



Dave Yost • Auditor of State

**MONROE COUNTY
DECEMBER 31, 2017**

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DECEMBER 31, 2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Monroe County
101 North Main Street
Woodsfield, Ohio 43793

To the Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Monroe County, Ohio (the County), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Monroe County, Ohio, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Public Assistance, Maintenance, and Developmental Disabilities Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2018, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

September 4, 2018

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Monroe County, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2017 Unaudited

Management's Discussion and Analysis (MD&A) provides the reader with a narrative overview and analysis of Monroe County's (the County) financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the County's financial performance as a whole. The MD&A should be read in conjunction with the County's basic financial statements and notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- The County's total net position increased by \$7,196,910 from the total net position at the beginning of the year 2017.
- At the close of the current year, the assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources by \$53,362,413 (net position). Of this amount, (\$4,000,428) is unrestricted and that when positive, may be used to meet the County's ongoing obligations to citizens and creditors.
- The County had \$22,786,368 in expenses related to governmental activities; program specific charges for services, grants, contributions, and interest were not sufficient to provide for these expenses and as a result, general revenues of \$10,970,108 were needed to help increase carryover net position into the next year.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$17,650,981, an increase of \$6,195,283 from the prior year. Of this amount, \$571,583 is non-spendable, \$8,675,768 is restricted, \$5,725 is committed, \$2,442,047 is assigned, and \$5,955,858 is unassigned and available for spending on behalf of its citizens, as defined in Governmental Accounting Standards Board Statement (GASB) No. 54.
- At the end of the current year, unassigned fund balance for the General Fund was \$5,995,351 which represents 80 percent of total General Fund expenditures.

Using This Annual Financial Report

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

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

Government-Wide Financial Statements

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

Statement of Net Position and Statement of Activities

While this document contains information about the funds used by the County to provide services to our citizens, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The *Statement of Net Position* and the *Statement of Activities* answer this question.

Monroe County, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2017 Unaudited

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

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

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

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

Governmental Activities - Most of the County's programs and services are reported here, including general government, public safety, public works, health, human services, and economic development. These services are funded primarily by taxes and intergovernmental revenues, including federal and state grants and other shared revenues.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or most of the cost of the services provided. The County's sole business-type activity is the Care Center.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial statements provide detailed information about the County's major funds. Based on the restriction on the use of moneys, the County has established many funds that account for the multitude of services provided to its residents. The County's major governmental funds are the General Fund, the Public Assistance, Maintenance, and Developmental Disabilities Special Revenue Funds and the Jail Construction Capital Projects Fund.

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

Monroe County, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2017 Unaudited

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

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

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

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

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

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net position for 2017 compared to 2016:

Monroe County, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2017 Unaudited

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and Other Assets	\$25,218,358	\$33,335,637	(\$4,457,379)	(\$2,493,146)	\$20,760,979	\$30,842,491
Capital Assets, Net	61,865,810	41,341,876	2,402,588	2,450,589	64,268,398	43,792,465
Total Assets	87,084,168	74,677,513	(2,054,791)	(42,557)	85,029,377	74,634,956
Deferred Outflows of Resources:						
Pension	4,806,116	3,584,065	738,261	823,263	5,544,377	4,407,328
Liabilities:						
Current and Other Liabilities	2,533,702	17,013,561	170,677	238,772	2,704,379	17,252,333
Long-Term Liabilities:						
Due Within One Year	252,628	241,292	192,845	172,436	445,473	413,728
Due in More Than One Year:						
Net Pension Liability	11,877,949	9,085,617	1,881,460	2,197,549	13,759,409	11,283,166
Other Amounts	15,951,102	524,795	1,315,561	1,428,685	17,266,663	1,953,480
Total Liabilities	30,615,381	26,865,265	3,560,543	4,037,442	34,175,924	30,902,707
Deferred Inflows of Resources:						
Property Taxes not intended to Finance						
Current Year Operations	2,606,451	1,761,751	0	0	2,606,451	1,761,751
Pension	84,162	172,544	344,804	39,779	428,966	212,323
Total Deferred Inflows of Resources	2,690,613	1,934,295	344,804	39,779	3,035,417	1,974,074
Net Position:						
Net Investment in Capital						
Assets	47,767,100	39,603,394	1,024,330	964,782	48,791,430	40,568,176
Restricted	8,571,411	8,292,294	0	0	8,571,411	8,292,294
Unrestricted (Deficit)	2,245,779	1,566,330	(6,246,207)	(4,261,297)	(4,000,428)	(2,694,967)
Total Net Position (Deficit)	\$58,584,290	\$49,462,018	(\$5,221,877)	(\$3,296,515)	\$53,362,413	\$46,165,503

The net pension liability (NPL) is one of the largest liabilities reported by the County at December 31, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27". 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 the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Monroe County, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2017 Unaudited

GASB 68 requires the net pension liability to equal the County's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of "employment exchange" - that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the County is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

As noted earlier, the County's net position, when reviewed over time, may serve as a useful indicator of the County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$53,362,413 (\$58,584,290 in governmental activities and (\$5,221,877) in business-type activities) as of December 31, 2017.

By far, the largest portion of the County's net position, \$48,791,430, or 92 percent, reflects its investment in capital assets (e.g., land, construction in progress, infrastructure, buildings and improvements, and vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these assets to provide services to citizens; consequently, these assets are not available for future spending.

Monroe County, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2017 Unaudited

Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. This category of net position increased by \$8,223,254 with the largest change shown in governmental activities.

The next largest portion of the County's net position, \$8,571,411, or 16 percent, represents resources that are subject to restrictions on how they can be used. This category of net position increased by \$279,117 from the prior year.

The balance of unrestricted net position is (\$4,000,428) or (7.5) percent. In cases where this number is positive, this amount can be used to meet the County's ongoing obligations to citizens and creditors. Unrestricted net position decreased from the prior year in the amount of \$1,305,461.

Current and other assets decreased in the amount of \$10,081,512. The majority of this decrease is in governmental activities and is due to the spending of unspent note proceeds presented as an investment. The County issued a bond anticipation note near the end of the prior year with the majority of it being spent during 2017. Consequently, this decrease in investments resulted in an increase of capital outlays that exceeded depreciation. Cash and cash equivalents reflected an increase as the County is trying to replenish their cash reserve after needing to spend money in prior years on projects that waited until the County had sufficient resources. Property taxes receivable increased due to a higher tax base compared to the prior year. Liabilities, excluding the pension liability, increased by \$957,784. Contracts payable, retainage payable, and accrued interest payable have all increased from the prior year. These items relate to the signed contracts and the bond issue concerning the construction of the county jail facility.

The increase in deferred outflows of resources in 2017 was due to the change in assumptions used in the latest actuarial valuation related to the County's net pension liability for OPERS and STRS.

The net pension liability increase represents the County's proportionate share of the OPERS traditional plan's unfunded benefits. As indicated above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

Table 2 shows the changes in net position for 2017, compared to the changes in net position for 2016:

Monroe County, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2017 Unaudited

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues						
Charges for Services	\$2,917,238	\$2,957,646	\$1,765,762	\$843,203	\$4,683,000	\$3,800,849
Operating Grants, Contributions, and Interest	7,744,507	8,421,961	0	0	7,744,507	8,421,961
Capital Grants and Contributions	10,276,787	8,077,969	0	17,860	10,276,787	8,095,829
Total Program Revenues	20,938,532	19,457,576	1,765,762	861,063	22,704,294	20,318,639
General Revenues						
Property Taxes	3,553,916	2,640,422	0	0	3,553,916	2,640,422
Permissive Sales Taxes	5,076,245	3,139,132	0	0	5,076,245	3,139,132
Intergovernmental	907,196	392,463	0	0	907,196	392,463
Royalty Revenue	428,130	130,630	0	0	428,130	130,630
Investment Earnings	193,241	140,933	0	0	193,241	140,933
Miscellaneous	819,630	556,017	20,300	48	839,930	556,065
Total General Revenues	10,978,358	6,999,597	20,300	48	10,998,658	6,999,645
Transfers	(8,250)	0	8,250	0	0	0
Total Revenues and Transfers	31,908,640	26,457,173	1,794,312	861,111	33,702,952	27,318,284
Program Expenses						
General Government						
Legislative and Executive	3,931,622	2,942,032	0	0	3,931,622	2,942,032
Judicial	1,568,212	1,276,936	0	0	1,568,212	1,276,936
Public Safety	4,514,719	3,811,405	0	0	4,514,719	3,811,405
Public Works	5,020,001	4,946,575	0	0	5,020,001	4,946,575
Health	2,631,089	2,566,846	0	0	2,631,089	2,566,846
Human Services	3,800,840	3,634,703	0	0	3,800,840	3,634,703
Economic Development	1,018,703	840,808	0	0	1,018,703	840,808
Interest and Fiscal Charges	301,182	62,553	0	0	301,182	62,553
Care Center	0	0	3,719,674	2,827,725	3,719,674	2,827,725
Total Expenses	22,786,368	20,081,858	3,719,674	2,827,725	26,506,042	22,909,583
Change in Net Position	9,122,272	6,375,315	(1,925,362)	(1,966,614)	7,196,910	4,408,701
Net Position (Deficit) Beginning of Year	49,462,018	43,086,703	(3,296,515)	(1,329,901)	46,165,503	41,756,802
Net Position (Deficit) End of Year	\$58,584,290	\$49,462,018	(\$5,221,877)	(\$3,296,515)	\$53,362,413	\$46,165,503

Governmental Activities

Total revenues and transfers of governmental activities increased by \$5,451,467 during 2017. The County's direct charges to users of governmental services made up \$2,917,238 or 9.5 percent of total governmental revenues. These charges are for fees for real estate transfers, deed and lease recordings, rent, fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits. Operating grants, contributions, and restricted interest decreased \$677,454 and represents 25 percent of total revenues for governmental activities. The County maintained its participation in various federal and state grants; however this decrease is the result of the County being in the final year of multi-year grants and the receivable, along with the associated revenue, has decreased.

Monroe County, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2017 Unaudited

Operating grants, contributions, and restricted interest are normally the largest program revenues, however, for 2017, capital grants and contributions were the largest, an increase from the prior year in the amount of \$2,180,958. The increase is attributable to non-routine capital contributions of infrastructure from the oil and gas industry and as such the program works program showed net revenue for 2017 and did not need to rely on the general revenues of the County to cover expenses.

Permissive sales tax revenues account for \$5,076,245 or 16 percent of total governmental revenues and are directly reflective of the economy and taxable sales within the County. This revenue source, being the County's largest own source revenue, increased by 62 percent from the prior year. Another major component of governmental general revenues was property tax revenues, which accounted for \$3,553,916 or 11 percent of total governmental revenues.

The County's largest expense program during 2017 was public works. With expenses of \$5,020,001, this program also had one of the smallest changes from the prior year, an increase of only \$73,426 or 1 percent of the prior year amount. This was possible with the help of continued capital contributions of infrastructure from the oil and gas industry as previously discussed. Other major program expenses for governmental activities include public safety which accounted for \$4,514,719, legislative and executive programs, which accounted for \$3,931,622, and human services which accounted for \$3,800,840.

Business-Type Activities

The net position for business-type activities decreased \$1,925,362 during 2017 minimally changing from the prior year at a decrease of \$1,966,614. Charges for services were the predominant program revenue, accounting for \$1,765,762 or 98 percent of total business-type revenues. This revenue is derived from residents of the County's care and rehabilitation center. This revenue source reflected a significant change from the prior year, a 109 percent increase. This is due to an increase in Medicaid/Medicare eligible residents. During the year, the County was re-certified and once again admitted Medicaid/Medicare eligible residents. In addition, due to the lack of operating revenue, the Care Center has had to rely upon the County's general government to provide advances to meet day to day needs. The accumulated interfund payable as of year-end totaled \$4,944,554, an increase of \$2,273,011 from the prior year.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services for 2017, as compared to 2016. The Statement of Activities reflects the cost of program services and the charges for services, grants, contributions, and interest offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues, unrestricted intergovernmental revenues, and unrestricted interest earnings.

Monroe County, Ohio

**Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited**

Table 3
Governmental Activities

	<u>Total Cost of Services</u> <u>2017</u>	<u>Net Cost (Revenue) of Services</u> <u>2017</u>	<u>Total Cost of Services</u> <u>2016</u>	<u>Net Cost (Revenue) of Services</u> <u>2016</u>
General Government				
Legislative and Executive	\$3,931,622	\$2,397,434	\$2,942,032	\$1,552,348
Judicial	1,568,212	831,900	1,276,936	742,974
Public Safety	4,514,719	3,809,154	3,811,405	2,789,950
Public Works	5,020,001	(8,848,857)	4,946,575	(6,656,239)
Health	2,631,089	1,780,669	2,566,846	1,646,263
Human Services	3,800,840	564,059	3,634,703	242,928
Economic Development	1,018,703	1,012,295	840,808	243,505
Interest and Fiscal Charges	301,182	301,182	62,553	62,553
Total Expenses	<u>\$22,786,368</u>	<u>\$1,847,836</u>	<u>\$20,081,858</u>	<u>\$624,282</u>

Charges for services, operating and capital grants, contributions, and interest of \$20,938,532, were received and used to fund the governmental activities expenses of the County for 2017. The remaining governmental expenses in the amount of \$1,847,836 are funded by property and permissive sales taxes, non-restricted intergovernmental revenues, interest, and miscellaneous revenues. The net cost of \$3,229,334 in the legislative and executive and judicial programs represent activities related to the governing body as well as activities that directly support other County programs that serve the County's residents. As a result, these programs rely on the general revenues of the County to support their activities. During 2017, public safety net cost of services of \$3,809,154 indicates that the permissive sales tax and property tax levies are necessary for the operation of the sheriff's department and other public safety activity due to insufficient program revenues for these operations. The \$1,780,669 in net cost of services for health programs demonstrates the amount of the costs of services that were not supported from state and federal resources during 2017. As such, the taxpayers have approved property tax levies for the developmental disabilities program. The net revenue in the public works program in the amount of \$8,848,857 is primarily the result of capital donations recognized by the engineer's office for on-behalf work done on infrastructure throughout the County.

