



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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## MORGAN COUNTY FINANCIAL CONDITION MORGAN COUNTY, OHIO

### SINGLE AUDIT

January 1, 2014 through December 31, 2014  
Fiscal Year Audited Under GAGAS: 2014





# Dave Yost • Auditor of State

Board of Commissioners  
Morgan County  
155 East Main St Room 217  
McConnelsville , Ohio 43756-1297

We have reviewed the *Independent Auditor's Report* of Morgan County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

August 13, 2015

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**MORGAN COUNTY**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
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# Balestra, Harr & Scherer, CPAs, Inc.

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## Independent Auditor's Report

Morgan County  
155 East Main St  
Room 217  
McConnelsville , Ohio 43756-1297

To the Board of Commissioners:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morgan County, Ohio, (the County), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Morgan County, Ohio as of December 31, 2014, and the respective changes in cash financial position thereof and the respective budgetary comparisons for the General, Job and Family Services, Motor Vehicle and Gasoline Tax, and Board of Developmental Disabilities Funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

### **Accounting Basis**

Ohio Administrative Code § 117-2-03 (B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Supplemental and Other Information*

We audited to opine on the County's financial statements that collectively comprise its basic financial statements. The Schedule of Federal Awards Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

We applied no procedures to the Management's Discussion & Analysis presented on pages 4-9 of the report, and accordingly, we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2015, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
June 15, 2015

**Morgan County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

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The discussion and analysis of Morgan County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2014. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance.

### **Financial Highlights**

Key financial highlights for 2014 are as follows:

- In total, net position of governmental activities decreased \$120,499. Restricted net position decreased by \$403,557. Unrestricted net position increased by \$283,058.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$4,629,623, a decrease of \$169,440 from the prior year.
- At the end of the current year, the County reported unrestricted net position for governmental activities of \$928,196.

### **Using This Annual Financial Report**

This discussion and analysis is intended to serve as an introduction to Morgan County's Cash Financial Statements. Morgan County's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

### **County-Wide Financial Statements**

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

The *Statement of Net Position - Cash Basis* presents information on Morgan County's Cash assets.

The *Statement of Activities - Cash Basis* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs.

Both of the government-wide financial statements identify functions of Morgan County that are principally supported by taxes and intergovernmental receipts (governmental activities). The governmental activities of Morgan County include general government, public safety, public works, health, human services, and community and economic development.

*Governmental Activities* - Most of the County's programs and services are funded primarily by taxes and intergovernmental receipts, including federal and State grants and other shared receipts.

**Morgan County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

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***Fund Financial Statements***

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

*Governmental Funds* - Governmental funds are used to account for essentially the same functions reported as governmental activities on the government-wide financial statements. Most of the County's basic services are reported in these funds that focus on how money flows into and out of the funds and the year end balances available for spending.

The County maintains a multitude of individual governmental funds. Information is presented separately on the governmental fund *Statement of Cash Receipts, Disbursements and Changes in Fund Balance* for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

*Fiduciary Funds* - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the County's programs.

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

**Government-Wide Financial Analysis**

Table 1 provides a summary of the County's net position for 2014 compared to 2013:

Table 1  
 Net Position - Cash Basis

	Governmental		
	2014	2013	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,540,792	\$4,576,052	(\$35,260)
Cash and Cash Equivalents with Fiscal Agent	183,085	268,324	(85,239)
<i>Total Assets</i>	<u>\$4,723,877</u>	<u>\$4,844,376</u>	<u>(\$120,499)</u>
<b>Net Position</b>			
Restricted	\$3,795,681	\$4,199,238	(\$403,557)
Unrestricted	928,196	645,138	283,058
<i>Total Net Position</i>	<u>\$4,723,877</u>	<u>\$4,844,376</u>	<u>(\$120,499)</u>

**Morgan County, Ohio**  
*Management's Discussion and Analysis*  
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A portion of the County's net position, \$3,795,681 or 80.4 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance, unrestricted net position of \$928,196, or 19.6 percent, is to be used to meet the County's ongoing obligations to citizens and creditors.

Table 2 shows the changes in net position for 2014 compared to 2013:

Table 2  
Changes in Net Position

	Governmental Activities		
	2014	2013	Change
<b>Receipts:</b>			
Program Receipts			
Charges for Services	\$1,411,640	\$1,416,432	(\$4,792)
Operating Grants, Contributions, and Interest	10,250,271	10,595,341	(345,070)
Capital Grants and Contributions	1,088,087	350,527	737,560
<i>Total Program Receipts</i>	<u>12,749,998</u>	<u>12,362,300</u>	<u>387,698</u>
General Receipts:			
Property Taxes	2,148,085	2,383,582	(235,497)
Conveyance Fees	94,980	64,163	30,817
Permissive Sales Taxes	1,615,504	1,433,159	182,345
Intergovernmental	515,010	506,466	8,544
Interest	39,464	118,750	(79,286)
Rent	231,312	208,427	22,885
Payment in Lieu of Taxes	9,076	9,393	(317)
Proceeds from Loan	125,000	75,000	50,000
Proceeds from OWDA Loan	0	101,654	(101,654)
Miscellaneous	250,786	220,008	30,778
<i>Total General Receipts</i>	<u>5,029,217</u>	<u>5,120,602</u>	<u>(91,385)</u>
<i>Total Receipts</i>	<u>17,779,215</u>	<u>17,482,902</u>	<u>296,313</u>
<b>Program Disbursements</b>			
General Government:			
Legislative and Executive	1,356,419	1,355,480	939
Judicial	559,940	541,619	18,321
Public Safety	2,916,000	2,409,397	506,603
Public Works	4,314,684	3,856,689	457,995
Health	2,112,702	1,961,958	150,744
Human Services	3,885,453	3,900,976	(15,523)
Community and Economic Development	1,737,169	2,106,674	(369,505)
Intergovernmental	0	12,102	(12,102)
Other	635,125	621,832	13,293
Debt Service:			
Principal	296,677	290,198	6,479
Interest and Fiscal Charges	85,545	89,754	(4,209)
<i>Total Disbursements</i>	<u>17,899,714</u>	<u>17,146,679</u>	<u>753,035</u>
<i>Increase (Decrease) in Net Position</i>	<u>(120,499)</u>	<u>336,223</u>	<u>(456,722)</u>
<i>Net Position Beginning of Year</i>	<u>4,844,376</u>	<u>4,508,153</u>	<u>336,223</u>
<i>Net Position End of Year</i>	<u><u>\$4,723,877</u></u>	<u><u>\$4,844,376</u></u>	<u><u>(\$120,499)</u></u>

**Morgan County, Ohio**  
*Management's Discussion and Analysis*  
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Operating grants, contributions, and interest were the largest program receipts, accounting for \$10,250,271 or 57.7 of total governmental activities receipts. The major recipients of intergovernmental program receipts were the Job and Family Services, Motor Vehicle and Gasoline Tax, Board of Developmental Disabilities, and the Transportation Grants Special Revenue Funds.

Property tax receipts account for \$2,148,085 or 12.1 percent of total governmental receipts. Another major component of governmental receipts is permissive sales taxes, which accounted for \$1,615,504 or 9.1 percent of total receipts.

The County's direct charges to users of governmental services made up \$1,411,640 or 7.9 percent of total governmental receipts. These charges are for fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

The two largest activities of the County are the public works and human services programs. The public works program accounted for \$4,314,684, or 24.1 percent of total disbursements. The human services program accounted for \$3,885,453, or 21.7 percent of total disbursements for governmental activities.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services for 2014 and 2013. The statement of activities reflects the cost of program services and the charges for services, grants, interest, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted intergovernmental receipts.

Table 3  
 Cost of Services

	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
General Government:				
Legislative and Executive	\$1,356,419	\$705,897	\$1,355,480	\$651,295
Judicial	559,940	223,832	541,619	236,447
Public Safety	2,916,000	2,126,066	2,409,397	1,742,282
Public Works	4,314,684	(260,354)	3,856,689	19,806
Health	2,112,702	1,053,533	1,961,958	974,857
Human Services	3,885,453	88,741	3,900,976	137,993
Community and Economic Development	1,737,169	194,654	2,106,674	18,526
Intergovernmental	0	0	12,102	1,389
Other	635,125	635,125	621,832	621,832
Debt Service:				
Principal	296,677	296,677	290,198	290,198
Interest and Fiscal Charges	85,545	85,545	89,754	89,754
Total Expenses	<u>\$17,899,714</u>	<u>\$5,149,716</u>	<u>\$17,146,679</u>	<u>\$4,784,379</u>

Charges for services, operating grants, and capital grants of \$12,749,998, or 71.2 percent of the total costs of services, are received and used to fund specific programs disbursements of the County. The remaining governmental disbursements are funded by property taxes, conveyance fees, permissive sales taxes, intergovernmental receipts, interest, rent, payment in lieu of taxes, proceeds from loan, and miscellaneous receipts.

