



Dave Yost • Auditor of State

**MORGAN COUNTY
DECEMBER 31, 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Morgan County
155 East Main Street
McConnelsville, Ohio 43756

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying cash-basis 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, 2016, 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 audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no 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, 2016, and the respective changes in cash financial position and the respective budgetary comparison for the General, Motor Vehicle and Gasoline Tax, Job and Family Services and Board of Development Disabilities Funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

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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. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

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

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2017, 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.



Dave Yost
Auditor of State
Columbus, Ohio

September 11, 2017

Morgan County, Ohio
Statement of Net Position - Cash Basis
 December 31, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,346,034
Cash and Cash Equivalents with Fiscal Agents	96,959
<i>Total Assets</i>	<u>\$5,442,993</u>
Net Position	
Restricted for:	
Job and Family Services	\$142,283
Motor Vehicle and Gasoline Tax	681,206
Board of Developmental Disabilities	928,953
Emergency Services	374,456
Real Estate Assessment	287,015
Economic Development	523,144
Senior Citizen Services	171,994
Child Support Enforcement Agency	146,641
Children Services	120,508
County Court Special Projects	280,597
Court Operations	495,162
Corrections	325,318
Dog and Kennel	44,037
Public Works	17,254
Unclaimed Monies	88,215
Other Purposes	53,457
Unrestricted	762,753
<i>Total Net Position</i>	<u>\$5,442,993</u>

See accompanying notes to the basic financial statements

Morgan County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2016

	Disbursements	Program Receipts		Capital Grants and Contributions	Net Disbursements and Changes in Net Position
		Charges for Services	Operating Grants, Contributions, and Interest		Governmental Activities
Governmental Activities					
General Government:					
Legislative and Executive	\$1,682,522	\$564,304	\$17,708	\$0	(\$1,100,510)
Judicial	689,321	224,055	126,722	0	(338,544)
Public Safety	3,001,051	235,713	723,832	0	(2,041,506)
Public Works	3,939,196	210,585	3,382,971	368,317	22,677
Health	1,196,387	34,881	545,101	0	(616,405)
Human Services	4,224,679	135,864	3,752,727	0	(336,088)
Community and Economic Development	2,223,297	98,597	1,993,722	0	(130,978)
Other	287,815	0	0	0	(287,815)
Debt Service:					
Principal Retirement	258,140	0	0	0	(258,140)
Interest and Fiscal Charges	55,723	0	0	0	(55,723)
<i>Total Governmental Activities</i>	<u>\$17,558,131</u>	<u>\$1,503,999</u>	<u>\$10,542,783</u>	<u>\$368,317</u>	<u>(5,143,032)</u>
General Receipts					
Property Taxes Levied for:					
General Purposes					805,456
Board of Developmental Disabilities					523,343
Senior Citizen Services					109,921
Children Services					130,914
Ambulance Services					456,701
Conveyance Fees					77,587
Permissive Sales Taxes Levied for General Purposes					1,741,248
Grants and Entitlements not Restricted to Specific Programs					507,325
Interest					48,098
Rent					207,816
Payment in Lieu of Taxes					9,344
Proceeds from Loans					238,624
Miscellaneous					455,222
<i>Total General Receipts</i>					<u>5,311,599</u>
Change in Net Position					168,567
<i>Net Position Beginning of Year</i>					<u>5,274,426</u>
<i>Net Position End of Year</i>					<u><u>\$5,442,993</u></u>

See accompanying notes to the basic financial statements

Morgan County, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2016

	<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>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$657,236	\$142,283	\$681,206	\$831,994	\$2,865,258	\$5,177,977
Cash and Cash Equivalents with Fiscal Agents	0	0	0	96,959	0	96,959
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	<u>6,284</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>81,931</u>	<u>88,215</u>
<i>Total Assets</i>	<u><u>\$663,520</u></u>	<u><u>\$142,283</u></u>	<u><u>\$681,206</u></u>	<u><u>\$928,953</u></u>	<u><u>\$2,947,189</u></u>	<u><u>\$5,363,151</u></u>
Fund Balances						
Nonspendable	\$6,284	\$0	\$0	\$0	\$81,931	\$88,215
Restricted	0	142,283	681,206	928,953	2,839,583	4,592,025
Committed	0	0	0	0	25,675	25,675
Assigned	<u>657,236</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>657,236</u>
<i>Total Fund Balances</i>	<u><u>\$663,520</u></u>	<u><u>\$142,283</u></u>	<u><u>\$681,206</u></u>	<u><u>\$928,953</u></u>	<u><u>\$2,947,189</u></u>	<u><u>\$5,363,151</u></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.

