



MORGAN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MORGAN COUNTY
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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

Morgan County
19 E. Main Street
McConnelsville, Ohio 43756

To the Board of Commissioners:

We have audited the accompanying financial statements of Morgan County, Ohio, (the County) as of and for the year ended December 31, 1999. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-1-11 requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the County prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash and cash equivalents, and combined fund cash balances of Morgan County as of December 31, 1999, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2000 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of the County taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

June 26, 2000

**MORGAN COUNTY
 COMBINED STATEMENT OF CASH, CASH EQUIVALENTS AND FUND
 CASH BALANCES - ALL FUND TYPES
 AS OF DECEMBER 31, 1999**

Cash and Cash Equivalents	<u>\$6,040,729</u>
Total	<u><u>\$6,040,729</u></u>

CASH BALANCES BY FUND TYPE

Governmental Fund Type:

General Fund	\$ 537,708
Special Revenue Funds	2,401,056
Debt Service Fund	
Capital Projects Fund	310

Proprietary Fund Type:

Enterprise Fund	
Internal Service Funds	109,005

Fiduciary Funds:

Expendable Trust Funds	2,311,560
Nonexpendable Trust Fund	23,137
Agency Funds	<u>657,953</u>

Total	<u><u>\$ 6,040,729</u></u>
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The notes to the financial statements are an integral part of this statement.

MORGAN COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND
FIDUCIARY FUND TYPE - FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Cash Receipts:		
Taxes	\$1,725,058	\$ 856,212
Charges for Services	298,839	431,726
Licenses and Permits	1,546	7,245
Fines and Forfeitures	88,022	27,121
Intergovernmental Receipts	320,999	6,020,450
Interest Revenue	137,293	21,549
Rents	107,552	
All Other Receipts	<u>57,390</u>	<u>193,646</u>
Total Receipts	<u>2,736,699</u>	<u>7,557,949</u>
Cash Disbursements:		
General Government		
Executive and Legislative	981,419	239,903
Judicial	346,646	75,005
Public Safety	647,766	787,694
Public Works	18,998	2,738,024
Health	24,254	460,458
Human Services	118,364	3,200,286
Miscellaneous	601,344	
Capital Outlay		
Debt Service		
Principal Payment	9,153	21,981
Interest and Fiscal Charges	<u>8,195</u>	<u>6,373</u>
Total Disbursements	<u>2,756,139</u>	<u>7,529,724</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(19,440)</u>	<u>28,225</u>
Other Financing Receipts/(Disbursements):		
Proceeds of Notes		550,000
Operating Transfers-In	91,318	161,424
Operating Transfers-Out	(116,792)	(134,908)
Operating Advances-In		8,466
Operating Advances-Out	(8,466)	
Other Financing Sources	145,022	25,789
Other Financing Uses	<u>(8,857)</u>	
Total Other Financing Receipts/(Disbursements)	<u>102,225</u>	<u>610,771</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	82,785	638,996
Fund Cash Balances, January 1	<u>454,923</u>	<u>1,762,060</u>
Fund Cash Balances, December 31	<u>\$ 537,708</u>	<u>\$2,401,056</u>

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

Debt Service	Capital Projects	Fiduciary Fund Type Expendable Trust	Total (Memorandum Only)
\$	\$	\$	\$2,581,270
			730,565
			8,791
	315,544		115,143
		103,200	6,656,993
			262,042
			107,552
		<u>150,684</u>	<u>401,720</u>
	<u>315,544</u>	<u>253,884</u>	<u>10,864,076</u>
			1,221,322
			421,651
	315,544		1,435,460
			3,072,566
			484,712
			3,318,650
		161,596	601,344
			161,596
28,414			59,548
<u>7,486</u>			<u>22,054</u>
<u>35,900</u>	<u>315,544</u>	<u>161,596</u>	<u>10,798,903</u>
<u>(35,900)</u>	<u>0</u>	<u>92,288</u>	<u>65,173</u>
35,900			550,000
			288,642
			(251,700)
			8,466
			(8,466)
			170,811
			<u>(8,857)</u>
<u>35,900</u>	<u>0</u>	<u>0</u>	<u>748,896</u>
		92,288	814,069
	310	<u>2,219,272</u>	<u>4,436,565</u>
<u>\$ 0</u>	<u>\$ 310</u>	<u>\$ 2,311,560</u>	<u>\$ 5,250,634</u>