Financial Analysis of County Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. Governmental Accounting Standards Board (GASB) Statement No. 54 established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of resources reported in governmental funds. In particular, unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the year.

Monroe County, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2017 Unaudited

As of December 31, 2017, the County's governmental funds reported a combined ending fund balance of \$17,650,981, an increase of \$6,195,283 in comparison with the prior year. Of that total ending fund balance, \$571,583 is non-spendable, \$8,675,768 is restricted, \$5,725 is committed, \$2,442,047 is assigned, and \$5,955,858 is unassigned, as defined in GASB Statement No. 54. Of the amount restricted, \$1,865,516 is restricted for capital outlay, \$384,969 is restricted for court corrections, \$1,598,023 is restricted for roads and bridges, \$1,179,720 is restricted for human services, \$1,796,531 is restricted for developmental disabilities, \$142,635 is restricted for health, \$103,214 is restricted for community development, \$448,123 is restricted for public safety, \$746,234 is restricted for real estate assessment and delinquent tax collection, \$9,481 is restricted for debt service, and \$401,322 is restricted for other purposes.

The General Fund is the primary operating fund of the County. At the end of 2017, unassigned fund balance was \$5,995,351, while total fund balance was \$8,697,711. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 80 percent to total General Fund expenditures, while total fund balance represents 116 percent of that same amount. The fund balance increased from 2016 by \$2,040,677. Management was successful at working hard to maintain expenditures and other financing uses at or below fixed revenue sources adding to the adequate carryover fund balance for the past few years.

At the end of 2017, the Public Assistance Special Revenue Fund had a fund balance of \$270,592, in comparison to the prior year ending fund balance of \$223,905, an increase of \$46,687. This minimal change represents this department's diligence at keeping expenditures in line with revenues and not over-extending the budget. However, cash for carryover into the following year is dependent on fixed and limited state resources.

The fund balance of the Maintenance Special Revenue Fund at December 31, 2017 was \$1,865,518, an increase of \$556,117 from the previous year. This 42 percent change is a direct result of decreased spending levels resulting in a larger carryover fund balance into the next year.

At the end of 2017, the Developmental Disabilities Special Revenue Fund had an ending fund balance of \$1,806,534, an increase of 5 percent from the prior year. Property taxes receivable have added to this increase as the County's tax base has increased. In addition, this fund has been able to add to the carryover cash balance as it has successfully controlled expenditures below fixed revenues.

The fund balance of the Jail Construction Capital Projects Fund at December 31, 2017 was \$1,799,587, an increase in the amount of \$2,958,839. This fund was created during 2016 to construct a new jail facility. Even though there are \$2,738,265 in unspent debt proceeds at year end, this balance is restricted to be spent for capital outlay related to the jail. The notes payable outstanding at December 31, 2016, in the amount of \$15,200,000 were retired during 2017 with the issuance of general obligation bonds and are no longer a liability of this fund and as such eliminated the prior year negative unassigned fund balance.

Proprietary Funds - The County maintains one proprietary fund, the Care Center Enterprise Fund. Enterprise funds are used to report functions presented as business-type activities on the government-wide financial statements. As of December 31, 2017, net position for the County's enterprise fund was (\$5,221,877). Of that total, (\$6,246,207) represents unrestricted net position. The County Care Center has raised fees and limited spending to attempt to increase their net position for the following year. However, as discussed earlier, the census of patients has increased from the prior year resulting in an increase in operating revenue. In addition, accumulated borrowing from the County's General Fund in the amount of \$4,944,554, has created the majority of the overall deficit net position.

Monroe County, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2017 Unaudited

General Fund Budgetary Highlights

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

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

During the course of 2017, the County amended its General Fund estimated revenues and appropriations, and the budgetary statements reflect both the original and final budgeted amounts. The change from the original to the final estimate for ending fund balance was a 319 percent decrease due to the budgeting of advances. For the General Fund, actual revenues were \$3,677,257 higher than final budgeted amounts due mostly to conservative estimates for permissive sales tax revenues which also lead to the ending fund balance being \$4,608,340 higher than final budgeted amount of \$2,107,825.

Capital Assets and Debt Administration

Capital Assets - The County's capital assets for governmental and business-type activities as of December 31, 2017, were \$64,268,398 (net of accumulated depreciation). This includes land and land improvements, construction in progress, infrastructure, buildings and improvements, and vehicles and equipment. Table 4 provides a comparison of capital assets as of the end of 2016 and 2017. In addition, Note 9 (Capital Assets) provides capital asset activity during 2017:

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land and Land Improvements	\$13,359,464	\$247,372	\$0	\$0	\$13,359,464	\$247,372
Construction in Progress	13,147,624	1,021,161	0	0	13,147,624	1,021,161
Infrastructure	29,359,091	34,236,182	0	0	29,359,091	34,236,182
Buildings and Improvements	2,550,414	2,309,502	2,366,234	2,408,249	4,916,648	4,717,751
Vehicles and Equipment	3,449,217	3,527,659	36,354	42,340	3,485,571	3,569,999
Total Capital Assets	<u>\$61,865,810</u>	<u>\$41,341,876</u>	<u>\$2,402,588</u>	<u>\$2,450,589</u>	<u>\$64,268,398</u>	<u>\$43,792,465</u>

Long-Term Debt - As of December 31, 2017, the County had total debt outstanding of \$17,083,368; \$15,657,746 in governmental activities and \$1,425,622 in business-type activities.

Table 5 outlines the long-term debt held by the County during 2017 and 2016:

Monroe County, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2017 Unaudited

Table 5
Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$15,500,000	\$0	\$1,418,053	\$1,526,116	\$16,918,053	\$1,526,116
Promissory Note	1,321	0	0	0	1,321	0
Capital Leases	156,425	207,019	7,569	11,002	163,994	218,021
Total Long-Term Debt	<u>\$15,657,746</u>	<u>\$207,019</u>	<u>\$1,425,622</u>	<u>\$1,537,118</u>	<u>\$17,083,368</u>	<u>\$1,744,137</u>

In addition to the above debt, the County's long-term obligations include compensated absences and net pension liability. Additional information on the County's long-term debt can be found in Note 15 of this report. The County's total unvoted legal debt margin at December 31, 2017, was \$5,593,659.

Moody's Investor Service, Inc., has assigned a rating of MIG 2 to the outstanding County Jail Facilities Notes that were issued during 2016.

Economic Factors

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

The various economic factors were considered in the preparation of the County's 2017 budget, and will be considered in the preparation of future budgets. Appropriate measures will be taken to ensure spending is within available resources.

Requests for Information

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

Monroe County, Ohio
Statement of Net Position
December 31, 2017

	Primary Government		
	Governmental Activities	Business - Type Activities	Total*
Assets			
Equity in Pooled Cash and Cash Equivalents	\$9,686,667	\$10,438	\$9,697,105
Cash and Cash Equivalents In Segregated Accounts	0	1,966	1,966
Cash and Cash Equivalents with Fiscal Agents	295,460	0	295,460
Investments	2,849,860	0	2,849,860
Property Taxes Receivable	2,672,414	0	2,672,414
Permissive Motor Vehicle License Taxes Receivable	5,655	0	5,655
Accounts Receivable	124,668	449,523	574,191
Internal Balances	4,944,269	(4,944,269)	0
Intergovernmental Receivable	2,652,373	0	2,652,373
Prepaid Items	222,152	11,387	233,539
Sales Taxes Receivable	1,425,629	0	1,425,629
Loans Receivable	15,748	0	15,748
Materials and Supplies Inventory	323,463	13,576	337,039
Non-Depreciable Capital Assets	26,507,088	0	26,507,088
Depreciable Capital Assets, Net	35,358,722	2,402,588	37,761,310
<i>Total Assets</i>	<u>87,084,168</u>	<u>(2,054,791)</u>	<u>85,029,377</u>
Deferred Outflows of Resources			
Pension	4,806,116	738,261	5,497,312
Liabilities			
Matured Compensated Absences Payable	14,483	0	14,483
Accounts Payable	713,301	90,047	803,348
Contracts Payable	960,429	0	960,429
Retainage Payable	218,800	0	218,800
Accrued Wages Payable	119,789	40,138	159,927
Intergovernmental Payable	253,732	34,306	288,038
Accrued Interest Payable	126,070	6,186	132,256
Unearned Revenue	127,098	0	127,098
Long-Term Liabilities:			
Due Within One Year	252,628	192,845	445,473
Due In More Than One Year:			
Net Pension Liability (See Note 11)	11,877,949	1,881,460	13,759,409
Other Amounts Due In More Than One Year	15,951,102	1,315,561	17,266,663
<i>Total Liabilities</i>	<u>30,615,381</u>	<u>3,560,543</u>	<u>34,175,924</u>
Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	2,606,451	0	2,606,451
Pension	84,162	344,804	381,901
<i>Total Liabilities</i>	<u>2,690,613</u>	<u>344,804</u>	<u>2,988,352</u>
Net Position			
Net Investment in Capital Assets	47,767,100	1,024,330	48,791,430
Restricted for:			
Other Purposes	255,688	0	255,688
Unclaimed Monies	10,220	0	10,220
Capital Projects	359,491	0	359,491
Public Safety Services	549,855	0	549,855
Public Assistance	264,851	0	264,851
Child Support Enforcement	445,943	0	445,943
Children Services	406,357	0	406,357
Court Operations	773,465	0	773,465
Real Estate Assessment	593,782	0	593,782
Delinquent Tax Collection	148,948	0	148,948
Road and Bridge Maintenance	2,821,420	0	2,821,420
Developmental Disabilities	1,847,429	0	1,847,429
Community Development	93,962	0	93,962
Unrestricted (Deficit)	2,245,779	(6,246,207)	(4,000,428)
<i>Total Net Position (Deficit)</i>	<u>\$58,584,290</u>	<u>(\$5,221,877)</u>	<u>\$53,362,413</u>

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

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Activities
For the Year Ended December 31, 2017

	Program Revenues				Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Governmental Activities	Business - Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government:							
Legislative and Executive	\$3,931,622	\$1,456,758	\$77,430	\$0	(\$2,397,434)	\$0	(\$2,397,434)
Judicial	1,568,212	307,633	428,679	0	(831,900)	0	(831,900)
Public Safety	4,514,719	410,741	294,824	0	(3,809,154)	0	(3,809,154)
Public Works	5,020,001	206,417	3,417,816	10,244,625	8,848,857	0	8,848,857
Health	2,631,089	139,189	679,069	32,162	(1,780,669)	0	(1,780,669)
Human Services	3,800,840	391,058	2,845,723	0	(564,059)	0	(564,059)
Economic Development	1,018,703	5,442	966	0	(1,012,295)	0	(1,012,295)
Interest and Fiscal Charges	301,182	0	0	0	(301,182)	0	(301,182)
<i>Total Governmental Activities</i>	<u>22,786,368</u>	<u>2,917,238</u>	<u>7,744,507</u>	<u>10,276,787</u>	<u>(1,847,836)</u>	<u>0</u>	<u>(1,847,836)</u>
Business-Type Activities:							
Care Center	3,719,674	1,765,762	0	0	0	(1,953,912)	(1,953,912)
<i>Total Business-Type Activities</i>	<u>3,719,674</u>	<u>1,765,762</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,953,912)</u>	<u>(1,953,912)</u>
<i>Total Primary Government</i>	<u>\$26,506,042</u>	<u>\$4,683,000</u>	<u>\$7,744,507</u>	<u>\$10,276,787</u>	<u>(1,847,836)</u>	<u>(1,953,912)</u>	<u>(3,801,748)</u>
General Revenues							
Property Taxes Levied for:							
General Purposes					1,957,292	0	1,957,292
Health					1,596,624	0	1,596,624
Sales Taxes Levied for General Purposes					5,076,245	0	5,076,245
Grants and Entitlements not Restricted to Specific Programs					907,196	0	907,196
Royalty Revenue					428,130	0	428,130
Investment Earnings					193,241	0	193,241
Miscellaneous					819,630	20,300	839,930
Transfers					(8,250)	8,250	0
<i>Total General Revenues</i>					<u>10,970,108</u>	<u>28,550</u>	<u>10,998,658</u>
<i>Change in Net Position</i>					<u>9,122,272</u>	<u>(1,925,362)</u>	<u>7,196,910</u>
Net Position (Deficit) Beginning of Year					<u>49,462,018</u>	<u>(3,296,515)</u>	<u>46,165,503</u>
<i>Net Position (Deficit) End of Year</i>					<u>\$58,584,290</u>	<u>(\$5,221,877)</u>	<u>\$53,362,413</u>

