



**Auditor of State  
Betty Montgomery**



**MORGAN COUNTY**  
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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Morgan County  
155 East Main Street  
McConnelsville, Ohio 43756

To the Board of Commissioners:

We have audited the accompanying financial statements of Morgan County, Ohio (the County), as of and for the year ended December 31, 2002. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The Mary Hammond Adult Activity Center, Inc. (the Workshop), is a component unit of the County. The Workshop prepared its financial statements in accordance with generally accepted accounting principles. The accompanying financial statements, except for the financial statements of the Workshop, omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, cash equivalents and combined fund cash balances of Morgan County as of December 31, 2002, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

Also in our opinion, the financial statements of the Mary Hammond Adult Activity Center, Inc. (the Workshop), a component unit of Morgan County, present fairly, in all material respects, the financial position of the Workshop, as of December 31, 2002, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, the Board of County Commissioners and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

August 25, 2003

MORGAN COUNTY

COMBINED STATEMENT OF CASH, CASH EQUIVALENTS  
AND FUND CASH BALANCES  
ALL FUND TYPES  
AS OF DECEMBER 31, 2002

Cash and Cash Equivalents	\$ 3,861,490
Cash in Segregated Accounts	<u>4,763</u>
<b>Total</b>	<b><u><u>\$ 3,866,253</u></u></b>

CASH BALANCES BY FUND TYPE

<b>Governmental Funds:</b>	
General Fund	\$ 290,491
Special Revenue Funds	2,108,788
Capital Projects Funds	299,681
<b>Proprietary Funds:</b>	
Internal Service Funds	39,772
<b>Fiduciary Funds:</b>	
Expendable Trust Funds	207,453
Agency Funds	<u>915,305</u>
Total - Primary Government	3,861,490
<b>Component Unit (Cash Basis):</b>	
Regional Airport Authority	<u>4,763</u>
<b>Total</b>	<b><u><u>\$ 3,866,253</u></u></b>

*The notes to the financial statements are an integral part of this statement.*

MORGAN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types			Fiduciary Fund Type	Totals
	General	Special Revenue	Capital Projects	Expendable Trust	(Memorandum Only)
<b>Cash Receipts:</b>					
Taxes	\$ 1,785,038	\$ 856,780	\$	\$	\$ 2,641,818
Payment in Lieu of Taxes		5,390			5,390
Charges for Services	321,627	284,574			606,201
Licenses and Permits	1,384	4,035			5,419
Fines and Forfeitures	98,432	114,252			212,684
Intergovernmental	366,587	8,692,674	28,045		9,087,306
Interest	88,044	5,886		6,194	100,124
Rents and Leases	77,521	50,925		72,070	200,516
Refunds and Reimbursements	208,740	125,160			333,900
All Other Receipts	15,834	237,355	54,480	1,029	308,698
Total Cash Receipts	2,963,207	10,377,031	82,525	79,293	13,502,056
<b>Cash Disbursements:</b>					
General Government:					
Executive and Legislative	1,036,004	667,775		60,950	1,764,729
Judicial	416,287	21,821			438,108
Public Safety	716,371	1,026,614			1,742,985
Public Works		3,421,011			3,421,011
Health	10,685	20,303			30,988
Human Services	162,791	5,413,848			5,576,639
Conservation-Recreation	36,060				36,060
Miscellaneous	601,614				601,614
Capital Outlay			1,915,406	829,252	2,744,658
Debt Service:					
Principal Payment	14,508	81,283			95,791
Interest and Fiscal Charges	6,736	18,520	67,438		92,694
Total Cash Disbursements	3,001,056	10,671,175	1,982,844	890,202	16,545,277
Excess of Cash Receipts Over/ (Under) Cash Disbursements	(37,849)	(294,144)	(1,900,319)	(810,909)	(3,043,221)
<b>Other Financing Sources/(Uses):</b>					
Operating Transfers-In	4,300	91,467			95,767
Operating Transfers-Out	(89,668)	(4,300)			(93,968)
Operating Advances-In		7,284			7,284
Operating Advances-Out	(7,284)				(7,284)
Refund of Excess Insurance Reserves	11,199	23,678			34,877
Other Financing Sources	15,554	220,267			235,821
Other Financing Uses	(13,674)				(13,674)
Total Other Financing Sources/(Uses)	(79,573)	338,396	-	-	258,823
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing (Uses)	(117,422)	44,252	(1,900,319)	(810,909)	(2,784,398)
Fund Cash Balances, January 1 (as restated)	407,913	2,064,536	2,200,000	1,018,362	5,690,811
Fund Cash Balances, December 31	<u>\$ 290,491</u>	<u>\$ 2,108,788</u>	<u>\$ 299,681</u>	<u>\$ 207,453</u>	<u>\$ 2,906,413</u>

The notes to the financial statements are an integral part of this statement.



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MORGAN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES  
 IN FUND CASH BALANCES  
 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
 AND DISCRETELY PRESENTED COMPONENT UNIT  
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary Fund Type Internal Service	Fiduciary Fund Types Agency	Totals (Memorandum Only) Primary Government
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 75,158	\$	\$ 75,158
Interest			-
Total Operating Cash Receipts	<u>75,158</u>	<u>0</u>	<u>75,158</u>
<b>Operating Cash Disbursements:</b>			
Personal Services - Salaries	13,136		13,136
Contract Services	4,663		4,663
Claims and Judgements	27,441		27,441
Supplies and Materials			-
Other Operating Disbursements			-
Total Operating Cash Disbursements	<u>45,240</u>	<u>0</u>	<u>45,240</u>
Operating Income/(Loss)	<u>29,918</u>	<u>0</u>	<u>29,918</u>
<b>Nonoperating Cash Receipts/(Disbursements):</b>			
Intergovernmental Receipts			-
Debt Service			-
Transfers-In			-
Transfers-Out			-
Refund of Excess Insurance Reserves	(43,791)	8,915	(34,876)
Other Nonoperating Receipts		23,303,964	23,303,964
Other Nonoperating Disbursements		<u>(23,372,958)</u>	<u>(23,372,958)</u>
Total Nonoperating Cash Receipts/ (Disbursements)	<u>(43,791)</u>	<u>(60,079)</u>	<u>(103,870)</u>
Net Income/(Loss)	(13,873)	(60,079)	(73,952)
Fund Cash Balances, January 1 (as restated)	<u>53,645</u>	<u>975,384</u>	<u>1,029,029</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 39,772</b></u>	<u><b>\$ 915,305</b></u>	<u><b>\$ 955,077</b></u>

