



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**MORGAN COUNTY**  
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STATE OF OHIO  
OFFICE OF THE AUDITOR

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## REPORT OF INDEPENDENT ACCOUNTANTS

Morgan County  
19 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, 2001. 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 file its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the County prepared its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements 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, 2001, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2002, 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.

We performed our audit to form an opinion on the financial statements of the County, taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of 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 and, in our opinion, is fairly presented 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 fiscal report review 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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

April 24, 2002

MORGAN COUNTY

COMBINED STATEMENT OF CASH, CASH EQUIVALENTS  
AND FUND CASH BALANCES  
ALL FUND TYPES  
AS OF DECEMBER 31, 2001

Cash and Cash Equivalents	<u>\$ 6,726,129</u>
<b>Total</b>	<b><u><u>\$ 6,726,129</u></u></b>

CASH BALANCES BY FUND TYPE

<b>Governmental Funds:</b>	
General Fund	\$ 327,610
Special Revenue Funds	2,063,538
Capital Projects Funds	
<b>Proprietary Funds:</b>	
Enterprise Funds	
Internal Service Funds	145,249
<b>Fiduciary Funds:</b>	
Expendable Trust Funds	3,218,106
Nonexpendable Trust Funds	5,540
Agency Funds	<u>939,448</u>
Total - Primary Government	6,699,491
<b>Component Units:</b>	
Mary Hammond Program	21,644
Regional Airport Authority	<u>4,994</u>
Total - Component Units	<u>26,638</u>
<b>Total - Reporting Entity</b>	<b><u><u>\$ 6,726,129</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, 2001

	Governmental Fund Types			Fiduciary	Totals
	General	Special Revenue	Capital Projects	Expendable Trust	(Memorandum Only)
<b>Cash Receipts:</b>					
Taxes	\$ 1,751,057	\$ 871,570	\$	\$	\$ 2,622,627
Charges for Services	311,326	314,920		4,059	630,305
Licenses and Permits	1,720	11,236			12,956
Fines and Forfeitures	82,864	78,448			161,312
Intergovernmental Receipts	354,907	8,391,687	419,573		9,166,167
Interest Revenue	153,479	15,485		133,664	302,628
All Other Receipts	403,692	494,291		647	898,630
Total Cash Receipts	<u>3,059,045</u>	<u>10,177,637</u>	<u>419,573</u>	<u>138,370</u>	<u>13,794,625</u>
<b>Cash Disbursements:</b>					
General Government:					
Executive and Legislative	1,061,168	251,928			1,313,096
Judicial	362,840	102,495			465,335
Public Safety	722,608	1,230,555			1,953,163
Public Works		2,183,952	419,573		2,603,525
Health	24,725	461,574			486,299
Human Services	129,268	6,825,562			6,954,830
Miscellaneous	927,296				927,296
Capital Outlay				1,599,461	1,599,461
Debt Service:					
Principal Payment	14,030	74,167			88,197
Interest and Fiscal Charges	7,381	19,810			27,191
Total Cash Disbursements	<u>3,249,316</u>	<u>11,150,043</u>	<u>419,573</u>	<u>1,599,461</u>	<u>16,418,393</u>
Excess of Cash Receipts Over/ (Under) Cash Disbursements	<u>(190,271)</u>	<u>(972,406)</u>	<u>0</u>	<u>(1,461,091)</u>	<u>(2,623,768)</u>
<b>Other Financing Sources/(Uses):</b>					
Proceeds of Notes	93,266			2,250,000	2,343,266
Operating Transfers-In	63,766	83,537			147,303
Operating Transfers-Out	(125,597)	(13,730)	(310)		(139,637)
Operating Advances-In		15,000			15,000
Operating Advances-Out	(15,000)				(15,000)
Other Financing Sources	142,585	237,891			380,476
Other Financing Uses	(15,264)				(15,264)
Total Other Financing Sources/(Uses)	<u>143,756</u>	<u>322,698</u>	<u>(310)</u>	<u>2,250,000</u>	<u>2,716,144</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing (Uses)	<u>(46,515)</u>	<u>(649,708)</u>	<u>(310)</u>	<u>788,909</u>	<u>92,376</u>
Fund Cash Balances, January 1	<u>374,125</u>	<u>2,713,246</u>	<u>310</u>	<u>2,429,197</u>	<u>5,516,878</u>
Fund Cash Balances, December 31	<u>\$ 327,610</u>	<u>\$ 2,063,538</u>	<u>\$0</u>	<u>\$ 3,218,106</u>	<u>\$ 5,609,254</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  
 ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
 AND DISCRETELY PRESENTED COMPONENT UNITS  
 FOR THE YEAR ENDED DECEMBER 31, 2001