See accompanying notes to the basic financial statements

**Monroe County, Ohio
Balance Sheet
Governmental Funds
December 31, 2017**

	General	Public Assistance	Maintenance	Developmental Disabilities	Jail Construction	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$2,951,913	\$344,990	\$1,310,356	\$1,587,788	\$0	\$3,481,400	\$9,676,447
Cash and Cash Equivalents with Fiscal Agents	0	0	0	295,460	0	0	295,460
Investments	0	0	0	0	2,849,860	0	2,849,860
Receivables:							
Property Taxes	1,381,370	0	0	1,138,838	0	152,206	2,672,414
Interfund	5,146,610	13,445	3,687	0	0	23,083	5,186,825
Accounts	87,199	0	4,926	0	0	32,543	124,668
Intergovernmental	440,525	129,750	1,608,903	163,136	0	310,059	2,652,373
Permissive Motor Vehicle License	0	0	5,655	0	0	0	5,655
Sales Taxes	1,425,629	0	0	0	0	0	1,425,629
Loans Receivable	0	0	0	0	0	15,748	15,748
Prepaid Items	187,113	1,808	16,129	7,285	0	9,817	222,152
Materials and Supplies Inventory	57,255	1,666	258,379	2,718	0	3,445	323,463
Restricted Cash and Cash Equivalents	10,220	0	0	0	0	0	10,220
Total Assets	\$11,687,834	\$491,659	\$3,208,035	\$3,195,225	\$2,849,860	\$4,028,301	\$25,460,914
Liabilities and Fund Balances							
Liabilities							
Accounts Payable	\$377,169	\$42,029	\$103,054	\$100,013	\$0	\$91,036	\$713,301
Contracts Payable	0	0	0	0	831,473	128,956	960,429
Matured Compensated Absences	14,483	0	0	0	0	0	14,483
Retainage Payable	0	0	0	0	218,800	0	218,800
Interfund Payable	1,729	36,181	90,250	8,748	0	105,648	242,556
Accrued Wages Payable	40,676	3,173	48,001	14,959	0	12,980	119,789
Unearned Revenue	0	0	0	0	0	127,098	127,098
Intergovernmental Payable	156,732	9,934	28,895	40,671	0	17,500	253,732
Total Liabilities	590,789	91,317	270,200	164,391	1,050,273	483,218	2,650,188
Deferred Inflows of Revenues							
Property Taxes not Levied to Finance Current							
Year Operations	1,347,274	0	0	1,110,728	0	148,449	2,606,451
Unavailable Revenue	1,052,060	129,750	1,072,317	113,572	0	185,595	2,553,294
Total Deferred Inflows of Revenues	2,399,334	129,750	1,072,317	1,224,300	0	334,044	5,159,745
Fund Balances							
Nonspendable:							
Inventory	57,255	1,666	258,379	2,718	0	3,445	323,463
Prepays	187,113	1,808	16,129	7,285	0	9,817	222,152
Long-Term Receivables	0	0	0	0	0	15,748	15,748
Unclaimed Monies	10,220	0	0	0	0	0	10,220
Restricted to:							
Capital Outlay	0	0	0	0	1,799,587	65,929	1,865,516
Court Corrections	0	0	0	0	0	384,969	384,969
Roads and Bridges	0	0	1,591,010	0	0	7,013	1,598,023
Human Services	0	267,118	0	0	0	912,602	1,179,720
Community Development	0	0	0	0	0	103,214	103,214
Public Safety	0	0	0	0	0	448,123	448,123
Developmental Disabilities	0	0	0	1,796,531	0	0	1,796,531
Health	0	0	0	0	0	142,635	142,635
Debt Service	0	0	0	0	0	9,481	9,481
Real Estate Assessment and Delinquent Tax Collection	0	0	0	0	0	746,234	746,234
Other Purposes	0	0	0	0	0	401,322	401,322
Committed to Unpaid Obligations	5,725	0	0	0	0	0	5,725
Assigned to:							
Purchases on Order	386,154	0	0	0	0	0	386,154
Subsequent Year's Appropriations	2,055,893	0	0	0	0	0	2,055,893
Unassigned (Deficit)	5,995,351	0	0	0	0	(39,493)	5,955,858
Total Fund Balances	8,697,711	270,592	1,865,518	1,806,534	1,799,587	3,211,039	17,650,981
Total Liabilities, Deferred Inflows of Revenues, and Fund Balances	\$11,687,834	\$491,659	\$3,208,035	\$3,195,225	\$2,849,860	\$4,028,301	\$25,460,914

See accompanying notes to the basic financial statements

Monroe County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2017

Total Governmental Fund Balances		\$17,650,981
 <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.		61,865,810
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds:		
Delinquent Property Taxes	65,963	
Permissive Sales Taxes	516,952	
Intergovernmental	1,654,600	
Accounts	315,779	
Total	2,553,294	2,553,294
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	4,806,116	
Deferred Inflows - Pension	(84,162)	
Net Pension Liability	(11,877,949)	
Total	(7,155,995)	(7,155,995)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(126,070)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Bonds	(15,500,000)	
Long-term Notes	(1,321)	
Compensated Absences	(545,984)	
Capital Leases	(156,425)	
Total	(16,203,730)	(16,203,730)
Net Position of Governmental Activities		\$58,584,290

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General	Public Assistance	Maintenance	Developmental Disabilities	Jail Construction	Other Governmental Funds	Total Governmental Funds
Revenues							
Property Taxes	\$1,953,691	\$0	\$0	\$1,388,005	\$0	\$214,182	\$3,555,878
Permissive Sales Taxes	4,840,768	0	0	0	0	0	4,840,768
Permissive MVL Taxes	0	0	80,570	0	0	0	80,570
Intergovernmental	1,033,444	2,171,940	3,395,862	698,214	0	2,438,406	9,737,866
Interest	112,306	0	4,095	2,402	86,453	10,447	215,703
Licenses and Permits	1,137	0	79,613	0	0	60,313	141,063
Fines and Forfeitures	44,523	0	15,578	0	0	43,160	103,261
Rentals	0	0	0	0	0	2,562	2,562
Leases	428,130	0	0	0	0	0	428,130
Charges for Services	1,576,483	143,513	30,506	11,269	0	952,699	2,714,470
Contributions and Donations	495	0	0	0	0	100,702	101,197
Other	304,636	23,623	245,210	53,139	400	134,491	761,499
<i>Total Revenues</i>	<u>10,295,613</u>	<u>2,339,076</u>	<u>3,851,434</u>	<u>2,153,029</u>	<u>86,853</u>	<u>3,956,962</u>	<u>22,682,967</u>
Expenditures							
Current:							
General Government:							
Legislative and Executive	2,255,042	0	0	0	0	381,821	2,636,863
Judicial	1,159,465	0	0	0	0	285,191	1,444,656
Public Safety	3,104,382	0	0	0	0	782,045	3,886,427
Public Works	42,180	0	3,327,869	0	0	456,635	3,826,684
Health	513,520	0	0	1,692,639	0	390,782	2,596,941
Human Services	304,997	2,292,389	0	0	0	930,072	3,527,458
Economic Development	110,133	0	0	0	0	904,792	1,014,925
Capital Outlay	0	0	0	368,463	12,458,732	12,095	12,839,290
Debt Service:							
Principal Retirement	2,513	0	48,081	0	0	10,774	61,368
Interest and Fiscal Charges	298	0	5,407	0	169,282	125	175,112
<i>Total Expenditures</i>	<u>7,492,530</u>	<u>2,292,389</u>	<u>3,381,357</u>	<u>2,061,102</u>	<u>12,628,014</u>	<u>4,154,332</u>	<u>32,009,724</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,803,083</u>	<u>46,687</u>	<u>470,077</u>	<u>91,927</u>	<u>(12,541,161)</u>	<u>(197,370)</u>	<u>(9,326,757)</u>
Other Financing Sources (Use)							
Transfers In	0	0	86,040	0	0	686,311	772,351
General Obligation Bonds Issued	0	0	0	0	15,500,000	0	15,500,000
Notes Issued	0	0	0	0	0	12,095	12,095
Proceeds from Sale of Capital Assets	18,195	0	0	0	0	0	18,195
Transfers Out	(780,601)	0	0	0	0	0	(780,601)
<i>Total Other Financing Sources (Use)</i>	<u>(762,406)</u>	<u>0</u>	<u>86,040</u>	<u>0</u>	<u>15,500,000</u>	<u>698,406</u>	<u>15,522,040</u>
<i>Net Change in Fund Balances</i>	2,040,677	46,687	556,117	91,927	2,958,839	501,036	6,195,283
Fund Balances (Deficit) at Beginning of Year	6,657,034	223,905	1,309,401	1,714,607	(1,159,252)	2,710,003	11,455,698
<i>Fund Balances at End of Year</i>	<u>\$8,697,711</u>	<u>\$270,592</u>	<u>\$1,865,518</u>	<u>\$1,806,534</u>	<u>\$1,799,587</u>	<u>\$3,211,039</u>	<u>\$17,650,981</u>

See accompanying notes to the basic financial statements

Monroe County, Ohio
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2017

Net Change in Fund Balances - Governmental Funds \$6,195,283

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

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

Capital Asset Additions - Capital Outlay	13,695,531	
Capital Asset Additions - Capital Contributions	9,782,263	
Current Year Depreciation	<u>(1,933,969)</u>	
Total		21,543,825

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

Proceeds from Sale of Capital Assets	(18,195)	
Loss on Disposal of Assets	<u>(1,001,696)</u>	
Total		(1,019,891)

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

Property Taxes	(1,962)	
Intergovernmental	(703,292)	
Sales Taxes	235,477	
Licenses and Permits	150	
Charges for Services	(124,838)	
Interest	(14,999)	
Other	<u>58,131</u>	
Total		(551,333)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows or a reduction in the net pension liability. 985,883

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (2,467,782)

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

Proceeds of Bonds	(15,500,000)	
Proceeds of Notes	<u>(12,095)</u>	
		(15,512,095)

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

Notes	10,774	
Capital Leases	<u>50,594</u>	
		61,368

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. (126,070)

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

Compensated Absences Payable	<u>13,084</u>	
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Change in Net Position of Governmental Activities \$9,122,272

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$964,000	\$964,000	\$1,948,054	\$984,054
Permissive Sales Taxes	2,375,000	2,375,000	4,426,743	2,051,743
Intergovernmental	748,131	756,461	772,667	16,206
Charges for Services	1,551,743	1,553,309	1,584,608	31,299
Fines and Forfeitures	45,250	45,250	44,503	(747)
Licenses and Permits	1,700	1,700	1,162	(538)
Interest	130,000	130,000	92,329	(37,671)
Contributions and Donations	1,300	1,300	495	(805)
Leases-Oil and Gas	2,500	2,500	558,697	556,197
Other	102,751	307,144	384,663	77,519
<i>Total Revenues</i>	5,922,375	6,136,664	9,813,921	3,677,257
Expenditures				
Current:				
General Government:				
Legislative and Executive	2,162,644	2,726,304	2,302,498	423,806
Judicial	1,447,745	1,315,805	1,162,017	153,788
Public Safety	3,109,788	3,592,356	3,516,827	75,529
Public Works	15,000	33,086	33,086	0
Health	575,462	612,055	478,206	133,849
Human Services	352,835	388,537	278,916	109,621
Community and Economic Development	107,500	120,627	114,422	6,205
Debt Service:				
Principal Retirement	2,513	2,513	2,513	0
Interest and Fiscal Charges	298	298	298	0
<i>Total Expenditures</i>	7,773,785	8,791,581	7,888,783	902,798
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,851,410)	(2,654,917)	1,925,138	4,580,055
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	500	8,879	18,195	9,316
Advances In	65,454	65,454	61,454	(4,000)
Transfers Out	(202,094)	(785,670)	(780,601)	5,069
Advances Out	0	(2,291,943)	(2,274,043)	17,900
<i>Total Other Financing Sources (Uses)</i>	(136,140)	(3,003,280)	(2,974,995)	28,285
<i>Net Change in Fund Balance</i>	(1,987,550)	(5,658,197)	(1,049,857)	4,608,340
Fund Balance at Beginning of Year	2,999,616	2,999,616	2,999,616	0
Prior Year Encumbrances Appropriated	158,066	158,066	158,066	0
<i>Fund Balance at End of Year</i>	\$1,170,132	(\$2,500,515)	\$2,107,825	\$4,608,340