**Morgan County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

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The \$2,126,066 in net cost of services for Public Safety, \$1,053,533 in net cost of services for Health, and \$88,741 in net cost of services for Human Services demonstrates the costs of services that are not supported from State and federal resources. As such, the taxpayers have approved property tax levies for several programs including the Board of Developmental Disabilities, Senior Citizen Services, and Ambulance Services.

### **Financial Analysis of County Funds**

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

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

As of December 31, 2014, the County's governmental funds reported a combined ending fund balance of \$4,629,623, a decrease of \$169,440 in comparison with the prior year. \$156,544 or 3.4 percent of this total constitutes unassigned fund balance. The remainder of the fund balance is nonspendable, restricted, committed, and assigned to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior year or for unclaimed money payouts. While the bulk of the governmental fund balances are restricted in the governmental fund statements, they lead to restricted net position on the Statement of Net Position due to expenditure restrictions mandated by the source of the resource, such as the State or federal government.

The General Fund is the primary operating fund of the County. At the end of 2014, unassigned fund balance was \$156,544, while total fund balance was \$811,945. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund disbursements. Unassigned fund balance represents 4.6 percent to total General Fund disbursements, while total fund balance represents 23.6 percent of that same amount.

During 2014, the fund balance of the County's General Fund increased by \$229,397. The primary causes of the increase include an increase in intergovernmental receipts and permissive sales taxes being collected.

At the end of 2014, the Job and Family Services Special Revenue Fund had a fund balance of \$107,739, an increase of \$29,138 from 2013.

At the end of 2014, the Motor Vehicle and Gasoline Tax Special Revenue Fund had a fund balance of \$490,269, in comparison to a fund balance of \$393,525 at the end of 2013. This is an increase of \$96,744.

At the end of 2014, the Board of Developmental Disabilities Special Revenue Fund had a fund balance of \$1,062,494. This is a decrease of \$318,940 from the fund balance of \$1,381,434 at the end of 2013.

### **Budgetary Highlights**

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Board of County Commissioners adopts a permanent annual operating budget for the County on or about January 1.

**Morgan County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

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For the General Fund, changes from the original budget to the final budget have been minimal. Fluctuations in growth and diversity have typically not occurred in Morgan County, allowing department managers the ability to consistently predict receipts and disbursements. For the General Fund, budget basis receipts were \$3,842,628, above final estimates of \$3,299,091. Final estimated receipts were above original estimates of \$3,158,793, due to a combination of factors, primarily due to an increase of \$142,800 in permissive sales taxes, and \$58,000 in property taxes. The permissive sales taxes that were received during 2014 were \$467,704 above estimates. Actual disbursements for the year were \$3,439,840, under final estimated appropriations of \$3,662,131. Final appropriations were increased \$109,734 from original appropriations of \$3,552,397.

### **Capital Assets and Debt Administration**

*Capital Assets* - The County had an appraisal of their capital assets in 1995. No updates to the County's capital assets have been made since 1995 and no information relating to capital assets is being presented.

*Long-Term Obligations* - As of December 31, 2014, the County had total general obligation bonded debt outstanding of \$1,552,868. All of this debt is expected to be repaid through governmental activities. Other outstanding long-term debt included an OWDA Loan of \$26,811, two OPWC loans of \$253,669 and \$60,024, a Tax Increment Financing Loan of \$52,851, and a capital lease of \$1,171.

Additional information on the County's long-term obligations can be found in Notes 12 and 13 of this report.

### **Economic Factors**

The County's tax base has increased steadily in prior years and peaked during 2013. The County's 2014 tax base was \$294,552,960. This is a slight decrease from the 2013 tax base of \$299,621,330.

### **Requests for Information**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Gary Woodward, Morgan County Auditor, 155 East Main Street, Room 217, McConnellsville, Ohio 43756.

**Morgan County, Ohio**  
*Statement of Net Position - Cash Basis*  
*December 31, 2014*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 4,540,792
Cash and Cash Equivalents with Fiscal Agents	183,085
<i>Total Assets</i>	<b>\$ 4,723,877</b>
 <b>Net Position</b>	
Restricted for:	
Job and Family Services	\$ 107,739
Motor Vehicle and Gasoline Tax	490,269
Board of Developmental Disabilities	1,062,494
Emergency Services	233,842
Real Estate Assessment	216,052
Economic Development	204,384
Senior Citizen Services	174,147
Child Support Enforcement Agency	103,991
Children Services	171,651
County Court Special Projects	259,242
Court Operations	415,832
Corrections	216,098
Dog and Kennel	28,732
Public Works	21,020
Unclaimed Monies	87,164
Other Purposes	3,024
Unrestricted	928,196
<i>Total Net Position</i>	<b>\$ 4,723,877</b>

See accompanying notes to the basic financial statements

**Morgan County, Ohio**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2014

	Disbursements	Program Receipts			Net Disbursements and Changes in Net Position
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General Government:					
Legislative and Executive	\$ 1,356,419	\$ 602,664	\$ 47,858	\$ -	\$ (705,897)
Judicial	559,940	241,378	94,730	-	(223,832)
Public Safety	2,916,000	139,382	650,552	-	(2,126,066)
Public Works	4,314,684	163,272	3,323,679	1,088,087	260,354
Health	2,112,702	31,162	1,028,007	-	(1,053,533)
Human Services	3,885,453	153,119	3,643,593	-	(88,741)
Community and Economic Development	1,737,169	80,663	1,461,852	-	(194,654)
Other	635,125	-	-	-	(635,125)
Debt Service:					
Principal Retirement	296,677	-	-	-	(296,677)
Interest and Fiscal Charges	85,545	-	-	-	(85,545)
<i>Total Governmental Activities</i>	<u>\$ 17,899,714</u>	<u>\$ 1,411,640</u>	<u>\$ 10,250,271</u>	<u>\$ 1,088,087</u>	<u>(5,149,716)</u>

**General Receipts**

Property Taxes Levied for:

General Purposes	796,555
Board of Developmental Disabilities	705,563
Senior Citizen Services	115,951
Ambulance Services	530,016
Conveyance Fees	94,980
Permissive Sales Taxes Levied for General Purposes	1,615,504
Grants and Entitlements not Restricted to Specific Programs	515,010
Interest	39,464
Rent	231,312
Payment in Lieu of Taxes	9,076
Proceeds from Loan	125,000
Miscellaneous	250,786

*Total General Receipts* 5,029,217

Change in Net Position (120,499)

*Net Position Beginning of Year* 4,844,376

*Net Position End of Year* \$ 4,723,877

See accompanying notes to the basic financial statements

**Morgan County, Ohio**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2014*

	<u>General</u>	<u>Job and Family Services</u>	<u>Motor Vehicle and Gasoline Tax</u>	<u>Board of Developmental Disabilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 806,712	\$ 107,739	\$ 490,269	\$ 879,409	\$ 2,075,245	\$ 4,359,374
Cash With Fiscal Agent	-	-	-	183,085	-	183,085
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	<u>5,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,931</u>	<u>87,164</u>
<i>Total Assets</i>	<u>\$ 811,945</u>	<u>\$ 107,739</u>	<u>\$ 490,269</u>	<u>\$ 1,062,494</u>	<u>\$ 2,157,176</u>	<u>\$ 4,629,623</u>
<b>Fund Balances</b>						
Nonspendable	\$ 5,233	\$ -	\$ -	\$ -	\$ 81,931	\$ 87,164
Restricted	-	107,739	490,269	1,062,494	2,048,015	3,708,517
Committed	-	-	-	-	27,230	27,230
Assigned	650,168	-	-	-	-	650,168
Unassigned	<u>156,544</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,544</u>
<i>Total Fund Balances</i>	<u>\$ 811,945</u>	<u>\$ 107,739</u>	<u>\$ 490,269</u>	<u>\$ 1,062,494</u>	<u>\$ 2,157,176</u>	<u>\$ 4,629,623</u>

Amounts reported for governmental activities in the Statement of Net Position are different because:

Internal service funds are used by management to charge the costs of broadband and grant administration services to individual funds. The assets of the internal fund are included in governmental activities in the Statement of Net Position.

