)</u> | <u>401,651</u> |
| <i>Net Change in Fund Balance</i> | (67,787) | (2,256,731) | 505,771 | 2,762,502 |
| <i>Fund Balance at Beginning of Year</i> | <u>7,652,183</u> | <u>7,652,183</u> | <u>7,652,183</u> | <u>0</u> |
| <i>Fund Balance at End of Year</i> | <u>\$7,584,396</u> | <u>\$5,395,452</u> | <u>\$8,157,954</u> | <u>\$2,762,502</u> |

See accompanying notes to the basic financial statements

Pickaway County, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Auto, License and Gas Tax Fund
For the Year Ended December 31, 2018*

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|-----------|-------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Charges for Services | \$764,778 | \$772,000 | \$811,148 | \$39,148 |
| Fines and Forfeitures | 87 | 250 | 92 | (158) |
| Intergovernmental | 6,339,984 | 6,396,192 | 6,724,391 | 328,199 |
| Interest | 19,048 | 7,500 | 20,203 | 12,703 |
| Other | 100,793 | 50,000 | 106,904 | 56,904 |
| <i>Total Revenues</i> | 7,224,690 | 7,225,942 | 7,662,738 | 436,796 |
| Expenditures: | | | | |
| <i>Current:</i> | | | | |
| Public Works | 7,270,065 | 8,082,647 | 7,820,131 | 262,516 |
| <i>Debt Service:</i> | | | | |
| Principal Retirements | 11,904 | 12,805 | 12,805 | 0 |
| <i>Total Expenditures</i> | 7,281,969 | 8,095,452 | 7,832,936 | 262,516 |
| <i>Excess of Revenues Over (Under) Expenditures</i> | (57,279) | (869,510) | (170,198) | 699,312 |
| Other Financing Sources (Uses): | | | | |
| Notes Issued | 0 | 624,788 | 624,788 | 0 |
| Transfers Out | (143,097) | (154,000) | (153,924) | 76 |
| <i>Total Other Financing Sources (Uses)</i> | (143,097) | 470,788 | 470,864 | 76 |
| <i>Net Change in Fund Balance</i> | (200,376) | (398,722) | 300,666 | 699,388 |
| <i>Fund Balance at Beginning of Year</i> | 725,524 | 725,524 | 725,524 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | 91,090 | 91,090 | 91,090 | 0 |
| <i>Fund Balance at End of Year</i> | \$616,238 | \$417,892 | \$1,117,280 | \$699,388 |

See accompanying notes to the basic financial statements.

Pickaway County, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Job and Family Services Fund
For the Year Ended December 31, 2018*

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-------------|-------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental | \$4,460,297 | \$4,460,297 | \$4,024,281 | (\$436,016) |
| Other | 126,534 | 126,534 | 163,147 | 36,613 |
| <i>Total Revenues</i> | 4,586,831 | 4,586,831 | 4,187,428 | (399,403) |
| Expenditures: | | | | |
| <i>Current:</i> | | | | |
| Human Services | 4,586,831 | 4,631,331 | 4,101,226 | 530,105 |
| <i>Total Expenditures</i> | 4,586,831 | 4,631,331 | 4,101,226 | 530,105 |
| <i>Net Change in Fund Balance</i> | 0 | (44,500) | 86,202 | 130,702 |
| <i>Fund Balance at Beginning of Year</i> | 44,848 | 44,848 | 44,848 | 0 |
| <i>Fund Balance at End of Year</i> | \$44,848 | \$348 | \$131,050 | \$130,702 |

See accompanying notes to the basic financial statements.

Pickaway County, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Board of Developmental Disabilities Fund
For the Year Ended December 31, 2018*

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|--------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Property Taxes | \$3,607,000 | \$3,607,000 | \$4,098,787 | \$491,787 |
| Charges for Services | 50,000 | 50,000 | 79,549 | 29,549 |
| Intergovernmental | 766,800 | 766,800 | 1,001,863 | 235,063 |
| Other | 50,000 | 50,000 | 36,100 | (13,900) |
| <i>Total Revenues</i> | <u>4,473,800</u> | <u>4,473,800</u> | <u>5,216,299</u> | <u>742,499</u> |
| Expenditures: | | | | |
| <i>Current:</i> | | | | |
| Health | 3,671,500 | 3,671,500 | 3,262,080 | 409,420 |
| <i>Total Expenditures</i> | <u>3,671,500</u> | <u>3,671,500</u> | <u>3,262,080</u> | <u>409,420</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | 802,300 | 802,300 | 1,954,219 | 1,151,919 |
| Other Financing Uses: | | | | |
| Transfers Out | (2,500,000) | (2,500,000) | (2,500,000) | 0 |
| <i>Net Change in Fund Balance</i> | (1,697,700) | (1,697,700) | (545,781) | 1,151,919 |
| <i>Fund Balance Beginning of Year</i> | <u>8,552,812</u> | <u>8,552,812</u> | <u>8,552,812</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$6,855,112</u> | <u>\$6,855,112</u> | <u>\$8,007,031</u> | <u>\$1,151,919</u> |

See accompanying notes to the basic financial statements.

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

| | Business-Type Activities | | |
|--|--------------------------|------------------------------|--------------------|
| | Countywide Sewer | Other Enterprise Funds | Total |
| Assets: | | | |
| <i>Current Assets:</i> | | | |
| Equity in Pooled Cash and Cash Equivalents | \$244,260 | \$19,781 | \$264,041 |
| Accounts Receivable | 87,339 | 0 | 87,339 |
| Prepaid Items | 1,003 | 67 | 1,070 |
| <i>Total Current Assets</i> | <u>332,602</u> | <u>19,848</u> | <u>352,450</u> |
| <i>Noncurrent Assets:</i> | | | |
| Nondepreciable Capital Assets | 13,964 | 0 | 13,964 |
| Depreciable Capital Assets, Net | 3,732,596 | 953,748 | 4,686,344 |
| <i>Total Noncurrent Assets</i> | <u>3,746,560</u> | <u>953,748</u> | <u>4,700,308</u> |
| <i>Total Assets</i> | <u>4,079,162</u> | <u>973,596</u> | <u>5,052,758</u> |
| Deferred Outflows of Resources | <u>35,172</u> | <u>0</u> | <u>35,172</u> |
| Liabilities: | | | |
| <i>Current Liabilities:</i> | | | |
| Accounts Payable | 16,734 | 0 | 16,734 |
| Accrued Wages and Benefits | 6,073 | 555 | 6,628 |
| Intergovernmental Payable | 69,297 | 1,478 | 70,775 |
| Accrued Interest Payable | 6,055 | 10 | 6,065 |
| Interfund Payable | 20,474 | 24,800 | 45,274 |
| Notes Payable | 0 | 6,910 | 6,910 |
| OPWC Loans Payable | 28,257 | 10,628 | 38,885 |
| OWDA Loans Payable | 146,701 | 0 | 146,701 |
| <i>Total Current Liabilities</i> | <u>293,591</u> | <u>44,381</u> | <u>337,972</u> |
| <i>Long-Term Liabilities:</i> | | | |
| Notes Payable | 0 | 39,722 | 39,722 |
| OPWC Loans Payable | 294,002 | 58,454 | 352,456 |
| OWDA Loans Payable | 1,912,323 | 0 | 1,912,323 |
| Net Pension Liability | 113,086 | 0 | 113,086 |
| Net OPEB Liability | 76,291 | 0 | 76,291 |
| <i>Total Long-Term Liabilities</i> | <u>2,395,702</u> | <u>98,176</u> | <u>2,493,878</u> |
| <i>Total Liabilities</i> | <u>2,689,293</u> | <u>142,557</u> | <u>2,831,850</u> |
| Deferred Inflows of Resources | <u>32,361</u> | <u>0</u> | <u>32,361</u> |
| Net Position: | | | |
| Net Investment in Capital Assets | 1,365,277 | 838,034 | 2,203,311 |
| Unrestricted (Deficit) | 27,403 | (6,995) | 20,408 |
| <i>Total Net Position</i> | <u>\$1,392,680</u> | <u>\$831,039</u> | <u>\$2,223,719</u> |

See accompanying notes to the basic financial statements.

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

| | Business - Type Activities | | |
|---|----------------------------|------------------------------|---------------------------|
| | Countywide Sewer | Other Enterprise Funds | Total |
| Operating Revenues: | | | |
| Charges for Services | \$473,140 | \$75,219 | \$548,359 |
| Other | 5,760 | 43 | 5,803 |
| <i>Total Operating Revenues</i> | <u>478,900</u> | <u>75,262</u> | <u>554,162</u> |
| Operating Expenses: | | | |
| Personal Services | 118,068 | 8,202 | 126,270 |
| Fringe Benefits | 34,520 | 1,272 | 35,792 |
| Contractual Services | 171,845 | 41,055 | 212,900 |
| Materials and Supplies | 11,596 | 1,485 | 13,081 |
| Depreciation | 64,424 | 20,643 | 85,067 |
| Other | 145 | 0 | 145 |
| <i>Total Operating Expenses</i> | <u>400,598</u> | <u>72,657</u> | <u>473,255</u> |
| <i>Operating Income (Loss)</i> | <u>78,302</u> | <u>2,605</u> | <u>80,907</u> |
| Non Operating Expenses: | | | |
| Interest and Fiscal Charges | (12,245) | (1,833) | (14,078) |
| <i>Total Non Operating Expenses</i> | <u>(12,245)</u> | <u>(1,833)</u> | <u>(14,078)</u> |
| <i>Change in Net Position</i> | 66,057 | 772 | 66,829 |
| <i>Net Position at Beginning of Year, As Restated, (See Note 4)</i> | <u>1,326,623</u> | <u>830,267</u> | <u>2,156,890</u> |
| <i>Net Position at End of Year</i> | <u><u>\$1,392,680</u></u> | <u><u>\$831,039</u></u> | <u><u>\$2,223,719</u></u> |

See accompanying notes to the basic financial statements.

Pickaway County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

| | Business - Type Activities | | |
|--|----------------------------|------------------------------|-------------------------|
| | Countywide Sewer | Other Enterprise Funds | Total |
| Increase (Decrease) in Cash and Cash Equivalents | | | |
| Cash Flows from Operating Activities: | | | |
| Cash Received from Customers | \$456,334 | \$75,219 | \$531,553 |
| Cash Received from Other Revenues | 5,760 | 43 | 5,803 |
| Cash Payments to Employees for Services and Benefits | (138,071) | (9,246) | (147,317) |
| Cash Payments for Goods and Services | (11,596) | (1,485) | (13,081) |
| Cash Payments for Contract Services | (86,797) | (32,407) | (119,204) |
| Cash Payments for Other Expenses | (145) | (10,118) | (10,263) |
| <i>Net Cash from Operating Activities</i> | <u>225,485</u> | <u>22,006</u> | <u>247,491</u> |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Principal Paid on Notes and Loans | (174,549) | (16,721) | (191,270) |
| Interest Paid on Notes | (12,448) | (1,835) | (14,283) |
| <i>Net Cash for Capital and Related Financing Activities</i> | <u>(186,997)</u> | <u>(18,556)</u> | <u>(205,553)</u> |
| <i>Net Increase in Cash and Cash Equivalents</i> | 38,488 | 3,450 | 41,938 |
| <i>Cash and Cash Equivalents at Beginning of Year</i> | <u>205,772</u> | <u>16,331</u> | <u>222,103</u> |
| <i>Cash and Cash Equivalents at End of Year</i> | <u><u>\$244,260</u></u> | <u><u>\$19,781</u></u> | <u><u>\$264,041</u></u> |

See accompanying notes to the basic financial statements.

(Continued)

Pickaway County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

| | Business - Type Activities | | |
|--|----------------------------|------------------------------|------------------|
| | Countywide Sewer | Other Enterprise Funds | Total |
| Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities | | | |
| Operating Income (Loss) | \$78,302 | \$2,605 | \$80,907 |
| <i>Adjustments:</i> | | | |
| Depreciation | 64,424 | 20,643 | 85,067 |
| <i>(Increase) Decrease in Assets:</i> | | | |
| Accounts Receivable | (16,806) | 0 | (16,806) |
| Prepaid Items | 226 | (6) | 220 |
| Deferred Outflows of Resources | 33,365 | 0 | 33,365 |
| <i>Increase (Decrease) in Liabilities:</i> | | | |
| Accounts Payable | 16,551 | 0 | 16,551 |
| Accrued Wages and Benefits | (2,979) | 234 | (2,745) |
| Intergovernmental Payable | 68,497 | (1,593) | 66,904 |
| Interfund Payable | 0 | 123 | 123 |
| Net Pension Liability | (52,560) | 0 | (52,560) |
| Net OPEB Liability | 5,091 | 0 | 5,091 |
| Deferred Inflows of Resources | 31,374 | 0 | 31,374 |
| <i>Net Cash from Operating Activities</i> | <u>\$225,485</u> | <u>\$22,006</u> | <u>\$247,491</u> |

See accompanying notes to the basic financial statements.

Pickaway County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2018

| | Private Purpose Trust | Agency |
|---|--------------------------|---------------------|
| Assets: | | |
| Equity in Pooled Cash and Cash Equivalents | \$11,409 | \$4,651,130 |
| Cash and Cash Equivalents in Segregated Accounts | 0 | 532,289 |
| Accounts Receivable | 0 | 297,936 |
| Intergovernmental Receivable | 0 | 4,540,792 |
| Prepaid Items | 0 | 6,473 |
| Property Taxes Receivable | 0 | 67,306,137 |
| <i>Total Assets</i> | <u>11,409</u> | <u>\$77,334,757</u> |
| Liabilities: | | |
| Accounts Payable | 0 | 2,465 |
| Accrued Wages and Benefits | 0 | 52,220 |
| Intergovernmental Payable | 0 | 76,218,545 |
| Compensated Absences Payable | 0 | 35,792 |
| Deposits Held and Due To Others | 0 | 567,409 |
| Undistributed Monies | 0 | 458,326 |
| <i>Total Liabilities</i> | <u>0</u> | <u>\$77,334,757</u> |
| Net Position: | | |
| Held in Trust for Other Individuals and Organizations | <u>11,409</u> | |
| <i>Total Net Position</i> | <u>\$11,409</u> | |

See accompanying notes to the basic financial statements.