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	Agency	Primary Government
<b>Operating Cash Receipts:</b>					
Charges for Services	\$	\$ 1,268,111	\$	\$	\$ 1,268,111
Interest		627	1,314		1,941
Other Operating Receipts					0
Total Operating Cash Receipts	0	1,268,738	1,314	0	1,270,052
<b>Operating Cash Disbursements:</b>					
Personal Services - Salaries		33,615			33,615
Contract Services		763,815			763,815
Claims and Judgements		434,657			434,657
Other Operating Disbursements					
Total Operating Cash Disbursements	0	1,232,087	0	0	1,232,087
Operating Income/(Loss)	0	36,651	1,314	0	37,965
<b>Nonoperating Cash Receipts/(Disbursements)</b>					
Intergovernmental Receipts					0
Transfers-In		6,000		36,060	42,060
Transfers-Out	(49,726)				(49,726)
Other Nonoperating Receipts				26,792,578	26,792,578
Other Nonoperating Disbursements			(20,000)	(26,765,283)	(26,785,283)
Total Nonoperating Cash Receipts/ (Disbursements)	(49,726)	6,000	(20,000)	63,355	(371)
Net Income/(Loss)	(49,726)	42,651	(18,686)	63,355	37,594
Fund Cash Balances, January 1	49,726	102,598	24,226	876,093	1,052,643
<b>Fund Cash Balances, December 31</b>	<b>\$0</b>	<b>\$ 145,249</b>	<b>\$ 5,540</b>	<b>\$ 939,448</b>	<b>\$ 1,090,237</b>

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

Component Units		Totals (Memorandum Only)
Mary Hammond Program	Regional Airport Authority	Reporting Entity
\$ 287,477	\$ 5,423	\$ 1,561,011
136	232	2,309
69	482	551
<u>287,682</u>	<u>6,137</u>	<u>1,563,871</u>
159,568	1,050	194,233
84,323	3,325	851,463
55,626	1,000	434,657
<u>299,517</u>	<u>5,375</u>	<u>1,536,979</u>
<u>(11,835)</u>	<u>762</u>	<u>26,892</u>
	73,009	73,009
		42,060
		(49,726)
9,361	2,375	26,804,314
<u>(3,944)</u>	<u>(73,009)</u>	<u>(26,862,236)</u>
<u>5,417</u>	<u>(1,828)</u>	<u>3,218</u>
(6,418)	(1,066)	30,110
<u>28,062</u>	<u>6,060</u>	<u>1,086,765</u>
<u><b>\$ 21,644</b></u>	<u><b>\$ 4,994</b></u>	<u><b>\$ 1,116,875</b></u>

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**MORGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL -  
ALL BUDGETED FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Governmental</b>			
General	\$ 3,335,555	\$ 3,358,662	\$ 23,107
Special Revenue	10,551,258	10,514,065	(37,193)
Capital Projects		419,573	419,573
<b>Proprietary</b>			
Enterprise			0
Internal Service	47,919	1,274,738	1,226,819
<b>Fiduciary</b>			
Expendable Trust	2,428,989	2,388,370	(40,619)
Nonexpendable Trust	1,000	1,314	314
<b>Totals (Memorandum Only)</b>	<b><u>\$ 16,364,721</u></b>	<b><u>\$ 17,956,722</u></b>	<b><u>\$ 1,592,001</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, 2001

