MORGAN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2018

OHIO AUDITOR OF STATE
KEITH FABER

MORGAN COUNTY
DECEMBER 31, 2018

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OHIO AUDITOR OF STATE
KEITH FABER

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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, 2018, 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 such 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, 2018, and the respective changes in cash financial position and the respective budgetary comparisons for the General, Job and Family Services, Motor Vehicle and Gasoline Tax and Board of Developmental Disabilities Funds thereof, for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the Unites 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the County adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* As discussed in Note 24 of the financial statements, the Auditor of State conducted a special investigation that concluded on March 14, 2019. We did not modify our opinion regarding this matter.

Other Matters

Supplementary 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 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 December 30, 2019, 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.

Keith Faber
Auditor of State
Columbus, Ohio

December 30, 2019

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Morgan County, Ohio
Statement of Net Position - Cash Basis
December 31, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$7,358,162
Cash and Cash Equivalents with Fiscal Agents	117,828
Total Assets	$7,475,990
Net Position	
Restricted for:	
Job and Family Services	$200,707
Motor Vehicle and Gas Tax	1,059,517
Board of Developmental Disabilities	1,409,853
Emergency Services	463,201
Real Estate Assessments	210,246
Economic Development	752,723
Senior Citizen Services	166,469
Child Support Enforcement	210,125
Children Services	311,417
County Court Special Projects	309,019
Court	496,008
Corrections	362,330
Dog and Kennel	53,131
Public Works	73,981
Public Safety	22,504
Marriage License	590
Board of Elections	10
Unclaimed Monies	65,573
Unrestricted	1,308,586
Total Net Position	$7,475,990

See accompanying notes to the basic financial statements

Morgan County, Ohio

Statement of Activities - Cash Basis

For the Year Ended December 31, 2018

		Program Receipts			Net Disbursements and Changes in Net Position
	Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government:					
Legislative and Executive	$2,138,052	$681,392	$47,409	$0	($1,409,251)
Judicial	862,000	254,375	134,146	0	(473,479)
Public Safety	2,900,513	277,615	405,371	0	(2,217,527)
Public Works	5,712,470	384,347	4,062,856	1,039,602	(225,665)
Health	1,484,008	33,232	884,522	0	(566,254)
Human Services	4,542,073	112,126	4,151,922	0	(278,025)
Community and Economic Development	1,854,441	128,382	1,616,227	0	(109,832)
Other	261,826	0	0	0	(261,826)
Debt Service:					
Principal Retirement	420,568	0	0	0	(420,568)
Interest and Fiscal Charges	65,564	0	0	0	(65,564)
Total Governmental Activities	$20,241,515	$1,871,469	$11,302,453	$1,039,602	(6,027,991)

General Receipts	
Property Taxes Levied for:	
General Purposes	883,186
Board of Developmental Disabilities	762,145
Senior Citizen Services	121,979
Children Services	142,594
Ambulance Services	459,260
Permissive Sales Taxes Levied for General Purposes	1,557,331
Grants and Entitlements not Restricted to Specific Programs	1,264,304
Interest	133,049
Rent	195,991
Payment in Lieu of Taxes	10,239
Proceeds from Loans	760,124
Miscellaneous	315,567
Total General Receipts	6,605,769
Change in Net Position	577,778
Net Position Beginning of Year	6,898,212
Net Position End of Year	$7,475,990

See accompanying notes to the basic financial statements

Morgan County, Ohio

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2018

	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	$1,207,716	$200,707	$1,059,517	$1,292,025	$3,432,993	$7,192,958
Cash and Cash Equivalents with Fiscal Agents	0	0	0	117,828	0	117,828
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	19,118	0	0	0	46,455	65,573
Total Assets	$1,226,834	$200,707	$1,059,517	$1,409,853	$3,479,448	$7,376,359
Fund Balances						
Nonspendable	$19,118	$0	$0	$0	$46,455	$65,573
Restricted	0	200,707	1,059,517	1,409,853	3,431,754	6,101,831
Committed	0	0	0	0	1,239	1,239
Assigned	729,326	0	0	0	0	729,326
Unassigned	478,390	0	0	0	0	478,390
Total Fund Balances	$1,226,834	$200,707	$1,059,517	$1,409,853	$3,479,448	$7,376,359

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 funds are included in governmental activities in the Statement of Net Position.	99,631
Net Position of Governmental Activities	$7,475,990