Pickaway County, Ohio
Statement of Changes in Fund Net Position
Fiduciary Fund
For the Year Ended December 31, 2018

| | Private Purpose Trust |
|--|--------------------------|
| Additions | |
| Miscellaneous | \$0 |
| Deductions | |
| Miscellaneous | 1,857 |
| <i>Change in Net Position</i> | (1,857) |
| <i>Net Position at Beginning of Year</i> | 13,266 |
| <i>Net Position at End of Year</i> | \$11,409 |

See accompanying notes to the basic financial statements.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 1 - DESCRIPTION OF PICKAWAY COUNTY AND REPORTING ENTITY

Pickaway County, Ohio (the County), was created in 1810. The County is governed by a board of three Commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the County Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, Probate Court Judge and a Common Pleas Court Judge. Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrators of public services for the entire County.

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. For Pickaway County, this includes the Pickaway County Board of Developmental Disabilities, Pickaway County Child Support Enforcement Agency, Pickaway County Job and Family Services, Pickaway County Veteran Services and departments and activities that are directly operated by the elected County officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations for which the County approves the budget, the issuance of debt or levying of taxes.

Discretely Presented Component Unit

The component unit column in the basic financial statements identifies the financial data of the County's component unit, Pickaway County Airport Authority. The Authority is reported separately to emphasize that it is legally separate from the County.

Pickaway County Airport Authority - Pickaway County Airport Authority (the Authority) operates on a fiscal year ending December 31. The five member Board for the Authority is appointed by the County Commissioners. The Commissioners also review the budget and have the ability to impose its will on the Authority. Pickaway County provides utilities and insurance for the Authority. During 2018, the County made no financial contributions either to or on behalf of the Authority. Financial information is included in the accompanying financial statements.

Pickaway County Land Reutilization Corporation

In November 2016, the County Commissioners approved the creation of the Pickaway County Land Reutilization Corporation. The County is still in the process of drafting the articles of incorporation for this entity. Therefore, the corporation had no activity in 2018.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 1 - DESCRIPTION OF PICKAWAY COUNTY AND REPORTING ENTITY *(Continued)*

The County is associated with certain organizations that are defined as jointly governed organizations or related organizations. These organizations are presented in Notes 21 and 22 to the basic financial statements. These organizations are:

- Berger Hospital
- Paint Valley Mental Health Alcohol and Drug Addiction Board
- Ross, Pickaway, Highland, Fayette Joint Solid Waste Management District
- County Risk Sharing Authority (CORSA)
- Southern Ohio Council of Governments
- Pickaway County Park District
- Pickaway County District Public Library

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 districts listed below, the County serves as fiscal agent, but the districts are not fiscally dependent on the County. Accordingly, the activity of the following districts is presented as agency funds within the County's financial statements.

- Soil and Water Conservation District
- Pickaway County Health District
- Pickaway County Park District
- Ross, Pickaway, Highland, Fayette Joint Solid Waste District

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.

A. 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.

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 and component units, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

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

The Statement of Net Position presents the financial condition of the governmental and business-type activities and the component unit 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 business-type activities and component units 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. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements - During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and 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.

B. 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, liabilities and deferred inflows of resources is reported as fund balance. The following are the County's major governmental funds:

General Fund - This 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.

Auto, License and Gas Tax Fund - This fund accounts for the County road and bridge maintenance, repair and improvement programs. Revenue sources include Federal and State grants, charges for services and license fees.

Job and Family Services Fund - This fund accounts for various Federal and State grants, as well as transfers from the General Fund that are used to provide public assistance to general relief recipients and to pay their providers of medical assistance and certain public social services.

Board of Developmental Disabilities Fund - This fund accounts for the operation of a school, workshop and resident homes for the developmentally disabled. Revenue sources include a County-wide property tax levy and Federal and State grants.

Fairground Capital Improvement Fund - This fund is used to account for funds expended to make improvements to the fairgrounds. These improvements are funded through general obligation bond proceeds.

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

Other governmental funds of the County account for grants and other resources whose use is restricted for a particular purpose, and funding sources used for debt service and capital projects.

Proprietary Funds - 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. The County has no internal service fund. The following is the County's only major enterprise fund:

Countywide Sewer Fund - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Countywide Sewer Fund accounts for sewer services provided to individual users in several subdivisions of the County.

The Countywide Water Fund accounts for water services provided to individual users in subdivisions of the County. The Sheriff web check fund accounts for criminal background check services completed by the Sheriff's office for area businesses and governments.

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 a private-purpose trust fund and agency funds. The County's private-purpose trust fund is established to account for assets that are used by the Juvenile Court for the benefit of the children of the County. The County's agency funds account for assets held for political subdivisions in which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures that have been collected and which will be distributed to other political subdivisions.

C. Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows and all liabilities and deferred inflows associated with the operation of the County are included on the Statement of 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 current liabilities and deferred inflows 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.

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets, all liabilities and certain deferred inflows and outflows of resources associated with the operation of these funds are included on the Statement of Fund Net Position. The Statement of 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.

The private-purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows 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 fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within sixty days of year-end.

Non-exchange 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 fiscal year for which the taxes are levied (See Note 13). 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 non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, revenue sources considered to be both measurable and available at year-end include delinquent property taxes, sales taxes, charges for services and fees, fines and forfeitures, state- levied locally shared taxes (including motor vehicle license fees and gasoline taxes), and grants.

Deferred Outflows and Deferred Inflows of Resources - In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the County, deferred outflows of resources are reported on the government-wide Statement of Net Position and include pension expense. A deferral for pension/OPEB results from changes in Net Pension/OPEB Liability not recognized as a component of current year pension expense. This amount is deferred and amortized over various periods as instructed by the pension plan administrators. Deferred outflows of resources related to pensions are explained further in Notes 17 and 18.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

In addition to liabilities, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred inflows of resources. The County reports a deferred inflow of resources which represents an acquisition of net position or fund balance that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the County these amounts consist of intergovernmental receivables, delinquent property taxes receivable which are not collected in the available period and pension. Property taxes for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance fiscal year 2019 operations, have been recorded as deferred inflows of resources. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to delinquent property taxes receivable and grants and entitlements not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position. Additionally, deferred inflows related to pensions/OPEB are reported in the government-wide Statement of Net Position. Deferred inflows related to pensions/OPEB result from changes in Net Pension/OPEB Liability not recognized as a component of current year pension expense. Deferred inflows of resources related to pension are explained further in Notes 17 and 18.

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.

E. Budgetary Process

All funds, except Jail Commissary (non-major special revenue), Law Enforcement - Prosecutor (non-major special revenue) and fiduciary 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 level of control has been established by County Commissioners at the object level within each department. Advances between funds are not required to be budgeted.

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 certificate of estimated resources was adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2018. The County does not include advances between funds in the certificate of estimated resources.

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.

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

F. Cash, Cash Equivalents, and Investments

To improve cash management, cash and investments received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents".

Cash and cash equivalents that are held separately with the departments of the County, and not included in the County Treasury, are recorded as "cash and cash equivalents in segregated accounts".

The County has a bank account for monies held by a trustee which is used to make debt payments. The account is presented on the Statement of Net Position as "cash and cash equivalents with fiscal agents."

During 2018, investments were limited to STAR Ohio, U.S. Government Agency Securities, U.S. Treasury obligations, and certificates of deposits, commercial paper, and other interest bearing accounts with local commercial banks.

Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the 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 STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Under existing Ohio statutes, all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during 2018 amounted to \$700,373 which includes \$526,920 assigned from other County funds.

G. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental funds when used.

H. 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.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets, donated works of art or similar items, and capital assets received in a service concession arrangement are reported at acquisition value. The County maintains a capitalization threshold of five thousand dollars. The County's infrastructure consists of roads, bridges, culverts and sanitary sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

| Description | Governmental Activities Estimated Lives | Business-Type Activities Estimated Lives |
|-----------------------------------|---|--|
| Buildings | 40-150 years | N/A |
| Improvements Other Than Buildings | 40-150 years | N/A |
| Machinery and Equipment | 3-25 years | N/A |
| Furniture and Fixtures | 10-30 years | N/A |
| Vehicles | 3-15 years | N/A |
| Plant and Facilities | N/A | 40-150 years |
| Infrastructure | 10-60 years | 70 years |

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans 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 balance. As of December 31, 2018, there were \$45,274 internal balances reported on the Statement of Net Position.

K. Compensated Absences

The County reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences" as interpreted by Interpretation No. 6 of the GASB, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

Vacation and compensatory time 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 that the employer will compensate the employees for the benefits through paid time off or some other means.

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

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 employees for whom it is probable will become eligible to receive payment in the future. The County has determined that employees with the County for ten or more years are probable to receive payment in the future. The liability is based on accumulated sick leave and employees' wage rates at year end.

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

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. 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 noncurrent portion of the liability is not reported. In enterprise funds, the entire amount of compensated absences is reported as a fund liability. The County reported no matured compensated absences payable as of December 31, 2018.

L. 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 plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

M. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported on the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability on the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term notes and loans are recognized as a liability in the governmental fund financial statements when due.

N. Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent because they are either not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because either (a) constraints imposed by law through constitutional provisions, charter requirements or enabling legislation; or (b) constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

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

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commissioners. Those committed amounts cannot be used for any other purpose unless the County Commissioners remove the specified use by taking the same type of action as when imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – amounts constrained by the County’s “intent” to be used for specific purposes, but are neither restricted nor committed. The County Commissioners have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned – this is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the County considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Commissioners have provided otherwise in their commitment or assignment actions.

O. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. 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 their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The County’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

P. 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 water and sewer services and charges for background checks. 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 nonoperating.

Q. Interfund Transactions

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

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 nonoperating 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.

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

R. 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. During 2018, the County reported neither type of transaction.

S. Estimates

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the County is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budget basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balance - budget and actual (budget basis) is presented for the General Fund and major special revenue funds on the budget basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and modified accrual GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a restriction, commitment or assignment of fund balance.
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Funds added to the General Fund to comply with GASB 54.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING *(Continued)*

The following table summarizes the adjustments necessary to reconcile the GAAP and budget basis statements for the General Fund and major special revenue funds:

| Net Change in Fund Balances (Deficits)/Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | | | | |
|---|------------------|------------------------------|-------------------------------|---|
| | General | Auto, License and Gas Tax | Job and Family Services | Board of Developmental Disabilities |
| GAAP Basis | \$1,334,856 | \$512,908 | \$205,825 | (\$50,315) |
| Adjustments: | | | | |
| Net Adjustment for Revenue Accruals | 272,833 | (134,182) | (119,139) | (491,047) |
| Net Adjustment for Expenditure Accruals | 48,988 | (78,060) | (484) | 2,495,581 |
| Net Adjustment for Other Sources (Uses) | 4,200 | 0 | 0 | (2,500,000) |
| Perspective Difference: | | | | |
| Activity of Funds Reclassified For GAAP Reporting Purposes | (1,155,106) | 0 | 0 | 0 |
| Budget Basis | \$505,771 | \$300,666 | \$86,202 | (\$545,781) |

NOTE 4 – NEW GASB PRONOUNCEMENTS AND PRIOR PERIOD ADJUSTMENT

For 2018, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, GASB Statement No. 85, *Omnibus 2017*, and GASB Statement No. 86, *Certain Debt Extinguishments*.

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the County's postemployment benefit plan disclosures, as presented in Note 18 to the basic financial statements, and added required supplementary information which can be found following these notes to the basic financial statements.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the County.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the County.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 4 – NEW GASB PRONOUNCEMENTS AND PRIOR PERIOD ADJUSTMENT - (Continued)

A net position restatement is required in order to implement GASB Statement No. 75. The governmental activities and business-type activities, as well as the Countywide Sewer at January 1, 2018 have been restated as follows:

| | Governmental Activities | Business-Type Activities |
|---|----------------------------|-----------------------------|
| Net Position December 31, 2017 | | |
| <i>Adjustments:</i> | \$72,156,726 | \$2,227,082 |
| Net OPEB Liability | (10,583,634) | (71,200) |
| Deferred Outflow - Payments Subsequent to Measurement Date | 150,356 | 1,008 |
| Deferred Inflows | (3,439) | 0 |
| Restated Net Position January 1, 2018 | <u>\$61,720,009</u> | <u>\$2,156,890</u> |

| | Countywide Sewer |
|---|---------------------|
| Net Position December 31, 2017 | |
| <i>Adjustments:</i> | \$1,396,815 |
| Net Pension Liability | (71,200) |
| Deferred Outflow - Payments Subsequent to Measurement Date | 1,008 |
| Restated Net Position January 1, 2018 | <u>\$1,326,623</u> |

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

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS

Monies held in the County Treasury are pooled for the purpose of investment management. The County is authorized to invest in those instruments identified in section 135.35 of the Ohio Revised Code. Specifically, these authorized instruments consist of:

1. United States treasury notes, bills, bonds or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States, or any book entry, zero-coupon security that is a direct obligation of the United States.
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provide that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of the agreement must not exceed thirty days.
4. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County.
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts.
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investment in securities described in this division are made only through eligible institutions.
7. The State Treasurer's investment pool (STAROhio).
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value.
9. Up to 40 percent of the County's total average portfolio in either (a) high grade commercial paper when the aggregate value of the notes does not exceed 10 percent of the aggregate value of the outstanding commercial paper of the issuing corporation, and the notes mature no later than 270 days after purchase or (b) bankers acceptances of banks insured by the FDIC when the obligations are eligible for purchase by the Federal Reserve System and mature no later than 180 days after purchase.
10. Up to 15 percent of the County's total average portfolio in high grade notes issued by the U.S. corporations, and the notes mature no later than two years after purchase.
11. High grade debt interests issued by foreign nations diplomatically recognized by the U.S. government. All interest and principal shall be denominated and payable in U.S. Funds. In the aggregate, this investment shall not exceed 1 percent of the County's total average portfolio and shall mature no later than five years after purchase.

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

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS - (Continued)

The amounts available for deposit and investment are as follows:

| | |
|--|----------------------------|
| Cash and Cash Equivalents: (carrying amounts) | |
| -Pooled | \$47,480,256 |
| -Segregated | 738,049 |
| -Fiscal Agents | 261,842 |
| -Component Unit | 231,132 |
| Reconciling items (net) to arrive at bank balances | <u>1,157,057</u> |
| Total available for deposits and investments (Bank balance of deposit/carrying amount of investments) | <u><u>\$49,868,336</u></u> |

The following information is presented in accordance with GASB Statement No. 40, "Deposit and Investment Risk Disclosures." Additional disclosures for the component units are presented below in Note 5.