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Public Assistance Fund
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$137,091	\$137,091	\$136,296	(\$795)
Intergovernmental	2,013,000	2,013,000	2,174,308	161,308
Other	51,000	51,000	24,101	(26,899)
<i>Total Revenues</i>	<u>2,201,091</u>	<u>2,201,091</u>	<u>2,334,705</u>	<u>133,614</u>
Expenditures				
Current:				
Human Services	<u>2,788,504</u>	<u>2,524,013</u>	<u>2,354,690</u>	<u>169,323</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(587,413)</u>	<u>(322,922)</u>	<u>(19,985)</u>	<u>302,937</u>
Other Financing Source (Use)				
Transfers In	342,909	342,909	0	(342,909)
Transfers Out	<u>(110,000)</u>	<u>(110,000)</u>	<u>0</u>	<u>110,000</u>
<i>Total Other Financing Source (Use)</i>	<u>232,909</u>	<u>232,909</u>	<u>0</u>	<u>(232,909)</u>
<i>Net Change in Fund Balance</i>	(354,504)	(90,013)	(19,985)	70,028
Fund Balance at Beginning of Year	<u>364,804</u>	<u>364,804</u>	<u>364,804</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$10,300</u>	<u>\$274,791</u>	<u>\$344,819</u>	<u>\$70,028</u>

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Maintenance Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Permissive Motor Vehicle License Tax	\$80,616	\$80,616	\$80,616	\$0
Intergovernmental	3,289,384	3,289,384	3,390,613	101,229
Charges for Services	30,000	30,000	29,578	(422)
Licenses and Permits	0	525	74,837	74,312
Fines and Forfeitures	15,000	15,000	15,578	578
Interest	4,200	4,200	4,082	(118)
Other	25,000	750,372	245,318	(505,054)
<i>Total Revenues</i>	3,444,200	4,170,097	3,840,622	(329,475)
Expenditures				
Current:				
Public Works	3,528,072	4,283,922	3,537,822	746,100
Debt Service:				
Principal Retirement	48,081	48,081	48,081	0
Interest and Fiscal Charges	5,407	5,407	5,407	0
<i>Total Expenditures</i>	3,581,560	4,337,410	3,591,310	746,100
<i>Excess of Revenues Over (Under) Expenditures</i>	(137,360)	(167,313)	249,312	416,625
Other Financing Source (Uses)				
Transfers In	100,000	100,000	86,040	(13,960)
Transfers Out	(100,000)	(250,000)	0	250,000
Advances Out	(41,454)	(46,741)	(45,141)	1,600
<i>Total Other Financing Source (Uses)</i>	(41,454)	(196,741)	40,899	237,640
<i>Net Change in Fund Balance</i>	(178,814)	(364,054)	290,211	654,265
Fund Balance at Beginning of Year	721,375	721,375	721,375	0
Prior Year Encumbrances Appropriated	79,060	79,060	79,060	0
<i>Fund Balance at End of Year</i>	\$621,621	\$436,381	\$1,090,646	\$654,265

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Developmental Disabilities
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,069,000	\$1,069,000	\$1,383,174	\$314,174
Charges for Services	7,000	7,000	11,269	4,269
Intergovernmental	759,000	759,000	678,557	(80,443)
Interest	1,000	1,000	2,402	1,402
Other	7,000	42,000	53,139	11,139
<i>Total Revenues</i>	1,843,000	1,878,000	2,128,541	250,541
Expenditures				
Current:				
Health	2,008,081	2,045,047	1,655,339	389,708
Capital Outlay	50,000	453,436	451,690	1,746
<i>Total Expenditures</i>	2,058,081	2,498,483	2,107,029	391,454
<i>Excess of Revenues Over (Under) Expenditures</i>	(215,081)	(620,483)	21,512	641,995
Other Financing Source (Use)				
Transfers In	300,000	325,000	0	(325,000)
Transfers Out	(200,000)	(311,243)	0	311,243
<i>Total Other Financing Source (Use)</i>	100,000	13,757	0	(13,757)
<i>Net Change in Fund Balance</i>	(115,081)	(606,726)	21,512	628,238
Fund Balance at Beginning of Year	1,689,358	1,689,358	1,689,358	0
Prior Year Encumbrances Appropriated	46,081	46,081	46,081	0
<i>Fund Balance at End of Year</i>	\$1,620,358	\$1,128,713	\$1,756,951	\$628,238

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Fund Net Position
Proprietary Fund
December 31, 2017

	Business-Type Activity
	Care Center
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$10,438
Cash and Cash Equivalents in Segregated Accounts	1,966
Accounts Receivable	449,523
Interfund Receivable	285
Prepaid Items	11,387
Materials and Supplies Inventory	13,576
<i>Total Current Assets</i>	487,175
Noncurrent Assets:	
Depreciable Capital Assets, Net	2,402,588
<i>Total Assets</i>	2,889,763
Deferred Outflows of Resources	
Pension	738,261
Liabilities	
Current Liabilities:	
Accounts Payable	90,047
Accrued Wages Payable	40,138
Intergovernmental Payable	34,306
Accrued Interest Payable	6,186
Compensated Absences Payable	74,109
General Obligation Bonds Payable	115,000
Capital Leases Payable	3,736
Interfund Payable	4,944,554
<i>Total Current Liabilities</i>	5,308,076
Long-Term Liabilities (Net of Current Portion):	
Compensated Absences Payable	8,675
General Obligation Bonds Payable	1,303,053
Capital Leases Payable	3,833
Net Pension Liability	1,881,460
<i>Total Long-Term Liabilities</i>	3,197,021
<i>Total Liabilities</i>	8,505,097
Deferred Inflows of Resources	
Pension	344,804
Net Position	
Net Investment in Capital Assets	1,024,330
Unrestricted (Deficit)	(6,246,207)
<i>Total Net Position (Deficit)</i>	(\$5,221,877)

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended December 31, 2017

	Business-Type Activity
	Care Center
Operating Revenues	
Charges for Services	\$1,765,762
Other	20,300
<i>Total Operating Revenues</i>	1,786,062
Operating Expenses	
Personal Services	2,218,952
Contractual Services	933,953
Materials and Supplies	349,659
Depreciation	86,453
Other	38,436
<i>Total Operating Expenses</i>	3,627,453
<i>Operating Loss</i>	(1,841,391)
Non-Operating (Expenses)	
Interest and Fiscal Charges	(83,981)
Loss on Disposal of Capital Assets	(8,240)
<i>Total Non-Operating (Expenses)</i>	(92,221)
<i>Loss Before Transfers</i>	(1,933,612)
Transfers In	8,250
<i>Change in Net Position</i>	(1,925,362)
Net Position (Deficit) Beginning of Year	(3,296,515)
<i>Net Position (Deficit) End of Year</i>	(\$5,221,877)

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2017

	Business-Type Activity Care Center
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	\$1,410,168
Cash Received from Other Operating Revenues	21,282
Cash Payments for Employee Services and Benefits	(2,103,797)
Cash Payments for Goods and Services	(1,326,320)
Cash Payments for Other Operating Expenses	(36,232)
<i>Net Cash Used for Operating Activities</i>	(2,034,899)
Cash Flows from Noncapital Financing Activities	
Advances In	2,259,250
Transfers In	8,250
Advances Out	(20,000)
<i>Net Cash Provided by Noncapital Financing Activities</i>	2,247,500
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(46,692)
Principal Paid on General Obligation Bonds	(105,000)
Principal Paid Capital Leases	(3,433)
Interest and Fiscal Charges Paid on Capital Leases	(803)
Interest and Fiscal Charges Paid on General Obligation Bonds	(86,583)
<i>Net Cash Used for Capital and Related Financing Activities</i>	(242,511)
<i>Net Decrease in Cash and Cash Equivalents</i>	(29,910)
Cash and Cash Equivalents Beginning of Year	42,314
<i>Cash and Cash Equivalents End of Year</i>	\$12,404
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$1,841,391)
Adjustments:	
Depreciation	86,453
Changes in Assets and Deferred Outflows of Resources and Liabilities and Deferred Inflows of Resources:	
Increase in Accounts Receivable	(354,405)
Decrease in Materials and Supplies Inventory	14,233
Decrease in Prepaid Items	1,691
Increase in Interfund Receivable	(207)
Decrease in Deferred Outflows of Resources - Pension	314,137
Decrease in Accounts Payable	(83,472)
Increase in Accrued Wages Payable	12,243
Increase in Compensated Absences Payable	18,781
Increase in Interfund Payable	33,761
Decrease in Deferred Inflows of Resources - Pension	(143,478)
Decrease in Net Pension Liability	(96,721)
Increase in Intergovernmental Payable	3,476
<i>Net Cash Used for Operating Activities</i>	(\$2,034,899)

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2017

Assets

Equity in Pooled Cash and Cash Equivalents	\$2,629,374
Cash and Cash Equivalents in Segregated Accounts	312,202
Investments in Segregated Accounts	72,107
Receivables:	
Property Taxes	28,282,729
Accounts	198,756
Permissive Motor Vehicle License	1,370
Intergovernmental	<u>1,865,344</u>
 <i>Total Assets</i>	 <u><u>\$33,361,882</u></u>

Liabilities

Intergovernmental Payable	\$32,358,709
Deposits Held and Due to Others	557,596
Undistributed Monies	<u>445,577</u>
 <i>Total Liabilities</i>	 <u><u>\$33,361,882</u></u>

See accompanying notes to the basic financial statements

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

NOTE 1 - REPORTING ENTITY

Established in 1813, Monroe County, Ohio (the County), is governed by a board of three commissioners elected by the voters of the County. Other officials elected by the voters of the County who manage various segments of the County's operations are the County Auditor, County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a County Court Judge, and a Common Pleas-Juvenile-Probate Court Judge. Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body, and chief administrators of public services for the County, including each of these departments.

Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the County are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the County.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the program's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the levying of taxes, the issuance of debt, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burden on, the primary government. The Monroe Adult Crafts Organization, Inc. (Workshop) was previously presented as a component unit of the County. However, for 2017, this component unit's activity was considered insignificant and thus excluded from the financial statements.

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

Monroe County Agricultural Society
Monroe County Historical Society

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the county treasury. In the case of the separate agencies, boards, and commissions listed below, the County serves as fiscal agent, but is not financially accountable for their operations. Accordingly, the activity of the following entities is presented as agency funds in the County's financial statements:

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

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

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

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

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

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

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the County at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and for the business-type activities of the County. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The policy of the County is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

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

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

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

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

Public Assistance Fund - The Public Assistance Fund accounts for various federal and state grants restricted to provide public assistance to general relief recipients and to pay their providers of medical assistance and certain public social services.

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

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

Jail Construction - This fund accounts for the sale of notes. Expenditures are restricted for the capital outlay relating to the construction of a jail facility.

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

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

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

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

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's fiduciary funds are all classified as agency funds. The agency funds account for assets held by the County as agent for the Board of Health and other districts and entities and for various taxes and state shared resources collected on behalf of and distributed to other local governments.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the County are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

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

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

Basis of Accounting

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

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales taxes (see Note 7), interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees, and rentals.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the County, deferred outflows of resources include pension. The deferred outflows of resources related to pension are explained in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes, unavailable revenue, and pension. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the County unavailable revenue includes delinquent property taxes, permissive sales taxes, interest, accounts receivable, and intergovernmental grants and entitlements. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 20. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 11)

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

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

Budgetary Process

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

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

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

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

Cash and Cash Equivalents

Cash balances of the County's funds, except cash held by a trustee, fiscal agent, or held in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. During 2017, investments were limited to marketable certificates of deposit, non-participating certificates of deposit, and STAR Ohio. Except for nonparticipating certificates of deposit, investments are reported at fair value which is based on quoted market prices. Non-participating certificates of deposit are reported at cost or amortized cost. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants". The County measures 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.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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

Provisions of the Ohio Revised Code restrict investment procedures. Under existing Ohio statutes, all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue is distributed to the funds according to the Monroe County Prosecutor's interpretation of Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2017 amounted to \$112,306 which includes \$98,677 assigned from other County funds.

Restricted Assets

The Governmental Balance Sheet is showing restricted cash and cash equivalents in the General Fund for unclaimed monies not available for appropriation.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

Receivables and Payables

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

Inventory of Supplies

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Interfund Balances

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

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The County was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price level to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The County maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest costs incurred during the construction of capital assets utilized by the enterprise funds are also capitalized.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

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

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

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

Compensated Absences

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

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

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

Pensions

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

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

Accrued Liabilities and Long-Term Obligations

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

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

Bond Premiums, Discounts, and Issuance Costs

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

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

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

Capital Contributions

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, prepaids, as well as inventory, unless the use of the proceeds from the collection of those receivables, or from the use of the prepaids and inventory, is restricted, committed, or assigned.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the County Commissioners. Those committed amounts cannot be used for any other purpose unless the County Commissioners removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the County Commissioners. In the General Fund, assigned amounts represent intended uses established by the County Commissioners or a County official delegated that authority by resolution or by State Statute. State statute authorizes the County Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The County Commissioners assigned fund balance to cover a gap between estimated revenue and appropriations in 2018's appropriated budget.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Internal Activity

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

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

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

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

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes primarily includes net assets restricted for senior services, youth services, and local health and victims advocate programs. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Operating Revenues and Expenses

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County and that are either unusual in nature or infrequent in occurrence.