79,842

Net Position of Governmental Activities

\$5,442,993

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, 2016

	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
Receipts						
Property Taxes	\$805,456	\$0	\$0	\$523,343	\$697,536	\$2,026,335
Permissive Sales Taxes	1,741,248	0	0	0	0	1,741,248
Payment in Lieu of Taxes	3,007	0	0	0	6,337	9,344
Charges for Services	587,782	0	171,192	0	599,362	1,358,336
Licenses and Permits	625	0	0	0	66,210	66,835
Fines and Forfeitures	60,837	0	4,497	0	91,081	156,415
Intergovernmental	650,738	2,855,394	3,301,847	544,281	4,059,005	11,411,265
Interest	48,098	0	4,414	820	1,926	55,258
Rent	22,800	0	0	0	185,016	207,816
Miscellaneous	32,959	58,984	0	1,169	362,110	455,222
<i>Total Receipts</i>	<u>3,953,550</u>	<u>2,914,378</u>	<u>3,481,950</u>	<u>1,069,613</u>	<u>6,068,583</u>	<u>17,488,074</u>
Disbursements						
Current:						
General Government:						
Legislative and Executive	1,410,125	0	0	0	273,452	1,683,577
Judicial	607,983	0	0	0	81,899	689,882
Public Safety	1,440,639	0	0	0	1,560,730	3,001,369
Public Works	46,025	0	3,522,067	0	371,486	3,939,578
Health	20,942	0	0	1,152,131	23,314	1,196,387
Human Services	131,785	2,963,783	0	0	1,130,388	4,225,956
Community and Economic Development	0	0	0	0	2,231,416	2,231,416
Other	287,815	0	0	0	0	287,815
Debt Service:						
Principal Retirement	15,950	0	50,281	0	191,909	258,140
Interest and Fiscal Charges	602	0	0	0	55,121	55,723
<i>Total Disbursements</i>	<u>3,961,866</u>	<u>2,963,783</u>	<u>3,572,348</u>	<u>1,152,131</u>	<u>5,919,715</u>	<u>17,569,843</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(8,316)</u>	<u>(49,405)</u>	<u>(90,398)</u>	<u>(82,518)</u>	<u>148,868</u>	<u>(81,769)</u>
Other Financing Sources (Uses)						
Proceeds from Loan	0	0	99,824	0	138,800	238,624
Advances In	446,869	0	0	0	675,303	1,122,172
Advances Out	(675,303)	0	0	0	(446,869)	(1,122,172)
Transfers In	0	41,082	0	0	5,500	46,582
Transfers Out	(46,582)	0	0	0	0	(46,582)
<i>Total Other Financing Sources (Uses)</i>	<u>(275,016)</u>	<u>41,082</u>	<u>99,824</u>	<u>0</u>	<u>372,734</u>	<u>238,624</u>
<i>Net Change in Fund Balances</i>	<u>(283,332)</u>	<u>(8,323)</u>	<u>9,426</u>	<u>(82,518)</u>	<u>521,602</u>	<u>156,855</u>
<i>Fund Balances Beginning of Year</i>	<u>946,852</u>	<u>150,606</u>	<u>671,780</u>	<u>1,011,471</u>	<u>2,425,587</u>	<u>5,206,296</u>
<i>Fund Balances End of Year</i>	<u>\$663,520</u>	<u>\$142,283</u>	<u>\$681,206</u>	<u>\$928,953</u>	<u>\$2,947,189</u>	<u>\$5,363,151</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.