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the County's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the County.

As of December 31, 2018, the carrying amount of all County deposits was \$15,670,964. Based on the criteria described in GASB Statement No. 40, \$15,546,428 of the County's bank balance of \$16,828,021 was exposed to custodial risk as discussed above while \$1,281,593 was covered by FDIC. The \$15,546,428 exposed to custodial risk was uninsured, and collateral was held by pledging banks trust department but not in the County's name.

Custodial Credit Risk –

The County has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

Eligible securities pledged to the County and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 % of the deposits being secured; or

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. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

All of the County's financial institutions are enrolled in the OPCS.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS - (Continued)

Investments

As of December 31, 2018 the County had the following investments and maturities:

| Investment Type | Fair Value | Investment In Maturities in Years | | |
|-----------------------------------|---------------------|-----------------------------------|---------------------|--------------------|
| | | Less Than One Year | 1-3 Years | 3-5 Years |
| U.S. Treasury Obligations | \$1,721,247 | \$0 | \$1,721,247 | \$0 |
| U.S. Government Agency Securities | 18,972,561 | 3,964,200 | 12,296,633 | 2,711,728 |
| Commercial Paper | 5,638,791 | 5,638,791 | 0 | 0 |
| STAROhio | 6,707,716 | 6,707,716 | 0 | 0 |
| Total Investments | <u>\$33,040,315</u> | <u>\$16,310,707</u> | <u>\$14,017,880</u> | <u>\$2,711,728</u> |

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the County limits investment portfolio matures to five years or less.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County limits its investments to those authorized by State statute. Standard and Poor's has assigned a rating of "AAAm" to STAROhio and "AA+" to U.S. Government Agency Securities and U.S. Treasury Obligations. Commercial paper is not rated.

Custodial Credit Risk - For investments, custodial credit risk is the risk that, in event of the failure of the counter party, the County will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The County's policy provides that investments be held in the County's name. All of the County's investments are held in the County's name.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County's policy minimizes concentration of credit risk by diversifying assets by issuer as necessary. The County's investments in U.S. Government Agency Securities, U.S. Treasury Obligations, Commercial Paper and the STAROhio account were 57.42%, 5.21%, 17.07%, 20.30% respectively, of the County's total investments.

The County has categorized 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.

All of the County's investments are valued using pricing sources as provided by the investments managers (Level 2 inputs).

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS - (Continued)

Component Unit

Deposits and Investments

Cash and cash equivalents held by Pickaway County Airport Authority are classified as “cash and cash equivalents.”

At year end, the carrying amount of the Pickaway County Airport Authority deposits was \$231,132 and the bank balance was \$230,985. The \$230,985 bank balance was covered by federal depository insurance.

NOTE 6 - INTERFUND TRANSACTIONS

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

| | Interfund Receivables | Interfund Payables |
|--------------------------------|--------------------------|-----------------------|
| General | \$88,968 | \$8,970 |
| Auto, License and Gas Tax | 6,489 | 0 |
| Job and Family Services | 124,522 | 0 |
| Countywide Sewer | 0 | 20,474 |
| Nonmajor Special Revenue Funds | 2,481 | 168,216 |
| Nonmajor Enterprise Funds | 0 | 24,800 |
| Totals | \$222,460 | \$222,460 |

All balances are scheduled to be collected in the subsequent year. All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

A summary of interfund transfers for 2018 were as follows:

| | Transfers In | Transfers Out |
|-----------------------------------|--------------|---------------|
| General | \$0 | \$773,609 |
| Auto, License and Gas Tax | 0 | 153,924 |
| Nonmajor Other Governmental Funds | 941,106 | 13,573 |
| Totals | \$941,106 | \$941,106 |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 7 - RECEIVABLES

Receivables at December 31, 2018 consisted of property taxes, loans receivable, and payment in lieu of taxes receivable, sales taxes, accounts (billings for user charged services), interest, special assessments and intergovernmental grants. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivable follows:

| Governmental Activities | |
|--|--------------------|
| <i>General Fund:</i> | |
| Local Government Distributions | \$439,102 |
| State Property Tax Reimbursements | 184,689 |
| Total General Fund | 623,791 |
| <i>Auto, License and Gas Tax Fund:</i> | |
| Grants | 204,134 |
| Motor Vehicle License Tax | 733,749 |
| Gasoline Tax | 1,177,833 |
| Total Auto, License and Gas Tax Fund | 2,115,716 |
| <i>Job and Family Services Fund:</i> | |
| State and Federal Funding | 446,731 |
| <i>Board of Developmental Disabilities Fund:</i> | |
| State Property Tax Reimbursements | 201,197 |
| Grants | 10,996 |
| Total Board of Developmental Disabilities Fund | 212,193 |
| <i>Non Major Special Revenue Funds:</i> | |
| Motor Vehicle Permissive Tax | 336,291 |
| Road and Bridge | 2,176 |
| Child Support Enforcement Agency | 274,263 |
| Probate | 18 |
| Probate Computer | 533 |
| Special Marriage License | 306 |
| Juvenile Computer | 289 |
| Youth Services Subsidy Grant | 87,739 |
| VOCA Grant | 95,734 |
| Crime Victims Assistance | 93,691 |
| Emergency Management | 57,648 |
| HUD Grants | 25,000 |
| Law Library | 4,332 |
| COPS Grant | 12,327 |
| Workforce Development | 75,139 |
| SPL Grant | 1,968 |
| Community Correction Grant | 81,940 |
| TCAP Grant | 119,366 |
| Total Non Major Special Revenue Funds | 1,268,760 |
| <i>Non Major Capital Projects Fund:</i> | |
| Capital Improvement | 6,806 |
| Total Intergovernmental Receivable | \$4,673,997 |

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 8- CAPITAL ASSETS

A summary of changes in general capital assets during 2018 were as follows:

| | Balance January 1, 2018 | Additions | Deletions | Balance December 31, 2018 |
|---|----------------------------|--------------|------------|------------------------------|
| Governmental Activities: | | | | |
| <i>Nondepreciable Capital Assets:</i> | | | | |
| Land | \$916,902 | \$0 | \$0 | \$916,902 |
| Construction in Progress | 0 | 14,445,222 | 0 | 14,445,222 |
| Total Nondepreciable Capital Assets | 916,902 | 14,445,222 | 0 | 15,362,124 |
| <i>Depreciable Capital Assets:</i> | | | | |
| Buildings | 22,604,893 | 0 | 0 | 22,604,893 |
| Improvements Other Than Buildings | 2,213,611 | 104,745 | (65,242) | 2,253,114 |
| Machinery and Equipment | 7,993,139 | 535,026 | (218,677) | 8,309,488 |
| Furniture and Fixtures | 988,031 | 66,719 | (119,664) | 935,086 |
| Vehicles | 3,846,894 | 200,793 | (87,546) | 3,960,141 |
| Infrastructure | 48,643,010 | 1,220,354 | (205,245) | 49,658,119 |
| Total Depreciable Capital Assets | 86,289,578 | 2,127,637 | (696,374) | 87,720,841 |
| <i>Accumulated Depreciation:</i> | | | | |
| Buildings | (4,320,527) | (183,153) | 0 | (4,503,680) |
| Improvements Other Than Buildings | (989,380) | (130,614) | 21,523 | (1,098,471) |
| Machinery and Equipment | (5,991,660) | (231,636) | 195,169 | (6,028,127) |
| Furniture and Fixtures | (795,734) | (24,271) | 110,806 | (709,199) |
| Vehicles | (2,813,327) | (181,802) | 86,592 | (2,908,537) |
| Infrastructure | (23,386,229) | (1,441,295) | 205,245 | (24,622,279) |
| Total Accumulated Depreciation | (38,296,857) | (2,192,771) | 619,335 | (39,870,293) |
| Total Depreciable Capital Assets, Net | 47,992,721 | (65,134) | (77,039) | 47,850,548 |
| Governmental Activities Capital Assets, Net | \$48,909,623 | \$14,380,088 | (\$77,039) | \$63,212,672 |

At December 31, 2018, capital assets include \$179,177 of machinery and equipment under capitalized leases.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 8- CAPITAL ASSETS (Continued)

For governmental activities, depreciation expense was charged to functions as follows:

| Governmental Activities | Amount |
|--|-------------|
| <i>General Government:</i> | |
| Legislative and Executive | \$220,002 |
| Judicial | 18,520 |
| Public Safety | 238,857 |
| Public Works | 1,626,155 |
| Health | 35,942 |
| Human Services | 49,716 |
| Conservation and Recreation | 3,579 |
| Governmental Activities Depreciation Expense | \$2,192,771 |

| | Balance January 1, 2018 | Additions | Deletions | Balance December 31, 2018 |
|--|----------------------------|------------|-----------|------------------------------|
| Business-Type Activities: | | | | |
| <i>Nondepreciable Capital Assets:</i> | | | | |
| Land | \$13,964 | \$0 | \$0 | \$13,964 |
| Total Nondepreciable Capital Assets | 13,964 | 0 | 0 | 13,964 |
| <i>Depreciable Capital Assets:</i> | | | | |
| Plant and Facilities | 801,966 | 0 | 0 | 801,966 |
| Infrastructure | 5,359,658 | 0 | 0 | 5,359,658 |
| Total Depreciable Capital Assets | 6,161,624 | 0 | 0 | 6,161,624 |
| <i>Accumulated Depreciation:</i> | | | | |
| Plant and Facilities | (538,216) | (8,500) | 0 | (546,716) |
| Infrastructure | (851,997) | (76,567) | 0 | (928,564) |
| Total Accumulated Depreciation | (1,390,213) | (85,067) | 0 | (1,475,280) |
| Total Depreciable Capital Assets, Net | 4,771,411 | (85,067) | 0 | 4,686,344 |
| Business-Type Activities Capital Assets, Net | \$4,785,375 | (\$85,067) | \$0 | \$4,700,308 |

The business-type activities of the County are the sewer operations and water operations at various subdivisions throughout the County.

PICKAWAY COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 9 - LONG-TERM OBLIGATIONS

The County's long-term obligations activity for the year ended December 31, 2018, was as follows:

| | Outstanding at 01/01/18* | Additions | Deletions | Outstanding at 12/31/18 | Amount Due In One Year |
|---|-----------------------------|---------------------|--------------------|----------------------------|---------------------------|
| <i>Governmental Activities:</i> | | | | | |
| <i>General Obligation Notes Payable:</i> | | | | | |
| Engineer's Note - Dump Trucks | | | | | |
| 2014-2018 2.70% | \$127,776 | \$0 | \$127,776 | \$0 | \$0 |
| 2001 Gradall Note | | | | | |
| 2017-2021 2.69% | 85,000 | 0 | 20,412 | 64,588 | 20,962 |
| Engineer's Note - Dump Truck | | | | | |
| 2018-2022 2.99% | 0 | 522,428 | 0 | 522,428 | 133,531 |
| Engineer's Note - Wheel Loader | | | | | |
| 2018-2020 2.35% | 0 | 102,360 | 0 | 102,360 | 50,630 |
| JFS Building Note | | | | | |
| 2018-2028 3.00% | 0 | 2,000,000 | 54,580 | 1,945,420 | 74,637 |
| <i>General Obligation Bonds Payable:</i> | | | | | |
| Energy Saving Renovation Bonds | | | | | |
| 2010-2025 3.920% | 1,700,615 | 0 | 202,808 | 1,497,807 | 205,000 |
| Sales Tax Bonds | | | | | |
| 2018-2044 4.00% | 0 | 7,700,000 | 0 | 7,700,000 | 5,000 |
| <i>Loans Payable:</i> | | | | | |
| OPWC Loan | | | | | |
| 2009 - 2029 0% | 153,653 | 0 | 12,805 | 140,848 | 12,804 |
| DS Drainage Construction Loan | | | | | |
| 2017-2021 2.69% | 21,210 | 0 | 5,091 | 16,119 | 5,230 |
| <i>Special Assessment Bonds with Governmental Commitment:</i> | | | | | |
| Northwood Park Sanitary Sewer Improvement | | | | | |
| 1999 - 2019 6.00% | 25,000 | 0 | 12,000 | 13,000 | 13,000 |
| <i>Other Long-Term Obligations:</i> | | | | | |
| Compensated Absences | 1,464,250 | 822,704 | 900,526 | 1,386,428 | 979,185 |
| Capital Leases | 68,370 | 0 | 41,986 | 26,384 | 13,539 |
| Premium on Bonds | 0 | 531,904 | 0 | 531,904 | 0 |
| <i>Net Pension Liability:</i> | | | | | |
| OPERS | 24,438,343 | 0 | 7,216,952 | 17,221,391 | 0 |
| STRS | 169,800 | 0 | 4,072 | 165,728 | 0 |
| Total Net Pension Liability | <u>24,608,143</u> | <u>0</u> | <u>7,221,024</u> | <u>17,387,119</u> | <u>0</u> |
| <i>Net OPEB Liability:</i> | | | | | |
| OPERS | 10,555,746 | 1,062,304 | 0 | 11,618,050 | 0 |
| STRS | 27,888 | 0 | 27,888 | 0 | 0 |
| Total Net OPEB Liability | <u>10,583,634</u> | <u>1,062,304</u> | <u>27,888</u> | <u>11,618,050</u> | <u>0</u> |
| Governmental Activities Long-Term Obligations | <u>\$38,837,651</u> | <u>\$12,741,700</u> | <u>\$8,626,896</u> | <u>\$42,952,455</u> | <u>\$1,513,518</u> |

(Continued)

PICKAWAY COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

| | Outstanding at 01/01/18* | Additions | Deletions | Outstanding at 12/31/18 | Amount Due In One Year |
|--|-----------------------------|----------------|-----------------|----------------------------|---------------------------|
| Business-Type Activities: | | | | | |
| <i>General Obligation Notes Payable:</i> | | | | | |
| Orient Water Tower 2014-2024 4.00% | \$52,725 | \$0 | \$6,093 | \$46,632 | \$6,910 |
| Net Pension Liability: OPERS | 165,646 | 0 | 52,560 | 113,086 | 0 |
| Net OPEB Liability: OPERS | 71,200 | 5,091 | 0 | 76,291 | 0 |
| Business-Type Activities Long-Term Obligations | <u>\$289,571</u> | <u>\$5,091</u> | <u>\$58,653</u> | <u>\$236,009</u> | <u>\$6,910</u> |

*Restated

The Engineer's Note Dump Trucks was issued in 2014 for \$497,834 with a 2.70% interest rate. This note was issued for the purchase of three Dump Trucks with snow plows. This note was repaid in full in 2018 by the Engineer's Note Debt Service Fund.