94,254

Net Position of Governmental Activities

\$ 4,723,877

See accompanying notes to the basic financial statements

**Morgan County, Ohio**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2014*

	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property Taxes	\$ 796,555	\$ -	\$ -	\$ 705,563	\$ 645,967	\$ 2,148,085
Permissive Sales Taxes	1,615,504	-	-	-	-	1,615,504
Payment in Lieu of Taxes	2,739	-	-	-	6,337	9,076
Charges for Services	660,645	-	121,200	-	480,793	1,262,638
Licenses and Permits	575	-	-	-	62,032	62,607
Fines and Forfeitures	73,911	-	5,062	-	102,402	181,375
Intergovernmental	608,003	2,833,205	3,811,288	1,027,560	3,569,399	11,849,455
Interest	39,464	-	2,595	447	871	43,377
Rent	22,885	-	-	-	208,427	231,312
Miscellaneous	25,962	13,187	-	7,095	204,542	250,786
<i>Total Receipts</i>	<u>3,846,243</u>	<u>2,846,392</u>	<u>3,940,145</u>	<u>1,740,665</u>	<u>5,280,770</u>	<u>17,654,215</u>
<b>Disbursements</b>						
Current:						
General Government:						
Legislative and Executive	1,015,030	-	-	-	343,239	1,358,269
Judicial	474,608	-	-	-	86,131	560,739
Public Safety	1,117,055	-	-	-	1,799,370	2,916,425
Public Works	-	-	3,717,112	-	598,082	4,315,194
Health	27,684	-	-	2,059,605	25,413	2,112,702
Human Services	147,581	2,859,053	-	-	880,516	3,887,150
Community and Economic Development	-	-	-	-	1,782,990	1,782,990
Other	635,125	-	-	-	-	635,125
Debt Service:						
Principal Retirement	17,924	-	125,202	-	153,551	296,677
Interest and Fiscal Charges	2,117	-	1,087	-	82,341	85,545
<i>Total Disbursements</i>	<u>3,437,124</u>	<u>2,859,053</u>	<u>3,843,401</u>	<u>2,059,605</u>	<u>5,751,633</u>	<u>17,950,816</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>409,119</u>	<u>(12,661)</u>	<u>96,744</u>	<u>(318,940)</u>	<u>(470,863)</u>	<u>(296,601)</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds from Loan	-	-	-	-	125,000	125,000
Advances In	51,663	-	-	-	184,586	236,249
Advances Out	(184,586)	-	-	-	(49,502)	(234,088)
Transfers In	-	41,799	-	-	5,000	46,799
Transfers Out	(46,799)	-	-	-	-	(46,799)
<i>Total Other Financing Sources (Uses)</i>	<u>(179,722)</u>	<u>41,799</u>	<u>-</u>	<u>-</u>	<u>265,084</u>	<u>127,161</u>
<i>Net Change in Fund Balances</i>	229,397	29,138	96,744	(318,940)	(205,779)	(169,440)
<i>Fund Balances Beginning of Year</i>	<u>582,548</u>	<u>78,601</u>	<u>393,525</u>	<u>1,381,434</u>	<u>2,362,955</u>	<u>4,799,063</u>
<i>Fund Balances End of Year</i>	<u>\$ 811,945</u>	<u>\$ 107,739</u>	<u>\$ 490,269</u>	<u>\$ 1,062,494</u>	<u>\$ 2,157,176</u>	<u>\$ 4,629,623</u>

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

The internal service funds used by management to charge the costs of broadband and grant administration services to individual funds is not reported in the government-wide Statement of Activities. Governmental fund disbursements and the related internal service fund receipts are eliminated. The net receipts of the internal service fund is allocated among the governmental activities.

48,941

Change in Net Position of Governmental Activities

\$ (120,499)

**Morgan County, Ohio**  
*Statement of Receipts, Disbursements and Changes in  
in Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property Taxes	\$ 758,500	\$ 816,500	\$ 795,630	\$ (20,870)
Permissive Sales Taxes	1,005,000	1,147,800	1,615,504	467,704
Payment in Lieu of Taxes	1,000	1,000	2,739	1,739
Charges for Services	614,553	591,338	660,645	69,307
Licenses and Permits	400	400	575	175
Fines and Forfeitures	69,230	67,230	73,911	6,681
Intergovernmental	524,055	530,768	608,003	77,235
Interest	115,080	36,080	36,774	694
Rent	19,800	19,800	22,885	3,085
Miscellaneous	51,175	88,175	25,962	(62,213)
<i>Total Receipts</i>	3,158,793	3,299,091	3,842,628	543,537
<b>Disbursements</b>				
Current:				
General Government:				
Legislative and Executive	1,003,319	1,075,215	1,015,030	60,185
Judicial	477,127	495,237	475,324	19,913
Public Safety	1,178,398	1,129,785	1,119,055	10,730
Health	27,672	27,684	27,684	-
Human Services	149,277	149,277	147,581	1,696
Other	702,500	764,892	635,125	129,767
Debt Service:				
Principal Retirement	12,608	17,924	17,924	-
Interest and Fiscal Charges	1,496	2,117	2,117	-
<i>Total Disbursements</i>	3,552,397	3,662,131	3,439,840	222,291
<i>Excess of Receipts Over (Under) Disbursements</i>	(393,604)	(363,040)	402,788	765,828
<b>Other Financing Uses</b>				
Transfers Out	(48,977)	(48,977)	(46,799)	2,178
<i>Net Change in Fund Balance</i>	(442,581)	(412,017)	355,989	768,006
<i>Fund Balance Beginning of Year</i>	568,426	568,426	568,426	-
Prior Year Encumbrances Appropriated	7,329	7,329	7,329	-
<i>Fund Balance End of Year</i>	\$ 133,174	\$ 163,738	\$ 931,744	\$ 768,006

See accompanying notes to the basic financial statements

**Morgan County, Ohio**  
*Statement of Receipts, Disbursements and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
Job and Family Services Fund  
For the Year Ended December 31, 2014*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$ 2,573,974	\$ 2,957,470	\$ 2,833,205	\$ (124,265)
Miscellaneous	10,278	13,000	13,187	187
<i>Total Receipts</i>	2,584,252	2,970,470	2,846,392	(124,078)
<b>Disbursements</b>				
Current:				
Human Services	2,423,600	3,056,220	2,890,906	165,314
<i>Excess of Receipts Over (Under) Disbursements</i>	160,652	(85,750)	(44,514)	41,236
<b>Other Financing Sources</b>				
Transfers In	33,048	41,799	41,799	-
<i>Net Change in Fund Balance</i>	193,700	(43,951)	(2,715)	41,236
<i>Fund Balance Beginning of Year</i>	56,301	56,301	56,301	-
Prior Year Encumbrances Appropriated	22,300	22,300	22,300	-
<i>Fund Balance End of Year</i>	<u>\$ 272,301</u>	<u>\$ 34,650</u>	<u>\$ 75,886</u>	<u>\$ 41,236</u>

See accompanying notes to the basic financial statements

**Morgan County, Ohio**  
*Statement of Receipts, Disbursements and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
Motor Vehicle and Gasoline Tax Fund  
For the Year Ended December 31, 2014*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Charges for Services	\$ 71,911	\$ 70,500	\$ 121,200	\$ 50,700
Fines and Forfeitures	7,144	7,000	5,062	(1,938)
Intergovernmental	3,219,942	3,761,782	3,811,288	49,506
Interest	5,103	5,000	2,344	(2,656)
<i>Total Receipts</i>	<u>3,304,100</u>	<u>3,844,282</u>	<u>3,939,894</u>	<u>95,612</u>
<b>Disbursements</b>				
Current:				
Public Works	3,272,932	3,879,714	3,768,742	110,972
Debt Service:				
Principal Retirement	125,202	125,202	125,202	-
Interest and Fiscal Charges	1,087	1,087	1,087	-
<i>Total Disbursements</i>	<u>3,399,221</u>	<u>4,006,003</u>	<u>3,895,031</u>	<u>110,972</u>
<i>Net Change in Fund Balance</i>	(95,121)	(161,721)	44,863	206,584
<i>Fund Balance Beginning of Year</i>	345,046	345,046	345,046	-
Prior Year Encumbrances Appropriated	48,479	48,479	48,479	-
<i>Fund Balance End of Year</i>	<u>\$ 298,404</u>	<u>\$ 231,804</u>	<u>\$ 438,388</u>	<u>\$ 206,584</u>

See accompanying notes to the basic financial statements

**Morgan County, Ohio**  
*Statement of Receipts, Disbursements and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*  
*Board of Developmental Disabilities Fund*  
*For the Year Ended December 31, 2014*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Receipts</b>				
Property Taxes	\$ 640,901	\$ 813,000	\$ 709,516	\$ (103,484)
Intergovernmental	854,269	1,080,358	1,027,560	(52,798)
Interest	-	-	447	447
Miscellaneous	6,543	8,300	7,095	(1,205)
<i>Total Receipts</i>	1,501,713	1,901,658	1,744,618	(157,040)
<b>Disbursements</b>				
Current:				
Health	2,211,397	2,215,397	2,090,605	124,792
<i>Net Change in Fund Balance</i>	(709,684)	(313,739)	(345,987)	(32,248)
<i>Fund Balance Beginning of Year</i>	1,296,554	1,296,554	1,296,554	-
Prior Year Encumbrances Appropriated	28,800	28,800	28,800	-
<i>Fund Balance End of Year</i>	<u>\$ 615,670</u>	<u>\$ 1,011,615</u>	<u>\$ 979,367</u>	<u>\$ (32,248)</u>