11,712

Change in Net Position of Governmental Activities

\$168,567

See accompanying notes to the basic financial statements

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, 2016

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Receipts				
Property Taxes	\$848,400	\$848,400	\$808,774	(\$39,626)
Permissive Sales Taxes	1,200,000	1,200,000	1,741,248	541,248
Payment in Lieu of Taxes	1,200	1,200	3,007	1,807
Charges for Services	548,406	548,326	587,782	39,456
Licenses and Permits	600	680	625	(55)
Fines and Forfeitures	68,400	68,400	60,837	(7,563)
Intergovernmental	578,282	578,282	650,738	72,456
Interest	36,015	36,015	47,565	11,550
Rent	20,000	20,000	22,800	2,800
Miscellaneous	86,100	86,100	32,959	(53,141)
<i>Total Receipts</i>	<u>3,387,403</u>	<u>3,387,403</u>	<u>3,956,335</u>	<u>568,932</u>
Disbursements				
Current:				
General Government:				
Legislative and Executive	1,432,114	1,470,157	1,430,860	39,297
Judicial	648,549	646,709	607,983	38,726
Public Safety	1,476,876	1,459,425	1,458,104	1,321
Public Works	36,910	47,671	46,025	1,646
Health	29,374	29,379	20,942	8,437
Human Services	152,378	155,278	134,010	21,268
Other	150,502	387,681	287,815	99,866
Debt Service:				
Principal Retirement	15,950	15,950	15,950	0
Interest and Fiscal Charges	832	832	602	230
<i>Total Disbursements</i>	<u>3,943,485</u>	<u>4,213,082</u>	<u>4,002,291</u>	<u>210,791</u>
<i>Excess of Receipts Under Disbursements</i>	(556,082)	(825,679)	(45,956)	779,723
Other Financing Uses				
Transfers Out	(46,261)	(46,582)	(46,582)	0
<i>Net Change in Fund Balance</i>	(602,343)	(872,261)	(92,538)	779,723
<i>Fund Balance Beginning of Year</i>	1,296,258	1,296,258	1,296,258	0
Prior Year Encumbrances Appropriated	29,434	29,434	29,434	0
<i>Fund Balance End of Year</i>	<u>\$723,349</u>	<u>\$453,431</u>	<u>\$1,233,154</u>	<u>\$779,723</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)
Job and Family Services Fund
For the Year Ended December 31, 2016*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$2,850,000	\$2,958,304	\$2,855,394	(\$102,910)
Miscellaneous	<u>15,000</u>	<u>58,000</u>	<u>58,984</u>	<u>984</u>
<i>Total Receipts</i>	2,865,000	3,016,304	2,914,378	(101,926)
Disbursements				
Current:				
Human Services	<u>2,767,160</u>	<u>3,141,604</u>	<u>2,993,173</u>	<u>148,431</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	97,840	(125,300)	(78,795)	46,505
Other Financing Sources				
Transfers In	<u>41,000</u>	<u>41,000</u>	<u>41,082</u>	<u>82</u>
<i>Net Change in Fund Balance</i>	138,840	(84,300)	(37,713)	46,587
<i>Fund Balance Beginning of Year</i>	117,467	117,467	117,467	0
Prior Year Encumbrances Appropriated	<u>33,139</u>	<u>33,139</u>	<u>33,139</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$289,446</u></u>	<u><u>\$66,306</u></u>	<u><u>\$112,893</u></u>	<u><u>\$46,587</u></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, 2016*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Charges for Services	\$67,800	\$67,800	\$171,192	\$103,392
Fines and Forfeitures	5,000	5,000	4,497	(503)
Intergovernmental	3,227,000	3,227,000	3,301,847	74,847
Interest	2,000	2,000	4,333	2,333
<i>Total Receipts</i>	<u>3,301,800</u>	<u>3,301,800</u>	<u>3,481,869</u>	<u>180,069</u>
Disbursements				
Current:				
Public Works	3,175,480	3,611,787	3,530,287	81,500
Debt Service:				
Principal Retirement	77,250	50,281	50,281	0
<i>Total Disbursements</i>	<u>3,252,730</u>	<u>3,662,068</u>	<u>3,580,568</u>	<u>81,500</u>
<i>Excess of Receipts Under Disbursements</i>	49,070	(360,268)	(98,699)	261,569
Other Financing Source				
Proceeds of Loans	0	99,824	99,824	0
<i>Net Change in Fund Balance</i>	49,070	(260,444)	1,125	261,569
<i>Fund Balance Beginning of Year</i>	627,867	627,867	627,867	0
Prior Year Encumbrances Appropriated	43,514	43,514	43,514	0
<i>Fund Balance End of Year</i>	<u>\$720,451</u>	<u>\$410,937</u>	<u>\$672,506</u>	<u>\$261,569</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$576,500	\$576,500	\$539,656	(\$36,844)
Intergovernmental	450,163	450,163	544,281	94,118
Interest	0	0	820	820
Miscellaneous	4,000	4,000	1,169	(2,831)
<i>Total Receipts</i>	1,030,663	1,030,663	1,085,926	55,263
Disbursements				
Current:				
Health	1,248,947	1,261,947	1,167,803	94,144
<i>Net Change in Fund Balance</i>	(218,284)	(231,284)	(81,877)	149,407
<i>Fund Balance Beginning of Year</i>	941,725	941,725	941,725	0
Prior Year Encumbrances Appropriated	13,000	13,000	13,000	0
<i>Fund Balance End of Year</i>	<u>\$736,441</u>	<u>\$723,441</u>	<u>\$872,848</u>	<u>\$149,407</u>

See accompanying notes to the basic financial statements

Morgan County, Ohio
Statement of Fund Net Position - Cash Basis
Internal Service Funds
December 31, 2016

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$79,842</u>
Net Position	
Unrestricted	<u>\$79,842</u>

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, 2016

Operating Receipts	
Charges for Services	\$119,936
Operating Disbursements	
Contractual Services	<u>108,224</u>
<i>Change in Net Position</i>	11,712
<i>Net Position Beginning of Year</i>	<u>68,130</u>
<i>Net Position End of Year</i>	<u><u>\$79,842</u></u>

See accompanying notes to the basic financial statements

Morgan County, Ohio
Statement of Net Position - Cash Basis
Agency Funds
December 31, 2016

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$1,367,097</u></u>
Net Position	
Total Net Position	<u><u>\$1,367,097</u></u>

See accompanying notes to the financial statements

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Morgan County, Ohio
Notes to the Basic Financial Statements
December 31, 2016

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. The County has no component units.

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.

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:

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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 Project
Mental Health and Recovery Services Board of Muskingum County
Mid East Ohio Regional Council of Governments (MEORC)
Ohio Valley Employment Resource (OVER)
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.

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

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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.

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.

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C. Basis of Accounting

The County's financial statements are prepared using the cash basis of accounting. (See Note 3) 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."

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 2016, 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

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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 2016 amounted to \$48,098, which includes \$38,084 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. Pension Plans

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

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.

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.

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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.

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.

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.

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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.

NOTE 3 - 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.