The 2001 Gradall Note was issued in 2017 for \$85,000 with a 2.69% interest rate. This note was issued for the purchase of a Gradall. This note will be paid by the Engineer's Note Debt Service Fund.

The Engineer's Note Dump Truck was issued in 2018 for \$552,428 with a 2.99% interest rate. This note was issued for the purchase of three Dump Trucks with snow plows. This note will be paid by the Engineer's Note Debt Service Fund.

The Engineer's Note Wheel Loader was issued in 2018 for \$102,360 with a 2.35% interest rate. This note was issued for the purchase of a wheel loader. This note will be paid by the Engineer's Note Debt Service Fund.

The JFS Building Note was issued in 2018 for \$2,000,000 with a 3.00% interest rate. This note was issued for the purchase of a JFS Building. This note will be paid by the Pickaway County Service Center Debt Service Fund.

The Energy Saving Renovation Bonds were issued in 2010 for \$2,995,615 with a 3.920% interest rate. These bonds are issued for renovations of all County buildings for energy savings. These bonds will be repaid through the Energy Savings Debt Service Fund.

The Sales Tax Bonds were issued in 2018 for \$7,700,000 with a 4.00% interest rate. These bonds are issued for renovations of all County buildings for energy savings. These bonds will be repaid through the Fairground Improvement Debt Service Fund.

The Ohio Public Works Commission (OPWC) Loan is related to the Cromley Road Bridge Replacement Project. The loan will be paid in bi-annual installments of \$6,402, over 20 years. The debt is to be repaid from the Auto, License and Gas Tax Fund. This loan is to be a zero percentage interest rate for the life of the loan. This loan was issued in 2009 for \$256,088.

PICKAWAY COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 9 - LONG-TERM OBLIGATIONS *(Continued)*

The DS Drainage Construction Loan was issued in 2017 for \$25,769 with a 2.69% interest rate. This note was issued to pay for upfront costs for improvements to drainage ditches that were subsequently charged to residents. This note will be paid by the DS Drainage Debt Service Fund.

The Northwood Park Sanitary Sewer Improvement Bonds were issued in 1999 for \$157,160 with a 6.00% interest rate. The Northwood Park Sanitary Sewer Improvement Bonds were issued to finance improvements to the sewer system for the Northwood Park subdivision. These bonds will be repaid through the collection of special assessments on the benefitting property owners in the debt service funds. The County is obligated to the extent of the remaining balance, if the property owners were to default.

The Orient Water Tower note was issued in 2014 for \$74,984 with a 4.00% interest rate. This note was issued to repair the water tower near the Village of Orient. This note will be repaid from the Orient Water Enterprise Fund.

The compensated absences liability and pension obligations will be paid from the fund from which the employees are paid. The capital leases will be repaid through the General Fund, Job and Family Service Fund and other nonmajor special revenue funds. The amount of principal payments on the capital leases paid in 2018 amounted to \$41,986.

The following is a summary of the County's future principal and interest requirements for governmental long-term obligations, including \$6,904,864 of interest:

| For the Year Ended December 31 | DS Drainage Construction Loan | | 2001 Gradall Loan | | Dump Truck | |
|--------------------------------------|-------------------------------|--------------|-------------------|----------------|------------------|-----------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| | 2019 | \$5,230 | \$400 | \$20,962 | \$1,737 | \$133,531 |
| 2020 | 5,371 | 258 | 21,522 | 1,177 | 125,840 | 11,628 |
| 2021 | 5,518 | 111 | 22,104 | 595 | 129,581 | 7,887 |
| 2022 | 0 | 0 | 0 | 0 | 133,476 | 3,991 |
| Totals | <u>\$16,119</u> | <u>\$769</u> | <u>\$64,588</u> | <u>\$3,509</u> | <u>\$522,428</u> | <u>\$27,443</u> |

| For the Year Ended December 31 | Wheel Loader | | JFS Building | | Energy Saving Renovation Bonds | |
|--------------------------------------|------------------|----------------|--------------------|------------------|--------------------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| | 2019 | \$50,630 | \$2,430 | \$74,637 | \$58,708 | \$205,000 |
| 2020 | 51,730 | 1,329 | 77,101 | 56,244 | 208,000 | 68,777 |
| 2021 | 0 | 0 | 79,481 | 53,863 | 210,000 | 57,712 |
| 2022 | 0 | 0 | 81,937 | 51,409 | 215,000 | 46,540 |
| 2023 | 0 | 0 | 84,336 | 49,011 | 217,000 | 35,102 |
| 2024-2028 | 0 | 0 | 1,547,928 | 177,736 | 442,807 | 35,410 |
| Totals | <u>\$102,360</u> | <u>\$3,759</u> | <u>\$1,945,420</u> | <u>\$446,971</u> | <u>\$1,497,807</u> | <u>\$323,224</u> |

PICKAWAY COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

| For the Year Ended December 31 | Sales Tax | | OPWC Loan | Northwood Park Sanitary Sewer Improvement Bonds | | Totals | |
|-----------------------------------|--------------------|--------------------|------------------|--|--------------|---------------------|--------------------|
| | Principal | Interest | Principal | Principal | Interest | Principal | Interest |
| | 2019 | \$5,000 | \$320,257 | \$12,804 | \$13,000 | \$780 | \$520,794 |
| 2020 | 5,000 | 331,100 | 12,805 | 0 | 0 | 507,369 | 470,513 |
| 2021 | 5,000 | 330,900 | 12,804 | 0 | 0 | 464,488 | 451,068 |
| 2022 | 5,000 | 330,700 | 12,805 | 0 | 0 | 448,218 | 432,640 |
| 2023 | 5,000 | 330,500 | 12,804 | 0 | 0 | 319,140 | 414,613 |
| 2024-2028 | 925,000 | 1,608,500 | 64,022 | 0 | 0 | 2,979,757 | 1,821,646 |
| 2029-2032 | 1,675,000 | 1,337,700 | 12,804 | 0 | 0 | 1,687,804 | 1,337,700 |
| 2033-2037 | 2,040,000 | 974,900 | 0 | 0 | 0 | 2,040,000 | 974,900 |
| 2038-2042 | 2,515,000 | 507,850 | 0 | 0 | 0 | 2,515,000 | 507,850 |
| 2043-2044 | 520,000 | 26,000 | 0 | 0 | 0 | 520,000 | 26,000 |
| Totals | <u>\$7,700,000</u> | <u>\$6,098,407</u> | <u>\$140,848</u> | <u>\$13,000</u> | <u>\$780</u> | <u>\$12,002,570</u> | <u>\$6,904,862</u> |

The following is a summary of the County's future principal and interest requirements for business-type long-term obligations, including \$5,982 of interest:

| For the Year Ended December 31, | Orient Water Tower | |
|------------------------------------|--------------------|----------------|
| | Principal | Interest |
| 2019 | \$6,910 | \$1,739 |
| 2020 | 7,188 | 1,462 |
| 2021 | 7,484 | 1,164 |
| 2022 | 7,789 | 860 |
| 2023 | 8,106 | 542 |
| 2024 | 9,155 | 215 |
| Totals | <u>\$46,632</u> | <u>\$5,982</u> |

PICKAWAY COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 10 - NOTES PAYABLE

The following is a summary of the County's note obligation activity for the year ended December 31, 2018:

| Purpose/Description | Maturity Date | Interest Rate | Balance January 1, 2018 | Additions | Deletions | Balance December 31, 2018 |
|--|---------------|---------------|-------------------------------|-------------|-----------|---------------------------------|
| <u>Governmental Activities:</u> | | | | | | |
| <i>Notes Payable:</i> | | | | | | |
| Bond Anticipation Note | 2019 | 1.00% | \$0 | \$3,000,000 | \$0 | \$3,000,000 |
| Governmental Activities Notes Payable | | | \$0 | \$3,000,000 | \$0 | \$3,000,000 |

Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or available funds of the County, or a combination of these sources. All notes are backed by the full faith and credit of the County.

NOTE 11 - LOANS PAYABLE

The County's loan transactions for the year ending December 31, 2018, were as follows:

| Purpose | Balance January 1, 2018 | Additions | Deletions | Balance December 31, 2018 | Amount Due Within One Year |
|--|----------------------------|-----------|-----------|------------------------------|----------------------------------|
| Business-Type Activities: | | | | | |
| <i>OPWC Loans Payable:</i> | | | | | |
| Darby Twp, Sewer Improvement, 0% | \$140,000 | \$0 | \$20,000 | \$120,000 | \$20,000 |
| Derby Area Sanitary Sewer, 0% | 210,514 | 0 | 8,255 | 202,259 | 8,256 |
| Orient Water Improvement, 0% | 79,710 | 0 | 10,628 | 69,082 | 10,629 |
| <i>OWDA Loans Payable:</i> | | | | | |
| Darby Twp, Sewer Improvement, 0% | 950,277 | 0 | 105,587 | 844,690 | 105,586 |
| Derby Area Sanitary Sewer, 1% | 1,255,041 | 0 | 40,707 | 1,214,334 | 41,115 |
| Business-Type Activities Capital Assets, Net | \$2,635,542 | \$0 | \$185,177 | \$2,450,365 | \$185,586 |

The first Ohio Public Works Commission (OPWC) Loan is related to improvements to the Darby Township Sanitary Sewer System. The loan will be paid in bi-annual installments of \$10,000, over 20 years. The debt is to be repaid by user charges to consumers that use the system. This loan is to be a zero percentage interest rate for the life of the loan. This loan was issued in 2005 for \$400,000.

The second Ohio Public Works Commission (OPWC) Loan is related to the Derby Area Sanitary Sewer Project. The OPWC has granted a loan in the amount of \$400,000 for this project. The loan is to be repaid in bi-annual installments of \$4,128 effective January 1, 2014 over 30 years with the final installment payable on July 1, 2043. The debt is repaid by user charges to consumers that use the system. The County must set rates in an amount that guarantees repayment of the debt.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 11 - LOANS PAYABLE - (Continued)

The third Ohio Public Works Commission (OPWC) Loan is related to the County takeover of the Village of Orient water in 2014. The loan will be paid in bi-annual installments of \$5,314, over 20 years. The debt is to be repaid by user charges to consumers that use the system. This loan is to be a zero percentage interest rate for the life of the loan. This loan was issued in 2006 to the Village of Orient for \$212,560 and was assumed by the County in 2014.

The first Ohio Water Development Authority (OWDA) Loan is related to improvements to the Darby Township Sanitary Sewer System. The OWDA has granted an original loan amount of \$1,624,478 and a supplementary loan amount of \$487,248, for a maximum loan amount of \$2,111,726 for this project. The loan will be repaid in semi-annual installments of \$52,793 effective July 1, 2007, over 20 years for the original loan amount with the final installment payable on January 1, 2027. The debt is repaid by user charges to consumers that use the system. The County must set rates in an amount that guarantees repayment of the debt.

The second Ohio Water Development Authority (OWDA) Loan is related to the Derby Area Sanitary Sewer. The OWDA has granted a loan in the amount of \$1,352,366 for this project. The loan will be repaid in semi-annual installments of \$26,578 effective July 1, 2016, over 30 years for the original loan amount with the final installment payable on January 1, 2045. The debt is repaid by user charges to consumers that use the system. The County must set rates in an amount that guarantees repayment of the debt.

In connection with the OWDA and OPWC loans, the County has pledged future customer revenues of the Sewer Fund net of specified operating expenses, to repay these loans. The loans are payable, through final maturities, from net revenues applicable to the Sewer Fund. Total principal and interest remaining on these loans at December 31, 2018 was \$2,381,283 and \$167,716, respectively. The net revenue available for these loans was \$142,726 and principal and interest paid was \$186,997. The coverage ratio for the loans was 0.76 for the year ended December 31, 2018.

In connection with the OPWC loans, the County has pledged future customer revenues of the Water Fund net of specified operating expenses, to repay these loans. The loans are payable, through final maturities, from net revenues applicable to the Water Fund. Total principal remaining on these loans at December 31, 2018 was \$69,082. The net revenue available for these loans was \$23,031 and principal paid was \$16,721. The coverage ratio for the loans was 1.38 for the year ended December 31, 2018.

| For the Year Ended December 31 | OPWC Darby Twp, Sewer | OPWC Derby Area Sanitary Sewer | OPWC Orient Water Improvement | OWDA Darby Twp. Sewer Improvement |
|-----------------------------------|-----------------------------|--------------------------------------|-------------------------------------|---|
| 2019 | \$20,000 | \$8,256 | \$10,629 | \$105,586 |
| 2020 | 20,000 | 8,255 | 10,628 | 105,586 |
| 2021 | 20,000 | 8,255 | 10,628 | 105,586 |
| 2022 | 20,000 | 8,255 | 10,628 | 105,586 |
| 2023 | 20,000 | 8,255 | 10,628 | 105,586 |
| 2024-2028 | 20,000 | 41,275 | 15,941 | 316,760 |
| 2029-2033 | 0 | 41,275 | 0 | 0 |
| 2034-2038 | 0 | 41,275 | 0 | 0 |
| 2039-2043 | 0 | 37,158 | 0 | 0 |
| Totals | <u>\$120,000</u> | <u>\$202,259</u> | <u>\$69,082</u> | <u>\$844,690</u> |

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 11 - LOANS PAYABLE - (Continued)

| For the Year Ended December 31 | OWDA | | Totals | |
|-----------------------------------|---------------------------|------------------|--------------------|------------------|
| | Derby Area Sanitary Sewer | | Principal | Interest |
| | Principal | Interest | | |
| 2019 | \$41,115 | \$12,041 | \$185,586 | \$12,041 |
| 2020 | 41,527 | 11,629 | 185,996 | 11,629 |
| 2021 | 41,943 | 11,212 | 186,412 | 11,212 |
| 2022 | 42,364 | 10,792 | 186,833 | 10,792 |
| 2023 | 42,789 | 10,367 | 187,258 | 10,367 |
| 2024-2028 | 220,464 | 45,315 | 614,440 | 45,315 |
| 2029-2033 | 231,738 | 34,040 | 273,013 | 34,040 |
| 2034-2038 | 243,588 | 22,189 | 284,863 | 22,189 |
| 2039-2043 | 256,046 | 9,735 | 293,204 | 9,735 |
| 2044 | 52,760 | 396 | 52,760 | 396 |
| Totals | <u>\$1,214,334</u> | <u>\$167,716</u> | <u>\$2,450,365</u> | <u>\$167,716</u> |

The effects of the debt limitations at December 31, 2018, were an overall legal debt margin of \$22,116,155 and an unvoted legal debt margin of \$2,244,920.