Estimates

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund and each major special revenue fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

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

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

Monroe County, Ohio

**Notes to the Basic Financial Statements
December 31, 2017**

Net Change in Fund Balances
General and Major Special Revenue Funds

	<u>General</u>	<u>Public Assistance</u>	<u>Maintenance</u>	<u>Developmental Disabilities</u>
GAAP Basis	\$2,040,677	\$46,687	\$556,117	\$91,927
Net Adjustment for Revenue Accruals	(339,730)	(4,371)	(10,799)	(32,882)
Beginning of the Year:				
Unrecorded Cash	80,415	0	376	13,225
Agency Fund Cash Allocation	26,670	0	0	22,860
Prepaid Items	185,560	2,108	9,036	3,799
End of the Year:				
Unrecorded Cash	(216,740)	0	(389)	0
Agency Fund Cash Allocation	(32,307)	0	0	(27,691)
Prepaid Items	(187,113)	(1,808)	(16,129)	(7,285)
Net Adjustment for Expenditure Accruals	210,561	(62,430)	16,461	56,165
Advances In	61,454	0	0	0
Advances Out	(2,274,043)	0	(45,141)	0
Encumbrances	(605,261)	(171)	(219,321)	(98,606)
Budget Basis	<u>(\$1,049,857)</u>	<u>(\$19,985)</u>	<u>\$290,211</u>	<u>\$21,512</u>

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

Accountability

The Dog and Kennel Special Revenue Fund and the Care Center Enterprise Fund had deficit fund balances/net position in the amounts of \$38,688 and \$5,221,877, respectively, as of December 31, 2017. These deficits are due to the recognition of payables in accordance with generally accepted accounting principles as well as interfund loans from the General Fund needed for operations by the Care Center Enterprise Fund. The General Fund provides operating transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Compliance

Contrary to Section 5705.39, Revised Code, the General Fund had appropriations exceeding estimated resources in the amount of \$2,500,515, the Engineer Capital Improvement Capital Projects Fund had appropriations exceeding estimated resources in the amount of \$3,687, and the Care Center Enterprise Fund had appropriations exceeding estimated resources in the amount of \$616,586.

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

Dog and Kennel Special Revenue Fund
 Capital Outlay
 Capital Outlay - \$12,095

Monroe County, Ohio

**Notes to the Basic Financial Statements
December 31, 2017**

Issue II Capital Projects Fund
Public Works
Contractual Services - \$20,046

Engineer Capital Improvement Capital Projects Fund
Public Works
Contractual Services - \$75,390

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

NOTE 5 - DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demands upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Monies held by the County, which are not considered active, are classified as inactive.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Inactive monies may be deposited or invested, with certain limitations, in the following securities provided the County has filed a written investment policy with the Ohio Auditor of State:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or security issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts, in eligible institutions pursuant to ORC section 135.32;

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

6. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service or consisting exclusively of obligations described in (1) or (2) above; commercial paper as described in ORC section 135.143 (6); and repurchase agreements secured by such obligations, provided these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities or cash, equal value for equal value;
9. Up to forty percent of the County's average portfolio in either of the following:
 - a. Commercial paper notes in entities incorporated under the laws of Ohio, or any other State, that have assets exceeding five hundred million dollars, which are rated in the highest classification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase.
 - b. Bankers acceptances eligible for purchase by the Federal Reserve System and which mature within 180 days after purchase.
10. Up to fifteen percent of the County's average portfolio in notes issued by U.S. corporations or by depository institutions doing business under authority granted by the U.S. provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. A current unpaid or delinquent tax line of credit, provided certain conditions are met related to a County land reutilization corporation under ORC Chapter 1724; and,
12. Up to two percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Bankers' acceptances must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

At December 31, 2017, the Developmental Disabilities Special Revenue Fund had a cash balance of \$295,460 with MEORC, a jointly governed organization (see Note 18). The money is held by MEORC in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 40. Any risk associated with the cash and cash equivalents and investments for MEORC as a whole may be obtained from their audit report. To obtain financial information, write to the Mid East Ohio Regional Council, Cathy Henthorn, who serves as Director of Financial Operations, 1 Avalon Road, Mt. Vernon, Ohio 43050.

Cash on Hand

At year-end, the County had \$516,264 in undeposited cash on hand which is included on the financial statements of the County as part of "Equity in Pooled Cash and Cash Equivalents" and "Cash and Cash Equivalents in Segregated Accounts".

Deposits

Custodial Credit Risk Custodial Credit Risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, \$4,581,213 of the County's bank balance of \$6,954,819 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited within a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited with the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

One of the County's two financial institutions were in the process of joining OPCS; however, at December 31, 2017, the financial institutions still maintained their own collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits secured.

Investments

As of December 31, 2017, the County had the following investments which are in the internal investment pool:

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

	Measure- ment Amount	Maturity	Percent of Total Investments	Rating	Rating Agency
Fair Value - Level 2 Inputs:					
Marketable Certificates of Deposit	\$6,914,863	02/08/2018-05/19/2022	100%	N/A	N/A
Net Asset Value Per Share:					
STAROhio	\$2,716,033	52.1 days	N/A	AAAm	S&P

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the County's recurring fair value measurements as of December 31, 2017. The County's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

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

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

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

Concentration of Credit Risk The County places no limit on the amount it may invest in any one issuer. The percentage of total investments in listed in the table above.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

2017 real property taxes were levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes which became a lien December 31, 2016, were levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2017, was \$8.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2017 property tax receipts were based are as follows:

Real Property	\$396,555,100
Public Utility Personal Property	177,637,260
Total Assessed Value	<u>\$574,192,360</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds. Property taxes receivable represents real and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2017, and for which there is an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2017 operations is offset to deferred inflows of resources - property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources - unavailable revenue.

NOTE 7 - PERMISSIVE SALES AND USE TAXES

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

Vendor collections of the permissive sales tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the Office of Budget and Management the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The Tax Commissioner shall then, on or before the twentieth day of the month in which certification is made, provide for payment to the County. Proceeds of the tax are credited entirely to the General Fund.

Monroe County, Ohio

Notes to the Basic Financial Statements
December 31, 2017

NOTE 8 - RECEIVABLES

Receivables at December 31, 2017, consisted of taxes, sales taxes, interfund, accounts (billings for user charged services), loans, permissive motor vehicle license tax, and intergovernmental receivables arising from grants, entitlements and shared revenues.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amount</u>
Property Tax Allocations	\$117,352
Local Government, Local Government Revenue Assistance, and Library and Local Governmental Support Subsidies	118,166
Motor Vehicle License Tax	430,850
Motor Vehicle Gas Tax	1,176,888
Sales Tax Transition Aid	139,173
Casino Revenue	83,948
Indigent Defense	25,819
Justice Reinvestment Grants	58,718
Youth Services Grants	28,763
DARE Grant	5,307
Targeted Community Alternatives Grant	45,000
Highway and Bridge Grants	12,200
Public Assistance Grants and Subsidies	129,750
Child Support Enforcement Grants and Subsidies	41,908
Monroe County Public Transportation Grants	38,130
Community Corrections Grants	11,000
Developmental Disabilities State and Federal Grants	59,145
VWAP Grants	26,737
Miscellaneous Intergovernmental Receivables	103,519
Total Intergovernmental Receivables	<u>\$2,652,373</u>

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

Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$65,963 may not be collected within one year.

The Community Development Block Grant Special Revenue Fund reflects loans receivable of \$15,748. This amount is for the principal owed to the County for Federal Community Development Block Grant Program monies loaned to businesses for improvements.

Monroe County, Ohio

**Notes to the Basic Financial Statements
December 31, 2017**

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017
<u>Governmental Activities</u>				
Non-Depreciable Capital Assets:				
Land and Land Improvements	\$8,734,614	\$4,624,850	\$0	\$13,359,464
Construction In Progress	1,021,161	12,126,463	0	13,147,624
Total Non-Depreciable Capital Assets	<u>9,755,775</u>	<u>16,751,313</u>	<u>0</u>	<u>26,507,088</u>
Depreciable Capital Assets:				
Infrastructure	30,916,059	5,716,383	(1,297,497)	35,334,945
Buildings and Improvements	4,234,417	352,925	(38,862)	4,548,480
Vehicles and Equipment	7,920,268	657,173	(452,610)	8,124,831
Total Depreciable Capital Assets	<u>43,070,744</u>	<u>6,726,481</u>	<u>(1,788,969)</u>	<u>48,008,256</u>
Accumulated Depreciation:				
Infrastructure	(5,167,119)	(1,150,760)	342,025	(5,975,854)
Buildings and Improvements	(1,924,915)	(110,716)	37,565	(1,998,066)
Vehicles and Equipment	(4,392,609)	(672,493)	389,488	(4,675,614)
Total Accumulated Depreciation	<u>(11,484,643)</u>	<u>(1,933,969) *</u>	<u>769,078</u>	<u>(12,649,534)</u>
Total Depreciable Capital Assets, Net	<u>31,586,101</u>	<u>4,792,512</u>	<u>(1,019,891)</u>	<u>35,358,722</u>
Governmental Capital Assets, Net	<u>\$41,341,876</u>	<u>\$21,543,825</u>	<u>(\$1,019,891)</u>	<u>\$61,865,810</u>

*Depreciation expense was charged to governmental activities as follows:

Legislative and Executive	\$74,877
Judicial	21,193
Public Safety	270,261
Public Works	1,385,124
Health	106,994
Human Services	74,735
Economic Development	785
Total Depreciation Expense	<u>\$1,933,969</u>

During 2017, the County received infrastructure capital contributions valued at \$9,782,263 from vendors in the oil and gas industry. These contributions are the result of keeping the condition of the roads at, or above, standards set by the County Engineer.

Monroe County, Ohio

**Notes to the Basic Financial Statements
December 31, 2017**

	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017
<u>Business - Type Activities</u>				
Depreciable Capital Assets:				
Buildings and Improvements	3,902,202	46,692	(8,240)	3,940,654
Vehicles and Equipment	159,786	0	0	159,786
Total Depreciable Capital Assets	<u>4,061,988</u>	<u>46,692</u>	<u>(8,240)</u>	<u>4,100,440</u>
Accumulated Depreciation:				
Buildings and Improvements	(1,493,953)	(80,467)	0	(1,574,420)
Vehicles and Equipment	(117,446)	(5,986)	0	(123,432)
Total Accumulated Depreciation	<u>(1,611,399)</u>	<u>(86,453)</u>	<u>0</u>	<u>(1,697,852)</u>
Total Depreciable Capital Assets/ Business-Type Activities Capital Assets, Net	<u>2,450,589</u>	<u>(39,761)</u>	<u>(8,240)</u>	<u>2,402,588</u>

NOTE 10 - RISK MANAGEMENT

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

General Liability	\$1,000,000 each occurrence
Law Enforcement Liability	\$1,000,000 each occurrence
Automobile Liability	\$1,000,000 each occurrence
Errors and Omissions Liability	\$1,000,000 each occurrence
	\$1,000,000 annual aggregate
	\$100,000 each occurrence back wages
Excess Liability	\$3,000,000 each occurrence
	\$3,000,000 annual aggregate
Ohio Stop Gap Employers' Liability	\$1,000,000 each occurrence
Employee Benefits Liability	\$1,000,000 each occurrence
Cyber Liability	\$1,000,000 each occurrence
	\$1,000,000 annual aggregate
Medical and Professional Liability	\$3,000,000
Property Damage Liability	\$56,576,621
Equipment Breakdown	\$100,000,000
Contingent Business Interruption	\$100,000 each occurrence
Crime	\$1,000,000
Gross Earnings/Extra Expense	\$2,500,000 each occurrence
Uninsured/Underinsured Motorists	\$250,000
Attorney Disciplinary Proceedings	\$25,000 each occurrence
	\$25,000 annual aggregate

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

Declaratory, Injunctive or Equitable Relief	\$25,000 each occurrence \$25,000 annual aggregate
EDP Media/Extra Expense	\$575,000
Law Enforcement Canines	\$75,000
Unmanned Aerial Vehicles	\$8,828

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

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

The County participates in the workers' compensation program provided by the State of Ohio. For 2017, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Retrospective Rating Program (Program), an insurance purchasing pool (see Note 20). The Program is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The participating counties continue to pay their own premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending on that performance, the participating counties can either receive a premium refund or assessment. Employers will pay experience - or base rated premiums under the same terms as if they were not in a retro group. The total premium for the entire group is the standard premium of the group. The standard premium serves as the benchmark that is adjusted up and down retroactively. In order to allocate the savings derived by formation of the Program, the Program's executive committee annually calculates the group-retrospective premium based on developed incurred claim losses for the whole group. The new premium is compared to the standard premium. If the retrospective premium is lower than the standard premium, a refund will be distributed to the employers of the group. If the retrospective premium is higher, an assessment will be charged to each participant.

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

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

The County pays all elected official bonds by state statute.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

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.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

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.

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.