**MORGAN COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
 CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND
 TYPES AND SIMILAR FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Types	
	Enterprise	Internal Service
Operating Cash Receipts:		
Charges for Services	\$	\$ 806,251
Interest		1,103
Other Operating Receipts	<u>3,579</u>	<u> </u>
Total Operating Cash Receipts	<u>3,579</u>	<u>807,354</u>
Operating Cash Disbursements:		
Personal Services	20,458	25,415
Contract Services		188,086
Claims and Judgements		572,328
Supplies and Materials		2,462
Other Operating Disbursements	<u> </u>	<u>30</u>
Total Operating Cash Disbursements	<u>20,458</u>	<u>788,321</u>
Operating Income/(Loss)	<u>(16,879)</u>	<u>19,033</u>
Nonoperating Cash Receipts:		
Intergovernmental Receipts		3,598
Transfers In	28,376	
Transfers Out		
Other Nonoperating Receipts		
Other Nonoperating Disbursements	<u> </u>	<u> </u>
Total Nonoperating Cash Receipts	<u>28,376</u>	<u>3,598</u>
Net Receipts Over/ (Under) Disbursements	11,497	22,631
Fund Cash Balances, January 1	<u>(11,497)</u>	<u>86,374</u>
Fund Cash Balances, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 109,005</u></u>

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

Fiduciary Fund Types		Totals
Nonexpendable	Agency	(Memorandum Only)
\$	\$	\$ 806,251
1,061		2,164
		3,579
<u>1,061</u>	<u>0</u>	<u>811,994</u>
		45,873
		188,086
		572,328
		2,462
		30
<u>0</u>	<u>0</u>	<u>808,779</u>
<u>1,061</u>	<u>0</u>	<u>3,215</u>
		3,598
	26,000	54,376
	(91,318)	(91,318)
	25,657,874	25,657,874
	(25,588,095)	(25,588,095)
<u>0</u>	<u>4,461</u>	<u>36,435</u>
1,061	4,461	39,650
<u>22,076</u>	<u>653,492</u>	<u>750,445</u>
<u>\$ 23,137</u>	<u>\$ 657,953</u>	<u>\$ 790,095</u>

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**MORGAN COUNTY
 COMBINED STATEMENT OF RECEIPTS - BUDGET AND
 ACTUAL - ALL BUDGETED FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Governmental</u>			
General	\$ 2,748,287	\$ 2,973,039	\$ (11,588)
Special Revenue	7,845,960	8,295,162	(288,011)
Debt Service	35,900	35,900	
Capital Projects	315,544	315,544	
<u>Proprietary</u>			
Enterprise		31,955	31,955
Internal Service	698,000	810,952	112,952
<u>Fiduciary</u>			
Expendable Trust	125,000	253,884	128,884
Nonexpendable Trust	<u>1,000</u>	<u>1,061</u>	<u>61</u>
Total (Memorandum Only)	<u>\$ 11,769,691</u>	<u>\$12,717,497</u>	<u>\$ 947,806</u>

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

**MORGAN COUNTY
 COMBINED STATEMENT OF DISBURSEMENTS AND
 ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
 ALL BUDGETED FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>
<u>Governmental</u>			
General	\$ 79,272	\$ 3,021,658	\$ 3,100,930
Special Revenue	134,801	8,370,100	8,504,901
Debt Service		35,900	35,900
Capital Projects		315,544	315,544
<u>Proprietary</u>			
Enterprise		20,458	20,458
Internal Service		654,900	654,900
<u>Fiduciary</u>			
Expendable Trust		269,626	269,626
Nonexpendable Trust	_____	1,000	1,000
Total (Memorandum Only)	<u>\$ 214,073</u>	<u>\$12,689,186</u>	<u>\$12,903,259</u>