NOTE 12 - CAPITALIZED LEASES - LESSEE DISCLOSURE

The County has entered into agreements to lease equipment and other assets. Such agreements are, in substance, lease purchases and are reflected as capital lease obligations in the basic financial statements. New leases are, in substance, capital purchases and are recorded as current expenditures and proceeds from capital leases on the fund financial statements. The capital lease obligations reflected above as part of the long-term obligations represent the present value of the net future minimum lease payments on all capital leases.

The following is a schedule of the future minimum lease payments under lease obligations which have been capitalized as of December 31, 2018.

| For the Year Ended December 31, | Capital Lease Obligations |
|---|------------------------------|
| 2019 | \$13,781 |
| 2020 | 6,459 |
| 2021 | 5,193 |
| 2022 | 1,239 |
| Total Minimum Lease Payments | 26,672 |
| Less: Amount Representing Interest | 288 |
| Present Value of Minimum Lease Payments | <u>\$26,384</u> |

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 13 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility personal property located in the County. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2017. Real property taxes are payable annually or semiannually. The first payment is due February 15, with the remainder payable by July 18.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property currently is assessed at varying percentage of true value; public utility real property is assessed at 35 percent of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to itself its share of the taxes collected. The County records receipt of these taxes in various funds.

Accrued property taxes receivable represents delinquent taxes outstanding and real and public utility taxes that were measurable and unpaid as of December 31, 2018. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2018 operations. The receivable is therefore offset by a credit to deferred inflows.

The full tax rate for all County operations for the year ended December 31, 2018, was \$3 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:

| Category | Assessed Value |
|---------------------------|-----------------|
| <i>Real Estate:</i> | |
| Agriculture | \$303,697,220 |
| Residential | 802,722,020 |
| Commercial | 107,009,760 |
| Industrial | 23,396,210 |
| Minerals | 670,100 |
| Public Utilities | 18,564,750 |
| <i>Personal Property:</i> | |
| Public Utilities | 168,688,920 |
| Total Assessed Values | \$1,424,748,980 |

NOTE 14 – TAX ABATEMENTS

A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forego tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the County or the citizens of the County. The County has entered into such agreements. A description of the County's abatement programs where the County has promised to forego taxes follows:

Community Reinvestment Area (CRA) Program

The Ohio Community Reinvestment Area program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. Community Reinvestment Areas (CRA) are areas of land in which property owners can receive tax incentives for investing in real property improvements. In order to use the Community Reinvestment program, a city, village, or county petitions to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing has traditionally been discouraged. Once the area is confirmed by the Directory of ODSA, communities may offer real property tax exemptions to taxpayers that invest in that area.

The County determines the type of development to support by specifying the eligibility of residential, commercial and/or industrial projects. The County negotiates property tax exemptions on new property tax from investment for up to one hundred percent (100%) for up to fifteen years based on the amount of investments made to renovate or construct buildings within a CRA. Taxes are abated as the increase in assessed value resulting from the investment is not included (or included at a lesser amount) in the assessed value used for property tax computation for the taxpayer. For commercial projects, job retention and/or creation is also required. Agreements must be in place before the project begins. Provisions for recapturing property tax exemptions, which can be used at the discretion of the County, are pursuant to ORC Section 9.66(C)(1) and 9.66(C)(2).

Enterprise Zone Program

The Ohio Enterprise Zone Program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone Program can provide tax exemptions for a portion of the value of new real property investment when the investment is made in conjunction with a project that includes job creation. Existing land values and existing building values are not eligible. The zone's geographic area is identified by the local communities involved in the creation of the zone. Once a zone is defined, the local legislative authority participating in the creation must petition the Director of ODSA. The Director must then certify the area for it to become an active Enterprise Zone. Local communities may offer tax incentives for non-retail projects that are establishing or expanding operations in the State of Ohio. Tax incentives are negotiated at the local level, and an enterprise zone agreement must be in place before the project begins.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 14 – TAX ABATEMENTS - (Continued)

There are 3 Enterprise Zones in the County. Business located in an Enterprise Zone may negotiate exemptions on new property tax from investment for up to seventy-five percent (75%) for 10 years. For commercial projects, job retention and/or creation is also required. Taxes are abated as the increase in assessed value resulting from the investment is not included (or included at a lesser amount) in the assessed value used for property tax computation for the taxpayer. Agreements must be in place before the project begins. Pursuant to the terms of such agreements, if the actual number of employee positions created or retained by the business in any three-year period during which the agreement is in effect is not equal to or greater than 75 percent of the number of employee positions estimated to be created or retained under the agreement, the business shall repay the amount of taxes on property that would have been payable had the property not been exempted. In addition, the County may terminate or modify the exemptions from taxation granted under the agreement if the terms of the agreement are not met.

A summary of the taxes foregone on the County’s abatement programs for the year ended December 31, 2018 as follows:

| Program | Tax Abated | Amount |
|------------------------------|--------------|-----------|
| Community Reinvestment Areas | Property Tax | \$495,409 |
| Enterprise Zone Agreements | Property Tax | 40,092 |

NOTE 15 - PERMISSIVE SALES TAX

In 1988, in accordance with Sections 5739.02 and 5741.02 of the Revised Code, the County Commissioners, by resolution, imposed a 1 percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles. In December 2001, the County Commissioners, by resolution, imposed an additional one-half percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies 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. A warrant payable to the County is then drawn within five days. Proceeds of the tax were credited to the General Fund and Capital Project Fund. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. Sales and use tax revenue for 2018 amounted to \$8,782,296 in the statement of activities.

NOTE 16 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2018, the County contracted with County Risk Sharing Authority (CORSA), a jointly governed organization, for liability, property, and crime insurance. The CORSA program has a \$2,500 deductible.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 16 - RISK MANAGEMENT - (Continued)

Coverage's provided by the program are as follows:

Property:

| | |
|--|---------------|
| Buildings & Contents (\$100,000 annual aggregate pool limit for flood and earthquake) | \$118,882,112 |
|--|---------------|

Liability:

| | |
|--|-------------|
| General Liability | \$1,000,000 |
| Excess Liability | 7,000,000 |
| Law Enforcement | 1,000,000 |
| Automobile | 1,000,000 |
| Uninsured/Underinsured Motorist | 250,000 |
| Faithful Performance and Employee Bond | 1,000,000 |
| Boiler and Machinery (each accident) | 100,000,000 |

Settlement amounts on claims have not exceeded insurance coverage in any of the past three years. There have been no significant reductions in insurance coverage from the prior year.

The County participates in the Workers' Compensation Program provided by the State of Ohio. During 2018, the County belonged to a pool with 63 other Ohio counties (County Commissioners Association of Ohio) for a workers' compensation group-rating program. The County joined this group plan to achieve lower workers' compensation rates.

The County purchases health, dental and vision insurances through the Franklin County Cooperative Health Benefits Program (FCCHBP). Insurance purchased through the FCCHBP is not considered limited risk health insurance. Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. The County pays all elected officials' bonds by statute.

NOTE 17 - DEFINED BENEFIT RETIREMENT PLANS

Net Pension Liability

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

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

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 17 - DEFINED BENEFIT RETIREMENT PLANS - (Continued)

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

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

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

A. Ohio Public Employees Retirement System (OPERS)

Plan Description - County employees, who are not certified teachers with the school for developmental disabilities, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 17 - DEFINED BENEFIT RETIREMENT PLANS - (Continued)

| 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 |
| <u>Age and Service Requirements:</u> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | <u>Age and Service Requirements:</u> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | <u>Age and Service Requirements:</u> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| <u>Formula:</u> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | <u>Formula:</u> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | <u>Formula:</u> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |
| Law Enforcement | Law Enforcement | Law Enforcement |
| <u>Age and Service Requirements:</u> Age 52 with 15 years of service credit | <u>Age and Service Requirements:</u> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | <u>Age and Service Requirements:</u> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit |
| <u>Formula:</u> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | <u>Formula:</u> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | <u>Formula:</u> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 |

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.0% 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 3.0%.

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

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 17 - DEFINED BENEFIT RETIREMENT PLANS - (Continued)

| | 2018 | | 2017 | |
|---|--------------------|--------------------|--------------------|------------------|
| | State and Local | Law Enforcement | State and Local | Public Safety |
| Statutory Maximum Contribution Rates | | | | |
| Employer | 14.0% | 18.1% | 14.0% | 18.1% |
| Employee | 10.0% | ** | 10.0% | ** |
| Actual Contribution Rates | | | | |
| Employer: | | | | |
| Pension | 14.0% | 18.1% | 13.0% | 16.1% |
| Post-employment Health Care Benefits | 0.0% | 0.0% | 1.0% | 1.0% |
| Total Employer | <u>14.0%</u> | <u>18.1%</u> | <u>14.0%</u> | <u>17.1%</u> |
| Employee | <u>10.0%</u> | <u>13.0%</u> | <u>10.0%</u> | <u>12.0%</u> |

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2.0% greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The County's contractually required pension contributions to OPERS were \$2,224,343 for 2018. Of this amount, \$128,052 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | <u>OPERS</u> |
|--|-------------------|
| Proportion Share of the Net Pension Liability: | |
| Current Measurement Date | 0.1104947% |
| Prior Measurement Date | 0.1083480% |
| Change in Proportionate Share | <u>0.0021467%</u> |
| Proportionate Share of the Net Pension Liability | \$17,334,477 |
| Pension Expense | \$3,948,869 |

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 17 - DEFINED BENEFIT RETIREMENT PLANS - (Continued)

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

| | OPERS |
|---|--------------------|
| Deferred Outflows of Resources | |
| Differences between expected and actual experience | \$17,702 |
| Change In Assumptions | 2,071,578 |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 341,992 |
| County contributions subsequent to the measurement date | 2,224,343 |
| Total Deferred Outflows of Resources | \$4,655,615 |
| Deferred Inflows of Resources | |
| Differences between expected and actual experience | \$341,605 |
| Net difference between projected and actual earnings on pension plan investments | 3,721,485 |
| Total Deferred Inflows of Resources | \$4,063,090 |

\$2,224,343 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 in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | OPERS |
|--------------------------|----------------------|
| Year Ending December 31: | |
| 2019 | \$1,746,296 |
| 2020 | (210,158) |
| 2021 | (1,638,744) |
| 2022 | (1,529,212) |
| Total | (\$1,631,818) |

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.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 17 - DEFINED BENEFIT RETIREMENT PLANS - (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 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.

| | |
|--|--|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 3.25 to 10.75 percent including wage inflation |
| <i>COLA or Ad Hoc COLA:</i> | |
| Pre-January 7, 2013 Retirees | 3 percent, simple |
| Post-January 7, 2013 Retirees | 3 percent, simple through 2018, then 2.15 percent, simple |
| Investment Rate of Return | 7.5 percent |
| 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 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 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 manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, 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 investments expense 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:

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 17 - DEFINED BENEFIT RETIREMENT PLANS - (Continued)

| Asset Class | Target Allocation | 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 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.50%, 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 (6.50%) or one-percentage-point higher (8.50%) than the current rate:

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|--|------------------------|-------------------------------------|------------------------|
| County's Proportionate Share of the Net Pension Liability | \$30,781,614 | \$17,334,477 | \$6,123,616 |

B. State Teachers Retirement System (STRS)

Plan Description – County licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee 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 <http://www.strsoh.org>.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2% 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 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14.0% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14.0% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan 12% of the 14% member rate goes to the DC Plan and the remaining 2% 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 after termination of employment at age 50 or later.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit 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. For the fiscal year ended June 30, 2019, plan members were required to contribute 14.0% of their annual covered salary. The County was required to contribute 14.0%; the entire 14.0% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

The County's contractually required pension contributions to STRS were \$12,306 for 2018. All of this amount has been contributed as of the end of the year.

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability 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 |
|--|--------------|
| Proportion Share of the Net Pension Liability: | |
| Current Measurement Date | 0.00075373% |
| Prior Measurement Date | 0.00071479% |
| Change in Proportionate Share | 0.00003894% |
| Proportionate Share of the Net Pension Liability | \$165,728 |
| Pension Expense | \$11,652 |

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

| | STRS |
|--|-----------------|
| Deferred Outflows of Resources | |
| Differences between expected and actual experience | \$3,825 |
| Changes of assumptions | 29,370 |
| Difference between County contributions and proportionate share of contributions | 16,357 |
| County contributions subsequent to the measurement date | 6,162 |
| Total Deferred Outflows of Resources | \$55,714 |

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 17 - DEFINED BENEFIT RETIREMENT PLANS (Continued)

| | |
|--|-------------------------------|
| Deferred Inflows of Resources | |
| Differences between expected and actual experience | \$1,082 |
| Net Difference between projected and actual earnings on pension plan investments | 10,050 |
| Difference between County contributions and proportionate share of contributions | <u>3,791</u> |
| Total Deferred Inflows of Resources | <u><u>\$14,923</u></u> |

\$6,162 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 in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | STRS |
|-----------------------------|-------------------------------|
| Fiscal Year Ending June 30: | |
| 2019 | \$16,267 |
| 2020 | 15,397 |
| 2021 | 3,758 |
| 2022 | <u>(793)</u> |
| Total | <u><u>\$34,629</u></u> |

Actuarial Assumptions - STRS

The total pension liabilities in the July 1, 2018 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

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.