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>
<b>Governmental</b>			
General	\$ 57,849	\$ 3,570,601	\$ 3,628,450
Special Revenue	524,460	11,288,105	11,812,565
Capital Projects		419,884	419,884
<b>Proprietary</b>			
Enterprise		49,726	49,726
Internal Service		45,017	45,017
<b>Fiduciary</b>			
Expendable Trust		3,964,021	3,964,021
Nonexpendable Trust		21,000	21,000
<b>Totals (Memorandum Only)</b>	<b>\$ 582,309</b>	<b>\$ 19,358,354</b>	<b>\$ 19,940,663</b>

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

<u>Disbursements</u>	<u>Encumbrances Outstanding 12/31/01</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 3,405,177	\$ 27,200	\$ 3,432,377	\$ 196,073
11,163,773	236,298	11,400,071	412,494
419,883		419,883	1
49,726		49,726	0
1,232,087		1,232,087	(1,187,070)
1,599,461	443,103	2,042,564	1,921,457
20,000		20,000	1,000
<u>\$ 17,890,107</u>	<u>\$ 706,601</u>	<u>\$ 18,596,708</u>	<u>\$ 1,343,955</u>

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## MORGAN COUNTY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2001

#### 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.

##### Discretely Presented Component Units

- ❖ The Mary Hammond Program (the Program) is a legally separate, not-for-profit corporation, served by a self-appointing Board of Trustees. The Program 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 Program 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 Program. Based on the significant services and resources provided by the County to the Program and the sole purpose of the Program to provide assistance to the retarded and handicapped adults of the County, the Program is considered to be a component unit of Morgan County. Additional disclosures can be found in Note 10.

**MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

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

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

**Discretely Presented 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 Clerk/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. Additional disclosures can be found in Note 10.

**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 THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(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 chose to prepare its financial statements on the basis of accounting formerly 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. 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, as prescribed or permitted by the Auditor of State.

**C. Cash and Cash Equivalents**

Cash and cash equivalents consist of the total of fund cash balances of all funds as of December 31, 2001. County funds are maintained in several checking accounts, as well as being invested in certificates of deposit with terms of six to twelve months. 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 THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Proprietary Fund Types:**

**Enterprise Fund**

This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

**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.

**MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

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

**E. Budgetary Process (Continued)**

**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.

**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**

Accumulated unpaid vacation and sick leave are not accrued under the cash basis of accounting described in Note 1. At December 31, 2001, management estimates that \$181,305 in sick leave (retirement eligible amounts only) and \$256,158 in vacation leave have been accumulated by the employees of the County. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees.

**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.

**2. 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".

**MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

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

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;
- 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.

**Deposits:** At year-end, the carrying amount of the County's deposits was \$6,669,491, and the bank balance was \$6,840,892.

MORGAN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)

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

Of the bank balance:

- A. \$780,998 was covered by federal depository insurance;
- B. \$1,300,000 was covered by collateral held by a third party trustee in the name of the County;
- C. \$2,990,317 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. \$1,769,576 was collateralized by securities held by a third party bank in the County's name.

3. 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, 2001, was \$8.50 per \$1000 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	\$ 120,302,980
Commercial/Industrial	26,059,190
Public Utilities	87,160
Tangible Personal Property	
General – 2001 Valuation	24,969,430
Public Utilities – 2000 Valuation	<u>92,391,540</u>
Total Valuation	<u>\$ 263,810,300</u>

**MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**3. PROPERTY TAX (Continued)**

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.

**4. 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 \$970,128 in 2001.

**5. 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 2001, 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

**MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**5. RISK MANAGEMENT (Continued)**

<u>Policy Type</u>	<u>Annual/ Aggregate Coverages</u>	<u>Deductible</u>
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
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/\$38,000	\$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.

**MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**5. RISK MANAGEMENT (Continued)**

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.

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, although there are claims still pending as of December 31, 2001.