See accompanying notes to the basic financial statements

**Morgan County, Ohio**  
*Statement of Fund Net Position - Cash Basis*  
*Internal Service Funds*  
*December 31, 2014*

**Assets**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$ 94,254</u></u>
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**Net Position**

Unrestricted	<u><u>\$ 94,254</u></u>
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See accompanying notes to the basic financial statements

**Morgan County, Ohio**  
*Statement of Cash Receipts, Disbursements  
and Change in Fund Net Position - Cash Basis*  
*Internal Service Funds*  
For the Year Ended December 31, 2014

<b>Operating Receipts</b>	
Charges for Services	\$ 152,714
<b>Operating Disbursements</b>	
Contractual Services	<u>101,612</u>
<i>Operating Income</i>	51,102
Advances Out	<u>(2,161)</u>
<i>Change in Net Position</i>	48,941
<i>Net Position Beginning of Year</i>	<u>45,313</u>
<i>Net Position End of Year</i>	<u><u>\$ 94,254</u></u>

See accompanying notes to the basic financial statements

**Morgan County, Ohio**  
*Statement of Net Position - Cash Basis*  
*Agency Funds*  
*December 31, 2014*

<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$ 1,090,085</u></u>
 <b>Net Position</b>	
Total Net Position	<u><u>\$ 1,090,085</u></u>

See accompanying notes to the financial statements

**Morgan County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2014*

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**NOTE 1 - REPORTING ENTITY**

Morgan County, Ohio (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 is governed by a board of three County Commissioners elected by the voters of the County. An elected County Auditor serves as chief fiscal officer. In addition, there are nine other elected administrative officials. These officials are: County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, and the Common Pleas Court/ Probate and Juvenile Court Judges. The County Commissioners serve as the budget and taxing authority, contracting body, and the chief administrators of public services for the County.

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 Developmental Disabilities and all departments and activities that are directly operated by the elected County Officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the 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 that are fiscally dependent upon the County in that the County approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the primary government. In the past, the County has reported the Mary Hammond Adult Activity Center, Inc. and the Morgan County Regional Airport Authority as component units. However, with the implantation of Governmental Accounting Standard Board (GASB) Statement No. 61, "The Financial Reporting Entity: Omnibus", the County determined it is not misleading to exclude both component units as they do not have a measurable influence on the County's financial statements.

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

***The Morgan County Health District*** The District is governed by the Board of Health which oversees the operation of the District and is elected by a regional advisory council composed of township trustees, mayors of participating municipalities, and one County Commissioner. The council adopts its own budget and operates autonomously from the County. Funding is based on a rate per taxable valuation, along with State and Federal grants applied for by the District.

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

**Morgan County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2014*

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The County is associated with certain organizations which are defined as jointly governed organizations and insurance purchasing pools. These organizations are presented in Notes 16 and 17 to the Basic Financial Statements. The organizations are:

Buckeye Hills-Hocking Valley Regional Development District  
SouthEastern Ohio Joint Solid Waste Management District  
Morgan County Family and Children First Council  
Community Action Program Corporation of Washington-Morgan Counties  
Buckeye Hills Resource Conservation and Development Council (RC&D)  
Mental Health and Recovery Services Board of Muskingum County  
Mid East Ohio Regional Council of Governments (MEORC)  
Buckeye Joint-County Self-Insurance Council  
County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the County's accounting policies.

*A. Basis of Presentation*

The County's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service funds is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services, if any.

The statement of net position presents the cash balance of the governmental activities of the County at year end. The statement of activities compares disbursements with program receipts for each function or program of the County's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the County's general receipts.

**Morgan County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2014*

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

***B. Fund Accounting***

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

***Governmental Funds*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. The following are the County's major governmental funds:

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

***Job and Family Services Fund*** The public assistance fund accounts for various federal and state grants as well as transfers from the General Fund restricted to provide public assistance to general relief recipients and to pay their providers of medical assistance and certain public social services.

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

***Board of Developmental Disabilities Fund*** This fund accounts for the operation of a school and the costs of administering a sheltered workshop for the mentally handicapped and developmentally disabled residents of the County. Restricted revenue sources are federal and state grant monies and a county-wide property tax levy.

***Proprietary Fund*** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The County's proprietary funds are classified as internal service funds.

***Internal Service Funds*** Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The County has two internal service funds. A Grant Administration Fund accounts for grant monies received from the Commissioner's Development Office and administers the grants by paying for the payroll, fringe benefits, and related expenditures of the grant. A Broadband Fund accounts for monies received from different departments to pay for broadband services.

**Morgan County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2014*

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

***C. Basis of Accounting***

The County's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the County's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the County are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

***D. Budgetary Process***

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

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

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

***E. Cash and Cash Equivalents***

To improve cash management, cash received by the County Treasurer is pooled. Cash balances, except cash held by a fiscal agent, are pooled and invested in short-term investments in order to provide improved cash management. Individual fund integrity is maintained through the County's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

**Morgan County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2014*

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Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

During 2014, the County had investments in non-negotiable certificates of deposit, which are reported at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Cash and cash equivalents that are held separately for the County by fiscal agents and not held with the County Treasurer are recorded as “Cash and Cash Equivalents with Fiscal Agents”.

Under existing Ohio statutes, all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during 2014 amounted to \$39,464, which includes \$33,758 assigned from other County funds.

*F. Inventory and Prepaid Items*

The County reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

*G. Capital Assets*

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

*H. Accumulated 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 cash-basis of accounting.

*I. Employer Contributions to Cost-Sharing Pension Plans*

The County recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

*J. Long-term Obligations*

The County’s cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing sources nor capital outlay are reported at inception. Lease payments are reported when paid.

**Morgan County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2014*

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***K. Fund Balance***

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

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

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

Enabling legislation authorizes the County to assess, levy, charge, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the County can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the County Commissioners. Those committed amounts cannot be used for any other purpose unless the Commission removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by County Commissioners, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Commissioners or a County official delegated that authority by resolution or by State Statute. State statute authorizes the County Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The County Commissioners assigned fund balance to cover a gap between estimated revenue and appropriations in 2015’s appropriated budget.

***Unassigned*** Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

*L. Restricted Assets*

Assets are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the County are reported as restricted.

*M. Net Position*

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for board of elections, marriage license, public safety activities, and tax increment financing.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

*N. Interfund Activity*

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

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**NOTE 3 - FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>						
Unclaimed Monies	\$5,233	\$0	\$0	\$0	\$81,931	\$87,164
<u>Restricted for:</u>						
Job and Family						
Services Operations	0	107,739	0	0	0	107,739
Public Works	0	0	490,269	0	21,020	511,289
BDD Operations	0	0	0	1,062,494	0	1,062,494
Public Safety	0	0	0	0	450,944	450,944
Court Operations	0	0	0	0	415,832	415,832
Court Improvements	0	0	0	0	259,242	259,242
Community Development	0	0	0	0	204,384	204,384
Children Services Operations	0	0	0	0	171,651	171,651
Real Estate Assessments	0	0	0	0	216,052	216,052
Child Support	0	0	0	0	103,991	103,991
Other Human Services	0	0	0	0	174,630	174,630
Other Health	0	0	0	0	28,732	28,732
Board of Elections Operations	0	0	0	0	1,537	1,537
<i>Total Restricted</i>	<u>0</u>	<u>107,739</u>	<u>490,269</u>	<u>1,062,494</u>	<u>2,048,015</u>	<u>3,708,517</u>
<u>Committed to:</u>						
Capital Improvement	0	0	0	0	1,239	1,239
Riecker Building	0	0	0	0	25,991	25,991
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>27,230</u>	<u>27,230</u>
<u>Assigned to:</u>						
2015 Appropriations	647,452	0	0	0	0	647,452
Purchases on Order	2,716	0	0	0	0	2,716
<i>Total Assigned</i>	<u>650,168</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>650,168</u>
<u>Unassigned:</u>						
	156,544	0	0	0	0	156,544
<b>Total Fund Balances</b>	<u><u>\$811,945</u></u>	<u><u>\$107,739</u></u>	<u><u>\$490,269</u></u>	<u><u>\$1,062,494</u></u>	<u><u>\$2,157,176</u></u>	<u><u>\$4,629,623</u></u>

**Morgan County, Ohio**  
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**NOTE 4 - COMPLIANCE**

*Statutory Compliance*

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 prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

The following accounts had expenditures in excess of final appropriations for the year ended December 31, 2014:

	<u>Appropriations</u>	<u>Actual Expenditures</u>	<u>Excess</u>
Board of Developmental Disabilities:			
Health			
Contractual Services	554,928	568,843	(13,915)

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

**NOTE 5 - DEPOSITS AND INVESTMENTS**

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demands upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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

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2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations describe in division (1) or (2) above and repurchase agreements secured by such obligations, provided that investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;
9. Up to twenty-five percent of the County's average portfolio in either of the following:
  - a. Commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase.
  - b. Bankers acceptances eligible for purchase by the federal reserve system and which mature within 180 days after purchase;
10. Fifteen percent of the County's average portfolio in notes issued by U.S. corporations or by depository institutions that are doing business under authority granted by the U.S. provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and,

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12. One percent of the County's average portfolio in debt interests rated at the time of purchase in the three categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

Repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Other than corporate notes, commercial paper, and bankers' acceptances, an investment must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County.

Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the County's bank balance was \$5,585,821. Of the bank balance, \$1,000,000 was covered by Federal depository insurance and \$4,585,821 was collateralized with securities held by the pledging financial institution's trust department in the County's name. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirement could potentially subject the County to a successful claim by the FDIC.

The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

#### **NOTE 6 - BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis for the General Fund and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are as follows:

1. Outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than restricted, committed, or assigned fund balance (cash basis).
2. Unreported interest and cash held in agency funds on behalf of County funds, are reported on the statement of modified receipts, disbursements, and changes in fund balances (cash basis), but not on the budgetary basis.
3. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (cash basis).

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Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the cash basis are as follows:

	<u>General</u>	<u>Job and Family Services</u>	<u>Motor Vehicle and Gasoline Tax</u>	<u>Board of Developmental Disabilities</u>
Cash Basis	\$229,397	\$29,138	\$96,744	(\$318,940)
Beginning of Year:				
Agency Fund Distribution	58,456	0	0	56,080
End of Year:				
Unreported Interest	(2,690)	0	(251)	0
Agency Fund Distribution	(59,381)	0	0	(52,127)
Advances In	(51,663)	0	0	0
Advances Out	184,586	0	0	0
Encumbrances	<u>(2,716)</u>	<u>(31,853)</u>	<u>(51,630)</u>	<u>(31,000)</u>
Budget Basis	<u>\$355,989</u>	<u>(\$2,715)</u>	<u>\$44,863</u>	<u>(\$345,987)</u>

**NOTE 7 - PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2014 for real and public utility property taxes represents collections of 2013 taxes.

2014 real property taxes were levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes which became a lien December 31, 2013, were levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2014, was \$13.45 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2014 property tax receipts were based are as follows:

Real Property	\$234,828,120
Public Utility Tangible Personal Property	<u>59,724,840</u>
Total Assessed Value	<u>\$294,552,960</u>

**Morgan County, Ohio**  
*Notes to the Basic Financial Statements*  
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The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds.

**NOTE 8 - PERMISSIVE SALES AND USE TAX**

For the purposes of providing additional receipts, the County has levied a sales tax at the rate of one and one-half percent upon certain retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of tangible personal property in the County, including motor vehicles not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of the month. The State Auditor then has five days in which to draw the warrant payable to the County. Proceeds of the tax are credited to the General Fund.

**NOTE 9 - RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; employee injuries; and natural disasters. During 2014, the County contracted with the Buckeye Joint-County Self-Insurance Council, an insurance purchasing pool, (see Note 17), for liability, auto, and crime insurance. Each member pays a premium for their coverage. The agreement provides that the Council will be self-sustaining through member premiums. In the event of losses, the first \$250 to \$2,500 of any valid claim, depending on type of loss, will be paid by the member. The next payment, with a maximum pay out ranging from \$100,000 to \$1,000,000 per occurrence, will come from the insurance purchasing 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. Morgan County does not have any ongoing financial interest or responsibility. The agreement between the counties and the Council indicates that a voluntary withdrawal or termination by any county shall constitute a forfeiture of any pro rate share of the Council reserve fund. Current calculation of this potential residual interest is, therefore, not possible. During 2014, Morgan County paid \$166,407 to the Council for insurance coverage. Coverage provided to the County by the program is as follows:

	<u>Coverage</u>	<u>Deductible</u>
General Liability	\$1,000,000/3,000,000	\$0
Medical Expense Limit	10,000/50,000	0
Employer's Liability (Ohio Stop Gap)	1,000,000	0
Employee Benefits Liability	1,000,000/3,000,000	0
Property Damage Liability	22,391,354	1,000
Public Official Liability	1,000,000/3,000,000	5,000
Law Enforcement	1,000,000/3,000,000	5,000
Crime Coverage:		
Theft, Disappearance and Destruction	50,000	0
Public Dishonesty	250,000	0
Forgery or Alteration	5,000	0
Computer Fraud	50,000	100

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	<u>Coverage</u>	<u>Deductible</u>
Inland Marine	\$2,113,055	\$1,000
Electronic Equipment/Media Coverage:		
Electronic Equipment	500,000	1,000
Electronic Media	5,000	1,000
Extra Expense	5,000	1,000
Automobile	1,000,000 Per Occurrence	1,000

Settled claims have not exceeded coverage in any of the last three years. There has been no significant reduction in coverage from the prior year.

For 2014, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 17). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The worker's 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 CompManagement, 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 all elected official bonds by State statute.

**NOTE 10 - DEFINED BENEFIT PENSION PLAN**

Plan Description – The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions. The Ohio Revised Code authorizes OPERS to calculate employee contribution rates for public safety employees and limits the law enforcement rate to the public safety rate plus an additional percentage not to exceed two percent. For the year ended December 31, 2014, members in state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 12 percent and 13 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2014, member and employer contribution rates were consistent across all three plans.

The County's 2013 contribution rate was 14 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. For 2014, the portion of employer contribution allocated to health care was 2 percent for members in the Traditional Plan and the Combined Plan. Employer contribution rates are actuarially determined.

The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012, were \$570,974, \$596,642, and \$452,465, respectively. For 2014, 99.15 percent has been contributed. The full amount has been contributed for 2013 and 2012. Contributions to the member-directed plan for 2014 were \$4,872 made by the County and \$3,480 made by the plan members.

**NOTE 11 - POST-EMPLOYMENT BENEFITS**

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

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2014, the portion of employer contributions allocated to health care for members in the Traditional Plan and the Combined Plan was 2 percent.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The County’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012, were \$92,789, \$44,565, and \$185,432, respectively. For 2014, 99.15 percent has been contributed. The full amount has been contributed for 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the County entered into capitalized leases for office equipment. Each lease meets the criteria of a capital lease which is defined as transferring benefits and risks of ownership to the lessee. Principal payments for all capital leases during 2014 totaled \$5,316.

Future minimum lease payments through 2016 are as follows:

Year	Governmental Activities	
	Principal	Interest
2015	\$864	\$80
2016	307	7
Total	\$1,171	\$87

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**NOTE 13 - LONG-TERM OBLIGATIONS**

Changes in the County's long-term obligations during the year consisted of the following:

	Original Issue Amount	Principal Outstanding 12/31/13	Additions	Reductions	Principal Outstanding 12/31/14	Amounts Due within One Year
<b>Governmental Activities:</b>						
<u>General Obligation Debt:</u>						
2003 Sales Tax Supported Building Improvement Limited Tax General Obligation Bonds - 4.625%	\$2,000,000	\$1,603,310	\$0	\$50,442	\$1,552,868	\$52,775
1997 Ohio Water Development Authority Loan - 4.12%	190,884	39,419	0	12,608	26,811	6,499
2010 First National Bank Loan - 3.50%	226,719	45,293	0	45,293	0	0
2012 First National Bank Loan - 2.9%	66,311	33,629 *	0	33,629	0	0
2012 Resurfacing OPWC Loan - 0%	338,226	295,947 *	0	42,278	253,669	42,278
2013 Resurfacing OPWC Loan - 0%	64,026	64,026 *	0	4,002	60,024	8,003
Total General Obligation Debt		2,081,624	0	188,252	1,893,372	109,555
2001 Tax Increment Financing Loan - 4.98%	93,266	55,960	0	3,109	52,851	3,109
Capital Leases		6,487	0	5,316	1,171	864
Total Governmental Activities		<u>\$2,144,071</u>	<u>\$0</u>	<u>\$196,677</u>	<u>\$1,947,394</u>	<u>\$113,528</u>

\*Not disclosed in prior year.

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.

In 1997, the County entered into contract with the Ohio Water Development Authority. The loan was originally for \$190,884. The proceeds 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 the debt.