NOTE 4 - 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.

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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;
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. 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

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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,
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 \$6,976,788. Of the bank balance, \$970,410 was covered by Federal depository insurance and \$6,006,378 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the pooled securities were held by the pledging institution and 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 5 - 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 (Budget 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).

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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).

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:

Net Change in Fund Balances
 General and Major Special Revenue Funds

	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities
Cash Basis	(\$283,332)	(\$8,323)	\$9,426	(\$82,518)
Beginning of Year:				
Unreported Interest	3,357	0	399	0
Agency Fund Distribution	64,672	0	0	56,746
End of Year:				
Unreported Interest	(3,890)	0	(480)	0
Agency Fund Distribution	(61,354)	0	0	(40,433)
Advances In	(446,869)	0	0	0
Advances Out	675,303	0	0	0
Encumbrances	(40,425)	(29,390)	(8,220)	(15,672)
Budget Basis	(\$92,538)	(\$37,713)	\$1,125	(\$81,877)

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes were levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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.

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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. 2016 public utility property taxes which became a lien December 31, 2015, were levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2016, was \$12.36 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

Real Property	\$250,039,480
Public Utility Tangible Personal Property	<u>54,716,110</u>
Total Assessed Value	<u><u>\$304,755,590</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their 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 7 - 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 Office of Budget and Management (OBM) the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The Tax Commissioner shall then, on or before the twentieth day of the month in which certification is made, provide for payment to the County. Proceeds of the tax are credited to the General Fund.

NOTE 8 - 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 2016, 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 2016, Morgan County paid \$151,730 to the Council for insurance coverage. Coverage provided to the County by the program is as follows:

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	Coverage	Deductible
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	22,623,273	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
Inland Marine	2,232,524	1,000
Electronic Equipment/Media Coverage:		
Electronic Equipment	500,000	1,000
Electronic Media	5,000	1,000
Extra Expense	5,000	0
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 2016, 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

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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 9 - DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - County employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial

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statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

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

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

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not

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compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

	State and Local	Public Safety	Law Enforcement
2016 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2016 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0	2.0
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %

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

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The County's contractually required contribution was \$637,159 for 2016.

Net Pension Liability

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS
Proportion of the Net Pension Liability:	
Current Measurement Date	0.04156100%
Prior Measurement Date	0.04410000%
Change in Proportionate Share	-0.00253900%
Proportionate Share of the Net Pension Liability	\$7,198,889

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Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below.

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

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

The most recent experience study was completed for the five year period ended December 31, 2010.

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy

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for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's proportionate share of the net pension liability	\$11,469,589	\$7,198,889	\$3,596,689

Changes between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the County's net pension liability is expected to be significant.

NOTE 10 - 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 a 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-

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Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, a 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 ten 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.

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 administered 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 the OPERS is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2016, state and local government employers contributed 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 post-employment health care benefits. For 2016, the portion of employer contributions allocated to health care for members in the Traditional Pension and the Combined Plan was 2 percent. Effective January 1, 2016, the portion of employer contributions allocated to healthcare will remain at 2.0 percent for both plans, as recommended by the OPERS actuary.

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 the retiree's 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, 2016, 2015, and 2014, were \$103,443, \$101,044, and \$106,006, respectively. The full amount has been contributed for all three years.

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 11 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the County entered into capitalized leases for office equipment. Both leases meet the criteria of a capital lease which is defined as transferring benefits and risks of ownership to the lessee. Principal payments for the capital leases during 2016 totaled \$2,272. Both leases are being paid from the General Fund.

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Future minimum lease payments through 2020 are as follows:

Year	Governmental Activities	
	Principal	Interest
2017	\$2,373	\$305
2018	2,480	198
2019	2,591	87
2020	533	4
Total	\$7,977	\$594

NOTE 12 - LONG-TERM OBLIGATIONS

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

	Original Issue Amount	Principal Outstanding 12/31/15	Additions	Reductions	Principal Outstanding 12/31/16	Amounts Due within One Year
Governmental Activities:						
2015 Refunding General Obligation Bonds Serial/Term Bonds - 2.00% to 4.25%	\$1,650,000	\$1,570,000	\$0	\$75,000	\$1,495,000	\$75,000
1997 OWDA Loan - 4.12%	190,884	13,678	0	13,678	0	0
2016 OWDA Loan - 0.00%	38,800	0	38,800	38,800	0	0
Peoples Bank Loan - 2.85%	99,824	0	99,824	0	99,824	23,894
2012 Resurfacing OPWC Loan - 0%	338,226	211,391	0	42,278	169,113	42,278
2013 Resurfacing OPWC Loan - 0%	64,026	52,021	0	8,003	44,018	8,003
2001 Tax Increment Financing Loan - 4.98%	93,266	49,742	0	3,109	46,633	3,109
Capital Leases		10,249	0	2,272	7,977	2,373
Total Governmental Activities		\$1,907,081	\$138,624	\$183,140	\$1,862,565	\$154,657

On January 15, 2015, the County issued refunding bonds of \$1,650,000 consisting of \$305,000 in serial bonds and \$1,345,000 in term bonds. The refunding bonds will mature on December 1, 2032. These bonds were issued to currently refund \$1,552,868 in 2003 Sales Tax Supported Building Improvement Limited Tax General Obligation Bonds outstanding. These bonds will be paid with money collected from the County's sales tax revenue out of the Riecker Building Fund.