**6. RETIREMENT SYSTEM**

**Public Employees Retirement System (PERS)**

All County employees participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report that may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. Beginning in 2001, HB 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classifications consisted of sheriffs, deputy sheriffs and township police with an employee contribution rate of 10.1 percent. All other members of the PERS law enforcement program were placed in a newly named public safety division and continue to contribute at 9.0 percent. For plan members, other than those classified in the law enforcement or public safety divisions, the County was required to contribute 13.55 percent of covered salary for 2001. The employer contribution rate for both the law enforcement and public safety divisions was 16.70 percent.

**MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**6. RETIREMENT SYSTEM (Continued)**

The County contribution for plan members other than those classified in the law enforcement or public safety divisions for 2001 was 9.25 percent to fund pension obligations. The County contribution rate for those employees classified in the law enforcement or public safety divisions for 2001 was 12.40 percent to fund pension obligations. Contributions are authorized by State statute. The contribution rates are determined actuarially. The County's contributions to PERS for all employees for the years ended December 31, 2001, 2000, and 1999, were \$608,478, \$821,333, and \$781,773, respectively; 100 percent has been contributed for 2001, 2000 and 1999.

**7. POSTEMPLOYMENT BENEFITS**

**Public Employees Retirement System (PERS)**

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and primary survivor recipients of such retirees. Health care coverage for disability 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, "disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate for 2001 was 13.55 percent of covered payroll for employees not engaged in law enforcement; 4.30 percent was the portion that was used to fund health care. The employer contribution rate for law enforcement employees for 2001 was 16.7 percent; 4.30 percent was used to fund health care.

Benefits are advance-funded using an entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on PERS' latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. 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 411,076. The County's actual contributions for 2001 which were used to fund postemployment benefits were \$194,713. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

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.

MORGAN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)

8. DEBT OBLIGATIONS

Debt outstanding at December 31, 2001, consisted of the following:

	<u>Principal</u>	<u>Interest Rates</u>
Computer Loan #1	\$ 22,400	5.250%
Computer Loan #2	24,290	5.250%
General Obligation County Garage Facility Note	269,373	5.370%
Ohio Water Development Authority Loan	156,636	4.120%
Carlos Riecker Building Renovation Note	2,250,000	2.990%
Tax Increment Financing Loan	<u>93,266</u>	4.983%
Total	<u>\$ 2,815,965</u>	

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.

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 intends to refinance the note with the U.S. Department of Agriculture in 2002. General Fund monies will be used repay this debt.

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.

**MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**8. DEBT OBLIGATIONS (Continued)**

The annual requirements to amortize debt outstanding as of December 31, 2001, including interest payments, are as follows:

Year Ending December 31	Computer Loans #1 and #2	County Garage Facility Note	OWDA Loan	Carlos Riecker Building Note	Tax Increment Financing Loan	Total
2002	\$ 28,816	\$ 71,800	\$ 7,052	\$2,317,275	\$ 6,205	\$ 2,431,148
2003	20,311	71,800	14,103	0	7,599	113,813
2004	0	153,421	14,103	0	7,444	174,968
2005	0	0	14,103	0	7,289	21,392
2006	0	0	14,103	0	7,134	21,237
2007 – 2011	0	0	70,516	0	33,349	103,865
2012 – 2016	0	0	70,516	0	29,478	99,994
2017 – 2021	0	0	7,052	0	25,608	32,660
2022 – 2026	0	0	0	0	21,737	21,737
2017 – 2031	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,867</u>	<u>17,867</u>
Total	<u>\$ 49,127</u>	<u>\$297,021</u>	<u>\$211,548</u>	<u>\$2,317,275</u>	<u>\$ 163,710</u>	<u>\$ 3,038,681</u>

**9. 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. Since that time, the Commissioners have contracted with an engineering firm to prepare a corrective measure plan to address the remaining OEPA concerns, including post-closure care. Alternative plans ranging from approximately \$1.5 million to \$15.9 million have been documented and presented to the OEPA.

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

**MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**10. COMPONENT UNIT NOTE DISCLOSURES**

The following are the Mary Hammond Program (the Program) and Morgan County Regional Airport Authority (the Authority) notes to the financial statements for the year ended December 31, 2001:

**Summary of Significant Accounting Policies**

Basis of Presentation: The Summary of Significant Accounting Policies is presented to assist in understanding the Program's and Authority's financial statements. The financial statements and note are representations of these entities 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: Both the Program and the Authority are exempt from income tax under Section 501(c)(3) of Internal Revenue Code.