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

<u>Disbursements</u>	<u>Encumbrances Outstanding At December 31</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 2,881,788	\$ 17,085	\$ 2,898,873	\$ 202,057
7,664,632	50,230	7,714,862	790,039
35,900		35,900	
315,544		315,544	
20,458		20,458	
788,321		788,321	(133,421)
161,596		161,596	108,030
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>\$11,868,239</u>	<u>\$ 67,315</u>	<u>\$11,935,554</u>	<u>\$ 967,705</u>

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**MORGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

Services provided by the County include general government, public safety, public works, and human services.

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

The Mary Hammond Adult Activity Center is a legally separate, non-profit corporation, served by a self-appointing board of trustees. Based on the services and resources provided by the County to Mary Hammond Adult Activity Center and their sole purpose of providing assistance to the retarded and handicapped adults of Morgan County, the Workshop is considered to be a component unit of Morgan County. Financial statements can be obtained from the Mary Hammond Adult Activity Center.

The Morgan County Regional Airport Authority is not a separately elected governing body. It was created by resolution of the County Commissioners under Section 308.01 of the Ohio Revised Code. The Board of Trustees consists of three members which are all appointed by the Board of County Commissioners. Morgan County Regional Airport Authority is also considered to be a component unit of Morgan County. Financial statements can be obtained from the Morgan County Regional Airport Authority.

The Mary Hammond Adult Activity Center and the Morgan County Regional Airport Authority audited financial statements were not available to incorporate into Morgan County's combined financial statements. However, the activity of these agencies was not considered material in relation to Morgan County's combined financial statements.

B. Basis of Accounting

Although required by Ohio Administrative Code Section 117-1-11 to prepare its annual financial report in accordance with generally accepted accounting principles, the County chose to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Cash Equivalents

Cash and cash equivalents consist of the total of fund cash balances of all funds as of December 31, 1999. County funds are maintained in several checking accounts as well as invested in certificates of deposit with terms of six to twelve months. Individual fund integrity is maintained through the County's records.

D. Fund Accounting

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

1. Governmental Fund Types:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

These funds are used to account for the accumulation of financial resources for, and the payment of general long-term debt principal, interest and related costs.

Capital Project Funds

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

2. Proprietary Fund Types:

Enterprise Fund

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

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Types: (Continued)

Internal Service

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

3. Fiduciary Fund Types:

Trust and Agency Funds

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

E. Budgetary Process

1. Budget

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

2. Estimated Resources

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

3. Appropriations

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

**MORGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Encumbrances

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

F. Property, Plant and Equipment

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

G. Accumulated Unpaid Vacation and Sick Leave

Accumulated unpaid vacation and sick leave are not accrued under the cash basis of accounting described in Note 1. At December 31, 1999, management estimates that \$135,581 in sick leave (retirement eligible amounts only) and \$226,479 in vacation leave has been accumulated by the employees of the County. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees. It is not practicable to determine the actuarial value of these benefits as of December 31, 1999.

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. PRIOR PERIOD RESTATEMENTS

The internal service fund balance for fiscal year ending December 31, 1998 was restated to reflect the balance in an account used to pay self insurance claims. The agency fund balance for fiscal year ending December 31, 1998 was restated to reflect the balance in an account not previously disclosed for the Clerk of Court Legal Department.

Fund Type	Amounts Previously Reported at December 31, 1998	Adjustment	Restated Amounts at December 31, 1998
Internal Service Fund Type, Fund Balance	\$45,607	\$40,767	\$86,374
Agency Fund Type, Fund Balance	\$633,259	\$20,233	\$653,492

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

3. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. The County maintains a cash pool which is used by all funds. Each fund type's portion of this pool is displayed on the "Combined Statement of Cash, Cash Equivalents and Fund Cash Balances" as "Cash Balances by Fund Type".