Component Unit	Totals (Memorandum Only)
<u>Regional Airport Authority</u>	<u>Reporting Entity</u>
\$ 5,005	\$ 80,163
181	181
<u>5,186</u>	<u>80,344</u>
1,105	14,241
1,301	5,964
1,980	27,441
245	1,980
<u>4,631</u>	<u>245</u>
555	49,871
<u>555</u>	<u>30,473</u>
2,697	2,697
(3,483)	(3,483)
	-
	-
	(34,876)
	23,303,964
<u></u>	<u>(23,372,958)</u>
<u>(786)</u>	<u>(104,656)</u>
(231)	(74,183)
4,994	1,034,023
<u>\$ 4,763</u>	<u>\$ 959,840</u>

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**MORGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL -  
ALL BUDGETED FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Governmental</b>			
General	\$ 3,035,000	\$ 2,994,260	\$ (40,740)
Special Revenue	11,399,659	10,719,727	(679,932)
Capital Projects	2,250,000	82,525	(2,167,475)
<b>Proprietary</b>			
Internal Service	30,000	75,158	45,158
<b>Fiduciary</b>			
Expendable Trust	498,982	79,293	(419,689)
<b>Totals (Memorandum Only)</b>	<b><u>\$ 17,213,641</u></b>	<b><u>\$ 13,950,963</u></b>	<b><u>\$ (3,262,678)</u></b>

*The notes to the financial statements are an integral part of this statement.*

**MORGAN COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES  
 COMPARED WITH EXPENDITURE AUTHORITY  
 ALL BUDGETED FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2002**

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>
<b>Governmental</b>			
General	\$ 27,200	\$ 3,161,286	\$ 3,188,486
Special Revenue	236,298	12,063,124	12,299,422
Capital Projects		2,250,000	2,250,000
<b>Proprietary</b>			
Internal Service		46,253	46,253
<b>Fiduciary</b>			
Expendable Trust	443,103	2,789,811	3,232,914
<b>Totals (Memorandum Only)</b>	<b><u>\$ 706,601</u></b>	<b><u>\$ 20,310,474</u></b>	<b><u>\$ 21,017,075</u></b>

*The notes to the financial statements are an integral part of this statement.*

<u>Disbursements</u>	<u>Encumbrances Outstanding 12/31/2002</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 3,111,682	\$ 9,473	\$ 3,121,155	\$ 67,331
10,675,475	651,081	11,326,556	972,866
1,982,844	29,495	2,012,339	237,661
89,031	9,186	98,217	(51,964)
<u>890,202</u>	<u>6,718</u>	<u>896,920</u>	<u>2,335,994</u>
<u><u>\$ 16,749,234</u></u>	<u><u>\$ 705,953</u></u>	<u><u>\$ 17,455,187</u></u>	<u><u>\$ 3,561,888</u></u>

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## MORGAN COUNTY

### NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Description of the Reporting Entity

Morgan County (the County), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The County operates under the direction of a three-member elected Board of County Commissioners. The County Auditor is responsible for the fiscal controls of the resources of the County which are maintained in the funds described below. The County Treasurer is the custodian of funds and the investment officer. All of these officials are elected. Services provided by the County include general government, public safety, public works, and human services.

Management believes the financial statements included in this report represent all of the funds of the County over which the County has the ability to exercise direct operating control, except as described below.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the County are not misleading.

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Morgan County, this includes the Board of Mental Retardation and Developmental Disabilities and all departments and activities operated by the elected County officials.

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

##### Component Units

- ❖ The Mary Hammond Adult Activity Center, Inc. (the Workshop) is a legally separate, not-for-profit corporation, served by a self-appointing Board of Trustees. The Workshop is under a contractual agreement with the Morgan County Board of Mental Retardation and Developmental Disabilities (MRDD) to provide sheltered employment for mentally retarded or handicapped adults in the County. MRDD provides the Workshop with staff salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of the Workshop. Based on the significant services and resources provided by the County to the Workshop and the sole purpose of the Workshop to provide assistance to the retarded and handicapped adults of the County, the Workshop is considered to be a component unit of Morgan County. Additional disclosures can be found in the Workshop's accompanying general purpose financial statements and notes.

## MORGAN COUNTY

### NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002 (Continued)

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### A. Description of the Reporting Entity (Continued)

###### Component Units (Continued)

- ❖ The Morgan County Regional Airport Authority (the Authority) was created by resolution of the County Commissioners under Ohio Rev. Code Section 308.01. The purpose of the Authority is for the acquisition, construction, operation and maintenance of airports and airport facilities in the County. The Authority operates under the direction of a three-member Board of Trustees, appointed by the County Commissioners. A Secretary-Treasurer is responsible for the fiscal accounting of the resources of the Authority. Services provided by the Authority include the means by which to aid the safe taking off and landing of aircraft, storage and maintenance of aircraft, and the safe and efficient operation and maintenance of the airport. The Authority is considered to be a component unit of Morgan County and is discretely presented. Additional disclosures can be found in Note 11.

###### Separate Agencies

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 listed below, the County serves as fiscal agent but is not financially accountable for their operations. Accordingly, the activity of the following agencies is presented as agency funds within the County's financial statements:

- ❖ The Morgan County District Board of Health (the District) is governed by a Board of Trustees which oversees the operation of the District and is elected by a regional advisory council comprised of township trustees, mayors of participating municipalities, and one County Commissioner. The District adopts its own budget and operates autonomously from the County. Funding is based on a rate per taxable valuation, along with various state and federal grants applied for by the District.
- ❖ The Morgan County Soil and Water Conservation District (Conservation District) is statutorily created as a separate and distinct political subdivision within the State. The five supervisors of the Conservation District are elected officials authorized to contract and sue on behalf of the Conservation District. The supervisors adopt their own budget, authorize Conservation District expenditures, hire and fire staff, and do not rely on the County to finance deficits.

###### Other Organizations

The County is also associated with certain organizations which are defined as insurance purchasing pools and jointly-governed organizations. These organizations are presented in Notes 5, 11 and 12 to the financial statements. The organizations are as follows:

- ❖ Buckeye Joint-County Self Insurance Council
- ❖ County Commissioners Association of Ohio Workers' Compensation Group Rating Plan
- ❖ Washington-Morgan Community Action Corporation
- ❖ Buckeye Hills-Hocking Valley Regional Development District
- ❖ Joint Solid Waste District
- ❖ Mental Health and Recovery Services Board of Muskingum County
- ❖ Morgan County Family and Children First Council

**MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles, the County chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. The basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph. The Mary Hammond Adult Activity Center, Inc.'s financial statements were prepared in accordance with accounting principles generally accepted in the United States of America.