Cash and Cash Equivalents: Both the Program and the Authority consider deposits with maturities of twelve months or less to be cash equivalents.

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

**Cash and Cash Equivalents**

At December 31, 2001, the carrying amount of the Program's deposits was \$21,644 and the bank balance was \$25,523. The carrying amount of the Authority's deposits was \$4,994 and the bank balance was \$5,156. For both entities, all of the bank balances was covered by federal depository insurance.

**Debt Obligations**

Both entities had debt outstanding at December 31, 2001, as follows:

	<u>Description</u>	<u>Principal</u>	<u>Interest Rates</u>
Mary Hammond Program	Truck Loan	\$5,995	7.75%
Regional Airport Authority	Real Estate Loan	3,050	6.25%

The Program financed the purchase of a truck to be used in the operations of the workshop. The Authority purchased land adjacent to the airport. Both entities have pledged their full faith and credit to repay this debt.

Amortization of this debt, including interest, is as follows:

<u>Year Ending December 31</u>	<u>Mary Hammond</u>	<u>Regional Airport</u>
2002	\$3,872	\$3,241
2003	<u>2,541</u>	<u>          </u>
Total	<u>\$6,413</u>	<u>\$3,241</u>

**MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**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.

**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.

## MORGAN COUNTY

### NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2001 (Continued)

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

##### **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 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 2001, 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. 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.

**MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

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

**Buckeye Joint-County Self Insurance Council (Continued)**

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 2001, Morgan County paid \$172,385 to the Council for insurance coverage, which included \$2,375 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.

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.

**13. 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, 2001.

**MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**13. CONTINGENCIES (Continued)**

**B. Litigation**

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

MORGAN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2001

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements
<b>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed through the Ohio Department of Development:</i>			
Community Development Block Grant - State's Program	14.228	B-C-00-053-1 B-F-99-053-1 B-F-00-053-1 B-W-99-053-1 B-P-99-053-1	\$ 103,787 25,196 36,600 143,239 <u>207,629</u>
Total Community Development Block Grant Program			<u>516,451</u>
<i>Direct from Federal Government:</i>			
HOME Investment Partnerships Program	14.239	B-C-00-053-2	<u>230,443</u>
Total United States Department of Housing and Urban Development			746,894
<b>UNITED STATES DEPARTMENT OF JUSTICE</b>			
<i>Direct from Federal Government:</i>			
Public Safety Partnership and Community Policing Grant	16.710	1995CFWX5400	14,698
<i>Passed through the Village of McConnelsville:</i>			
Violence Against Women Formula Grant	16.588	1999-WF-VA2-8423 2000-WF-VA2-8423	25,689 <u>7,009</u> 32,698
Total Violence Against Women Formula Grant			32,698
<i>Passed through the Governor's Office of Criminal Justice Services:</i>			
Crime Victims Assistance Grant	16.575	2001VAGENE336 2002VAGENE336	17,391 <u>1,575</u> 18,966
Total Crime Victims Assistance Grant			18,966
Byrne Formula Grant Program	16.579	1999-DG-G01-9073	75,993
Local Law Enforcement Block Grants Program	16.592	98-LE-LEB-3109	<u>40</u>
Total United States Department of Justice			142,395
<b>UNITED STATES DEPARTMENT OF LABOR</b>			
<i>Passed through the Ohio Department of Job and Family Services:</i>			
Job Training Partnership Act - Central Ohio Coal	17.246	N/A	13,465
Workforce Investment Act	17.255		
Malta Windows National Emergency Grant		N/A	182,976
WIA Administration		N/A	45,030
WIA Youth		N/A	58,130
WIA Dislocated Worker		N/A	40,231
WIA Adult		N/A	<u>101,624</u>
Total Workforce Investment Act			<u>427,991</u>
Total U.S. Department of Labor			441,456
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			
<i>Pass Through Ohio Emergency Management Agency:</i>			
State and Local Assistance	83.534	N/A	<u>10,691</u>
Total U.S. Federal Emergency Management Agency			10,691
<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	58-1-003-1-AN-01	<u>76,740</u>
Total United States Department of Education			76,740
<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	16,997
Medical Assistance Program	93.778	N/A	<u>200,788</u>
Total United States Department of Health and Human Services			<u>217,785</u>
<b>Total Federal Awards Expenditures</b>			<b><u>\$ 1,635,961</u></b>

The Notes to the Schedule of Federal Awards Expenditures are an integral part of this Schedule.