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written purchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio); and,
7. Certain Bankers' acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

**MORGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

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

Deposits: At year-end, the carrying amount of the County's deposits was \$6,040,729, and the bank balance was \$6,213,825. Of the bank balance:

1. \$520,543 was covered by federal depository insurance;
2. \$2,045,965 was covered by collateral held by a third party trustee in the name of the County;
3. \$2,000,000 was covered by a letter of credit from the Federal Home Loan Bank;
4. \$1,647,317 was covered by pooled collateral pledged to secure all public funds on deposit. Although all Ohio statutory requirements for the collateralization of deposits had been followed, non-compliance with the Financial Institutions Reform, Recovery and Enforcement Act of 1989 could potentially prevent the County from exercising a successful claim as a secured creditor against the FDIC and render them a general creditor for the uncollateralized amount.

4. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised values. The county auditor reappraises all real property every six years with a triennial update. The last reappraisal was completed for tax year 1994 with the last update completed for tax year 1997.

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

The full tax rate applied to real property for the fiscal year ended December 31, 1999, was \$8.500 per \$1000 of assessed valuation.

After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$6.88 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$7.35 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 1999, was \$8.500 per \$1,000 of assessed valuation.

Real Property - 1999 Valuation	
Residential/Agricultural	\$ 102,197,940
Commercial/Industrial	25,952,320
Public Utilities	82,050
Tangible Personal Property	
General - 1998 Valuation	27,660,820
Public Utilities - 1999 Valuation	<u>93,294,280</u>
Total Valuation	<u><u>\$249,187,410</u></u>

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

4. PROPERTY TAX (Continued)

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

5. LOCAL SALES TAX

For the purpose of providing additional revenues, Morgan County has levied a sales tax at the rate of 1.5 percent upon certain retail sales made in the County. Local sales tax receipts are credited to the General Fund and amounted to 1,002,871 in 1999.

6. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 1999, the County contracted with Buckeye Joint-County Self Insurance Council for liability, auto, and crime insurance.

The Buckeye Joint-County Self Insurance Council is a jointly governed organization that serves Athens, Hocking, Jackson, Lawrence, Meigs, Monroe, Morgan, Noble, Perry, Pike, Vinton, and Washington counties, and is formed as an Ohio non-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 corporation based on actuarially determined rates.

The degree of control exercised by any participating government is limited to its representation on the Board. The Governing Board is composed of at least one County Commissioner from each of the participating counties. The Governing Board annually elects officers which include a President, Vice President, Second Vice President and two Governing Board members.

The expenditures and investments of funds by the officer must be approved by the Governing Board unless specific limits have been set by the Governing Board to permit.

In the event of losses, the first \$250 to \$1,000 of any valid claim depending on the type of loss, will be paid by the member. The next payment, with a maximum pay range from \$100,000 to \$1,000,000 per occurrence, will come from the self insurance pool based on the member's percentage of contribution. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments. Morgan County does not have any ongoing financial interest or responsibility.

The agreement between the County and the Council indicates that a voluntary withdrawal or termination by the county shall constitute a forfeiture of any pro-rata share of the council reserve fund. In the event of the termination of the Council, current members shall be paid in an amount they have contributed to the Council as of the last month of the Council's existence. Current calculation of this potential residual interest is, therefore, not possible. During 1999, Morgan County paid \$80,385 to the Council for insurance coverage, which included \$1,850 for insurance for the Morgan County Regional Airport Authority.