**C. Cash and Cash Equivalents**

Cash and cash equivalents consist of the total of fund cash balances of all funds as of December 31, 2002. County funds are maintained in checking accounts, as well as being invested in six month certificates of deposit and in an asset management account which includes a First American Treasury Money Market Fund and a Federal Home Loan Mortgage Corporation Discount Note. Individual fund integrity is maintained through the County's records.

**D. Fund Accounting**

The County maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of fund are as follows:

**1. Governmental Fund Types:**

**General Fund**

The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

**Special Revenue Funds**

These funds are used to account for proceeds of specific revenue sources (other than expendable trusts or capital projects) that are legally restricted to disbursements for specified purposes.

**Capital Project Funds**

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Proprietary Fund Type:**

**Internal Service Funds**

These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other government units, on a cost-reimbursement basis.

**3. Fiduciary Fund Types:**

**Trust and Agency Funds**

These funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust Funds, Nonexpendable Trust Funds, and Agency Funds.

**E. Budgetary Process**

**1. Budget**

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

**2. Estimated Resources**

The County Budget Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the County must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1 unencumbered fund balances. However, those fund balances are available for appropriations.

**3. Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**4. Encumbrances**

The County is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**F. Property, Plant and Equipment**

Fixed assets acquired or constructed for the County are recorded as disbursements. Depreciation is not recorded for these fixed assets.

**G. Accumulated Unpaid Vacation and Sick Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the County's basis of accounting.

**H. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data. The total column for the reporting entity reported on the Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance – Proprietary and Similar Fiduciary Fund Types and Discretely Presented Component Unit includes the primary government and the Morgan County Regional Airport Authority. The County's other component unit, the Mary Hammond Adult Activity Center, Inc., prepares its financial statements in accordance with generally accepted accounting principles and its audited financial statements are presented separately.

**2. RESTATEMENT OF PRIOR YEAR FUND BALANCES**

Several December 31, 2001 fund balance restatements were made based upon additional information becoming available.

The General Fund had paid a claim to a car insurance company which was later reimbursed to the County and credited to the Self-insurance Fund. This reimbursement should have been made to the General Fund. As a result, the General Fund balance was increased by \$61,576, the amount of the reimbursement, and the Self-insurance Fund balance was decreased by a like amount.

Several overpayments occurred between the General Fund and the self-insurance bank account. These overpayments resulted in the self-insurance clearing account having a cash balance and the General Fund disbursements being overstated. As a result, the General Fund balance was increased by \$15,287 and the clearing account closed out.

**MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**2. RESTATEMENT OF PRIOR YEAR FUND BALANCES (Continued)**

The County discontinued its self-insurance program but continued to utilize the Self-insurance Fund to account for withholdings of insurance premiums. This activity should have been reported in an Agency Fund. As a result, the Agency Fund balance was increased by \$30,027 and the Self-insurance Fund balance decreased by a like amount.

Note proceeds of \$2,250,000 were erroneously credited to the Expendable Trust Fund rather than the Capital Projects Fund. As a result, the Capital Projects Fund balance was increased by \$2,250,000 and the Expendable Trust Fund balance was decreased by a like amount.

Construction expenses of \$50,000 were recorded in the Expendable Trust Fund which should have recorded in the Capital Projects Fund. As a result, the Expendable Trust Fund balance was increased by \$50,000 and the Capital Projects Fund balance was decreased by a like amount.

Various other less significant restatements were made, the effect of which has been combined with the restatements noted above and is disclosed below:

Fund / Fund Type	Fund Cash Balance December 31, 2001	Restatement Amount	Fund Cash Balance January 1, 2002
General Fund	\$327,610	\$80,303	\$407,913
Special Revenue Fund	\$2,063,538	\$998	\$2,064,536
Capital Projects Fund	\$0	\$2,200,000	\$2,200,000
Expendable Trust Fund	\$3,218,106	(\$2,199,744)	\$1,018,362
Internal Service Fund	\$145,249	(\$91,604)	\$53,645
Non-Expendable Trust Fund	\$5,540	(\$5,540)	\$0
Agency	\$939,448	\$35,936	\$975,384

**3. EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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 a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. The County maintains a cash pool which is used by all funds. Each fund type's portion of this pool is displayed on the "Combined Statement of Cash, Cash Equivalents and Fund Cash Balances" as "Cash Balances by Fund Type".

Interim monies can be invested or deposited in the following securities:

- A. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- B. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- C. Written purchase agreements in the securities listed above provided that 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 that the term of the agreement must not exceed thirty days;

**MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**3. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)**

- D. Bonds and other obligations of the State of Ohio;
- E. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
- F. The State Treasurer’s investment pool (STAROhio);
- G. Certain Bankers’ acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
- H. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

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

The County maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2002 was as follows:

Demand deposits	\$2,936,511
Certificates of deposit	<u>550,000</u>
Total deposits	<u>3,486,511</u>
Federal Home Loan Mortgage Corporation Note	<u>374,979</u>
Total investments	<u>374,979</u>
Total deposits and investments	<u><u>\$3,861,490</u></u>

**Deposits:** At year-end, the bank balance was \$3,698,502. Of the bank balance:

- A. \$474,469 was covered by federal depository insurance;
- B. \$1,681,382 was covered by specifically pledged collateral held by a third party trustee in the name of the County;
- C. \$1,539,243 was covered by pooled collateral pledged to secure all public funds on deposit. Although all Ohio statutory requirements for the collateralization of deposits had been followed, noncompliance with the Financial Institutions Reform, Recovery and Enforcement Act of 1989 could potentially prevent the County from exercising a successful claim as a secured creditor against the FDIC and render them a general creditor for the uncollateralized amount;
- D. \$3,408 was collateralized by securities held by a third party bank in the name of the County.

MORGAN COUNTY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)

3. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)

**Investments:** The Farmers Home Loan Mortgage Corporation Discount Note is held in book-entry form by the Federal Reserve, in the name of the County's financial institution. The financial institution maintains records identifying the County as owner of this security.

4. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised values. The County Auditor reappraises all real property every six years with a triennial update. The last reappraisal was completed for tax year 2000.

Real property taxes become a lien on all non-exempt real property located in the County on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the fiscal year ended December 31, 2002, was \$8.50 per \$1,000 of assessed valuation.

After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$6.40 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$7.40 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2001, was \$8.50 per \$1,000 of assessed valuation.