Mandatory Redemptions The term bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amounts to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

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<u>Year</u>	<u>Amount</u>
2019	\$80,000

The remaining principal amount of such Term Bonds (\$80,000) will be paid at stated maturity on December 1, 2020.

The Term Bonds maturing on December 1, 2023, are subject to mandatory sinking fund redemption at the redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2021	\$80,000
2022	85,000

The remaining principal amount of such Term Bonds (\$85,000) will be paid at stated maturity on December 1, 2023.

The Term Bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption at the redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2024	\$90,000
2025	90,000

The remaining principal amount of such Term Bonds (\$95,000) will be paid at stated maturity on December 1, 2026.

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

<u>Year</u>	<u>Amount</u>
2027	\$100,000
2028	105,000

The remaining principal amount of such Term Bonds (\$110,000) will be paid at stated maturity on December 1, 2029.

The Term Bonds maturing on December 1, 2032, are subject to mandatory sinking fund redemption at the redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2030	\$110,000
2031	115,000

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The remaining principal amount of such Term Bonds (\$120,000) will be paid at stated maturity on December 1, 2032.

Optional Redemption The bonds maturing on or after December 1, 2025, are subject to redemption on or after December 1, 2024, by and at the sole option of the County, either in whole or in part (as selected by the County) on any date and in integral multiples of \$5,000, at par plus accrued interest to the redemption date.

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.

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. Monies from the Motor Vehicle and Gas Tax Fund are being used to pay back the loan.

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. Motor Vehicle and Gas Tax monies are being used to repay the loan.

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 County obtained a Home Sewer Treatment System Loan in 2016, from the Ohio Water Development Authority. Proceeds from this loan were used to update inadequate wastewater systems in Morgan County. In 2016, the OWDA forgave the County's outstanding balance of \$38,800.

In 2016, Morgan County obtained a loan in the amount of \$99,824 at an interest rate of 2.85% from Peoples Bank for the purchase of a dump truck. The loan will be repaid from the Motor Vehicle and Gas Tax Fund. The following is a summary of the future annual principal and interest payments on this loan:

Year Ended December 31,	Principal	Interest	Total
2017	\$23,894	\$2,892	\$26,786
2018	24,592	2,194	26,786
2019	25,303	1,483	26,786
2020	26,035	753	26,788
Total	<u>\$99,824</u>	<u>\$7,322</u>	<u>\$107,146</u>

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

Year Ended December 31,	General Obligation Bonds				
	Series		Term		Total
	Principal	Interest	Principal	Interest	
2017	\$75,000	\$48,738	\$0	\$0	\$123,738
2018	75,000	47,238	0	0	122,238
2019	0	0	80,000	45,738	125,738
2020	0	0	80,000	44,138	124,138
2121	0	0	80,000	42,538	122,538
2022-2026	0	0	445,000	176,334	621,334
2027-2031	0	0	540,000	79,688	619,688
2032	0	0	120,000	3,900	123,900
Total	\$150,000	\$95,976	\$1,345,000	\$392,336	\$1,983,312

Principal requirements to retire the Resurfacing OPWC Loans at December 31, 2016, are as follows:

Year Ended December 31,	2012	2013
	Loan Principal	Loan Principal
2017	\$42,278	\$8,003
2018	42,278	8,003
2019	42,278	8,003
2020	42,279	8,003
2121	0	8,003
2022	0	4,003
Total	\$169,113	\$44,018

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

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Year Ended December 31,	Principal	Interest	Total
2017	\$3,109	\$2,322	\$5,431
2018	3,109	2,168	5,277
2019	3,109	2,013	5,122
2020	3,109	1,858	4,967
2021	3,109	1,703	4,812
2022-2026	15,544	6,193	21,737
2027-2031	15,544	2,322	17,866
Total	\$46,633	\$18,579	\$65,212

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 \$6,071,334 and the unvoted debt margin was \$4,263,379 at December 31, 2016.

NOTE 13 – NOTES PAYABLE

During 2016, the County opened a line of credit with Peoples Bank for \$100,000 with an interest rate of 4.75 percent. Each year this line of credit is renewed. The line of credit is repaid from the Morgan County Public Transportation Fund. Changes in short-term obligations, for the year ended December 31, 2016, were as follows:

	Principal Outstanding 12/31/15	Additions	Reductions	Principal Outstanding 12/31/16
Governmental Activities:				
Peoples Bank Line of Credit - 4.75%	\$75,000	\$100,000	\$75,000	\$100,000

NOTE 14 - INTERFUND TRANSFERS AND BALANCES

A. Transfers

During 2016, the General Fund transferred \$41,082 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 2016, the General Fund transferred \$5,500 to the Emergency Management (EMA) Fund to move the allotment appropriated in the General Fund specifically for EMA in accordance with budgetary authorizations.