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

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

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

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

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

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

Monroe County, Ohio

**Notes to the Basic Financial Statements
December 31, 2017**

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

* This rate is determined by OPERS' Board, but it limited by ORC to not more than 2 percent 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 contribution was \$1,122,107 for 2017. Of this amount, \$123,866 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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 www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. Through June 30, 2017, the employer rate was 14 percent and the member rate was 14 percent of covered payroll. The 2017 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was \$20,871 for 2017. Of this amount, \$416 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, 2016, and the net pension liability for STRS was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the respective measurement dates. 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:

Monroe County, Ohio

**Notes to the Basic Financial Statements
December 31, 2017**

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Current Measurement Date	0.0591810%	0.00134880%	
Prior Measurement Date	<u>0.0625550%</u>	<u>0.00133795%</u>	
Change in Proportionate Share	<u>-0.0033740%</u>	<u>0.00001085%</u>	
Proportionate Share of the Net Pension Liability	\$13,438,998	\$320,411	\$13,759,409
Pension Expense	\$2,863,797	(\$121,148)	\$2,742,649

At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$18,216	\$12,374	\$30,590
Change of assumptions	2,131,590	70,077	2,201,667
Net difference between projected and actual earnings on pension plan investments	2,001,377	0	2,001,377
Changes in proportion and differences between County contributions and proportionate share of contributions	122,666	7,829	130,495
County contributions subsequent to the measurement date	1,122,107	11,076	1,133,183
Total Deferred Outflows of Resources	<u>\$5,395,956</u>	<u>\$101,356</u>	<u>\$5,497,312</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$79,982	\$2,582	\$82,564
Net difference between projected and actual earnings on pension plan investments	0	10,574	10,574
Changes in proportion and differences between County contributions and proportionate share of contributions	286,541	2,222	288,763
	<u>\$366,523</u>	<u>\$15,378</u>	<u>\$381,901</u>

\$1,133,183 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31,	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$1,646,991	\$16,989	\$1,663,980
2019	1,619,316	31,374	1,650,690
2020	699,685	20,335	720,020
2021	<u>(58,666)</u>	<u>6,204</u>	<u>(52,462)</u>
Total	<u>\$3,907,326</u>	<u>\$74,902</u>	<u>\$3,982,228</u>

Monroe County, Ohio

**Notes to the Basic Financial Statements
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Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the OPERS' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2016, compared with December 31, 2015, are presented below:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2016, mortality rates were based on the RP-2014 Healthy Annuitant Mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

For 2015, mortality rates were based on the RP-2000 Mortality table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

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**Notes to the Basic Financial Statements
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The most recent experience study was completed for the five year period ended December 31, 2015. The prior experience study was completed for the five year period ended December 31, 2010.

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

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio, and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains 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. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

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 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability for 2016 was 7.5 percent. The discount rate for 2015 was 8 percent. 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, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Monroe County, Ohio

**Notes to the Basic Financial Statements
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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 7.5 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) 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	\$20,531,073	\$13,438,998	\$7,529,007

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 - Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

Monroe County, Ohio

**Notes to the Basic Financial Statements
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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	 <u>100.00 %</u>	

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
County's proportionate share of the net pension liability	\$459,297	\$320,411	\$203,419

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

NOTE 12 - POST EMPLOYMENT BENEFITS

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

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional and Combined Plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through contributions to OPERS. 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 2017, state and local government employers contributed at a rate of 14 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided.

Monroe County, Ohio

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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 2017 was 4.0 percent.

Substantially all of the County's contribution allocated to fund post-employment health care benefits relates to the cost-sharing, multiple-employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015 was \$82,799, \$146,918, and \$151,609, respectively. For 2017, 89 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing, multiple employer defined benefit Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2019. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS Ohio 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 Ohio. Active employee members do not contribute to the Health Plan. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, 2016, and 2015, STRS Ohio did not allocate any employer contributions to postemployment health care.

NOTE 13 - OTHER EMPLOYEE BENEFITS

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

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

NOTE 14 - CAPITAL LEASES-LESSEE DISCLOSURE

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

Monroe County, Ohio

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These capitalized leased assets are reflected net of accumulated depreciation in the amount of \$224,822 at December 31, 2017. There were principal payments towards these leases of \$50,594 in governmental activities and \$3,433 in business-type activities during 2017. These leases are being repaid by the General Fund, the Maintenance Special Revenue Fund, and the Care Center Enterprise Fund.

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

Year Ending December 31,	Principal	Interest	Total
2018	\$52,028	\$4,109	\$56,137
2019	52,321	2,775	55,096
2020	52,076	1,412	53,488
Total	<u>\$156,425</u>	<u>\$8,296</u>	<u>\$164,721</u>

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

Year Ending December 31,	Principal	Interest	Total
2018	\$3,736	\$500	\$4,236
2019	3,833	170	4,003
Total	<u>\$7,569</u>	<u>\$670</u>	<u>\$8,239</u>

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in the County's long-term obligations during 2017 consist of the following:

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**Notes to the Basic Financial Statements
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	<u>Outstanding 12/31//2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding 12/31//2017</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Obligation Bonds:					
USDA Series 2017A - \$9,000,000 - 2.375%	\$0	\$9,000,000	\$0	\$9,000,000	\$0
USDA Series 2017B - \$9,000,000 - 2.375%	0	6,500,000	0	6,500,000	0
Total General Obligation Bonds	0	15,500,000	0	15,500,000	0
2017 Dog and Kennel Promissory Note - \$12,095 - 3.80%	0	12,095	10,774	1,321	1,321
Capital Leases	207,019	0	50,594	156,425	52,028
Net Pension Liability:					
OPERS	8,637,765	2,919,773	0	11,557,538	0
STRS	447,852	0	127,441	320,411	0
Total Net Pension Liability	9,085,617	2,919,773	127,441	11,877,949	0
Compensated Absences	559,068	258,722	271,806	545,984	199,279
Total Governmental Activities	9,851,704	18,690,590	460,615	28,081,679	252,628
Business-Type Activities					
General Obligation Bonds:					
2002 Care Center Improvement Term Bonds - 795,000 - 5.15%	205,000	0	30,000	175,000	35,000
Bond Discount	(5,195)	0	(884)	(4,311)	0
2009 County Care Center Serial Bonds - 710,000 - Variable Interest Rate	235,000	0	75,000	160,000	80,000
Bond Premium	51,311	0	3,947	47,364	0
2009 County Care Center Term Bonds - \$1,040,000 - Variable Interest Rate	1,040,000	0	0	1,040,000	0
Total General Obligation Bonds	1,526,116	0	108,063	1,418,053	115,000
Capital Lease	11,002	0	3,433	7,569	3,736
Net Pension Liability - OPERS	2,197,549	0	316,089	1,881,460	0
Compensated Absences	64,003	59,754	40,973	82,784	74,109
Total Business-Type Activities	3,798,670	59,754	468,558	3,389,866	192,845
Total Long-Term Obligations	<u>\$13,650,374</u>	<u>\$18,750,344</u>	<u>\$929,173</u>	<u>\$31,471,545</u>	<u>\$445,473</u>

Governmental Activities

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

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Principal and estimated interest requirements to maturity are as follows:

<u>August 1,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$0	\$368,125	\$368,125
2019	245,772	368,125	613,897
2020	251,610	362,288	613,898
2021	257,585	356,312	613,897
2022	263,703	350,195	613,898
2023-2027	1,415,487	1,654,001	3,069,488
2028-2032	1,591,753	1,477,736	3,069,489
2033-2037	1,789,967	1,279,519	3,069,486
2038-2042	2,012,864	1,056,622	3,069,486
2043-2047	2,263,518	805,967	3,069,485
2048-2052	2,545,387	524,101	3,069,488
2053-2057	2,862,354	207,133	3,069,487
Total	<u>\$15,500,000</u>	<u>\$8,810,124</u>	<u>\$24,310,124</u>

During 2017, the County issued a long-term promissory note for the purchase of a truck. The note is backed by the full faith and credit of the County and will be repaid by the Dog and Kennel Special Revenue Fund. Principal and interest requirements to maturity to retire this note are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>December 31,</u> 2018	\$1,321	\$9	\$1,330

Capital Lease

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

Net Pension Liability

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

Compensated Absences

The County will pay compensated absences from the General Fund and the Public Assistance, Maintenance, Developmental Disabilities, Real Estate Assessment, Dog and Kennel, Child Support Enforcement Agency, Monroe County Public Transportation, and Community Corrections Special Revenue Funds.

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Business-Type Activities

General Obligation Bonds

The 2002 Care Center Improvement General Obligation Bonds were issued to provide funding for various repairs and improvements to the Care Center. These bonds will be paid from revenues derived from the operation of the Care Center. The bonds were sold at a discount that will be amortized over the life of the bonds using the straight-line method. The amount amortized during 2017 was \$884 leaving an unamortized balance at December 31, 2017 of \$4,311.

On November 12, 2009, the County issued \$1,750,000 in various interest rate general obligation bonds. The proceeds of these bonds were used to renovate the existing County Care Center. The bonds were sold at a premium of \$78,947 that will be amortized over the life of the bonds using the straight-line method. The amount amortized for 2017 was \$3,947 leaving an unamortized balance at December 31, 2017 of \$47,364. These bonds are backed by the full faith and credit of the County and will be repaid from the Care Center Enterprise Fund revenues.

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

Year Ending December 31,	Principal	Interest	Total
2018	\$115,000	\$74,237	\$189,237
2019	115,000	69,435	184,435
2020	115,000	64,433	179,433
2021	120,000	58,430	178,430
2022	125,000	52,165	177,165
2023-2027	530,000	173,288	703,288
2028-2029	255,000	23,100	278,100
Total	<u>\$1,375,000</u>	<u>\$515,088</u>	<u>\$1,890,088</u>

The term bonds maturing on December 1, 2024 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

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

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

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

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

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

Capital Lease

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

Net Pension Liability

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

Compensated Absences

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

The County's overall legal debt margin at December 31, 2017 was \$12,706,544.

NOTE 16 - INTERNAL BALANCES

Interfund balances at December 31, 2017 consist of the following individual fund receivables and payables:

	Interfund Receivable					Total
	Major Funds					
Interfund Payable	General	Public Assistance	Maintenance	Care Center	Other Nonmajor Governmental	
Major Funds						
General Fund	\$0	\$0	\$0	\$285	\$1,444	\$1,729
Public Assistance	25,530	0	0	0	10,651	36,181
Maintenance	90,250	0	0	0	0	90,250
Developmental Disabilities	8,748	0	0	0	0	8,748
Care Center	4,944,554	0	0	0	0	4,944,554
Other Nonmajor Governmental	77,528	13,445	3,687	0	10,988	105,648
Total All Funds	<u>\$5,146,610</u>	<u>\$13,445</u>	<u>\$3,687</u>	<u>\$285</u>	<u>\$23,083</u>	<u>\$5,187,110</u>

Monroe County, Ohio

**Notes to the Basic Financial Statements
December 31, 2017**

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

Interfund transfers during 2017 consisted of the following:

Transfer from Major Fund:	Transfer To			Totals
	Major Funds		Other	
	Maintenance	Care Center	Nonmajor Governmental	
General Fund	\$86,040	\$8,250	\$686,311	\$780,601

Transfers were to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 17 - SIGNIFICANT COMMITMENTS

Encumbrances

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

<u>Governmental Funds</u>	
General Fund	\$605,261
Public Assistance	171
Maintenance	219,321
Developmental Disabilities	98,606
Other Governmental Funds	<u>862,166</u>
Total Governmental Funds	<u><u>1,785,525</u></u>

Contractual Commitment

As of December 31, 2017, the County had a contractual purchase commitment for the following project:

<u>Project</u>	<u>Fund</u>	<u>Purchase Commitment</u>	<u>Paid as of 12/31/2017</u>	<u>Remaining on Contract</u>
Jail Construction	Jail Construction Capital Projects Fund	\$13,805,163	\$13,134,335	\$670,828

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

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

The Council administers County Community Development Block Grant and Transportation Improvement Program. During 2017, the County contributed \$1,964 to the Council. The Council has no outstanding debt.

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

The District is governed and operated through three groups. An eighteen member board of directors, comprised of three commissioners from each county, is responsible for the District's financial matters. Financial records were maintained by Muskingum County until May 1993 at which time Noble County assumed the responsibility. The Board exercises total control over the operations of the District including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. A forty-three member policy committee, comprised of seven members from each county and one at-large member appointed by the policy committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council whose members are appointed by the policy committee. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. No contributions were received from the County during 2017.

Guernsey-Monroe-Noble Community Action Corporation (GMN) - The GMN is a non-profit organization formed to plan, conduct, and coordinate programs designed to combat social and economic problems to help eliminate conditions of poverty within Guernsey, Monroe, and Noble counties. The GMN is governed by a fifteen-member Board of Directors which consists of three Commissioners from each county, three business owners from each county, and three low income individuals elected by each county. The three business owners are nominated by other local business owners and the three low income individuals are nominated by local town council meetings. The Board exercises total control over the operations of the District including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. GMN received federal and state funding which is applied for and received by, and in the name of, the Board of Directors. During 2017, the County contracted with GMN to provide senior citizens services. Through this contract, the County is acting as fiscal agent for the collection and settlement of the senior citizens levy.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

Belmont, Harrison, and Monroe Counties Cluster (Cluster) - Belmont, Harrison, and Monroe Counties Cluster provide services to multi-need youth in Belmont, Harrison, and Monroe Counties. Members of the Cluster include the Belmont, Harrison, and Monroe Counties Alcohol, Drug Addiction, and Mental Health Services Board, the Children Services Board, the Belmont, Harrison, Monroe Drug and Alcohol Councils, student services, Belmont-Harrison Juvenile District, the superintendent of public instruction, and the directors of youth services, human services, and developmental disabilities. The Cluster is controlled by an advisory committee which consists of a representative from each agency. The advisory committee exercise total control of the operation of the Cluster including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Advisory Committee. In 2017, the County contributed no money to the Cluster.