On February 1, 2010, the County entered into a contract with the First National Bank. The loan was in the amount of \$226,719. The proceeds were used to purchase a new Asphalt Zipper and two new dump trucks. The loan has an interest rate of 3.5 percent and will be repaid using gas tax revenues. This loan was retired during 2014.

On April 30, 2012, the County entered into a contract with the First National Bank. The loan was in the amount of \$66,311. The proceeds were used to purchase a new excavator. The loan has an interest rate of 2.9 percent and will be repaid using gas tax revenues. This loan was retired during 2014.

**Morgan County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2014*

In 2012, the County entered into a loan with the Ohio Public Works Commission (OPWC) in the amount of \$338,226 at zero percent for the purpose of resurfacing certain county roads. Principal payments are due in January and July of each year through 2020.

In 2013, the County entered into a loan with the Ohio Public Works Commission (OPWC) in the amount of \$64,026 at zero percent for the purpose of resurfacing certain county roads. Principal payments are due in January and July of each year through 2022.

The County obtained a tax increment financing loan in 2001 for \$93,266. 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.

The following is a summary of the County's future annual principal and interest requirements to retire general obligation bonds:

Year Ended December 31,	Building Improvement General Obligation Bonds		
	Principal	Interest	Total
	2015	\$52,775	\$71,820
2016	55,215	69,379	124,594
2017	57,770	66,826	124,596
2018	60,441	64,154	124,595
2019	63,237	61,358	124,595
2020-2024	362,854	260,121	622,975
2025-2029	454,893	168,082	622,975
2030-2033	445,683	52,697	498,380
Total	\$1,552,868	\$814,437	\$2,367,305

Principal requirements to retire the Resurfacing OPWC Loans at December 31, 2014, are as follows:

Year Ended December 31,	2012 OPWC Loan	2013 OPWC Loan
	Principal	Principal
2015	\$42,278	\$8,003
2016	42,278	8,003
2017	42,278	8,003
2018	42,278	8,003
2019	42,278	8,003
2020-2022	42,279	20,009
Total	\$253,669	\$60,024

**Morgan County, Ohio**  
*Notes to the Basic Financial Statements*  
 December 31, 2014

The following is a summary of the County's future annual principal and interest requirements to retire the OWDA and Tax Increment Financing Loans:

Year Ended December 31,	Ohio Water Development Authority Loan			Tax Increment Financing Loan		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$6,499	\$552	\$7,051	\$3,109	\$2,632	\$5,741
2016	13,403	700	14,103	3,109	2,477	5,586
2017	6,909	143	7,052	3,109	2,322	5,431
2018	0	0	0	3,109	2,168	5,277
2019	0	0	0	3,109	2,013	5,122
2020-2024	0	0	0	15,544	7,741	23,285
2025-2029	0	0	0	15,544	3,870	19,414
2030-2032	0	0	0	6,218	465	6,683
Total	<u>\$26,811</u>	<u>\$1,395</u>	<u>\$28,206</u>	<u>\$52,851</u>	<u>\$23,688</u>	<u>\$76,539</u>

On March 31, 2014, the County opened a line of credit with The Citizens National Bank for \$100,000 with an interest rate of 4.75 percent. Each year this line of credit is renewed. There was an outstanding balance of \$100,000 as of December 31, 2014, becoming due in April 1, 2015. During 2014, the County paid off their outstanding 2013 balance of \$100,000 that became due in April, 2014.

Debt Margin

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total valuation of the County. The Code further provides that the total shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The County's total debt margin was \$5,918,294 and the unvoted debt margin was \$4,024,922 at December 31, 2014.

**NOTE 14 - INTERFUND TRANSFERS AND BALANCES**

A. Transfers

During 2014, the General Fund transferred \$41,799 to the Job and Family Services Fund to move unrestricted revenues collected in the General Fund to finance the programs accounted for in the Job and Family Services Fund in accordance with budgetary authorizations.

During 2014, the General Fund transferred \$5,000 to the Emergency Management (EMA) Fund to move the allotment appropriated in the General Fund specifically for EMA in accordance with budgetary authorizations.

B. Balances

At December 31, 2014, the Other Non-major Governmental Funds owed the General Fund \$244,679 due to cash deficits and grant monies not being received prior to disbursements needing made.

**Morgan County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2014*

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**NOTE 15 - SIGNIFICANT COMMITMENTS**

Encumbrances

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

Governmental Funds	
General	\$2,716
Job and Family Services	31,853
Motor Vehicle and Gasoline Tax	51,630
Board of Developmental Disabilities	31,000
Nonmajor Governmental Funds	48,482
	<hr/>
Total	<u>\$165,681</u>

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

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

The Buckeye Hills-Hocking Valley Regional Developmental District serves as the Area Agency on Aging for Washington, Athens, Hocking, Meigs, Monroe, Morgan, Noble, and Perry Counties. The District was created to foster a cooperative effort in regional planning, programming, and implementing 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 exercises total control over the operations of the District including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. The District administers County Community Development Block Grant and Issue II monies. During 2014, the County contributed \$2,005 to the District. The continued existence of the District is not dependent on the County's continued participation and no equity interest exists. Financial information can be obtained by contacting Buckeye Hills-Hocking Valley Regional Development District office at 1400 Pike Street, Marietta, Ohio 45750.

*B. SouthEastern Ohio Joint Solid Waste Management District*

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

**Morgan County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2014*

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The District is governed and operated through three groups. An eighteen-member board of directors, composed of the three Commissioners from each County, is responsible for the District's financial matters. Financial records were maintained by Muskingum County until May 1993 at which time Noble County assumed the responsibility. The 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 were received from the County in 2014. No future contributions by the County are anticipated. The Board exercises total control over the operations of the District including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. A forty-three member policy committee, comprised of seven members from each county and one at-large member appointed by the policy committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council whose members are appointed by the policy committee. Continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding. Financial information can be obtained by contacting the District at 515 Main Street, Caldwell, Ohio 43724.

*C. Morgan County Family and Children First Council*

The Morgan County Family and Children First Council provide services to multi-need youth in Morgan County. Members of the Board include the Morgan County Health Department, the Regional Office of Youth Services, the Morgan County Juvenile Court, the Morgan County Mental Health Board, Morgan County Children Services, the General Health District, and a representative of the Morgan County School Districts. The operation of the Council is controlled by an advisory committee which consists of a representative from each agency. The Board exercises total control over the operations of the District including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. No contributions were received from the County during 2014. Financial information can be obtained by contacting the Morgan County Family and Children First Council via Morgan Behavioral Health Choices at 915 South Riverside Drive, P.O. Box 522, McConnelsville, Ohio 43756.

*D. Community Action Program Corporation of Washington-Morgan Counties*

The Community Action Program Corporation of Washington-Morgan Counties, Ohio, is operated as a non-profit organization formed to provide various programs in Washington and Morgan Counties. Currently, the Corporation administers the Family Service and Outreach Program; the Community Action Bus Line (CABL); the Child Development Program; the Senior Nutrition Program; Women, Infants and Children's Supplemental Nutrition Program; the Home Weatherization Assistance and Energy Program; the Job Training and Partnership Act Program; Housing and Urban Development Section 8 Existing Housing Voucher/Certificate Program; and various other state and federal programs. The Corporation is the direct recipient of the federal and state monies. The Corporation is governed by a fifteen member council. The board is composed of the Mayor of the City of Marietta, the Mayor of the City of Belpre, one township trustee, one commissioner from Washington County, one Commissioner from Morgan County, five lower income representatives, and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the Corporation, by contract, provides administrative services to these governments in specific programs. The Board exercises total control over the operations of the Corporation including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. During 2014, the Corporation did not receive any administrative fees from the County. These fees were received by the Corporation directly from the granting agencies. Financial information can be obtained by contacting the Corporation at 50 West Third Street, P.O. Box 398, Malta, Ohio 43758.

**Morgan County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2014*

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*E. Buckeye Hills Resource Conservation and Development Council (RC&D)*

RC&D is a 501 (c) (3) non-profit entity, serving a nine county region in southeastern Ohio including Athens, Belmont, Hocking, Meigs, Monroe, Morgan, Noble, Perry, and Washington Counties. The Council was created to identify and solve problems in rural communities including human, economic, natural resources and environmental issues. The RC&D is sponsored by the Boards of County Commissioners and the Soil and Water Conservation Districts in the nine counties, along with the Muskingum Watershed Conservancy District and the Rush Creek Conservancy District. The governing body of RC&D is the Executive Council, made up of 29 members that include three representatives from each county and one representative from each conservancy district. The Executive Council exercises total control over the operations of RC&D including budgetary, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Executive Council. The County did not contribute financially to the RC&D in 2014. Financial information can be obtained by contacting the Project at 344 Muskingum Drive – Suite A, Marietta, Ohio 45750.