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B. Balances

At December 31, 2016, the Other Non-major Governmental Funds owed the General Fund \$735,396 due to cash deficits and grant monies not being received prior to disbursements needing made.

NOTE 15 - SIGNIFICANT COMMITMENTS

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	\$40,425
Job and Family Services	29,390
Motor Vehicle and Gasoline Tax	8,220
Board of Developmental Disabilities	15,672
Nonmajor Governmental Funds	54,281
	<hr/>
Total	<u>\$147,988</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 2016, the County contributed \$2,405 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.

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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 2016. 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 46049 Marietta Road, Suite 6, 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 2016. 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 2016, 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, 2016

E. Buckeye Hills Resource Conservation and Development Project

The Buckeye Hills Resource Conservation and Development Project was organized to lead local efforts directed toward improving social and economic conditions of the Buckeye Hills RC&D Area through development, conservation, and proper use of all the resources of the area. It serves Athens, Belmont, Hocking, Meigs, Monroe, Morgan, Noble, Perry, and Washington Counties. The Project is governed by an executive council. The council is composed of one County Commissioner from each county, one member from the Soil and Water Conservation District of each county, a representative chosen jointly by the county commissioners and Soil and Water Conservation Districts of each county, a member from the Muskingum Watershed Conservancy District, and one member from the Rush Creek Conservancy District. The council exercises total control over the operations of the Project including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the council. During 2016, the Council received \$800 in administrative fees from Morgan County. 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 an eighteen-member appointed Board. Each participating county has agreed to levy a tax within their county to assist in the operation of the Board. The Board also directly receives state and federal funding for its operations. Although the Muskingum County Auditor and 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 2016, the County contributed \$117,850 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 2016, the County contributed \$29,390 to MEORC. The County reports cash with fiscal agent in the amount of \$96,959 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, 2016

H. Ohio Valley Employment Resource (OVER)

The Ohio Valley Employment Resource (OVER) is a jointly governed organization whereby the three county commissioners from Monroe, Morgan, Noble, and Washington Counties serve on the governing board. OVER was formed for the purpose of creating and providing employment and training programs in response to local need, a part of which is implementation of the Workforce Investment Act, P.L. 105-220. The continued existence of OVER is not dependent upon the County's continued participation and no equity interest or debt exists. Financial information can be obtained by contacting the Board at P. O. Box 181, Marietta, Ohio 45750.

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.

Morgan County, Ohio
Notes to the Basic Financial Statements
 December 31, 2016

NOTE 19 - 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	\$6,284	\$0	\$0	\$0	\$81,931	\$88,215
<u>Restricted for:</u>						
Job and Family						
Services Operations	0	142,283	0	0	0	142,283
Public Works	0	0	681,206	0	17,254	698,460
Board of Developmental						
Disabilities Operations	0	0	0	928,953	0	928,953
Public Safety	0	0	0	0	752,573	752,573
Court Operations	0	0	0	0	495,162	495,162
Court Improvements	0	0	0	0	280,597	280,597
Community Development	0	0	0	0	523,144	523,144
Children Services Operations	0	0	0	0	120,508	120,508
Real Estate Assessments	0	0	0	0	287,015	287,015
Child Support	0	0	0	0	146,641	146,641
Other Human Services	0	0	0	0	172,652	172,652
Other Health	0	0	0	0	44,037	44,037
<i>Total Restricted</i>	<u>0</u>	<u>142,283</u>	<u>681,206</u>	<u>928,953</u>	<u>2,839,583</u>	<u>4,592,025</u>
<u>Committed to:</u>						
Capital Improvements	0	0	0	0	1,239	1,239
Riecker Building	0	0	0	0	24,436	24,436
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,675</u>	<u>25,675</u>
<u>Assigned to:</u>						
Purchases on Order	40,425	0	0	0	0	40,425
2016 Appropriations	616,811	0	0	0	0	616,811
<i>Total Assigned</i>	<u>657,236</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>657,236</u>
Total Fund Balances	<u><u>\$663,520</u></u>	<u><u>\$142,283</u></u>	<u><u>\$681,206</u></u>	<u><u>\$928,953</u></u>	<u><u>\$2,947,189</u></u>	<u><u>\$5,363,151</u></u>

Morgan County, Ohio
Notes to the Basic Financial Statements
December 31, 2016

NOTE 20 - 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, 2016.

NOTE 21 - 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.

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 \$34,306 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.