Real Property – 2000 Valuation	
Residential/Agricultural	\$ 121,760,290
Commercial/Industrial	26,523,430
Public Utilities	87,160
Tangible Personal Property	
General – 2001 Valuation	25,624,530
Public Utilities – 2000 Valuation	<u>52,304,370</u>
Total Valuation	<u>\$ 226,209,780</u>

The Morgan County Treasurer collects property tax on behalf of all taxing districts within the County. The Morgan County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.



**MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**5. LOCAL SALES TAX**

For the purpose of providing additional revenues, the County has levied a sales tax at the rate of 1.5 percent upon certain retail sales made in the County. Local sales tax receipts are credited to the General Fund amounted to \$1,008,623 in 2002.

**6. RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2002, the County contracted with the Buckeye Joint-County Self Insurance Council for property, liability, auto, and crime insurance.

The Buckeye Joint-County Self Insurance Council (the Council) is an insurance purchasing pool (see Note 12) that serves Athens, Hocking, Jackson, Lawrence, Meigs, Monroe, Morgan, Noble, Perry, Pike, Vinton, and Washington Counties, and was formed as an Ohio non-for-profit corporation for the purpose of establishing an insurance pool to obtain general liability, law enforcement, professional and fleet insurance. Member counties provide operating resources to the Council based on actuarially determined rates.

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

This jointly governed organization is a cost-sharing pool. Coverage provided to the County by the program is as follows:

<u>Policy Type</u>	<u>Annual/ Aggregate Coverages</u>	<u>Deductible</u>
General Liability	\$2,000,000/\$4,000,000	\$1,000
Property Damage Liability	\$100,000/\$100,000	\$1,000
Public Officials Liability	\$2,000,000/\$3,000,000	\$1,000
Law Enforcement	\$2,000,000/\$3,000,000	\$1,000
Auto Liability	\$2,000,000 per occurrence	\$0
Uninsured Motorists Insurance	\$1,000,000 per occurrence	\$0
Pollution Liability	\$10,000	\$1,000
All Risk Blanket Property	Building and Contents per Schedule	\$500
Flood (Zone A coverage)	\$10,000,000	\$5,000
Extra Expense	\$1,000,000	\$500
Personal Property of Others	\$100,000	\$500
Earthquake	\$25,000,000	\$25,000
Electronic Data Processing Equipment	\$500,000	\$500
Blanket Bond	\$250,000	\$0
Elected Officials Bond	Per Bond Schedule	\$0
Money and Securities (Food Stamps)	\$500,000	\$500

**MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

Boiler and Machinery	\$25,000,000	\$500
Inland Marine	Per Schedule	\$100
Auto Comprehensive	Per Schedule	\$100
Auto Collision	Per Schedule	\$250
Nurse Liability	\$2,000,000	\$1,000
EMT/EMTA – Paramedics	\$2,000,000/\$4,000,000	\$1,000
<u>Property</u>	<u>Building/Contents</u>	<u>Deductible</u>
Courthouse	\$2,052,000/\$250,000	\$500
Radio Equipment House	\$5,000/\$10,000	\$500
County Garage	\$350,000/\$100,000	\$500
Sheriff's Department	\$1,247,000/\$100,000	\$500
Human Services	\$384,000/\$100,000	\$500
Health Clinic	N/A/\$100,000	\$500
Senior Center	\$75,000/\$25,000	\$500
Child Support Enforcement Agency	N/A/\$20,000	\$500
Fair Grounds	\$1,189,000/\$71,000	\$500
County Highway Garage	\$520,000/\$200,000	\$500
County Care Center	\$150,000/N/A	\$500
MRDD	\$674,000/\$280,000	\$500
Airport	\$114,000/\$6,000	\$500
Park	N/A/\$5,000	\$500
Veterans Office	N/A/\$10,000	\$500
County Engineer Storage Garage	\$50,000/\$10,000	\$500
Juvenile and Probate Offices	\$50,000/\$10,000	\$500
County Offices	\$500,000/\$100,000	\$500
Soil and Water	N/A/\$12,000	\$500

The County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (see Note 12). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants.

The workers' compensation experience of the participating Counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of Comp Management, Inc., provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

**MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

The County may withdraw from the Plan 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 Plan prior to withdrawal, and any participant leaving the Plan allows the representative of the Plan to access loss experience for three years following the last year of participation. The County pays the State Bureau of Worker's Compensation System a premium based on a rate per \$100 salary. This rate is calculated based upon accident history and administrative costs.

The County maintains a limited-risk health insurance program for employees. Premiums are paid to a third-party administrator. An Internal Service Fund is presented in the financial statements and reflects premiums paid into the Insurance Reserve Internal Service Fund by other funds which are available to pay claims and administrative costs, and to establish claim reserves. An excess coverage insurance policy covers aggregate annual claims at 110% of estimated claims. The County ended this program in May 2001 and as of December 31, 2002 there were no additional claims outstanding.

**7. RETIREMENT SYSTEM**

**Ohio Public Employees Retirement System (OPERS)**

All County employees participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple employer defined benefit pension. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provided statutory authority for employee and employer contributions. The employee contribution rates are 8.5 percent for employees other than law enforcement and public safety. The law enforcement classification consists of sheriffs, deputy sheriffs and township police with an employee contribution rate of 10.1 percent. Public safety division members contribute at 9 percent.

The 2002 employer contribution rate for local government employer units was 13.55 percent of covered payroll. The 2002 employer contribution rate for both the law enforcement and public safety divisions was 16.7 percent of covered payroll. Contributions are authorized by State statute. The contribution rates are determined actuarially. The County's contributions to OPERS for all employees for the years ended December 31, 2002, 2001, and 2000, were \$636,863, \$608,478, and \$821,333, respectively; 100 percent has been contributed for 2002, 2001, and 2000.

**8. POSTEMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System (PERS)**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2002 employer contribution rate for local government employers units was 13.55 percent of covered payroll and 5% was the portion used to fund health care for the year.

MORGAN COUNTY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)

8. POSTEMPLOYMENT BENEFITS (Continued)

For both the public safety and the law enforcement divisions, the 2002 employer rate was 16.7 percent and 5 percent was used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

Beginning in 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

Benefits are advance-funded on an entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on OPERS' latest Actuarial Review performed as of December 31, 2001, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase 4 percent annually.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 402,041. The County's actual contributions for 2002 which were used to fund postemployment benefits were \$230,196. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

**OPERS Board adopts new health care plan**

In December 2001, the OPERS Board adopted the Health Care "Choices" Plan in an effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broad range of health care options. The Choices Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present plan. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses.