*F. Mental Health and Recovery Services Board 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 a fourteen-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 Muskingum 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 Board exercises total control over the operations of the Program including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the council. In 2014, the County contributed \$129,885 to the Board. Financial information can be obtained by contacting the Board at 1205 Newark Road, Zanesville, Ohio 43701.

*G. Mid East Ohio Regional Council of Governments (MEORC)*

The Mid East Ohio Regional Council of Governments (MEORC) is a regional council of governments created pursuant to Ohio Revised Code Chapter 167. Participating counties include Belmont, Carroll, Coshocton, Fairfield, Guernsey, Harrison, Hocking, Holmes, Jefferson, Knox, Licking, Monroe, Morgan, Muskingum, Noble, Perry, Tuscarawas, and Washington Counties. MEORC was created to provide the best possible services to the developmental disabilities in their respective counties. Each county has representation on the MEORC board. Member counties have a contract between its county BDD board and MEORC for MEORC to provide supported living services or housing to eligible persons in the member counties. The Board exercises total control over the operations of MEORC, including budgeting, contracting, appropriating, and designating management. Each participant's degree of control is limited to its representation on the Board. During 2014, the County contributed \$8,447 to MEORC. The County reports cash with fiscal agent in the amount of \$183,085 for monies held by MEORC. Financial information can be obtained by contacting MEORC at the Mid East Ohio Regional Council, 1 Avalon Road, Mt. Vernon, Ohio 43050.

**Morgan County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2014*

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**NOTE 17 - INSURANCE PURCHASING POOLS**

*A. Buckeye Joint-County Self-Insurance Council*

The Buckeye Joint-County Self-Insurance Council is an insurance purchasing pool that serves Washington, Athens, Hocking, Jackson, Lawrence, Meigs, Monroe, Morgan, Noble, Perry, Pike, and Vinton Counties. It was formed as an Ohio not-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 include a President, Vice President, Second Vice President, and two Governing Board members. The expenses and investment 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.

*B. 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. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the Plan.

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 member of the group executive committee in any year and each elected member shall be a County Commissioner.

**NOTE 18 - FEDERAL FOOD STAMP PROGRAM**

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

**NOTE 19 - CONTINGENT LIABILITIES**

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

There were no claims and lawsuits pending against the County as of December 31, 2014.

**Morgan County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2014*

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**NOTE 20 - LANDFILL**

The Commissioners leased 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 Directors 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. Advanced GeoServices continues to monitor gas and groundwater pollutant levels for Gould. The Commissioners are also responsible for providing \$33,000 of in-kind contributions for illegal dump cleanup. To date, approximately \$29,223 of these in-kind contributions have been provided.

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. However, plans are being made to install a leachate collection tank.

**NOTE 21 - SUBSEQUENT EVENT**

The County retired the 2003 \$1,552,868 sales tax supported building improvement limited tax general obligations bonds bearing an interest rate of 4.625% on January 15, 2015, and issued \$1,650,000 in limited tax general obligation refunding bonds.

**Morgan County, Ohio**  
*Schedule of Federal Awards Expenditures*  
*For the Year Ended December 31, 2014*

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>U.S. Department of Agriculture</b>			
<i>Passed through the Ohio Department of Job and Family Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1415-11-5403	10.561	\$185,729
<b>Total U.S. Department of Agriculture</b>			<b>185,729</b>
<b>U.S. Department of Housing and Urban Development</b>			
<i>Passed through the Ohio Development Services Agency:</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			
Formula Allocation Program	B-F-13-1CA-1	14.228	73,898
Formula Allocation Program	B-F-12-1CA-1	14.228	4,206
Formula Allocation Program	B-F-12-1CA-1 Distress	14.228	153,801
Formula Allocation Program	B-C-12-1CA-1	14.228	257,957
Total Formula Allocation Program			489,862
CDBG Revolving Loans		14.228	137,500
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			627,362
<b>Total U.S. Department of Housing and Urban Development</b>			<b>627,362</b>
<b>U.S. Department of Labor</b>			
<i>Passed through the Workforce Investment Act, Area 7:</i>			
WIA National Emergency Grants	N/A	17.277	102,985
Workforce Investment Act Cluster			
WIA Adult Program	N/A	17.258	17,019
WIA Youth Activities	N/A	17.259	48,177
WIA Dislocated Workers	N/A	17.278	77,859
Total Workforce Investment Act Cluster			143,055
<b>Total U.S. Department of Labor</b>			<b>246,040</b>
<b>U.S. Department of Transportation</b>			
<i>Federal Highway Administration</i>			
<i>Passed through the Ohio Department of Transportation:</i>			
Highway Planning and Construction	PID #93896	20.205	11,699
Highway Planning and Construction	PID #92750	20.205	7,144
Total Highway Planning Construction			18,843
Formula Grants for Other than Urbanized Areas	RPT-0113-034-143	20.509	154,328
Formula Grants for Other than Urbanized Areas	RPT-4113-034-141	20.509	341,664
Total Formula Grants for Other than Urbanized Areas			495,992
<b>Total U.S. Department of Transportation</b>			<b>514,835</b>
<b>U.S. Department of Education</b>			
<i>Passed through the Ohio Department of Health:</i>			
Special Education - Grants for Infants and Families	N/A	84.181	21,000
<b>Total U.S. Department of Education</b>			<b>21,000</b>
<b>Elections Assistance Commission</b>			
<i>Passed through the Secretary of State:</i>			
Help America Vote Act Requirements Payments	N/A	90.401	414
<b>Total Elections Assistance Commission</b>			<b>414</b>

(continued)

**Morgan County, Ohio**  
*Schedule of Federal Awards Expenditures (continued)*  
For the Year Ended December 31, 2014

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>U.S. Department of Health and Human Services</b>			
<i>Passed through the Ohio Department of Aging and the Area Agency on Aging:</i>			
Special Programs for the Aging, Title III, Part B	N/A	93.044	39,504
<i>Passed through the Secretary of State:</i>			
Voting Access for Individuals with Disabilities, Grants to States	N/A	93.617	7,744
<i>Passed through the Ohio Department of Developmental Disabilities:</i>			
Social Services Block Grant	N/A	93.667	12,671
<i>Passed through the Ohio Department of Job and Family Services:</i>			
Social Services Block Grant	G-1415-11-5403	93.667	319,376
Total Social Services Block Grant			<u>332,047</u>
<i>Passed through the Ohio Department of Job and Family Services:</i>			
Promoting Safe and Stable Families	G-1415-11-5403	93.556	7,804
Child Support Enforcement	G-1415-11-5403	93.563	191,155
Community Based Child Abuse Prevention Grants	G-1415-11-5403	93.590	2,108
Child Welfare Services State Grants	G-1415-11-5403	93.645	922
Foster Care Title IV-E	G-1415-11-5403	93.658	101,165
Adoption Assistance	G-1415-11-5403	93.659	19,777
			<u>322,931</u>
Child Care Development Fund Cluster:			
Child Care and Development Block Grant	G-1415-11-5403	93.575	17,537
Total Child Care Development Fund Cluster			<u>17,537</u>
TANF Cluster:			
Temporary Assistance for Needy Families (TANF) State Programs	G-1415-11-5403	93.558	908,023
Total TANF Cluster			<u>908,023</u>
Medicaid Cluster:			
<i>Passed through the Ohio Department of Developmental Disabilities:</i>			
Medical Assistance Program	N/A	93.778	82,723
<i>Passed through the Ohio Department of Job and Family Services:</i>			
Medical Assistance Program	G-1415-11-5403	93.778	464,392
Total Medicaid Cluster			<u>547,115</u>
<b>Total U.S. Department of Health and Human Services</b>			<b>2,174,901</b>
<b>U.S. Department of Criminal Justice</b>			
<i>Passed through the Ohio Department of Public Safety:</i>			
Violence Against Women Formula Grants	2013-WF-VA-2-8423	16.588	30,669
Crime Victim Assistance	VAGENE336	16.738	24,041
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	2013-JG-LLE-5145	16.738	6,700
<b>Total U.S. Department of Criminal Justice</b>			<b>61,410</b>
<b>U.S. Department of Homeland Security</b>			
<i>Passed through the Ohio Emergency Management Agency:</i>			
Hazard Mitigation Grant	FEMA DR-4002.14-OH	97.039	161,715
State Homeland Security Program	EMW-2011-SS-00070	97.067	14,265
Emergency Management Performance Grants	N/A	97.042	6,659
<b>Total U.S. Department of Homeland Security</b>			<b>182,639</b>
<b>Total Federal Expenditures</b>			<b><u>\$4,014,330</u></b>

N/A - pass through entity number not available

See accompanying notes to the schedule of federal awards expenditures.