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MORGAN COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program/Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Job and Family Services</i>				
SNAP Cluster:				
State Administrative Matching Grant for the Supplemental Assistance Program	10.561	G-1617-11-5557	\$0	\$116,038
Total SNAP Cluster			0	116,038
Total U.S. Department of Agriculture			0	116,038
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed Through Ohio Development Services Agency</i>				
Community Development Block Grant - State's Program	14.228	B-C-14-1CA-1	0	40,070
		B-F-14-1CA-1	0	317,722
		B-F-15-1CA-1	0	335,254
		B-W-14-1CA-1	0	77,900
Total Community Development Block Grant - State's Program			0	770,946
Home Investment Partnerships Program	14.239	B-C-14-1CA-2	0	162,188
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	B-P-15-1CA-1	0	182,227
Total U.S. Department of Housing and Urban Development			0	1,115,361
U.S. DEPARTMENT OF CRIMINAL JUSTICE				
<i>Passed Through Ohio Department of Public Safety</i>				
Crime Victim Assistance	16.575	2015-VOCA-19815039	0	51,150
Violence Against Women Formula Grants	16.588	2015-WF-VA2-8423	0	23,725
Officer Overtime Grant	16.738	2015-JG-LLE-5145	0	9,250
Total U.S. Department of Criminal Justice			0	84,125
U.S. DEPARTMENT OF LABOR				
<i>Passed Through Ohio Department of Workforce Investment Act Area 7</i>				
WIA/WIOA Cluster:				
WIA/WIOA Adult Programs	17.258	N/A	0	63,574
WIA/WIOA Youth Activities	17.259	N/A	0	32,637
WIA/WIOA Dislocated Workers	17.278	N/A	0	74,838
Total WIA/WIOA Cluster			0	171,049
WIA/WIOA NEG	17.277	N/A	0	24,006
Total U.S. Department of Labor			0	195,055
U.S. DEPARTMENT OF TRANSPORTATION				
<i>Passed Through Ohio Department of Transportation</i>				
Formula Grants for Rural Areas	20.509	0113-035-152	0	143,562
		113-RPTF-16-0100	0	322,198
Total Formula Grants for Rural Areas			0	465,760
Total U.S. Department of Transportation			0	465,760
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Special Education - Grants for Infants and Families	84.181	N/A	0	31,368
Total U.S. Department of Education			0	31,368
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed Through Ohio Department of Developmental Disabilities</i>				
Social Services Block Grant	93.667	N/A	0	14,906
Medicaid Cluster:				
Medical Assistance Program	93.778	N/A	0	162,382
Total Medicaid Cluster			0	162,382

MORGAN COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program/Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
<i>Passed Through Ohio Department of Job and Family Services</i>				
Promoting Safe and Stable Families	93.556	G-1617-11-5557	\$0	\$15,052
TANF Cluster:				
Temporary Assistance for Needy Families	93.558	G-1617-11-5557	60,625	758,601
Total TANF Cluster			<u>60,625</u>	<u>758,601</u>
Child Support Enforcement	93.563	G-1617-11-5557	0	223,367
CCDF Cluster:				
Child Care and Development Block Grant	93.575	G-1617-11-5557	0	15,217
Total CCDF Cluster			<u>0</u>	<u>15,217</u>
Community-Based Child Abuse Prevention Grants	93.590	G-1617-11-5557	0	500
Child Welfare Services State Grant	93.645	G-1617-11-5557	0	11,534
Foster Care - Title IV-E	93.658	G-1617-11-5557	0	154,399
Adoption Assistance	93.659	G-1617-11-5557	0	9,198
Social Services Block Grant	93.667	G-1617-11-5557	0	452,513
Federal Chafee	93.674	G-1617-11-5557	0	2,934
Total Medical Assistance Program Cluster:				
Medical Assistance Program	93.778	G-1617-11-5557	0	605,936
Total Medical Assistance Program Cluster:			<u>0</u>	<u>605,936</u>
<i>Passed Through Ohio Department of Aging and the Area Agency on Aging</i>				
Aging Cluster:				
Special Programs for the Aging, Title IIIB, Part B	93.044	N/A	0	42,892
Total Aging Cluster			<u>0</u>	<u>42,892</u>
<i>Passed Through Ohio Secretary of State</i>				
Voting Access for Individuals with Disabilities - Grants to States	93.617	N/A	0	1,017
Total U.S. Department of Health and Human Services			<u>60,625</u>	<u>2,470,448</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
<i>Passed Through Ohio Emergency Management Agency</i>				
Hazard Mitigation Grant	97.039	FEMA-DR-4002-14-OH	0	290,012
Emergency Management Performance Grants	97.042	N/A	0	29,172
Total U.S. Department of Homeland Security			<u>0</u>	<u>319,184</u>
Total Expenditures of Federal Awards			<u>\$60,625</u>	<u>\$4,797,339</u>

The accompanying notes are an integral part of this schedule.

MORGAN COUNTY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR PART 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the County under programs of the federal government for the year ended December 31, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – SUBRECIPIENTS

The County passes certain federal awards received from Ohio Department of Job and Family Services to other governments or not-for-profit agencies (subrecipients). As Note B describes, the County reports expenditures of Federal awards to subrecipients when paid in cash.

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

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

The current cash balance on the County's local program income account as of December 31, 2016 is \$409,227.

NOTE E – MATCHING REQUIREMENTS

Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE F – MEDICAID ADMINISTRATIVE PAYMENTS

During the calendar year, the County Board of Development Disabilities received notice of a liability owed to the Ohio Department of Development Disabilities 2010 and 2011 for the Medicaid Program (CFDA #93.778) in the amount of \$2,134 and \$5,748, respectively. The Cost Report Settlement liability was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. The liability is not listed on the County's Schedule of Expenditures of Federal Awards since the underlying expenses occurred in the prior reporting periods and the liability was invoiced by the Ohio Department of Developmental Disabilities.