9. DEBT OBLIGATIONS

Debt outstanding at December 31, 2002, consisted of the following:

	<u>Principal</u>	<u>Interest Rates</u>
Computer Loan #1	\$ 9,600	5.250%
Computer Loan #2	10,212	5.250%
General Obligation County Garage Facility Note	211,299	5.370%
Ohio Water Development Authority Loan	148,908	4.120%
Carlos Riecker Building Renovation Note	2,250,000	1.880%
Tax Increment Financing Loan	90,157	4.983%
Total	<u>\$ 2,720,176</u>	

**MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**9. DEBT OBLIGATIONS (Continued)**

The computer loans were obtained in 1998 to provide financing of a new computer system for the County Auditor. General Fund and Real Estate Assessments Fund monies of the County are being used to repay this debt. The equipment is being used as collateral on the loans.

The County issued a general obligation construction note to finance the building of a new County Garage in 1999. The full faith and credit of the County has been pledged to repay this debt. Gasoline and Motor Vehicle License Tax monies are being used to repay this debt.

Proceeds from the Ohio Water Development Authority loan were used to pay for a study to determine the cap, leachate management, explosive gas monitoring, ground water monitoring and other technical services to close the County's landfill. General Fund monies are being used to repay this debt.

The County issued a general obligation bond anticipation note in 2001 to finance the renovation of a county building to provide county offices. The County refinanced the note with the U.S. Department of Agriculture on February 27, 2003 by issuing \$2,000,000 in Sales Tax Supported Building Improvement Limited Tax General Obligation Bonds.

The County obtained a tax increment financing loan in 2001. Proceeds from this loan will be used to pay for water line chlorination systems and a bulk station to provide potable water for industry. Tax Increment Financing service payments are being used to repay this debt along with some General Fund monies.

The annual requirements to amortize debt outstanding as of December 31, 2002, including interest payments, are as follows:

<u>Year Ending December 31</u>	<u>Computer Loans #1 and #2</u>	<u>County Garage Facility Note</u>	<u>OWDA Loan</u>	<u>Carlos Riecker Building Note</u>	<u>Tax Increment Financing Loan</u>	<u>Total</u>
2003	\$ 20,311	\$ 71,800	\$ 14,103	\$2,271,150	\$ 7,599	\$ 2,384,963
2004	0	157,234	14,103	0	7,444	178,781
2005	0	0	14,103	0	7,289	21,392
2006	0	0	14,103	0	7,134	21,237
2007	0	0	14,103	0	6,979	21,082
2008 – 2012	0	0	70,516	0	32,575	103,091
2013 – 2017	0	0	56,413	0	28,704	85,117
2018 – 2022	0	0	0	0	24,834	24,834
2023 – 2027	0	0	0	0	20,963	20,963
2028 – 2032	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,093</u>	<u>17,093</u>
Total	<u>\$ 20,311</u>	<u>\$229,034</u>	<u>\$197,444</u>	<u>\$2,271,150</u>	<u>\$ 160,614</u>	<u>\$ 2,878,553</u>

**MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**10. MORGAN COUNTY LANDFILL**

The Commissioners leased the land from F. E. and Eileen Haines to operate the Morgan County Landfill (the Facility). William Miller was the operator and license holder for the Facility from 1974 to 1988, when the Facility was closed. The Ohio Administrative Code requires the operator to complete certain environmental remediation to the Facility within sixty days after closing and to maintain the site after closure. Subsequent to the closure on September 1, 1988, the Ohio Environmental Protection Agency (OEPA) conducted inspections and documented various violations of closure requirements. On February 13, 1995, the Director of the OEPA issued Final Findings and Orders to the Morgan County Commissioners, F. E. and Eileen Haines, and William R. Miller concerning violations of closure and post-closure requirements. Post-closure requirements extend 30 years beyond the closure date.

As a result of the Director's Final Findings and Orders, the Commissioners contracted for a study to determine the cap, leachate management, explosive gas monitoring, ground water monitoring, and for other technical services relating to closure procedures for the Facility. During 1997, the County paid for the construction phase of capping the Facility. In 2001, the Commissioners contracted with an engineering firm to prepare a corrective measure plan to address the remaining OEPA concerns, including post-closure care. Other alternative plans ranging from approximately \$1.5 million to \$15.9 million have been documented and presented by Advanced Geo Services, who are employees of Gould, Inc., to the OEPA.

As of the date of this report, the Commissioners cannot determine which plan will be accepted, if any, or what portion of the remaining costs may have to be paid by the County.

**11. JOINTLY GOVERNED ORGANIZATIONS**

**Washington-Morgan Community Action Corporation**

The Washington-Morgan Community Action Corporation (the Corporation) is operated as a not-for-profit organization formed to provide various programs in Morgan and Washington Counties. Currently, the Corporation administers the Family Service and Outreach Program, the Child Development Program, the Community Action Bus Line, the Senior Nutrition Program, the Women, Infants, and Children's Supplemental Nutrition Program, the Home Weatherization Assistance and Energy Program, the Job Training and Partnership Act Program, the Housing and Urban Development Section 8 Existing Housing Voucher/Certificate Program, and various other federal and state programs. The Corporation is the direct recipient of federal and state monies. The Corporation is governed by a fifteen member council. The Council is composed of the Mayor of the City of Marietta, Mayor of the City of Belpre, two commissioners from Washington County, one commissioner from Morgan County, five lower income representatives, and five private sector representatives from Morgan and Washington Counties selected by outreach workers. Currently, the Corporation, by contract with the City of Marietta, Morgan County, and Washington County, provides administrative services to these governments in specific programs. The continued existence of the Corporation is not dependent upon the County's continued participation and no equity interest exists.

**MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**11. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**Buckeye Hills-Hocking Valley Regional Development District**

The Buckeye Hills-Hocking Valley Regional Development District (the District) serves as the Area Agency on Aging for Athens, Hocking, Meigs, Monroe, Morgan, Noble, Perry and Washington Counties. The District was created to foster a cooperative effort in regional planning, programming and implanting plans and programs. The District is governed by a fifteen member board of directors. The Board is composed of one county commissioner from each county, one member from the City of Athens, one member from the City of Marietta, four at-large members appointed from the ten government members, and one member from the minority sector. The Board has total control over budgeting, personnel, and all other financial matters. The continued existence of the District is not dependent upon the County's continued participation and no equity interest exists.