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 17 - DEFINED BENEFIT RETIREMENT PLANS (Continued)

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

The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, 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%) or one-percentage-point higher (8.45%) than the current rate:

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|--|------------------------|-------------------------------------|------------------------|
| County's proportionate share of the net pension liability | \$242,024 | \$165,728 | \$101,154 |

NOTE 18 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

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

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

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

A. Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 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 \$0 for 2018.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

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. The County's proportion of the net OPEB liability was based on the County's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

| | <u>OPERS</u> |
|---|--------------|
| Proportion of the Net OPEB Liability: | |
| Current Measurement Date | 0.107690% |
| Prior Measurement Date | 0.105214% |
| Change in Proportionate Share | 0.002476% |
| Proportionate Share of the Net OPEB Liability | \$11,694,341 |
| OPEB Expense | \$1,060,385 |

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

| | <u>OPERS</u> |
|---|--------------|
| Deferred Outflows of Resources | |
| Differences between Expected and Actual Experience | \$9,110 |
| Changes of assumptions | 851,472 |
| Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions | 167,505 |
| Total Deferred Outflows of Resources | \$1,028,087 |
| Deferred Inflows of Resources | |
| Net difference between Projected and Actual Earnings on OPEB Plan Investments | \$871,150 |
| Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions | 173 |
| Total Deferred Inflows of Resources | \$871,323 |

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

No amounts reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 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> |
|--------------------------|-------------------------|
| 2019 | \$273,660 |
| 2020 | 273,660 |
| 2021 | (172,770) |
| 2022 | <u>(217,786)</u> |
| Total | <u><u>\$156,764</u></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 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 |

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

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

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

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

During 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:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u> |
|------------------------------|------------------------------|---|
| 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 | <u>100.00 %</u> | <u>4.98 %</u> |

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

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%) | Current Discount Rate (3.85%) | 1% Increase (4.85%) |
|---|------------------------|-------------------------------------|------------------------|
| County’s proportionate share of the net OPEB liability | \$15,536,436 | \$11,694,341 | \$8,586,124 |

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.

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.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 18 – DEFINED BENEFIT OPEB PLANS (Continued)

| | 1% Decrease | Current Health Care Cost Trend Rate Assumption | 1% Increase |
|---|--------------|--|--------------|
| County's proportionate share of the net OPEB liability | \$11,188,991 | \$11,694,341 | \$12,216,354 |

B. State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

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

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 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 respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

| | STRS |
|---|-------------|
| Proportion of the Net OPEB Liability | |
| Current Measurement Date | 0.00075373% |
| Prior Measurement Date | 0.00071479% |
| Change in Proportionate Share | 0.00003894% |
| Proportionate Share of the Net OPEB Asset | \$12,112 |
| OPEB Expense | (\$26,041) |

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | STRS |
|---|-----------------|
| Deferred Outflows of Resources | |
| Differences Between Expected and Actual Experience | \$1,415 |
| Changes in Proportionate Share and Difference Between County Contributions and Proportionate Share of Contributions | 1,388 |
| Total Deferred Outflows of Resources | \$2,803 |
| Deferred Inflows of Resources | |
| Differences Between Expected and Actual Experience | \$705 |
| Net Difference Between Projected and Actual Earnings on OPEB Plan Investments | 1,384 |
| Change in Assumptions | 16,502 |
| Total Deferred Inflows of Resources | \$18,591 |

No amounts reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 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:

| | STRS |
|-----------------------------|-------------------|
| Fiscal Year Ending June 30: | |
| 2019 | (\$2,845) |
| 2020 | (2,845) |
| 2021 | (2,845) |
| 2022 | (2,301) |
| 2023 | (2,533) |
| Thereafter | (2,419) |
| Total | (\$15,788) |

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 18 – DEFINED BENEFIT OPEB PLANS (Continued)

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:

| | | |
|--------------------------------------|--|----------|
| 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 | |
| Blended Discount Rate of Return | 4.13 percent | |
| Health Care Cost Trends | Initial | Ultimate |
| Medical | | |
| Pre-Medicare | 6.00% | 4.00% |
| Medicare | 5.00% | 4.00% |
| Prescription Drug | | |
| Pre-Medicare | 8.00% | 4.00% |
| Medicare | -5.23% | 4.00% |

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

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 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.

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% 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 increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020, though the STRS Board voted in June 2019 to extent the current Medicare Part B partial reimbursement for one year.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

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:

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

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 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 actual rate of return, without net value added by management.

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% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan assets of 7.45% 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.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

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

The following table represents the net OPEB liability 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.

| | 1% Decrease (3.13%) | Current Discount Rate (4.13%) | 1% Increase (5.13%) |
|---|------------------------|-------------------------------------|------------------------|
| County's proportionate share of the net OPEB asset | (\$10,381) | (\$12,112) | (\$13,566) |
| | 1% Decrease | Current Trend Rate | 1% Increase |
| County's proportionate share of the net OPEB asset | (\$13,484) | (\$12,112) | (\$10,718) |

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 19 – FUND CASH BALANCES

As of December 31, 2018 fund balances are composed of the following:

| | General | Auto License & Gas Tax | Job and Family Services | Board of Developmental Disabilites | Fairground Capital Improvement | All Other Governmental Funds | Total Governmental Funds |
|-------------------------------|---------------------|---------------------------|-------------------------------|--|--------------------------------------|------------------------------------|--------------------------------|
| <i>Nonspendable:</i> | | | | | | | |
| Prepaid Items | \$166,138 | \$12,020 | \$57,237 | \$48,462 | \$0 | \$18,071 | \$301,928 |
| Loan Receivable | 0 | 0 | 0 | 0 | 0 | 428,790 | 428,790 |
| Materials & Supplies | 80,278 | 494,624 | 0 | 0 | 0 | 0 | 574,902 |
| Interfund Receivable | 0 | 0 | 0 | 0 | 0 | 801 | 801 |
| Unclaimed Monies | 79,912 | 0 | 0 | 0 | 0 | 0 | 79,912 |
| Total Nonspendable | 326,328 | 506,644 | 57,237 | 48,462 | 0 | 447,662 | 1,386,333 |
| <i>Restricted:</i> | | | | | | | |
| Legislative & Executive | 0 | 0 | 0 | 0 | 0 | 569,182 | 569,182 |
| Judicial | 0 | 0 | 0 | 0 | 0 | 484,627 | 484,627 |
| Public Safety | 0 | 0 | 0 | 0 | 0 | 816,042 | 816,042 |
| Public Works | 0 | 1,688,017 | 0 | 0 | 0 | 503,250 | 2,191,267 |
| Health | 0 | 0 | 0 | 17,972,536 | 0 | 6,621 | 17,979,157 |
| Human Services | 0 | 0 | 0 | 0 | 0 | 1,585,398 | 1,585,398 |
| Capital Outlay | 0 | 0 | 533,625 | 0 | 1,441,633 | 5,077 | 1,980,335 |
| Debt Service | 0 | 0 | 0 | 0 | 0 | 327,391 | 327,391 |
| Total Restricted | 0 | 1,688,017 | 533,625 | 17,972,536 | 1,441,633 | 4,297,588 | 25,933,399 |
| <i>Committed:</i> | | | | | | | |
| Special Children Services | 0 | 0 | 0 | 0 | 0 | 27,904 | 27,904 |
| Excessive Delinquent Tax Sale | 0 | 0 | 0 | 0 | 0 | 78,346 | 78,346 |
| Tax Lien Sales | 0 | 0 | 0 | 0 | 0 | 42,280 | 42,280 |
| Capital Projects | 0 | 0 | 0 | 0 | 0 | 393,969 | 393,969 |
| Total Committed | 0 | 0 | 0 | 0 | 0 | 542,499 | 542,499 |
| <i>Assigned:</i> | | | | | | | |
| Clark's Run Upper Term Ditch | 0 | 0 | 0 | 0 | 0 | 301 | 301 |
| DS Drainage Upfront Payments | 0 | 0 | 0 | 0 | 0 | 169 | 169 |
| Fairground Improvement Bond | 0 | 0 | 0 | 0 | 0 | 261,842 | 261,842 |
| Total Assigned | 0 | 0 | 0 | 0 | 0 | 262,312 | 262,312 |
| <i>Unassigned (Deficit)</i> | 12,129,286 | 0 | 0 | 0 | 0 | (4,423) | 12,124,863 |
| Total Fund Balances | \$12,455,614 | \$2,194,661 | \$590,862 | \$18,020,998 | \$1,441,633 | \$5,545,638 | \$40,249,406 |

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 20 - ADDITIONAL DISCLOSURE FOR DISCRETELY PRESENTED COMPONENT UNIT

A. Measurement Focus and Basis of Accounting

Pickaway County Airport Authority uses fund accounting to report on their operations and uses the accrual basis of accounting.

B. Budgetary Basis of Accounting

Budgetary information for the discretely presented component unit is not presented because it is not included in the entity for which the "appropriated budget" is adopted and does not maintain separate budgetary financial records.

C. Capital Assets

Property and equipment for the component unit is stated at historical cost and is updated for the costs of additions and retirements during the year. Donated capital assets have been recorded at the acquisition value at the date of the gift.

The assets for Pickaway County Airport are depreciated on a straight line basis using the following estimated useful lives:

| Category | Pickaway County Airport |
|----------------------------|-------------------------------|
| Buildings and Improvements | 30-40 years |
| Infrastructure | 10-60 years |

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 20 - ADDITIONAL DISCLOSURE FOR DISCRETELY PRESENTED COMPONENT UNIT

(Continued)

A summary of changes in capital assets for the Pickaway County Airport during 2018 were as follows:

| | Balance at January 1, 2018 | Additions | Deletions | Balance at December 31, 2018 |
|---------------------------------------|---------------------------------------|------------------|------------------|---|
| <i>Nondepreciable Capital Assets:</i> | | | | |
| Land | \$218,036 | \$124,824 | \$0 | \$342,860 |
| Total Nondepreciable Capital Assets | 218,036 | 124,824 | 0 | 342,860 |
| <i>Depreciable Capital Assets:</i> | | | | |
| Buildings and Improvements | 837,176 | 0 | 0 | 837,176 |
| Machinery & Equipment | 86,999 | 0 | 0 | 86,999 |
| Infrastructure | 1,201,814 | 159,225 | 0 | 1,361,039 |
| Total Depreciable Capital Assets | 2,125,989 | 159,225 | 0 | 2,285,214 |
| <i>Accumulated Depreciation:</i> | | | | |
| Buildings and Improvements | (362,333) | (29,078) | 0 | (391,411) |
| Machinery & Equipment | (17,340) | (2,863) | 0 | (20,203) |
| Infrastructure | (279,557) | (26,551) | 0 | (306,108) |
| Total Accumulated Depreciation | (659,230) | (58,492) | 0 | (717,722) |
| Depreciable Capital Assets, Net | 1,466,759 | 100,733 | 0 | 1,567,492 |
| Capital Assets, Net | \$1,684,795 | \$225,557 | \$0 | \$1,910,352 |

NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS

A. Berger Hospital

Berger Hospital is a jointly governed organization that provides diversified health care services to the community. The hospital is governed by a 9 member board: Pickaway County Commissioners appoint 4 members of the board, the City of Circleville appoints 4 members of the board and the final board member is the City of Circleville's Mayor. The Mayor is the President of the Board but does not have voting privileges unless there is a tie. The City of Circleville holds legal title to the Hospital. The degree of control exercised by the County is limited to its representation on the Board. Pickaway County does not have an ongoing financial interest in or an ongoing financial responsibility for the Hospital. During 2018, the County did not make any contributions to the Hospital. Complete financial statements can be obtained from the Berger Hospital, 600 N. Pickaway, Circleville, Ohio, 43113.

NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS *(Continued)*

B. Paint Valley Mental Health Alcohol and Drug Addiction Board

The Paint Valley Mental Health Alcohol and Drug Addiction Board serves Pike, Fayette, Highland, Pickaway and Ross Counties and is a jointly governed organization that is responsible for developing, coordinating, modernizing, funding, monitoring and evaluating a community-based mental health and substance abuse program. The Board consists of eighteen members. The Director of the Ohio Department of Mental Health appoints four members and the Director of the Ohio Department of Alcohol and Drug Addiction Services appoints four members. The remaining members are appointed by the County Commissioners of Pike, Fayette, Highland, Pickaway, and Ross Counties in the same proportion as each County's population bears to the total population of the five counties combined. The Board receives revenue from the participating counties and receives federal and state funding through grant monies that are applied for and received by the Board of Trustees. Pickaway County cannot significantly influence operations of the Board, who has sole budgetary authority and controls surpluses and deficits. Pickaway County has no ongoing financial interest or responsibility. During 2018, Pickaway County did not make any contributions to the program.

C. Ross, Pickaway, Highland, Fayette Joint Solid Waste Management District

The County is a member of the Ross, Pickaway, Highland, Fayette Joint Solid Waste Management District, which is a jointly governed organization of the four-named counties. The purpose of the District is to make disposal of waste in the four-county area more comprehensive in terms of recycling, incinerating, and land filling. The District was created in 1989, as required by the Ohio Revised Code.

The Ross, Pickaway, Highland, Fayette Joint Solid Waste Management District is governed and operated through three groups. A twelve member board of directors, comprised of three commissioners from each county, is responsible for the District's financial matters. Financial records are maintained by the Pickaway County Auditor and Treasurer, and the Pickaway County Commissioners budget and finance the District with board approval. A twenty-nine member policy committee, comprised of seven members from each county and one at-large member appointed by the board of directors, is responsible for preparing the solid waste management plan of the District in conjunction with a twenty-three member Technical Advisory Council (members appointed by the policy committee). The District's sole revenue source is derived from a waste disposal fee for in-district and out-of-district waste. Although the counties contributed amounts to the District at the time of its creation, all contributions have since been returned to the respective counties and no future contributions by the counties are anticipated. Continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

D. County Risk Sharing Authority (CORSA)

The County Risk Sharing Authority, Inc. (CORSA) is a jointly governed organization 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.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS *(Continued)*

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 CORSA. The County's payment for insurance to CORSA in 2018 was \$222,514.

E. Southern Ohio Council of Governments

The County is a member of the Southern Ohio Council of Governments, which is a jointly governed organization created under the Ohio Revised Code Section 167.01. The governing body consists of a thirteen member board with each participating County represented by its Director of its Board of Developmental Disabilities. Member counties include: Adams, Athens, Brown, Fayette, Gallia, Highland, Jackson, Lawrence, Pickaway, Pike, Ross, Scioto and Vinton Counties. During 2018, the County contributed \$91,327 to this organization. Financial statements can be obtained from the Southern Ohio Council of Governments, 43 N. Paint St., Chillicothe, Ohio, 45601.