Mental Health Recovery Board (Board) - The Board is responsible for delivery of comprehensive mental health and substance abuse services in Belmont, Harrison, and Monroe Counties. The Board provides no direct services but contracts for their delivery. The Board's function is to assess needs, and to plan, monitor, fund, and evaluate the services. The Board is managed by eighteen members, six appointed by Commissioners of Belmont County, two each by Commissioners of Harrison and Monroe Counties and are proportionate to population, four by Ohio Department of Drug and Alcohol, and four by the State Department of Mental Health. The Board exercises total control of the budgeting, appropriation, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. The County's 2017 contribution to the Board was \$6,000.

Monroe County Family and Children First Council - The Monroe County Family and Children First Council is a jointly governed organization created under the Ohio Revised Code Section 121.37. The Council is comprised of the following members: Superintendent of Monroe Board of Developmental Disabilities, a designee from the Monroe County Health Department, Director of Monroe County Department of Job and Family Services, Superintendent of Switzerland of Ohio Local School District, Monroe County Commissioner, Mayor of the Village of Woodsfield, a representative from Ohio Department of Youth Services, a designee from the Mental Health and Recovery Board, Executive Director of GMN Tri-County CAC, a representative from GMN Tri-County CAC, and three parent representatives. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. In 2017, the County made no contributions to the Council.

Buckeye Hills Resource Conservation and Development Council (RC&D) - RC&D is a 501 (c) (3) non-profit entity, serving a nine county region in southeastern Ohio including Monroe, Athens, Belmont, Hocking, Meigs, Morgan, Noble, Perry, and Washington Counties. The Council was created to identify and solve problems in rural communities including human, economic, natural resources and environmental issues. The RC&D is sponsored by the Boards of County Commissioners and the Soil and Water Conservation Districts in the nine counties, along with the Muskingum Watershed Conservancy District and the Rush Creek Conservancy District. The governing body of RC&D is the Executive Council, made up of 29 members that include three representatives from each county and one representative from each conservancy district. The Executive Council exercises total control over the operations of RC&D including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Executive Council. The County contributed \$400 in membership dues to the RC&D in 2017.

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

Mid East Ohio Regional Council of Governments (MEORC) - MEORC is a jointly governed organization which serves eighteen counties in Ohio. MEORC provides services to the developmentally disabled residents in the participating counties. MEORC is governed by a Council made up of the superintendents of each county's Board of Developmental Disabilities. Revenues are generated by fees and state grants. The Board exercises total control over the operations of the MEORC including budgeting, contracting, appropriating, and designating management. Each participant's degree of control is limited to its representation on the Board. The County did not contribute financially to MEORC during 2017.

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

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

NOTE 19 - RELATED ORGANIZATIONS

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

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

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

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

NOTE 20 - PUBLIC ENTITY POOLS

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

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates.

The County does not have an equity interest in or a financial responsibility for CORSA. The County's payment for insurance to CORSA in 2017 was \$145,847.

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

CCAO, a Bureau of Workers' Compensation (BWC)-certified sponsor, established the Program based upon guidelines set forth by the Bureau of Workers' Compensation (BWC). CCAO created a group of counties that will practice effective workplace safety and claims management to achieve lower premiums for workers compensation coverage than they would individually. The participating counties continue to pay their own premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending upon that performance, the participating counties can receive either a premium refund or assessment. CCAO, with approval of the Group Executive Committee, retains the services of a third party administrator (TPA) that will assist CCAO staff in the day-to-day management of the plan, prepare and file necessary reports with the Ohio Bureau of Workers' Compensation and member counties, assist with loss control programs, and other duties,

Monroe County, Ohio

Notes to the Basic Financial Statements December 31, 2017

(excluding claims related matters, which will be the responsibility of each individual participating county). The cost of the TPA will be paid by each participating county to CCAO in proportion to its payroll to the total payroll of the group. The County's premium payments to BWC were \$110,468 and the payment to CCAO for administrative and membership fees was \$6,089.

NOTE 21 - RELATED PARTY TRANSACTIONS

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

NOTE 22 - FOOD ASSISTANCE

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

NOTE 23 - CONTINGENT LIABILITIES

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

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

NOTE 24 - CHANGE IN ACCOUNTING PRINCIPLE

For 2017, the County implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2016-1*. These changes were incorporated in the County's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 25 - NOTES PAYABLE

During 2016, the County issued a bond anticipation note in the amount of \$15,200,000. The note had an interest rate of 1.50% and matured during 2017. The County refinanced this note into long-term general obligations bonds. (See Note 15)

Monroe County, Ohio

**Notes to the Basic Financial Statements
December 31, 2017**

NOTE 26 – SUBSEQUENT EVENT

On August 6, 2018, the Board of Commissioners passed a resolution to proceed with the submission to the electors of Monroe County the question of levying a tax in excess of the ten-mill limitation for the benefit of Monroe County, Ohio for the purposes of providing ambulance service, emergency medical services, or both, authorized by Ohio Revised Code Section 5705.19(U), at a rate not exceeding five-tenths (0.5) mill for each one dollar of valuation, which amounts to five cents (\$0.05) for each one hundred dollars of valuation for a continuing period of time. Said levy is an additional levy and said tax shall be levied upon the entire territory of Monroe County, Ohio. The tax would generate approximately \$357,000 per year.

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

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

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

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

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

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

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

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

Monroe County, Ohio
 Required Supplementary Information
 Schedule of County Contributions
 Ohio Public Employees Retirement System - Traditional Plan
 Last Five Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,122,107	\$920,309	\$936,246	\$879,889	\$916,299
Contributions in Relation to the Contractually Required Contribution	<u>(1,122,107)</u>	<u>(920,309)</u>	<u>(936,246)</u>	<u>(879,889)</u>	<u>(916,299)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered-Employee Payroll	\$8,279,855	\$7,345,879	\$7,504,856	\$7,081,122	\$6,848,129
Contributions as a Percentage of Covered-Employee Payroll	13.55%	12.53%	12.48%	12.43%	13.38%

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$20,871	\$20,790	\$20,026	\$18,629
Contributions in Relation to the Contractually Required Contribution	<u>(20,871)</u>	<u>(20,790)</u>	<u>(20,026)</u>	<u>(18,629)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered-Employee Payroll	\$149,079	\$148,500	\$143,043	\$137,888
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.51%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$77,860	\$67,745	\$63,514	\$60,535	\$61,540	\$36,604
<u>(77,860)</u>	<u>(67,745)</u>	<u>(63,514)</u>	<u>(60,535)</u>	<u>(61,540)</u>	<u>(36,604)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$598,923	\$521,115	\$488,569	\$465,654	\$473,385	\$281,569
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Monroe County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2017

Changes in Assumptions - OPERS

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

	December 31, 2017	December 31, 2016 and Prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Monroe County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2017

Changes in Assumptions - STRS

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

	2017	2016 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

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

For 2016 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

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MONROE COUNTY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

FEDERAL GRANTOR Pass Through Grantor Program/Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through To Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	2017/2018	\$0	\$795
Cash Assistance:				
National School Lunch Program	10.555	2017/2018	0	2,739
Total Child Nutrition Cluster			0	3,534
Passed through Ohio Department of Jobs and Family Services				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1617-11-5401	0	135,453
Total SNAP Cluster			0	135,453
Direct from U.S. Department of Agriculture				
Community Facilities Loans and Grants Cluster				
Community Facilities Loans and Grants	10.766	97-06/97-07 2017	0	15,500,000
Total Community Facilities Loans and Grants Cluster			0	15,500,000
Total U.S. Department of Agriculture			0	15,638,987
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through Ohio Development Services Agency				
Community Development Block Grants-State's Program:				
Community Development Program	14.228	B-F-16-1BZ-1	0	570,296
Community Development Program		B-F-15-1BZ-1	0	117,607
Community Housing Improvement Program		B-C-15-1BZ-1	0	157,843
Total Community Development Block Grant-State's Program			0	845,746
Home Investment Partnerships Program:				
Community Housing Impact and Preservation Program	14.239	B-C-15-1BZ-2	0	659
Total U.S. Department of Housing and Urban Development			0	846,405
U.S. DEPARTMENT OF THE INTERIOR				
Passed through Ohio Department of Natural Resources				
Payment in Lieu of Taxes	15.226	N/A	0	26,224
National Forest Acquired Lands	15.438	N/A	100,677	163,226
Total U.S. Department of the Interior			100,677	189,450
U.S. DEPARTMENT OF LABOR				
Passed Through Ohio Valley Employment Resource (Workforce Investment Act Area 15)				
Employment Service Cluster				
Employment Service/Wagner-Peyser Funded Activities	17.207	N/A	0	4,952
WIOA Cluster:				
WIA/WIOA Adult Program	17.258	N/A	0	41,598
WIA/WIOA Youth Activities	17.259	N/A	0	42,405
WIA/WIOA Dislocated Worker Formula	17.278	N/A	0	81,242
Total WIOA Cluster			0	165,245
WIA National Emergency Grants	17.277	N/A	0	21,530
Total U.S. Department of Labor			0	191,727
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through Ohio Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	PID-103460	0	807
		PID-106277	0	36,745
		PID-106351	0	50,845
Total Highway Planning and Construction Cluster			0	88,397
Formula Grants for Rural Areas	20.509	112-RPTF-17-0100	0	141,221
		112-RPTF-16-0100	0	101,105
Total Formula Grants for Rural Areas			0	242,326
Total U.S. Department of Transportation			0	330,723

MONROE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program/Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through To Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Special Education Cluster (IDEA)				
Special Education - Grants to States (IDEA, Part B)	84.027	066142-6BSF-2018 066142-6BSF-2017	\$0 0	\$4,138 10,544
Total Special Education Cluster (IDEA)			0	14,682
Total U.S. Department of Education			0	14,682
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed Through Ohio Department of Mental Health and Addiction Services</i>				
Promoting Safe and Stable Families	93.556	5AU-17-C0056	0	12,112
Stephanie Tubbs Jones Child Welfare Services Program	93.645	5AU-17-C0056	0	1,497
<i>Passed Through Ohio Department of Developmental Disabilities</i>				
Social Services Block Grant	93.667	FY17TXXC056	0	12,468
<i>Passed through Ohio Department of Jobs and Family Services</i>				
Promoting Safe and Stable Families	93.556	G-1617-11-5555/G-1819-11-5781	0	8,466
TANF Cluster				
Temporary Assistance for Needy Families (TANF) State	93.558	G-1617-11-5555/G-1819-11-5781	401,723	887,444
Total TANF Cluster			401,723	887,444
Child Support Enforcement	93.563	G-1617-11-5555/G-1819-11-5781	0	115,015
CCDF Cluster				
Child Care and Development Block Grant	93.575	G-1617-11-5555/G-1819-11-5781	0	12,642
Total CCDF Cluster			0	12,642
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1617-11-5555/G-1819-11-5781	0	3,000
Foster Care-Title IV-E:				
Foster Care Title IV-E Administration	93.658	G-1617-11-5555/G-1819-11-5781	0	11,981
Foster Care Title IV-E		G-1617-11-5555/G-1819-11-5781	0	75,511
Foster Care Title IV-E		G-1617-06-0369	0	165,001
Foster Care Title IV-E		G-1617-06-0369	0	10,332
Total Foster Care Title IV-E			0	262,825
Adoption Assistance Administration	93.659	G-1617-11-5555/G-1819-11-5781	0	25,205
Social Services Block Grant	93.667	G-1617-11-5555/G-1819-11-5781	20,951	181,096
Chafee Foster Care Independence Program	93.674	G-1617-11-5555/G-1819-11-5781	0	2,432
Medicaid Cluster				
Medical Assistance Program	93.778	G-1617-11-5555/G-1819-11-5781	141,000	284,625
Total Medicaid Cluster			141,000	284,625
Total U.S. Department of Health and Human Services			563,674	1,808,827
Total Expenditures of Federal Awards			\$664,351	\$19,020,801

The accompanying notes are an integral part of this Schedule.

MONROE COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 2 CFR 200.510(b)(6) FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Monroe County (the County's) under programs of the federal government for the year ended December 31, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in 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 the U.S. Department of the Interior and the U.S. Department of Health and Human Services to other governments or not-for-profit agencies (subrecipients). As Note B describes, the County reports expenditures of Federal awards to subrecipients when paid in cash.

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

NOTE D - CHILD NUTRITION CLUSTER

The County commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the County assumes it expends federal monies first.