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

6. RISK MANAGEMENT (Continued)

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

<u>Policy Type</u>	<u>Annual/Aggregate Coverages</u>	<u>Deductible</u>
General Liability	\$1,000,000/\$2,000,000	\$1,000
Public Official Liability	\$1,000,000/\$2,000,000	\$1,000
Law Enforcement	\$1,000,000/\$2,000,000	\$1,000
Auto Liability	\$1,000,000 per occurrence	0
Pollution Liability	\$10,000	\$1,000
All Risk Blanket Property	Bldg. & Contents per Schedule	\$500
Flood (Coverage for Zone A)	Included	\$2,500
Earthquake	Included	\$25,000
Electronic Data Processing		
Equipment	\$175,000	\$500
Blanket Bond	\$250,000	0
Elected Officials Bond	Per Bond Schedule	0
Money & Securities		
(Including Food Stamps)	\$500,000	\$500
Boiler & Machinery	Included	\$500
Inland Marine	Per Schedule	\$100
Auto Comprehensive	Per Schedule	\$100
Auto Collision	Per Schedule	\$250
Nurse Liability	\$1,000,000	\$1,000
EMT/EMA - Paramedics	\$1,000,000/\$2,000,000	\$1,000
<u>Property</u>	<u>Building/Contents</u>	<u>Deductible</u>
Courthouse	\$558,500/\$75,000	\$250
Radio Equipment House	\$5,000/\$10,000	\$250
County Garage	\$76,000/\$45,000	\$250
Sheriff's Department	\$370,000/\$100,000	\$250
Human Services	\$378,300/\$100,000	\$250
Health Clinic	N/A/\$100,000	\$250
Senior Center	\$104,000/N/A	\$250
Child Support Enforcement Agency	N/A/\$30,000	\$250
Prosecutor's Office	N/A/\$10,000	\$250

The County pays the State Bureau of Worker's Compensation System a premium based on a rate per \$100 salary. This rate is calculated based upon accident history and administrative costs. The County pays all elected officials' bonds by statute.

The County maintains a limited risk health insurance program for employees. Premiums are paid to a third-party administrator. An Internal Service Fund is presented in the financial statements and reflects premiums paid into the Insurance Reserve Internal Service Fund by other funds which are available to pay claims and administrative costs, and to establish claim reserves. An excess coverage insurance policy covers aggregate annual claims at 110% of estimated claims.

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

7. RETIREMENT SYSTEM

Public Employees Retirement System of Ohio

All Morgan County full-time employees participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)466-2085 or 1-800-222-PERS (7377).

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and Morgan County is required to contribute 9.35 percent. For law enforcement employees, the employee contribution is 9 percent and the employer contribution is 12.5 percent. Contributions are authorized by state statute. Morgan County's contributions to PERS for the years ended December 31, 1999, 1998, and 1997 were \$781,773, \$848,513, and \$942,209, respectively. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records.

8. POSTEMPLOYMENT BENEFITS

Public Employees Retirement System (PERS)

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement Number 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care based on authority granted by State statute. The 1999 employer contribution rate was 13.55 percent of covered payroll for employees not engaged in law enforcement; 4.2 percent was the portion that was used to fund health care. The law enforcement employer rate for 1999 was 16.7 percent and 4.2 percent was used to fund health care.

Benefits are funded on a pay as you go basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1999, OPEB expenditures made by PERS were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. At December 31, 1999, the total number of benefit recipients eligible for OPEB through PERS was 118,062. The County's actual contributions for 1999 which were used to fund OPEB were \$236,989.

During 1997, PERS adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2 percent of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

**MORGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

9. DEBT OBLIGATIONS

Prior to 1997, proceeds from a Ohio Water Pollution Control Loan were used to pay for a study to determine the cap, leachate management, explosive gas monitoring, ground water monitoring and other technical services to close the County's landfill. The balance owed on this loan and the capping costs were financed with a Ohio Water Pollution Control Loan in the amount of \$171,179. Payments are made semi-annually from the General Fund. Required payments, including interest of \$68,576 are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2000	\$ 7,052
2001	14,103
2002	14,103
2003	14,103
2004	14,104
2005-2009	70,516
2010-2014	70,516
2015-2017	<u>35,258</u>
Total	<u>\$239,755</u>

During 1998, the County borrowed \$130,000, to pay for a new computer system for the County Auditor. Promissory notes were issued with an interest rate of 5.25%, and a maturity date of September 13, 2003. At December 31, 1999, the balance for the promissory notes was \$98,320.