**Joint Solid Waste District**

The County is a member of the Joint Solid Waste District (the District) which consists of Guernsey, Monroe, Morgan, Muskingum, Noble and Washington Counties. The purpose of the District is to make disposal of waste in the six-county area more comprehensive in terms of recycling, incinerating, and land filling. The District was created in 1989 as required by the Ohio Revised Code. The District is governed and operated through three groups. An eighteen member board of directors, composed of three commissioners from each county, is responsible for the District's financial matters. Financial records are maintained by the Noble County Auditor. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. Although the County contributed amounts to the District at the time of its creation, no contributions have been made for 2001. No future contributions from the County are anticipated. A thirty-one member policy committee, composed of five 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 continued existence of the District is not dependent upon the County's continued participation, no equity interest exists, and no debt is outstanding.

**Mental Health and Recovery Services of Muskingum County**

The Mental Health and Recovery Services Board of Muskingum County (the Board) provides alcohol, drug addiction and mental health services and programs, primarily through contracts with private and public agencies. The Board also provides forensic evaluation services to adult felony courts, and residential services to youth experiencing emotional problems which prevent them from living at home. The Board serves Coshocton, Guernsey, Morgan, Muskingum, Noble, and Perry Counties and operates under the direction of an eighteen-member appointed Board. Each participating county has agreed to levy a tax within their county to assist in the operation of the Board. The Board also directly receives state and federal funding for its operations. Although the Muskingum County Auditor and County Treasurer are responsible for fiscal control of the resources of the Board, the Board is responsible for budgeting and accounting for the resources at its disposal. Membership on the Board is based upon Ohio law. The continued existence of the Board is not dependent upon the County's continued participation and no equity interest exists.

**MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**11. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**Morgan County Family and Children First Council**

The Morgan County Family and Children First Council (the Council) is a jointly governed organization created under Ohio Rev. Code Section 121.37. The Council is made up of the following members: the Director of the Board of Alcohol, Drug Addiction, and Mental Health Services, Health Commissioner of the Morgan County District Board of Health, the Director of the Morgan County Department of Job and Family Services, the Director of the Morgan County Children Services Board, the Superintendent of the Morgan County Mental Retardation and Development Disabilities, the Juvenile Court Judge, Superintendent of Morgan County Schools, the Mayor of the Village of McConnelsville, the President of the Morgan County Commissioners, the State Department of Youth Services Regional representative, representative from the County Head Start Agencies, a representative of the County's Early Intervention Collaborative established pursuant to the federal early intervention program operated under the "Education of the Handicapped Act Amendments of 1986", and at least three individuals representing the interests of families in the County. When possible, the number of members representing families shall be equal to twenty percent of the Council's remaining membership. In 2002, the County made no contributions to the Council. The Washington-Morgan Community Action Corporation serves as the fiscal agent for the Council. The Morgan County Commissioners serve as the administrative agent for the Council. The continued existence of the Council is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

**12. COMPONENT UNIT DISCLOSURES**

**MORGAN COUNTY REGIONAL AIRPORT AUTHORITY NOTES TO THE FINANCIAL STATEMENTS**

**Summary of Significant Accounting Policies**

Basis of Presentation: The Summary of Significant Accounting Policies is presented to assist in understanding the Authority's financial statements. The financial statements and note are representations of the Authority's management, who are responsible for their integrity and objectivity. These accounting policies conform to the basis of accounting prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Liability for Income Taxes: The Authority is exempt from income tax under Section 501(c)(3) of Internal Revenue Code.

Cash and Cash Equivalents: The Authority considers deposits with maturities of twelve months or less to be cash equivalents.

Property, Plant and Equipment: Fixed assets acquired or constructed for the Authority are recorded as disbursements. Depreciation is not recorded for these fixed assets.

**Cash and Cash Equivalents**

At December 31, 2002, the carrying amount of the Authority's deposits was \$4,763 and the bank balance was \$4,763. The bank balance was covered by federal deposit insurance.



**MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**12. COMPONENT UNIT DISCLOSURES (Continued)**

**MARY HAMMOND ADULT ACTIVITY CENTER, INC.**

The Mary Hammond Adult Activity Center, Inc. (the Workshop) financial statements and notes to the financial statements for the year ended December 31, 2002 are presented in the accompanying Balance Sheet, Statement of Revenues, Expenses and Changes in Fund Equity, Statement of Cash Flows and Notes to the Financial Statements.

**13. INSURANCE PURCHASING POOLS**

**Buckeye Joint-County Self Insurance Council**

The Buckeye Joint-County Self Insurance Council (the Council) is an insurance purchasing pool that serves Athens, Hocking, Jackson, Lawrence, Meigs, Monroe, Morgan, Noble, Perry, Pike, Vinton, and Washington Counties, and was formed as an Ohio non-for-profit corporation for the purpose of establishing an insurance pool to obtain general liability, law enforcement, professional and fleet insurance. Member counties provide operating resources to the Council based on actuarially determined rates.

The degree of control exercised by any participating government is limited to its representation on the Council. The Governing Board is composed of at least one County Commissioner from each of the participating counties. The Governing Board annually elects officers who includes a President, Vice-President, Second Vice-President and two Governing Board members. The expenditures and investments of funds by the officers must be approved by the Governing Board unless specific limits have been set by the Governing Board to permit otherwise.

In the event of losses, the first \$250 to \$1,000 of any valid claim, depending on the type of loss, will be paid by the member. The next payment, with a maximum pay range from \$100,000 to \$2,000,000 per occurrence, will come from the self-insurance pool based on the member's percentage of contribution. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments. The agreement between the County and the Council indicates that a voluntary withdrawal or termination by the County shall constitute a forfeiture of any pro-rata share of the Council Reserve Fund. In the event of the termination of the Council, current members shall be paid in an amount they have contributed to the Council as of the last month of the Council's existence. Current calculation of this potential residual interest is, therefore, not possible. During 2002, Morgan County paid \$102,089 to the Council for insurance coverage and also paid \$2,434 for insurance for the Morgan County Regional Airport Authority.

**County Commissioners Association of Ohio Workers' Compensation Group Rating Plan**

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool.

**MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**13. INSURANCE PURCHASING POOLS (Continued)**

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at the meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year, and each elected member shall be a County Commissioner.

**14. CONTINGENCIES**

**A. Grants**

The County received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the County at December 31, 2002.

**B. Litigation**

The County is party to several lawsuits and other litigation. The ultimate outcome of these issues cannot be determined at this time.

MARY HAMMOND ADULT ACTIVITY CENTER, INC.