NOTE E – FOOD DONATION PROGRAM

The County reports commodities consumed on the Schedule at the fair value. The County allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE F – LOAN PROGRAMS WITH CONTINUING COMPLIANCE REQUIREMENTS

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 balances of loans outstanding at December 31, 2017 consist of:

MONROE COUNTY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE F – LOAN PROGRAMS WITH CONTINUING COMPLIANCE REQUIREMENTS (Continued)

CFDA Number	Program/Cluster Name	Outstanding Balance at December 31, 2017
10.766	Community Facilities Loans and Grants	\$15,500,000

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

The current cash balance on the County's local program income account as of December 31, 2017 is \$74,197.

NOTE H - 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.



Dave Yost • Auditor of State

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

Monroe County
101 North Main Street
Woodsfield, Ohio 43793

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Monroe County, Ohio (the County), as of and for the year ended December 31, 2017, 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 4, 2018.

Internal Control Over Financial Reporting

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

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. We consider finding 2017-002 described in the accompanying Schedule of Findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2017-003 described in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2017-001.

County's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

September 4, 2018



Dave Yost • Auditor of State

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

Monroe County
101 North Main Street
Woodsfield, Ohio 43793

To the Board of County Commissioners:

Report on Compliance for each Major Federal Program

We have audited Monroe County, Ohio's (the County), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of County's major federal programs for the year ended December 31, 2017. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the County's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Community Development Block Grants

As described in finding 2017-004 in the accompanying Schedule of Findings, the County did not comply with requirements regarding cash management applicable to its Community Development Block Grants major federal program. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to this program.

Qualified Opinion on Community Development Block Grants

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Community Development Block Grants* paragraph, the County complied, in all material respects, with the requirements referred to above that could directly and materially affect its Community Development Block Grants for the year ended December 31, 2017.

Unmodified Opinion on the Other Major Federal Programs

In our opinion, the County complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings for the year ended December 31, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying Schedule of Findings as item 2017-005. Our opinion on each major federal program is not modified with respect to these matters.

The County's responses to our noncompliance findings are described in the accompanying Schedule of Findings and Corrective Action Plan. We did not audit the County's responses and, accordingly, we express no opinion on them.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses, described in the accompanying Schedule of Findings as items 2017-004 and 2017-005.

The County's responses to our internal control over compliance findings are described in the accompanying Schedule of Findings and Corrective Action Plan. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

September 4, 2018

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MONROE COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2017

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion <ul style="list-style-type: none"> • Unmodified for all major programs except for Community Development Block Grants which we qualified. 	
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> • CFDA #10.766 – Community Facilities Loans and Grants Cluster • CFDA #14.228 - Community Development Block Grants • CFDA #93.778 – Medicaid Cluster 	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

FINDING NUMBER 2017-001

Noncompliance

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

MONROE COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2017
(Continued)

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

FINDING NUMBER 2017-001 (Continued)

Noncompliance – Ohio Rev. Code § 5705.39 (Continued)

Appropriations exceeded estimated resources at December 31, 2017 for the following funds:

Fund	Estimated Resources	Appropriations	Variance
General	\$9,210,613	\$11,711,128	(\$2,500,515)
Engineer Capital Improvement	0	3,687	(3,687)
Care Center	3,391,583	4,008,169	(616,586)

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

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

Officials' Response: See Corrective Action Plan on page 102.

FINDING NUMBER 2017-002

Material Weakness

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

The County received capital contributions of infrastructure from the oil and gas industry throughout the year. However, the County's road infrastructure additions for 2017 were understated by \$1,341,915 due to some of the contribution amounts not getting communicated to the asset valuation company.

The County did not have internal control procedures in place to ensure the completeness of capital asset additions.

The adjustment noted above, with which management agrees, is reflected in the accompanying financial statements.

We also noted the following errors:

- Charges for Services in the amount of \$23,056 were posted to Other Revenue in the County Court Special Projects Fund (RFI).
- Medical incentive fees of \$26,833 were posted to Intergovernmental Revenue instead of Charges for Services in the Child Support Enforcement Agency Fund.

MONROE COUNTY

SCHEDULE OF FINDINGS

2 CFR § 200.515

DECEMBER 31, 2017

(Continued)

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

FINDING NUMBER 2017-002 (Continued)

Material Weakness (Continued)

- Property Taxes Receivable was understated in the following funds: Developmental Disabilities, E-Squad Levy, Soil and Water, Park District, Board of Health, Knowlton Covered Bridge and Undivided Taxes in the amounts of \$4,291, \$573, \$264, \$482, \$730, \$27 and \$105,064, respectively.
- Due from Other Governments and Unavailable Revenue in the Court Corrections Fund was overstated in the amount of \$29,359.

The County did not have internal control procedures in place to determine amounts were posted to the accurate classification.

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

By not having control procedures in place to ensure completeness of GAAP accounts and proper posting to accurate account classifications could result in errors occurring and go undetected. The undetected errors could result in financial statements that are materially misstated.

The County should utilize available authoritative resources to ensure the financial statements accurately classify and record all receipt and expenditure transactions and appropriately compile receivable/payable transactions at year-end. The County should also communicate all gas and oil contributions to their asset valuation company.

Officials' Response: See Corrective Action Plan on page 102.

FINDING NUMBER 2017-003

Significant Deficiency

All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices.

When designing the public office's system of internal control and the specific control activities, management should consider verifying the existence and valuation of assets and periodically (at least monthly) reconcile them to the accounting records.

During 2017, the County Treasurer did not perform monthly bank reconciliations which resulted in an unreconciled balance of approximately \$19,415 at December 31, 2017.

Without promptly reconciling, identifying, and correcting the un-reconciled items, the County experienced a cumbersome reconciliation process and increased the risk of errors and irregularities occurring without being detected.

MONROE COUNTY

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2017
(Continued)**

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

FINDING NUMBER 2017-003 (Continued)

Significant Deficiency (Continued)

The Treasurer should reconcile the bank statements to the books on a monthly basis. Any unidentified items found during this reconciliation process should be investigated in a timely manner. As part of this process, someone other than the preparer should review and approve the monthly cash reconciliation.

Officials' Response: See Corrective Action Plan on page 102.

3. FINDINGS FOR FEDERAL AWARDS

Cash Management - Community Development Block Grant

Finding Number	2017-004		
CFDA Title and Number	Community Development Block Grants – CFDA #14.228		
Federal Award Identification Number / Year	B-F-16-1BZ-1, B-F-15-1BZ-1, B-C-15-1BZ-1		
Federal Agency	U.S. Department of Housing and Urban Development		
Compliance Requirement	Cash Management		
Pass-Through Entity	Ohio Development Services Agency		
Repeat Finding from Prior Audit?	Yes	Finding Number (if repeat)	2016-001

Noncompliance and Material Weakness

2 CFR Part 200.305(b) states for non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.

In addition, the Office of Community Development Financial Management Rules and Regulations Handbook § (A)(2)(f) states the grantee must develop a cash management system to minimize the time elapsed between the funds transfer from Office of Community Development (OCD) and funds disbursed by the grantee, in compliance with 2 CFR Part 200.305 – Payment. Implementing the cash management system shall ensure disbursed OCD funds-on-hand balance is less than \$5,000 within 30 days of receiving the funds. Lump sum drawdowns are not permitted.

MONROE COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2017
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

FINDING NUMBER 2017-004 (Continued)

Noncompliance and Material Weakness - 2 CFR Part 200.305(b) (Continued)

The County had several advance requests from the Community Development Block Grant (CDBG) for the periods of September 1, 2015 to December 31, 2017 and September 1, 2016 to October 31, 2018 that were not fully spent within 30 days of receiving the funds, totaling 50% and 75%, respectively, of draw down requests for the 2017 year. The County also had advance requests from the Community Housing Improvement Program (CHIP) for the period September 1, 2016 to October 31, 2018, that were not fully spent within 30 days of receiving the funds totaling 67% of draw down requests for the 2017 year.

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

Not following their written cash management policy could result in interest being earned on excess monies that would have to be returned to the federal government.

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

Officials' Response: See Corrective Action Plan on page 102.

Schedule of Expenditures of Federal Awards

Finding Number	2017-005		
CFDA Title and Number	All Federal Programs		
Federal Award Identification Number / Year	2017		
Federal Agency	U.S. Department of Agriculture U.S. Department of Interior U.S. Department of Transportation U.S. Department of Health and Human Services		
Compliance Requirement	Reporting		
Pass-Through Entity	Ohio Department of Natural Resources Ohio Department of Transportation Ohio Department of Mental Health and Addiction Services Ohio Department of Jobs and Family Services		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	N/A

MONROE COUNTY

SCHEDULE OF FINDINGS

2 CFR § 200.515

DECEMBER 31, 2017

(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

FINDING NUMBER 2017-005 (Continued)

Noncompliance and Material Weakness - 2 CFR Part 200.510(b), Subpart F (Continued)

2 CFR Part 200.510(b), Subpart F, requires recipients to prepare a Schedule of Expenditures of Federal Awards (the Schedule) for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with Part 200.502 - Basis for determining Federal awards expended.

The Schedule prepared by the County had the following errors:

- CFDA #10.766 Community Facilities Loans and Grants, expenditures were understated in the amount of \$2,966,264;
- CFDA #15.438 National Forest Acquired Lands, the amount passed through to subrecipients was overstated by \$5,345;
- CFDA #20.509 Formula Grants for Rural Areas, expenditures were overstated by \$22,439;
- CFDA #93.556 Promoting Safe and Stable Families (passed through the Ohio Department of Mental Health and Addiction Services), expenditures were understated by \$12,112;
- CFDA #93.556 Promoting Safe and Stable Families (passed through the Ohio Department of Jobs and Family Services), expenditures were understated by \$10;
- CFDA #93.558 Temporary Assistance for Needy Families (TANF) State, amount recorded as passed through to subrecipients was understated by \$43,077;
- CFDA #93.645 Stephanie Tubbs Jones Child Welfare Services Program, expenditures were understated by \$1,497;
- CFDA #93.658 Foster Care Title IV-E, expenditures were understated by \$83,833;
- CFDA #93.659 Adoption Assistance Administration, expenditures were overstated by \$1,000;
- CFDA #93.674 Chafee Foster Care Independence Program, expenditures were understated by \$2,432;
- Several programs required to be presented separately as clusters were not presented as such.

The County did not have a process in place to ensure the Schedule prepared was complete and accurate.

Errors and omissions to the Schedule could have an adverse effect on future grant awards by the awarding agency or agencies in addition to an inaccurate assessment of major federal programs that would be subjected to audit. The County's Schedule has been adjusted accordingly and was agreed to by County management.

The County should review all grant awards and be familiar with federal reporting requirements. The County Auditor should implement a system to track all federal expenditures and related information separately from other expenditures and report federal expenditures with proper support including, but not limited to, grant agreements, calculation of the expenditures, and any federal reporting requirements. This will help ensure the Schedule is complete and accurate and major federal programs are correctly identified for audit.

Officials' Response: See Corrective Action Plan on page 102.

MONROE COUNTY COMMISSIONERS

101 N Main Street – Room 34 Woodsfield, OH 43793

Telephone: (740) 472-1341 Fax: (740) 472-5156

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

Sheila Turner, Clerk

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR § 200.511(b) DECEMBER 31, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	2 CFR Part 200.305(b)- The County did not fully expend all advance drawdowns for the CDBG grants within the required days and prior to requesting any additional draw downs.	Not corrected	Once we were informed of not being in compliance, steps were taken to correct this problem, but this did not happen until September 2017.

MONROE COUNTY COMMISSIONERS

101 N Main Street – Room 34 Woodsfield, OH 43793

Telephone: (740) 472-1341 Fax: (740) 472-5156

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

Sheila Turner, Clerk

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) DECEMBER 31, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	The Auditor's office will work with elected officials and Department Heads to eliminate this problem. We are also working with our software company to see if this is something that if a fund is over appropriated it would let us know-like a red flag.	December 31, 2018	Pandora Neuhart, County Auditor and Traci Alleman, Budgetary Supervisor
2017-002	The Engineer's office provided 2017 infrastructure additions and deletions to the Commissioners. This information that was given to the Commissioners was not given to HCA, who was doing the Capital Assets report-updates and deletions, nor the GAAP financial statement compilers for the County.	December 31, 2018	County Commissioners and Sheila Turner, Clerk of Commissioners
2017-003	Having taken office in September, 2017 with an entirely new staff, there was no transition from the previous treasurer. This regrettably caused issues with reconciliation due to my office having no previous knowledge of the system used. I took full responsibility for the issue and took the necessary steps to ensure that not only the reconciliation was completed and that it will no longer be a problem in the future but also that the timing of daily tasks is in sync with that of the Auditor's Office. In addition to the above, my staff and I have also created a balancing/reconciling program that has successfully aided our daily reconciliation. We are reconciled to date with no further issues.	December 31, 2018	Taylor Abbott, County Treasurer and Billie Ogden, Deputy Treasurer
2017-004	This issue was in the audit in 2016, and was corrected when it was brought to Mary Jo's attention September 2017.	December 31, 2018	County Commissioners and Mary Jo Westfall, CDBG Coordinator
2017-005	The Auditor's office will work diligently to make sure that all grants are turned in and accounted for, double checking for revenue received and all expenditures.	December 31, 2018	Pandora Neuhart, County Auditor and Traci Alleman, Budgetary Supervisor



Dave Yost • Auditor of State

MONROE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 18, 2018