Also during 1998, the County secured financing for the a garage facility, but no loan proceeds were received. During 1999, loan proceeds of \$550,000 were received and a promissory note was issued with an interest rate of 5.37%, and a maturity date of April 1, 2004. At December 31, 1999, the balance for the promissory note was \$521,586.

10. MORGAN COUNTY LANDFILL

The Commissioners leased the land from F. E. and Eileen Haines to operate the Morgan County Landfill (the Facility). William Miller was the operator and license holder for the Facility from 1974 to 1998 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 (EPA) conducted inspections and documented various violations of closure requirements. On February 13, 1995, the Director of the EPA issued Final Findings and Orders to the Morgan County Commissioners, F. E. and Eileen Haines, and William R. Miller concerning violations of closure and post-closure requirements . Post-closure requirements extend 30 years beyond the closure date.

As a result of the Director's Final Findings and Orders, the Commissioners contracted for a study to determine the cap, leachate management, explosive gas monitoring, ground water monitoring, and for other technical services relating to closure procedures for the Facility. During 1997, the County paid for the construction phase of capping the Facility. Since that time, the Commissioners have contracted with an engineering firm to prepare a corrective measure plan to address the remaining EPA concerns, including post-closure care. Alternative plans ranging from approximately \$1.5 million to \$15.9 million have been documented and presented to the EPA.

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

MORGAN COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999

FEDERAL GRANTOR Pass-Through Grantor Program Title	Federal CFDA Number	Pass-through Entity's Number	Receipts	Disbursements	Refund of (Receipts)/ Disbursements
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES:					
<i>Passed-through Ohio Department of Mental Retardation and Developmental Disabilities:</i>					
Social Services Block Grant - Title XX	93.667	N/A	\$20,735	\$20,309	\$
Total United States Department of Health and Human Services			20,735	20,309	0
FEDERAL EMERGENCY MANAGEMENT AGENCY					
<i>Passed-through the Ohio Emergency Management Agency:</i>					
State and Local Assistance	83.534	N/A	8,524	8,524	0
Disaster Assistance	83.544	DR-1227	4,865	0	(29,168)
Total Federal Emergency Management Agency			13,389	8,524	(29,168)
UNITED STATES DEPARTMENT OF EDUCATION					
<i>Passed-through the Ohio Department of Health:</i>					
Early Intervention Service	84.181	048835-WK-BE-98	99,361	94,524	(2,851)
Total United States Department of Education			99,361	94,524	(2,851)
UNITED STATES DEPARTMENT OF JUSTICE					
<i>Direct Program:</i>					
COPS Fast	16.710	1995CFWX5400	59,000	51,800	0
<i>Passed-through the Ohio Office of Criminal Justice Services:</i>					
Crime Victim Assistance Grant (VOCA)	16.575	2000VAGENE336	5,019	4,774	0
Violence Against Women Formula Grant	16.588	96-WF-VA2-8423	13,020	26,198	(2,161)
Local Law Enforcement Block Grant Program	16.592	97-LE-LEB-3109 98-LE-LEB-3109	0 9,000 9,000	2,656 2,362 5,018	(1,036) 0 (1,036)
Total United States Department of Justice			86,039	87,790	(3,197)
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
<i>Passed-through the Ohio Department of Development:</i>					
Community Development Block Grants/State	14.228	B-C-98-053-1	163,420	163,420	0
Community Development Block Grants/State	14.228	B-F-97-053-1	0	6,961	(1,965)
Community Development Block Grants/State	14.228	B-F-98-053-1	65,939	65,939	0
			229,359	236,320	(1,965)
Home Investment Partnerships Program	14.239	B-C-98-053-2	243,249	243,249	0
Total United States Department of Housing and Urban Development			472,608	479,569	(1,965)
Total Federal Awards Receipts and Expenditures			\$692,132	\$690,716	(\$37,181)

The notes to the schedule of federal awards receipts and expenditures are an integral part of this statement.