NOTE 22 - RELATED ORGANIZATIONS

A. Pickaway County Park District

The County's probate judge is responsible for appointing the members of the board of the Pickaway County Park District. The County is the fiscal agent for the Park District; therefore, the activities of the Park District are reflected as an agency fund of the County.

B. Pickaway County District Public Library

The Pickaway County District Public Library is statutorily created as a separate and distinct political subdivision of the State. Four trustees of the District Library are appointed by the County Commissioners, and three trustees are appointed by the judges of the Common Pleas Court. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the County for operational subsidies. Due process is required to remove board members. No subsidies are provided by the County.

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.

The County is currently party to litigation. However, in the opinion of management, any potential liability would not have a material effect on the County's financial condition.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 24 – SUBSEQUENT EVENTS

On January 9, 2019, the County issued \$2,800,000 in Sales Tax Revenue Bonds for fairground improvements. These notes were issued with the interest rate of 4.00%.

On January 24, 2019, the County issued \$3,000,000 in Sales Tax Revenue Bond Anticipation Notes for the purpose of retiring \$3,000,000 in bond anticipation notes issued in 2018. These notes were issued with an interest rate of 3.375%.

Pickaway County, Ohio
Required Supplementary Information
Schedule of the County's Proportionate Share of Net Pension/OPEB Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Five Years

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|
| <i>Pension</i> (1) | | | | | |
| County's Proportion of the Net Pension Liability | 0.11049470% | 0.10834800% | 0.10804300% | 0.10739200% | 0.10739200% |
| County's Proportionate Share of the Net Pension Liability | \$17,334,476 | \$24,603,988 | \$18,714,410 | \$12,969,030 | \$12,660,118 |
| County Covered-Employee Payroll | \$14,975,394 | \$14,101,828 | \$13,567,656 | \$13,231,184 | \$12,854,975 |
| County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 115.75% | 174.47% | 137.93% | 98.02% | 98.48% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 84.66% | 77.25% | 81.08% | 86.45% | 86.36% |
| <i>OPEB</i> (2) | | | | | |
| County's Proportion of the Net OPEB Liability | 0.10769000% | 0.10521375% | N/A | N/A | N/A |
| County's Proportionate Share of the Net OPEB Liability | \$11,694,341 | \$10,626,946 | N/A | N/A | N/A |
| County Covered-Employee Payroll | \$14,975,394 | \$14,101,828 | N/A | N/A | N/A |
| County's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll | 78.09% | 75.36% | N/A | N/A | N/A |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 54.14% | 54.05% | N/A | N/A | N/A |

(1) Information prior to 2014 is not available.

(12) Information prior to 2017 is not available.

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

Pickaway County, Ohio
Required Supplementary Information
Schedule of the County's Proportionate Share of Net Pension/OPEB Liability
State Teachers Retirement System of Ohio
Last Six Years

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| <i>Pension</i> (1) | | | | | | |
| County's Proportion of the Net Pension Liability | 0.00075373% | 0.00071479% | 0.00068972% | 0.00075880% | 0.00070252% | 0.00070252% |
| County's Proportionate Share of the Net Pension Liability | \$165,728 | \$169,800 | \$230,869 | \$209,710 | \$170,877 | \$119,352 |
| County Covered-Employee Payroll | \$87,900 | \$82,421 | \$76,857 | \$77,107 | \$75,679 | \$75,943 |
| County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 188.54% | 206.02% | 300.39% | 271.97% | 225.79% | 157.16% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.30% | 75.30% | 66.78% | 72.09% | 74.71% | 69.30% |
| <i>OPEB</i> (2) | | | | | | |
| County's Proportion of the Net Pension Liability | 0.00075373% | 0.00071479% | N/A | N/A | N/A | N/A |
| County's Proportionate Share of the Net Pension Asset | \$12,112 | \$0 | N/A | N/A | N/A | N/A |
| County's Proportionate Share of the Net Pension Liability | \$0 | \$27,888 | N/A | N/A | N/A | N/A |
| County Covered-Employee Payroll | \$87,900 | \$82,421 | N/A | N/A | N/A | N/A |
| County's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered-Employee Payroll | -13.78% | 0.00% | N/A | N/A | N/A | N/A |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.30% | 75.30% | N/A | N/A | N/A | N/A |

(1) Information prior to 2013 is not available.

(2) Information prior to 2017 is not available.

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

Pickaway County, Ohio
Required Supplementary Information
Schedule of County Contributions - Pension
Ohio Public Employees Retirement System - Traditional Plan
Last Ten Years

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------------|--------------------|--------------------|--------------------|
| <i><u>OPERS - Law Enforcement</u></i> | | | | |
| Contractually Required Contribution | \$286,262 | \$264,832 | \$224,277 | \$219,059 |
| Contributions in Relation to the Contractually Required Contribution | <u>(286,262)</u> | <u>(264,832)</u> | <u>(224,277)</u> | <u>(219,059)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| County Covered-Employee Payroll | \$1,581,558 | \$1,548,725 | \$1,393,028 | \$1,360,613 |
| Contributions as a Percentage of Covered-Employee Payroll | 18.10% | 17.10% | 16.10% | 16.10% |
| <i><u>OPERS - All Others</u></i> | | | | |
| Contractually Required Contribution | \$1,938,081 | \$1,745,467 | \$1,525,056 | \$1,464,845 |
| Contributions in Relation to the Contractually Required Contribution | <u>(1,938,081)</u> | <u>(1,745,467)</u> | <u>(1,525,056)</u> | <u>(1,464,845)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| County Covered-Employee Payroll | \$13,843,436 | \$13,426,669 | \$12,708,800 | \$12,207,043 |
| Contributions as a Percentage of Covered-Employee Payroll | 14.00% | 13.00% | 12.00% | 12.00% |

| <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$208,393 | \$223,074 | \$161,711 | \$229,444 | \$214,776 | \$215,466 |
| <u>(208,393)</u> | <u>(223,074)</u> | <u>(161,711)</u> | <u>(229,444)</u> | <u>(214,776)</u> | <u>(215,466)</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$1,302,459 | \$1,304,525 | \$945,680 | \$1,341,779 | \$1,256,000 | \$1,277,215 |
| 16.10% | 17.10% | 17.10% | 17.10% | 17.10% | 16.87% |
| \$1,431,447 | \$1,501,559 | \$1,555,120 | \$1,504,390 | \$1,668,958 | \$1,665,547 |
| <u>(1,431,447)</u> | <u>(1,501,559)</u> | <u>(1,555,120)</u> | <u>(1,504,390)</u> | <u>(1,668,958)</u> | <u>(1,665,547)</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$11,928,725 | \$11,550,450 | \$11,962,464 | \$11,572,229 | \$12,838,136 | \$12,811,900 |
| 12.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |

Pickaway County, Ohio
Required Supplementary Information
Schedule of County Contributions - OPEB
Ohio Public Employees Retirement System - Traditional Plan
Last Ten Years

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|-------------------|-------------------|
| <i><u>OPERS - Law Enforcement</u></i> | | | | |
| Contractually Required Contribution | \$0 | \$15,487 | \$0 | \$0 |
| Contributions in Relation to the Contractually Required Contribution | <u>0</u> | <u>(15,487)</u> | <u>0</u> | <u>0</u> |
| Contribution Deficiency (Excess) | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> |
| County Covered-Employee Payroll | \$1,581,558 | \$1,548,725 | \$1,393,028 | \$1,360,613 |
| Contributions as a Percentage of Covered-Employee Payroll | 0.00% | 1.00% | 0.00% | 0.00% |
| <i><u>OPERS - All Others</u></i> | | | | |
| Contractually Required Contribution | \$0 | \$134,267 | \$0 | \$0 |
| Contributions in Relation to the Contractually Required Contribution | <u>0</u> | <u>(134,267)</u> | <u>0</u> | <u>0</u> |
| Contribution Deficiency (Excess) | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> |
| County Covered-Employee Payroll | \$13,843,436 | \$13,426,669 | \$12,708,800 | \$12,207,043 |
| Contributions as a Percentage of Covered-Employee Payroll | 0.00% | 1.00% | 0.00% | 0.00% |

| <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--------------|------------------|------------------|------------------|------------------|------------------|
| \$0 | \$13,045 | \$9,457 | \$13,418 | \$12,560 | \$12,772 |
| <u>0</u> | <u>(13,045)</u> | <u>(9,457)</u> | <u>(13,418)</u> | <u>(12,560)</u> | <u>(12,772)</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$1,302,459 | \$1,304,525 | \$945,680 | \$1,341,779 | \$1,256,000 | \$1,277,215 |
| 0.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| \$0 | \$115,505 | \$119,625 | \$115,722 | \$128,381 | \$128,119 |
| <u>0</u> | <u>(115,505)</u> | <u>(119,625)</u> | <u>(115,722)</u> | <u>(128,381)</u> | <u>(128,119)</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$11,928,725 | \$11,550,450 | \$11,962,464 | \$11,572,229 | \$12,838,136 | \$12,811,900 |
| 0.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |

Pickaway 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> |
|--|-------------------|-------------------|-------------------|-------------------|
| <i><u>Pension</u></i> | | | | |
| Contractually Required Contribution | \$12,306 | \$11,539 | \$10,760 | \$10,795 |
| Contributions in Relation to the Contractually Required Contribution | <u>(12,306)</u> | <u>(11,539)</u> | <u>(10,760)</u> | <u>(10,795)</u> |
| Contribution Deficiency (Excess) | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> |
| County Covered-Employee Payroll | \$87,900 | \$82,421 | \$76,857 | \$77,107 |
| Contributions as a Percentage of Covered-Employee Payroll | 14.00% | 14.00% | 14.00% | 14.00% |
| <i><u>OPEB</u></i> | | | | |
| 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><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> |
| County Covered-Employee Payroll | \$87,900 | \$82,421 | \$76,857 | \$77,107 |
| Contributions as a Percentage of Covered-Employee Payroll | 0.00% | 0.00% | 0.00% | 0.00% |

Note: During 2011, the County reduced the number of teachers that were employed by the Department of Developmental Disabilities.

| <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|----------------|----------------|-----------------|----------------|-----------------|-----------------|
| \$9,838 | \$9,873 | \$10,403 | \$7,407 | \$26,157 | \$26,157 |
| <u>(9,838)</u> | <u>(9,873)</u> | <u>(10,403)</u> | <u>(7,407)</u> | <u>(26,157)</u> | <u>(26,157)</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$75,679 | \$75,943 | \$80,021 | \$56,979 | \$201,207 | \$201,207 |
| 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |
| \$757 | \$759 | \$800 | \$570 | \$2,012 | \$2,012 |
| <u>(757)</u> | <u>(759)</u> | <u>(800)</u> | <u>(570)</u> | <u>(2,012)</u> | <u>(2,012)</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$75,679 | \$75,943 | \$80,021 | \$56,979 | \$201,207 | \$201,207 |
| 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |

PICKAWAY COUNTY
Notes to the Required Supplementary Information
For the Fiscal Year Ended December 31, 2018

NOTE 1 – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM OF OHIO

Pension

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2018.

Changes in Assumptions:

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25% - 10.02% to 3.25% - 10.75%

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

Other Postemployment Benefits

Changes in benefit terms: For 2018, there were no changes in benefit terms.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%.

NOTE 2 - STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Pension

Changes in benefit terms: For 2018, there were no changes in benefit terms.

Changes in assumptions: For 2018 there were no changes in assumptions.

Other Postemployment Benefits

Changes in benefit terms

For fiscal year 2019, the following was the most significant change in benefit terms that affected the total OPEB liability since the prior measurement date:

- The subsidy multiplier for non-Medicare benefit recipients increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020, though the STRS Board voted in June 2019 to extend the current Medicare Part B partial reimbursement for one year.

PICKAWAY COUNTY
Notes to the Required Supplementary Information
For the Fiscal Year Ended December 31, 2018

NOTE 2 - STATE TEACHERS RETIREMENT SYSTEM OF OHIO *(Continued)*

Changes in assumptions

For fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate increased from a 4.13 percent blended discount rate to 7.45 percent.
- The health care trend assumption rate changed from 6 to 11 percent initial, 4.5 percent ultimate to:
 - Medical Medicare – 6 percent initial, 4 percent ultimate
 - Medical Pre-Medicare – 5 percent initial, 4 percent ultimate
 - Prescription Drug Medicare – 8 percent initial, 4 percent ultimate
 - Prescription Drug Pre-Medicare- -5.23 percent initial, 4 percent ultimate