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Dave Yost • Auditor of State

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

Morgan County
155 East Main Street
McConnelsville, Ohio 43756

To the Board of 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 cash-basis 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, 2016 and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 11, 2017, 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider Finding 2016-003 to be a material weakness.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2016-001 through 2016-003.

County's Responses to Findings

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

September 11, 2017



Dave Yost • Auditor of State

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

Morgan County
155 East Main Street
McConnelsville, Ohio 43756

To the Board of Commissioners:

Report on Compliance for Each Major Federal Program

We have audited the Morgan County's, Ohio (the County), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2016. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the County's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the 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, 2016.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program 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.

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, material weaknesses may exist that have not been identified.

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



Dave Yost
Auditor of State
Columbus, Ohio

September 11, 2017

MORGAN COUNTY
SCHEDULE OF FINDINGS
2 CFR PART 200.515
DECEMBER 31, 2016

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR Part 200.516(a)?	No
(d)(1)(vii)	Major Programs (list): <ul style="list-style-type: none"> • Community Development Block Grants, CFDA #14.228 • Temporary Assistance for Needy Families, CFDA #93.558 • Social Services Block Grant, CFDA #93.667 	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR Part 200.520?	No

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

FINDING NUMBER 2016-001

Noncompliance

Ohio Rev. Code § 117.38 provides, in part, 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 Admin. Code § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Admin. Code § 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. The County filed financial statements with the Auditor of State, but those statements followed a cash accounting basis rather than generally accepted accounting principles. The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures. The County is subject to fines and various other administrative remedies.

MORGAN COUNTY

**SCHEDULE OF FINDINGS
2 CFR PART 200.515
DECEMBER 31, 2016
(Continued)**

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

FINDING NUMBER 2016-001 (Continued)

Noncompliance - Ohio Rev. Code § 117.38 (Continued)

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

FINDING NUMBER 2016-002

Noncompliance

Ohio Rev. Code § 5705.12 states in addition to the funds provided for by §§ 5705.09, 5705.121, 5705.13, and 5705.131 of the Revised Code, the taxing authority of a subdivision may establish, with the approval of and in the manner prescribed by the auditor of state, such other funds as are desirable, and may provide by ordinance or resolution that money derived from specified sources other than the general property tax shall be paid directly into such funds. The auditor of state shall consult with the tax commissioner before approving such funds.

The County maintained an interest-bearing checking account for their third-party insurance administrator to pay claims. The County and its employees pay into monies this insurance account. The County did not have a resolution establishing this account nor is this account a fund on the County's accounting system.

The County should establish an Agency Fund to account for all the insurance activity. The County adjusted their financial statements for this bank account.

FINDING NUMBER 2016-003

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(l) provides money paid into any fund shall be used only for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund.

Per review of the Statement of Cash Position at December 31, 2016, we observed the Ambulance S-16 Fund had a \$668,981 negative fund balance.

Per review of the Statement of Cash Position at July 31, 2016, we observed several funds with negative fund balances as follows:

Fund	Fund Balance
Job and Family Services	(\$196,037)
Mitigation Grant	(175,271)
Rural Transit	(202,640)
Ambulance S-16	(910,930)

The County should expend monies in funds only for the purpose for which the fund was established.

MORGAN COUNTY
SCHEDULE OF FINDINGS
2 CFR PART 200.515
DECEMBER 31, 2016
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

MORGAN COUNTY

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR PART 200.511(b)
DECEMBER 31, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Rev. Code §117.38 – The County did not file its 2015 financial statements in accordance with Generally Accepted Accounting Principles.	Not Corrected	County feels GAAP reporting is not cost-effective.
2015-002	The county failed to include several federal programs on the Schedule of Expenditures of Federal Awards (SEFA) that was presented for audit. The County's internal controls over financial reporting was not sufficient to ensure that all federal awards expenditures have been included on the federal schedule. Furthermore the County failed to provide the required footnotes to the SEFA as required.	Corrected	Finding No Longer Valid. The 2016 Schedule of Expenditures of Federal Awards was complete and accurate.

MORGAN COUNTY

CORRECTIVE ACTION PLAN
2 CFR PART 200.511(c)
DECEMBER 31, 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	Morgan has chosen the most cost-effective financial reporting system available. The additional cost associated with the GAAP financial statements would be a direct burden upon instructional resources.	Assessed Annually	Gary Woodward, County Auditor
2016-002	Insurance reserve fund – Set up Agency Fund #276 Insurance Reserves for monthly debits and credits beginning with August 31, 2017 balance.	September 5, 2017	Gary Woodward, County Auditor
2016-003	Ambulance Fund - balance with be resolved with future tax collections	Assessed Annually	Gary Woodward, County Auditor

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Dave Yost • Auditor of State

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
SEPTEMBER 26, 2017**