MORGAN COUNTY
NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
DECEMBER 31, 1999

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

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

NOTE C - MATCHING REQUIREMENTS

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Morgan County
19 E. Main Street
McConnelsville, Ohio 43756

To the Board of Commissioners:

We have audited the accompanying financial statements of Morgan County, Ohio, (the County) as of and for the year ended December 31, 1999, and have issued our report thereon dated June 26, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 1999-61058-001 through items 1999-61058-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated June 26, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 1999-61058-001 through 1999-61058-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe reportable condition 1999-61058-001 described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated June 26, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

June 26, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Morgan County
19 E. Main Street
McConnelsville, Ohio 43756

To the Board of Commissioners:

Compliance

We have audited the compliance of Morgan County, Ohio, (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1999. The County's major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major program for the year ended December 31, 1999. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings as item 1999-61058-004.

Internal Control over Compliance

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

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying Schedule of Findings as item 1999-61058-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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



Jim Petro
Auditor of State

June 26, 2000

**MORGAN COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant - CFDA # 14.228
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**MORGAN COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1999
(Continued)**

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

Finding Number	1999-61058-001
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Ohio Admin. Code Section 117-1-11 requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

We recommend the County implement policies and procedures so that it can prepare its annual financial report in accordance with generally accepted accounting principles.

Finding Number	1999-61058-002
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Ohio Rev. Code Section 5705.39 states that total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Our comparison of appropriations to estimated resources disclosed violations in the following funds on the following dates during 1999. Less significant violations occurred in a number of other funds on the following dates.

<u>Fund</u>	<u>March 31</u>	<u>August 31</u>	<u>December 31</u>
Litter Prevention Fund	X	X	X
DARE Fund	X	X	
Ohio Crime Victims Fund	X	X	X
Reclaim Ohio Fund	X	X	
Issue 2 Fund	X	X	
Home Health Fund	X	X	X
Washington/Morgan Community Action Grant Fund		X	
Community Development Block Grant Fund		X	

We believe this noncompliance occurred as a result of inadequate monitoring of budgetary activity by County management. In certain instances, budgetary modifications had been approved by the Board of County Commissioners (the Board) but had not been posted to the County's ledgers. In other instances, budgetary modifications had been posted yet had not been formally approved by the Board. The accompanying Combined Statement of Receipts - Budget and Actual, and Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority present only budgetary actions adopted by the Board.

We recommend the Board formally adopt all appropriation amendments as well as amendments to estimated resources. Once adopted, amendments should be posted to the County's ledgers. Reports comparing actual to budgeted receipts and disbursements should be reviewed by the Board to assist the Board in managing the County's funds. The Board's review of these reports and any necessary budgetary amendments resulting from the review should be noted in the Board's minutes.

**MORGAN COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1999
(Continued)**

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

Finding Number	1999-61058-003
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Ohio Rev. Code Section 5705.41(B) prohibits a subdivision from making a disbursement unless it has been properly appropriated. Throughout the year and until December 1999, actual disbursements exceeded appropriations in the Insurance Premiums Fund, Insurance Reserve Fund, and Home Health Fund.

As indicated in finding 1999-61058-002 above, we believe these violations occurred as a result of management failing to adequately monitor budgetary activity and adopt budgetary amendments when needed.