BALANCE SHEET  
DISCRETELY PRESENTED COMPONENT UNIT  
AS OF DECEMBER 31, 2002

<b>Assets:</b>	
Cash and Cash Equivalents	\$ 10,785
Accounts Receivable	27,395
Fixed Assets (net of accumulated depreciation)	<u>33,717</u>
<b>Total Assets</b>	<b><u>71,897</u></b>
<b>Liabilities:</b>	
Accounts Payable	13,581
Loans Payable	11,203
Line of Credit	5,000
Intergovernmental Payable	<u>2,575</u>
<b>Total Liabilities</b>	<b><u>32,359</u></b>
<b>Equity:</b>	
Retained Earnings	<u>39,538</u>
<b>Total Equity</b>	<b><u>39,538</u></b>
<b>Total Liabilities and Equity:</b>	<b><u>\$ 71,897</u></b>

*The notes to the financial statements are an integral part of this statement.*

**MARY HAMMOND ADULT ACTIVITY CENTER, INC.**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND EQUITY  
DISCRETELY PRESENTED COMPONENT UNIT  
AS OF DECEMBER 31, 2002**

<b>Operating Revenue:</b>	
Charges for Services	\$ 353,933
Donations	6,489
Support Services	<u>79,888</u>
	<u>440,310</u>
<b>Operating Expenses:</b>	
Personal Services	201,138
Fringe Benefits	26,700
Facility Fees	59,238
Materials and Supplies	20,092
Contractual Services	50,253
Fuel, Maintenance and Repairs	9,852
Insurance	1,246
Other	45,802
Depreciation	<u>7,071</u>
	<u>421,392</u>
Operating Income	<u>18,918</u>
<b>Non-Operating Expenses:</b>	
Interest and Finance Charges	1,043
Net Income	17,875
Retained Earnings	<u>21,663</u>
Total Fund Equity at year end	<u><u>\$ 39,538</u></u>

*The notes to the financial statements are an integral part of this statement.*

**MARY HAMMOND ADULT ACTIVITY CENTER, INC.**

**STATEMENT OF CASHFLOWS  
DISCRETELY PRESENTED COMPONENT UNIT  
AS OF DECEMBER 31, 2002**

<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$ 338,460
Cash Received from Donations	6,489
Cash Payments to Employees	(186,037)
Cash Payments for Facility Fees	(59,238)
Cash Payments for Supplies and Materials	(19,996)
Cash Payments for Contractual Services	(45,734)
Cash Payments for Fuel, Maintenance and Repairs	(9,852)
Cash Payments for Insurance	(1,246)
Cash Payments for Other Expenses	<u>(7,535)</u>
Net Cash from Operating Activities	15,311
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Interest paid on Loans	(1,043)
Principal Payments - Loans	<u>(9,793)</u>
Net Cash from Capital and Related Financing Activities	(10,836)
Cash and Cash Equivalents at the Beginning of the Year	6,310
Cash and Cash Equivalents at the End of the Year	<u>\$ 10,785</u>

<b>Reconciliation of Operating Income to</b>	
<b>Net Cash from Operating Activities:</b>	
Operating Income	\$ 18,918

<b>Adjustments to Reconcile Operating Income to</b>	
<b>Net Cash from Operating Activities:</b>	
Depreciation Expense	7,071
(Increase) in Accounts Receivable	(15,473)
Increase in Accounts Payable	4,519
Increase in Intergovernmental Payable	276
Net Cash from Operating Activities	<u>\$ 15,311</u>

*The notes to the financial statements are an integral part of this statement.*

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**MARY HAMMOND ADULT ACTIVITY CENTER, INC.  
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Measurement Focus and Basis of Accounting**

The financial statements that are presented for the Workshop use the governmental model of Governmental Accounting Standards Board Statement No. 29, "The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities" for non-profit corporations. This component unit is accounted for like an enterprise fund using the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**B. Budgetary Basis of Accounting**

Budgetary information for the Mary Hammond Adult Activity Center, Inc. is not presented because the Workshop does not maintain separate budgetary financial records.

**2. DEPOSITS AND INVESTMENTS**

Cash and cash equivalents held by the Workshop are classified as "Cash and Cash Equivalents". This includes cash and any investment with an original maturity of three months or less.

At year end, the carrying amount of deposits for the Workshop was \$8,780 and the bank balance was \$21,289. The bank balance was covered by Federal Deposit Insurance.

**3. FIXED ASSETS**

A summary of the Workshop's fixed assets at December 31, 2002, follows:

Shop Equipment	\$29,500
Transportation Equipment	20,855
Total	<u>50,355</u>
Less accumulated depreciation	<u>(16,638)</u>
Net Book Value	<u>\$33,717</u>

Depreciation is provided on a straight-line basis over an estimated useful life of 5-8 years for shop equipment and 5 years for transportation equipment. Depreciation is not charged until a full year of service, at which time an entire year of depreciation is charged.

**4. DEBT**

In July 2002, the Workshop purchased two automatic baggers from Portage Packaging to be used in the operations of the Workshop. The Workshop makes monthly payments of \$1,334 for 12 months at a 6.72 percent interest rate. During 2002, \$6,670, including interest of \$420, of this debt was retired by the Workshop. At December 31, 2002, \$8,750 remains outstanding.

On July 25, 2001, the Workshop opened a line of credit with North Valley Bank for \$7,650 with an interest rate of 6.5 percent. Each year this line of credit is renewed. During 2002, interest payments of \$341 were paid by the Workshop to retire this debt but no principal payments were made. At December 31, 2002, \$5,000 remains outstanding.

**MARY HAMMOND ADULT ACTIVITY CENTER, INC.  
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**4. DEBT (Continued)**

In August 1998, the Workshop financed \$16,005 for the purchase of a truck to be used in the operations of the Workshop. The debt had an interest rate of 7.75 percent and is collateralized by the truck. During 2002, \$3,872, including interest of \$344, was retired by the Workshop. At December 31, 2002, \$2,453 remains outstanding.

**5. RELATED PARTY TRANSACTIONS**

During 2002, Morgan County provided facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of programs to the Mary Hammond Adult Activity Center, Inc., a discretely presented component unit of Morgan County. The Workshop received \$79,888 for such in-kind contributions. Additional habilitative services provided directly to Workshop clients by Morgan County amounted to \$250,258 during 2002.

The \$79,888 is reflected in the Statement of Revenues, Expenses and Changes in Fund Equity as "Support Revenue" and correspondingly as personal services, fringe benefits, and other operating expenses.