**MORGAN COUNTY, OHIO**  
**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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NOTE 1 – GENERAL

The accompanying Schedule of Federal Awards Expenditures (the Schedule) presents the activity of all federal financial programs of Morgan County, Ohio. The County reporting entity is defined in Note 1 of the County's basic financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included in the Schedule.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Federal Awards Expenditures has been prepared on a basis of cash disbursements; consequently, expenditures are recognized when paid rather than when the obligation is incurred.

NOTE 3 – COMMUNITY DEVELOPMENT BLOCK GRANT AND HOME INVESTMENT PARTNERSHIPS FUNDS (CDBG AND HOME)

The County has established revolving loan programs to provide low-interest loans to businesses to create jobs for persons from low to moderate income households and to eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Department of Development (ODOD). The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. In addition, with the approval of ODOD, the County may use repaid monies for community improvement projects.

Activity in the CDBG economic development and housing revolving loan funds during 2014 is as follows:

Beginning loans receivable balance as of January 1, 2013*	\$875,699
Loans made	137,500
Loan principal repaid on loans issued	<u>(79,944)</u>
Ending loans receivable balance as of December 31, 2014	933,255
Cash balance on hand in the revolving loan fund as of December 31, 2014	66,836
Administrative costs expenditures during 2014	<u>16,916</u>
Total value of RLF portion of the CDBG 14.228 program	1,017,007
Other grants administered through the 14.228 program	<u>489,862</u>
Total CDBG CFDA #14.228 program	<u>\$1,506,869</u>
Delinquent amounts due as of December 31, 2014	<u>\$349,097</u>

\* Amount restated from prior year.

**MORGAN COUNTY, OHIO**  
**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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NOTE 3 – COMMUNITY DEVELOPMENT BLOCK GRANT AND HOME INVESTMENT PARTNERSHIPS FUNDS (CDBG AND HOME) (CONTINUED)

Activity in the HOME housing revolving loan fund during 2014 is as follows:

Cash balance on hand in the revolving loan fund as of December 31, 2014	46,309
Administrative costs expenditures during 2014	<u>0</u>
Total value of RLF portion of the CDBG 14.239 program	46,309
Other grants administered through the 14.239 program	<u>0</u>
Total CDBG CFDA #14.239 program	<u><u>\$46,309</u></u>

NOTE 4 – 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 in the Schedule.

NOTE 5 – WORKFORCE INVESTMENT ACT

The Workforce Investment Act requires recipients to account for this activity on an accrual basis. The activity on this Schedule is reported on a cash basis.

NOTE 6 – OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES

During the calendar year, the County Board of Developmental Disabilities received a settlement for the 2009 Cost Report from the Ohio Department of Developmental Disabilities for the Medicaid Program (CFDA #93.778) in the amount of \$787. The Cost Report settlement was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This revenue is not listed on the County's Schedule of Federal Awards Expenditures since the underlying expenses occurred in the prior reporting periods.

NOTE 7 – SUBRECIPIENTS

The County passes-through certain Federal assistance received from the U.S. Department of Housing and Urban Development to other governments or not-for-profit agencies (subrecipients). As described in Note 1, 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.



**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

Morgan County  
155 East Main Street  
Room 217  
McConnelsville , OH 43756-1297

To the Board of County Commissioners

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morgan County , Ohio (the County), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 15, 2015 wherein we noted the County uses a special purpose framework other than generally accepted accounting principles.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### **Compliance and Other Matters**

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

### **Entity's Response to Findings**

The County's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the County's response and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
June 15, 2015



**Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133**

Morgan County  
155 East Main Street  
Room 217  
McConnelsville, Ohio 43756-1297

To the Board of County Commissioners:

***Report on Compliance for Each Major Federal Program***

We have audited Morgan County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Morgan County's major federal programs for the year ended December 31, 2014. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs.

***Management's Responsibility***

The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, Morgan County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2014.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2014-002. This finding did not require us to modify our compliance opinion on each major federal program.

The County's response to our noncompliance finding is described in the accompanying schedule of findings. We did not audit the County's response and, accordingly, we express no opinion on it.

### ***Report on Internal Control Over Compliance***

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

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

Board of County Commissioners

Morgan County

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major  
Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Page 3

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2014-002.

The County's response to the internal control over compliance finding we identified is described in the accompanying schedule of findings. We did not audit the County's response and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.

Piketon, Ohio

June 15, 2015

Morgan County, Ohio

SCHEDULE OF FINDINGS  
 OMB CIRCULAR A -133 Section .505  
 December 31, 2014

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(I)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(I)(ii)</i>	<b>Were there any significant internal control deficiencies reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(I)(ii)</i>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(I)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(I)(iv)</i>	<b>Were there any significant internal control deficiencies reported for major federal programs?</b>	Yes
<i>(d)(I)(iv)</i>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<i>(d)(I)(v)</i>	<b>Type of Major Programs Compliance Opinion</b>	Unmodified
<i>(d)(I)(vi)</i>	<b>Are there any reportable findings under .510?</b>	Yes
<i>(d)(I)(vii)</i>	<b>Major Program (list):</b>	Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii, CFDA #14.228  Medicaid Cluster, CFDA #93-778  Temporary Assistance for Needy Families (TANF) Cluster, CFDA #93.558
<i>(d)(I)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(I)(ix)</i>	<b>Low Risk Auditee?</b>	No

**Morgan County, Ohio**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 Section .505**  
**December 31, 2014**  
**(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2014-001**

**Noncompliance Citation**

Ohio Rev. Code, Section 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 Ohio Rev. Code Section 117.38.

Ohio Admin Code Section 117-2-03(B) requires the County to prepare its annual financial report with accounting principles generally accepted in the United States of America. However, the County prepared its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. This presentation differs from accounting principles generally accepted in the United States of America (GAAP).

The accompanying financial statements and notes omitted assets, liabilities, deferred inflows/outflows of resources, net position, fund balances, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the County may be fined for its failure to file the required financial report. The County should prepare its financial statements in accordance with generally accepted accounting principles.

**Client’s Response:**

Morgan County has not filed GAAP financial statements because we feel that the costs related to the GAAP filing requirements far outweigh the benefits that Morgan County would realize.

Morgan County, Ohio

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 Section .505  
December 31, 2014  
(Continued)

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

Finding Number	2014-002
CFDA Title and Number	Community Development Block Grants- CFDA #14.228
Federal Award Number/Year	2014
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

**Significant Deficiency/Noncompliance Citation – Cash Management**

Office of Housing and Community Partnership Financial Management Rules and Regulations, Section (A)(3)(f), states the grantees must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds. Lump sum draw-downs are not permitted. Escrow accounts are permitted only in the case of rehabilitation of private property. For the purpose of the Fifteen Day Rule only, funds deposited into an escrow account will be considered expended, but it should be noted that funds may only be in an escrow account for 20 days.

Drawdowns were not expended within 15 days to a fund balance of less than \$5,000 for 2 of the 4 tested drawdowns of grant funding received during the audit period for the Community Development Block Grant. Disbursements were made up to three months after the 15 day limitation had expired, resulting in noncompliance. Due to the noncompliance noted for the program’s cash management, an internal control deficiency exists over this area of compliance.

The County should implement controls to ensure drawdowns are appropriate and enable the grantee to disburse funds on hand to a balance of less than \$5,000 within fifteen days of receipt.

**Clients Response:**

In the future, the County will seek advances to offset the “draw” time frame when possible.

**Morgan County, Ohio**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 §315(c)  
December 31, 2014**

**Corrective Action Plan for Finding 2014-002:**

**Finding Control Number: 2014-002**

**Summary of Finding:** The County's drawdowns for the Community Development Block Grants, CFDA #14.228, were not expended within 15 days to a fund balance of less than \$5,000 for drawdowns of grant funding received during the audit period. Also disbursements were made up to several months after the 15 day limitation had expired.

**Statement of Concurrence:** The County is aware of Finding 2014-002 and agrees that the finding as stated is correct.

**Corrective Action:** In the future the County will seek advances to offset the "draw" time frame.

**Contact Person:** The official responsible for completing the corrective action is listed below:

Traci Baker  
Economic Development & Community Development  
Phone: (740) 962-1322  
Email: [tracibaker@morgancounty-oh.gov](mailto:tracibaker@morgancounty-oh.gov)

**Morgan County, Ohio**

**Schedule of Prior Audit Findings**  
**OMB Circular A-133 Section §.315(b)**  
**December 31, 2014**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2013-001	ORC Section 117.38 – Cash basis annual financial reporting	No	Reissued as finding 2014-001
2013-002	Significant Deficiency – 15 Day Rule. The CDBG program did not expend monies within 15 days of receipt.	No	Reissued as finding 2014-002

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# Dave Yost • Auditor of State

## 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  
AUGUST 25, 2015