**MORGAN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
DECEMBER 31, 2000**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards 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 that 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.



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

Morgan County  
19 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, 2001, and have issued our report thereon dated April 24, 2002, wherein we noted that the County had not adopted generally accepted accounting principles. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2001-61058-001 and 2001-61058-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated April 24, 2002.

**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 April 24, 2002.

This report is intended for the information and use of the fiscal report review 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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

**Jim Petro**  
Auditor of State

April 24, 2002



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

Morgan County  
19 East Main Street  
McConnelsville, 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 program for the year ended December 31, 2001. The County's major federal program is 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 program 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 program for the year ended December 31, 2001. However, we noted an immaterial instance of noncompliance that does not require inclusion in this report, that we have reported to the management of the County in a separate letter dated April 24, 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.

Morgan County  
Report of Independent Accountants on Compliance with  
Requirements Applicable to Each Major Federal Program and  
Internal Control Over Compliance in Accordance with OMB Circular A-133  
Page 2

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 April 24, 2002.

This report is intended for the information and use of the fiscal report review 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, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

April 24, 2002

**MORGAN COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 §.505**  
**DECEMBER 31, 2001**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<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>	Workforce Investment Act C.F.D.A. #17.255
<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, 2001**  
**(Continued)**

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

**Finding Number 2001-61058-001**

**Noncompliance Citation**

Ohio Admin. Code Section 117-2-03(B) requires the County to file its annual financial report pursuant to generally accepted accounting principles.

The County prepared its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other legal administrative remedies may be taken against the County.

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

**Finding Number 2001-61058-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision from making a disbursement unless it has been properly appropriated.

Actual expenditures plus outstanding encumbrances (budgetary expenditures) exceeded appropriations at December 31, 2001, in the following funds:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
Self-Insurance Reserves	\$0	\$444,606	\$(444,606)
Self-Insurance Premiums	0	763,815	(763,815)
National Reserve Grant	0	149,606	(149,606)

Actual expenditures plus outstanding encumbrances exceeded appropriations at September 30, 2001, in the following funds:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
Issue II	\$0	\$419,573	\$(419,573)
National Reserve Grant	0	175,000	(175,000)

**MORGAN COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 §.505**  
**DECEMBER 31, 2001**  
**(Continued)**

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

**Finding Number 2001-61058-002  
(Continued)**

**Noncompliance Citation – Ohio Rev. Code Section 5705.41(B) (Continued)**

These violations occurred as a result of management failing to monitor budgetary activity and adopting budgetary amendments when needed.

We recommend the County closely monitor the activity in these funds to make certain funds have been adequately budgeted to meet the needs of the County. Expenditures should not be made until sufficient appropriations have been adopted by the Board of County Commissioners and certified by the County Budget Commission.

**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, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2000-61058-001	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 2001-61068-001.
2000-61058-002	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.36 for budgeted revenue exceeding actual revenue and appropriations were greater than actual revenue.	No	Partially Corrected:  This situation was no longer significant for most funds involved. This issue has been included in the County's Management Letter.
2000-61058-003	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.39 for appropriations exceeding estimated resources in one fund.	No	Partially Corrected:  This situation was no longer significant for most funds involved. This issue has been included in the County's Management Letter.
2000-61058-004	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(B) for expenditures exceeding appropriations in several funds.	No	Not Corrected:  This situation was repeated in the current audit as finding 2001-61068-002.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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## MORGAN COUNTY 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  
JUNE 18, 2002