Pickaway County
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2018

| Federal Grantor/Pass-Through Grantor/Program Title | Pass-Through Entity/Grant Number | CFDA | Passed Through To Subrecipients | Expenditures |
|--|----------------------------------|--------|------------------------------------|------------------|
| <u>U.S. Department of Agriculture</u> | | | | |
| <i>Passed through Ohio Department of Job and Family Services:</i> | | | | |
| SNAP Cluster: | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | G-1819-11-5792 | 10.561 | \$0 | \$205,454 |
| Total SNAP Cluster | | | <u>0</u> | <u>205,454</u> |
| Total U.S. Department of Agriculture | | | 0 | 205,454 |
| <u>U.S. Department of Justice</u> | | | | |
| <i>Direct:</i> | | | | |
| Bulletproof Vest Partnership Program | N/A | 16.607 | 0 | 16,768 |
| <i>Passed through Public Children Services Association of Ohio:</i> | | | | |
| Crime Victim Assistance: | | | | |
| Crime Victim Assistance | 2018-VOCA-111256378 | 16.575 | 64,508 | 133,282 |
| Crime Victim Assistance | 2019-VOCA-132234677 | 16.575 | 11,167 | 39,967 |
| <i>Passed through Ohio Attorney General:</i> | | | | |
| Crime Victim Assistance: | | | | |
| Crime Victim Assistance | 2018-VOCA-109309472 | 16.575 | 0 | 88,873 |
| Crime Victim Assistance | 2019-VOCA-132134124 | 16.575 | 0 | 29,344 |
| Total Crime Victim Assistance | | | <u>75,675</u> | <u>291,466</u> |
| Total U.S. Department of Justice | | | 75,675 | 308,234 |
| <u>U.S. Department of Homeland Security</u> | | | | |
| <i>Passed through Ohio Emergency Management Agency:</i> | | | | |
| Emergency Management Performance Grants: | | | | |
| Emergency Management Performance Grants | EMC-2017-EP-00006-S01 | 97.042 | 0 | 40,993 |
| Total Emergency Management Performance Grants | | | <u>0</u> | <u>40,993</u> |
| Total U.S. Department of Homeland Security | | | 0 | 40,993 |
| <u>U.S. Department of Education</u> | | | | |
| <i>Passed through Ohio Department of Education:</i> | | | | |
| Special Education Cluster (IDEA): | | | | |
| Special Education Grants to States | 3M20 | 84.027 | 0 | 16,594 |
| Total Special Education Cluster (IDEA) | | | <u>0</u> | <u>16,594</u> |
| Total U.S. Department of Education | | | 0 | 16,594 |
| <u>U.S. Department of Health and Human Services</u> | | | | |
| <i>Passed through Ohio Department of Job & Family Services:</i> | | | | |
| Promoting Safe and Stable Families: | | | | |
| Promoting Safe and Stable Families | G-1819-11-5792 | 93.556 | 0 | 62,431 |
| Total Promoting Safe and Stable Families | | | <u>0</u> | <u>62,431</u> |
| Foster Care Title IV-E: | | | | |
| Foster Care Title IV-E | G-1819-11-5792 | 93.658 | 0 | 706,224 |
| Total Foster Care Title IV-E | | | <u>0</u> | <u>706,224</u> |
| Adoption Assistance: | | | | |
| Adoption Assistance | G-1819-11-5792 | 93.659 | 0 | 75,613 |
| Total Adoption Assistance | | | <u>0</u> | <u>75,613</u> |
| John H. Chaffee Foster Care Program for Successful Transition to Adulthood: | | | | |
| John H. Chaffee Foster Care Program for Successful Transition to Adulthood | G-1819-11-5792 | 93.674 | 0 | 359 |
| Total John H. Chaffee Foster Care Program for Successful Transition to Adulthood | | | <u>0</u> | <u>359</u> |
| TANF Cluster: | | | | |
| Temporary Assistance for Needy Families | G-1819-11-5792 | 93.558 | 65,981 | 1,226,035 |
| Total TANF Cluster | | | <u>65,981</u> | <u>1,226,035</u> |
| CCDF Cluster: | | | | |
| Child Care and Development Block Grant | G-1819-11-5792 | 93.575 | 0 | 62,318 |
| Total CCDF Cluster | | | <u>0</u> | <u>62,318</u> |
| Social Services Block Grant: | | | | |
| Social Services Block Grant | G-1819-11-5792 | 93.667 | 0 | 374,939 |
| Total Social Services Block Grant | | | <u>0</u> | <u>374,939</u> |
| Child Support Enforcement: | | | | |
| Child Support Enforcement | G-1819-11-5792 | 93.563 | 0 | 609,706 |
| Total Child Support Enforcement | | | <u>0</u> | <u>609,706</u> |

Pickaway County
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2018

| Federal Grantor/Pass-Through Grantor/Program Title | Pass-Through Entity/Grant Number | CFDA | Passed Through To Subrecipients | Expenditures |
|--|----------------------------------|--------|------------------------------------|--------------------|
| Medicaid Cluster: | | | | |
| Medical Assistance Program | G-1819-11-5792 | 93.778 | 0 | 646,604 |
| Medical Assistance Program - MAC | 3AS0 | 93.778 | 0 | 92,284 |
| Total Medicaid Cluster | | | <u>0</u> | <u>738,888</u> |
| <i>Passed through Ohio Department of Developmental Disabilities:</i> | | | | |
| Social Services Block Grant | FY18TXXC065 | 93.667 | 0 | 33,746 |
| <i>Passed through The Ohio State University:</i> | | | | |
| <i>Enhance Safety of Children Affected by Substance Abuse:</i> | | | | |
| Enhance Safety of Children Affected by Substance Abuse | 90CU0083-01-00 | 93.087 | 1,493 | 25,651 |
| Enhance Safety of Children Affected by Substance Abuse | 90CU0083-02-00 | 93.087 | 0 | 32,788 |
| Total Enhance Safety of Children Affected by Substance Abuse | | | <u>1,493</u> | <u>58,439</u> |
| Total U.S. Department of Health and Human Services | | | 67,474 | 3,948,698 |
| <u>U.S. Department of Election Assistance Commission</u> | | | | |
| <i>Passed through Ohio Department of Secretary of State:</i> | | | | |
| 2018 HAVA Election Security Grant | 3AS0 | 90.404 | 0 | 6,000 |
| Total U.S. Department of Election Assistance Commission | | | 0 | 6,000 |
| <u>U.S. Department of Transportation</u> | | | | |
| <i>Passed through Ohio Department of Public Safety:</i> | | | | |
| <i>Highway Safety Cluster:</i> | | | | |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | IDEP/STEP 2018 00064 | 20.608 | 0 | 11,655 |
| State and Community Highway Safety | IDEP/STEP 2018 00064 | 20.600 | 0 | 1,482 |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | IDEP/STEP 2019 00017 | 20.608 | 0 | 2,423 |
| State and Community Highway Safety | IDEP/STEP 2019 00017 | 20.600 | 0 | 1,887 |
| State and Community Highway Safety | SC-2018-00031 | 20.600 | 0 | 11,116 |
| State and Community Highway Safety | SC-2019-00051 | 20.600 | 0 | 1,968 |
| Total Highway Safety Cluster | | | <u>0</u> | <u>30,531</u> |
| <i>Passed through Ohio Department of Transportation:</i> | | | | |
| <i>Highway Planning and Construction Cluster:</i> | | | | |
| Highway Planning and Construction | PID #99916 | 20.205 | 0 | 288,503 |
| Total Highway Planning and Construction Cluster | | | <u>0</u> | <u>288,503</u> |
| Total U.S. Department of Transportation | | | 0 | 319,034 |
| <u>U.S. Department of Labor</u> | | | | |
| <i>Passed through Area 20/21 Workforce Investment Board:</i> | | | | |
| <i>Employment Service Cluster:</i> | | | | |
| Employment Service/Wagner-Peyser Funded Activities | G-1819-15-0192 | 17.207 | 0 | 11,290 |
| Trade Adjustment Assistance | G-1819-15-0192 | 17.245 | 0 | 2,027 |
| Total Employment Service Cluster | | | <u>0</u> | <u>13,317</u> |
| <i>Workforce Investment Act (WIA)/Workforce Innovation and Opportunity Act Cluster:</i> | | | | |
| <i>WIOA Adult Program:</i> | | | | |
| WIOA Adult Program | G-1819-15-0192 | 17.258 | 0 | 108,969 |
| Total WIOA Adult Program | | | <u>0</u> | <u>108,969</u> |
| <i>WIOA Youth Activities:</i> | | | | |
| WIOA Youth Activities | G-1819-15-0192 | 17.259 | 81,636 | 81,636 |
| Total WIOA Youth Activities | | | <u>81,636</u> | <u>81,636</u> |
| <i>WIOA Dislocated Worker Formula Grants:</i> | | | | |
| WIOA Dislocated Worker Formula Grants | G-1819-15-0192 | 17.278 | 0 | 40,971 |
| Total WIOA Dislocated Worker Formula Grants | | | <u>0</u> | <u>40,971</u> |
| Total Workforce Investment Act (WIA)/Workforce Innovation and Opportunity Act Cluster | | | <u>81,636</u> | <u>231,576</u> |
| Total U.S. Department of Labor | | | 81,636 | 244,893 |
| Total Federal Awards Expenditures | | | \$224,785 | \$5,089,900 |

N/A - pass-through entity and grant numbers not available

The accompanying notes are an integral part of this schedule.

Pickaway County, Ohio
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards Expenditures (the Schedule) includes the federal award activity of Pickaway County (the County) under programs of the federal government for the fiscal year ended December 31, 2018. The information on this Schedule is prepared in accordance with the requirements for 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 - 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – SUBRECIPIENTS

The County passes certain federal awards received from Area 20/21 Workforce Investment Board, the Public Children Services Association of Ohio, the Ohio State University, and the Ohio Department of Job and Family 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 law, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE D – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) AND HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GRANT PROGRAMS WITH REVOLVING LOAN CASH BALANCE

The federal loan programs listed subsequently 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 current cash balance on the County's local program income account as of December 31, 2018 is \$14,188.

NOTE E – 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.

Pickaway County, Ohio
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2018

NOTE F – TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2018, the County made allowable transfers of \$85,000 from the Social Services Block Grant (SSBG) (93.667) program to Temporary Assistance for Needy Families (TANF) (93.558) program. The Schedule shows the County spent approximately \$374,939 on the Social Services Block Grant program. The amount reported for the Social Services Block Grant program on the Schedule excludes the amount transferred to TANF program. The amount transferred to the TANF program is included as TANF expenditures when disbursed. The following table shows the gross amount drawn for the Social Services Block Grant program during fiscal year 2018 and the amount transferred to the Temporary Assistance for Needy Families program.

| | |
|--|-------------------------|
| Social Services Block Grant | \$459,939 |
| Transferred to Temporary Assistance for Needy Families | <u>(85,000)</u> |
| Total Social Services Block Grant | <u><u>\$374,939</u></u> |

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Commissioners
Pickaway County
207 S. Court Street, Room 1
Circleville, Ohio 43113

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Pickaway 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 10, 2019, wherein we noted the County adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" and restated beginning net position as a result of this implementation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-001 to be a material weakness.

Pickaway County, Ohio

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003 to be significant deficiencies.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County's Responses to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Millhuff-Stang, CPA, Inc.
Chillicothe, Ohio

September 10, 2019

Report on Compliance For Each Major Federal Program and on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

Board of Commissioners
Pickaway County
207 S. Court Street, Room 1
Circleville, Ohio 43113

Report on Compliance for Each Major Federal Program

We have audited Pickaway County's, Ohio (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2018. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

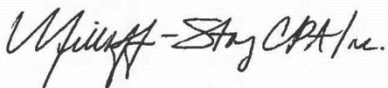
Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Millhuff-Stang, CPA, Inc.
Chillicothe, Ohio

September 10, 2019

Pickaway County
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Section I – Summary of Auditor’s Results

| | |
|--|---|
| <i>Financial Statements</i> | |
| Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | Yes |
| Significant deficiency(ies) identified? | Yes |
| Noncompliance material to financial statements noted? | No |
| <i>Federal Awards</i> | |
| Internal control over major federal program(s): | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Type of auditor’s report issued on compliance for major federal programs: | Unmodified |
| Any auditing findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| Identification of major federal program(s): | Temporary Assistance for Needy Families, CFDA #93.558, State Administrative Matching Grants for the Supplemental Nutrition Assistance Program, CDFA #10.561, and Medical Assistance Program, CFDA #93.778 |
| Dollar threshold used to distinguish between type A and type B programs: | Type A: >\$750,000 Type B: all others |
| Auditee qualified as low-risk auditee? | No |

Section II – Financial Statement Findings

Finding 2018-001

Material Weakness – Financial Reporting

A monitoring system by the County should be in place to prevent or detect misstatements to help ensure the accurate presentation of the County’s financial statements. Errors were identified in the financial statements related to cash in segregated accounts; receivables; capital asset additions; unrecorded accounts and contracts payable; and various revenue, expense, and net position classifications. Certain errors were corrected in the financial statements to ensure the financial statements were not materially misstated. Other errors were immaterial to the financial statements and were not deemed necessary to correct. In addition, upon reviewing the budgetary comparison statements, we noted that several material changes were required. These issues were also corrected in the accompanying financial report. The County should implement additional monitoring procedures over the financial reporting process to ensure that financial information presented is fairly stated.

Client Response:

See accompanying corrective action plan.

Pickaway County
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Finding 2018-002

Significant Deficiency – County Treasurer’s Bank Reconciliations

Sound financial reporting is required for the open and efficient operation of government. This reporting is accomplished through the development and implementation of controls and procedures to properly reconcile cash balances in the County's deposit and investment accounts, as well as cash on hand, with the County Auditor's balances each month. During testing we noted several reconciling items included in the bank reconciliations in which the Treasurer’s Office was unable to provide support. The lack of proper support for reconciling items can lead to errors in the posting of revenues and expenditures, conceal theft, and leave the County exposed to possible loss of funds. We recommend that the County Treasurer's Office properly reconcile the County fund balances with the County Auditor's Office fund balances and for both Offices to investigate any and all variances and correct any unreconciled differences prior to certification. Further, we recommend that the Treasurer's Office maintain adequate supporting documentation for all items on the monthly bank reconciliation.

Client Response:

See accompanying corrective action plan.

Finding 2018-003

Significant Deficiency – Loans Receivable

A sufficient audit trail is imperative for supporting amounts disclosed in the financial statements. During testing, we found that the County had a loans receivable balance for which no information could be provided for audit. Ultimately, this balance was deemed immaterial, so no opinion modification was required. However, lack of a proper audit trail could result in errors in the financial statements, noncompliance with applicable regulations, and failure to fully collect revenues due to the County. The County should implement procedures to ensure that all reported balances are adequately supported with documentation. Further, the County should research this loan receivable balance, acquire the appropriate support, and ensure that all necessary steps are taken to collect such balances or carry reported balances, as deemed appropriate.

Client Response:

See accompanying corrective action plan.

| |
|--|
| Section III – Federal Award Findings and Questioned Costs |
|--|

None.

Pickaway County Auditor

Melissa A. Betz



*Corrective Action Plan
For the Year Ended December 31, 2018*

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|---|---------------------------------------|-----------------------------------|
| 2018-001 | Will continue to work with GAAP converter to make sure adjustments are properly made to the financial statements. | No established time frame identified. | Melissa Betz, County Auditor |
| 2018-002 | Will need to work on adjustments to clear out differences. | As soon as possible. | Ellery S. Elick, County Treasurer |
| 2018-003 | No response provided. | N/A | Board of Commissioners |

Pickaway County Auditor

Melissa A. Betz



*Schedule of Prior Audit Findings
For the Year Ended December 31, 2018*

| Finding Number | Finding Summary | Status | Additional Information |
|----------------|---|---------------|------------------------|
| 2017-001 | Material Weakness – Financial Reporting | Not Corrected | See Finding 2018-001 |
| 2017-002 | Significant Deficiency – Cash Reconciliation | Not Corrected | See Finding 2018-002 |

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OHIO AUDITOR OF STATE
KEITH FABER



PICKAWAY 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
DECEMBER 5, 2019