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

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	1999-61058-004
CFDA Title and Number	Community Development Block Grant, CFDA #14.228
Federal Award Number / Year	B-F-97-053-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Equipment and Real Property Management

Federal awarding agency program regulations 24 CFR 85.32 and the terms and conditions of the award of the Community Development Block Grant Formula Program (grant number B-F-98-053-1) require that equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. For purposes of this program, local governments are to use, manage, and dispose of equipment acquired under a Federal grant in accordance with State laws and procedures which stipulate the following:

1. **Inventory Record Requirements:** As soon as any equipment is purchased with Office of Housing and Community Partnerships (OHCP) awarded funds, grantees must update the inventory records. In addition, a full inventory must be completed every two years. Inventory records must include: a description of the equipment; the serial number or other identification number assigned to the equipment; the source(s) of funding used to purchase the equipment and the percentage of participation; the acquisition date; the acquisition cost; the location of the property; and disposition data, including date of disposal and sales price.
2. A control system must be developed to ensure that adequate safeguards exist to prevent loss, damage or theft of the property. Any loss, damage or theft must be investigated. The grantee must implement adequate maintenance procedures to keep the property in good condition. If the grantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

**MORGAN COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1999
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

**Equipment and Real Property Management
(Continued)**

The County did not have a written policy addressing equipment and real property management, including adequate safeguarding of equipment. County management assumed adequate policies and safeguarding existed with its administrative agent. As a result, full inventories were not completed as required by federal regulations and certain information was not included on those inventory records which were eventually provided.

We recommend the County develop a written equipment and real property management policy in accordance with the appropriate federal and state guidelines and make certain it is implemented by all parties involved with federal funding.

MORGAN COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 1999

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-61058-001	Ohio Administrative Code citation for not filing financial statements on a GAAP basis.	No.	Not Corrected - The County Auditor does not believe the benefits associated with filing GAAP statements outweigh the costs associated with preparing them.
1998-61058-002	Ohio Revised Code citation for disbursements exceeding appropriations.	No.	Partially Corrected - Expenditures exceeded appropriations for certain funds during 1999. Additional procedures need implemented to prevent this from occurring.
1998-61058-003	Amendments to the certificate of estimated resources were not posted to the computer system.	No.	Partially Corrected - In certain instances, amendments were not posted to the ledgers during 1999. Additional procedures need implemented to prevent this from occurring.
1998-61058-004	Federal questioned costs for \$10,800 due to inadequate supporting documentation for expense charged to the Community Development Block Grant.	Yes.	Fully Corrected - The questioned costs were remitted to the grantor agency.

**MORGAN COUNTY
CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133, SECTION .315(c)
DECEMBER 31, 1999**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1999-61058-001	The County Auditor does not believe the benefits associated with filing a financial report that has been prepared in accordance with Generally Accepted Accounting Principles outweigh the costs.	N/A	County Auditor
1999-61058-002	The County Auditor will make certain appropriations do not exceed estimated revenues. The County Auditor intends to post only the properly adopted amendments to appropriations and estimated resources. The Board of County Commissioners will continue to approve all appropriation amendments. The Board of County Commissioners will begin reviewing and legislatively approving the amendments to estimated resources. Periodically, comparisons will be made to assure that all budgetary amendments approved by the Board, and only those budgetary amendments approved by the Board, are posted to the ledgers.	June 26, 2000	County Auditor and Board of County Commissioners
1999-61058-003	The County Auditor will make certain adequate appropriations have been adopted prior to the disbursement of funds. The Board of County Commissioners will periodically review appropriations compared with disbursements to assure actual disbursements do not exceed appropriations.	June 26, 2000	County Auditor and Board of County Commissioners
1999-61058-004	The Board of County Commissioners have initiated procedures to inform the beneficiaries of the CDBG Formula funding of the inventory requirements and will follow-up on this matter to assure compliance with these requirements.	June 26, 2000	Board of County Commissioners



STATE OF OHIO
OFFICE OF THE AUDITOR

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MORGAN COUNTY FINANCIAL CONDITION

MORGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 22, 2000**