MORGAN COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2002

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>				
<i>Direct from the Federal Government:</i>				
Community Facilities Loans and Grants	10.766	N/A	\$0	\$1,969,613
Total United States Department of Agriculture			0	1,969,613
<b>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<i>Passed through the Ohio Department of Development:</i>				
Community Development Block Grant - States Program	14.228	B-C-00-053-1 B-F-00-053-1 B-F-01-053-1 B-W-99-053-1 B-P-00-053-1	99,012 44,226 45,170 7,805 92,371	99,019 54,379 44,960 7,805 92,371
Total Community Development Block Grant Program			288,584	298,534
HOME Investment Partnerships Program	14.239	B-C-00-053-2	62,909	62,902
Total United States Department of Housing and Urban Development			351,493	361,436
<b>UNITED STATES DEPARTMENT OF JUSTICE</b>				
<i>Passed through the Ohio Emergency Management Agency:</i>				
State Domestic Preparedness Equipment Support Program	16.007	J809	42,790	36,677
<i>Passed through the Governor's Office of Criminal Justice Services:</i>				
Crime Victim Assistance	16.575	2002VAGENE336 2003NAGENE336	15,457 5,796	21,610 4,629
Total Crime Victim Assistance			21,253	26,239
<i>Passed through the Village of McConnelsville:</i>				
Violence Against Women Formula Grants	16.588	2000-WF-VA2-8423 2001-WF-VA2-8423	4,295 22,282	10,464 19,301
Total Violence Against Women Formula Grant			26,577	29,765
<i>Passed through the Governor's Office of Criminal Justice Services:</i>				
Local Law Enforcement Block Grants Program	16.592	98-LE-LEB-3109	0	2,377
Total United States Department of Justice			90,620	95,058
<b>UNITED STATES DEPARTMENT OF LABOR</b>				
<i>Passed through the Ohio Department of Job and Family Services:</i>				
Employment and Training Assistance - Dislocated Workers	17.246	EM-11159-01-600H-03	313,154	387,463
<i>Workforce Investment Act</i>				
Workforce Investment Act - Adult	17.258	N/A	112,304	165,011
Workforce Investment Act - Adult Administrative			18,632	3,659
Workforce Investment Act - Adult Total			130,936	168,670
Workforce Investment Act - Youth	17.259	N/A	245,220	263,223
Workforce Investment Act - Youth Administrative			41,612	8,171
Workforce Investment Act - Youth Total			286,832	271,394
Workforce Investment Act - Dislocated Worker	17.260	N/A	10,000	35,859
Workforce Investment Act - Dislocated Worker Administrative			1,863	365
Workforce Investment Act - Dislocated Worker Total			11,863	36,224
Total Workforce Investment Act			429,631	476,288
<i>Passed through the Ohio Department of Job and Family Services and the Ohio Valley Employment Resource:</i>				
National Emergency Grant - Central Ohio Coal/Windsor Project	17.260	N/A	41,805	41,805
Total United States Department of Labor			784,590	905,556

(Continued)

MORGAN COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Disbursements
<b>APPALACHIAN REGIONAL COMMISSION</b>				
<i>Direct from the Federal Government:</i>				
Appalachian Regional Development Grant	23.001	OH-14120-02	<u>56,047</u>	<u>56,047</u>
Total Appalachian Regional Development Grant			56,047	56,047
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>				
<i>Passed through the Ohio Emergency Management Agency:</i>				
Emergency Management Performance Grants	83.552	J732 J733	1,537 <u>8,040</u>	1,537 <u>8,040</u>
Total Emergency Management Performance Grants			<u>9,577</u>	<u>9,577</u>
Total Federal Emergency Management Agency			9,577	9,577
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>				
<i>Passed through the Ohio Department of Health:</i>				
Special Education - Grants for Infants and Families with Disabilities	84.181	J282	<u>33,856</u>	<u>33,856</u>
Total United States Department of Education			33,856	33,856
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Social Services Block Grant	93.667	N/A	16,319	16,319
Medical Assistance Program	93.778	N/A	<u>195,391</u>	<u>195,391</u>
Total United States Department of Health and Human Services			<u>211,710</u>	<u>211,710</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<u><u>\$1,537,893</u></u>	<u><u>\$3,642,853</u></u>

The accompanying notes to the Schedule of Federal Awards Receipt and Expenditures are an integral part of this Schedule.

**MORGAN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
DECEMBER 31, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of Morgan County's (the County) federal awards programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - SUBRECIPIENTS**

The County passes-through certain Federal assistance received from United States Department of Housing and Urban Development to other governments or not-for-profit agencies (subrecipients). As described in Note A, the County records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under OMB Circular A-133, the County is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Morgan County  
155 East Main Street  
McConnelsville, Ohio 43756

To the Board of Commissioners:

We have audited the accompanying financial statements of Morgan County, Ohio (the County), as of and for the year ended December 31, 2002, and have issued our report thereon dated August 25, 2003, which noted the County prepares its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03(B). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2002-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated August 25, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the County in a separate letter dated August 25, 2003.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701  
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

This report is intended for the information and use of the audit committee, management, the Board of County Commissioners, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

August 25, 2003



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Morgan County  
155 East Main Street  
McConelsville, Ohio 43756

To the Board of Commissioners:

#### Compliance

We have audited the compliance of Morgan County, Ohio (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2002. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2002.

#### Internal Control over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to the management of the County in a separate letter dated August 25, 2003.

This report is intended for the information and use of the audit committee, management, the Board of County Commissioners, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

August 25, 2003



**MORGAN COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 §.505**  
**DECEMBER 31, 2002**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Community Facilities Loans and Grants - CFDA #10.766 Medical Assistance Program - CFDA #93.778
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
DECEMBER 31, 2002  
(Continued)**

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

**Finding Number 2002-001**

**Noncompliance Citation**

Ohio Rev. Code 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of the Ohio Rev. Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the County may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the County take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

**3. FINDINGS FOR FEDERAL AWARDS**

There were no findings related to federal awards.

**MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**OMB CIRCULAR A -133 §.315 (b)**  
**DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2001-61058-001	A material noncompliance citation was issued under Ohio Admin. Code Section 117-1-11 (now 117-2-03(B)) for failing to prepare and file financial statements pursuant to GAAP.	No	Not Corrected; the County does not believe the benefits associated with filing GAAP statements outweigh the costs associated with preparing them. This situation was repeated in the current audit as finding 2002-001.
2001-61058-002	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(B) for expenditures exceeding appropriations in several funds.	No	Partially Corrected; this situation was corrected with the exception of two funds with immaterial variances which were reported in the management letter.





**Auditor of State  
Betty Montgomery**

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P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

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## **FINANCIAL CONDITION**

### **MORGAN 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  
OCTOBER 16, 2003**