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, 2018

	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
Receipts						
Property Taxes	$883,186	$0	$0	$762,145	$723,833	$2,369,164
Permissive Sales Taxes	1,557,331	0	0	0	0	1,557,331
Payment in Lieu of Taxes	3,902	0	0	0	6,337	10,239
Charges for Services	633,741	0	324,459	0	651,760	1,609,960
Licenses and Permits	525	0	0	0	70,239	70,764
Fines and Forfeitures	67,434	0	7,972	0	115,339	190,745
Intergovernmental	1,405,154	3,201,697	3,812,644	884,084	4,079,827	13,383,406
Interest	133,049	0	15,260	438	7,255	156,002
Rent	24,600	0	0	0	171,391	195,991
Contributions and Donations	0	0	200,000	0	0	200,000
Miscellaneous	20,138	40,727	0	8,091	246,611	315,567
Total Receipts	4,729,060	3,242,424	4,360,335	1,654,758	6,072,592	20,059,169
Disbursements						
Current:						
General Government:						
Legislative and Executive	1,662,809	0	0	0	476,494	2,139,303
Judicial	674,402	0	0	0	188,500	862,902
Public Safety	1,626,368	0	0	0	1,274,619	2,900,987
Public Works	0	0	4,771,258	0	941,503	5,712,761
Health	19,408	0	0	1,438,112	26,488	1,484,008
Human Services	158,614	3,230,033	0	0	1,154,395	4,543,042
Community and Economic Development	0	0	0	0	1,852,540	1,852,540
Other	261,826	0	0	0	0	261,826
Debt Service:						
Principal Retirement	2,480	0	131,093	0	286,995	420,568
Interest and Fiscal Charges	198	0	12,862	0	52,504	65,564
Total Disbursements	4,406,105	3,230,033	4,915,213	1,438,112	6,254,038	20,243,501
Excess of Receipts Over (Under) Disbursements	322,955	12,391	(554,878)	216,646	(181,446)	(184,332)
Other Financing Sources (Uses)						
Proceeds from Loans	0	0	551,238	0	208,886	760,124
Advances In	932,448	0	0	0	1,144,626	2,077,074
Advances Out	(1,144,626)	0	0	0	(932,448)	(2,077,074)
Transfers In	0	42,174	0	0	5,000	47,174
Transfers Out	(47,174)	0	0	0	0	(47,174)
Total Other Financing Sources (Uses)	(259,352)	42,174	551,238	0	426,064	760,124
Net Change in Fund Balances	63,603	54,565	(3,640)	216,646	244,618	575,792
Fund Balances Beginning of Year	1,163,231	146,142	1,063,157	1,193,207	3,234,830	6,800,567
Fund Balances End of Year	$1,226,834	$200,707	$1,059,517	$1,409,853	$3,479,448	$7,376,359

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 funds are allocated among the governmental activities	1,986
Change in Net Position of Governmental Activities	$577,778

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, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Receipts				
Property Taxes	$828,000	$828,000	$883,106	$55,106
Permissive Sales Taxes	1,600,000	1,600,000	1,557,331	(42,669)
Payment in Lieu of Taxes	7,500	7,500	3,902	(3,598)
Charges for Services	595,953	595,953	625,210	29,257
Licenses and Permits	700	700	525	(175)
Fines and Forfeitures	61,100	61,100	63,681	2,581
Intergovernmental	625,200	625,200	709,104	83,904
Interest	55,020	55,020	131,168	76,148
Rent	23,000	23,000	24,600	1,600
Miscellaneous	104,500	104,500	20,138	(84,362)
Total Receipts	3,900,973	3,900,973	4,018,765	117,792
Disbursements				
Current:				
General Government:				
Legislative and Executive	1,686,322	1,675,973	1,663,213	12,760
Judicial	705,630	696,168	677,294	18,874
Public Safety	1,607,169	1,631,180	1,629,387	1,793
Health	31,446	31,446	19,408	12,038
Human Services	158,797	162,398	158,614	3,784
Other	241,124	316,823	261,826	54,997
Debt Service:				
Principal Retirement	2,480	2,480	2,480	0
Interest and Fiscal Charges	198	198	198	0
Total Disbursements	4,433,166	4,516,666	4,412,420	104,246
Excess of Receipts Under Disbursements	(532,193)	(615,693)	(393,655)	222,038
Other Financing Uses				
Transfers Out	(46,500)	(47,174)	(47,174)	0
Net Change in Fund Balance	(578,693)	(662,867)	(440,829)	222,038
Fund Balance Beginning of Year	1,381,274	1,381,274	1,381,274	0
Prior Year Encumbrances Appropriated	3,775	3,775	3,775	0
Fund Balance End of Year	$806,356	$722,182	$944,220	$222,038

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, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Intergovernmental	$3,395,000	$3,450,000	$3,201,697	($248,303)
Miscellaneous	3,000	38,000	40,727	2,727
Total Receipts	3,398,000	3,488,000	3,242,424	(245,576)
Disbursements				
Current:				
Human Services	3,396,200	3,506,780	3,265,527	241,253
Excess of Receipts Over (Under) Disbursements	1,800	(18,780)	(23,103)	(4,323)
Other Financing Sources				
Transfers In	42,000	42,000	42,174	174
Net Change in Fund Balance	43,800	23,220	19,071	(4,149)
Fund Balance Beginning of Year	125,562	125,562	125,562	0
Prior Year Encumbrances Appropriated	20,580	20,580	20,580	0
Fund Balance End of Year	$189,942	$169,362	$165,213	($4,149)

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, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Receipts				
Charges for Services	$62,300	$191,050	$324,459	$133,409
Fines and Forfeitures	4,500	4,500	7,578	3,078
Intergovernmental	3,257,000	3,790,692	3,812,644	21,952
Interest	3,000	3,000	15,574	12,574
Contibutions and Donations	0	200,000	200,000	0
Total Receipts	3,326,800	4,189,242	4,360,255	171,013
Disbursements				
Current:				
Public Works	3,235,119	5,013,620	4,817,168	196,452
Debt Service:				
Principal Retirement	131,212	131,212	131,093	119
Interest and Fiscal Charges	7,811	12,862	12,862	0
Total Disbursements	3,374,142	5,157,694	4,961,123	196,571
Excess of Receipts Under Disbursements	(47,342)	(968,452)	(600,868)	367,584
Other Financing Source				
Proceeds of Loans	0	551,817	551,238	(579)
Net Change in Fund Balance	(47,342)	(416,635)	(49,630)	367,005
Fund Balance Beginning of Year	1,007,845	1,007,845	1,007,845	0
Prior Year Encumbrances Appropriated	54,207	54,207	54,207	0
Fund Balance End of Year	$1,014,710	$645,417	$1,012,422	$367,005

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, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property Taxes	$809,541	$809,541	$754,941	($54,600)
Intergovernmental	453,585	646,356	884,084	237,728
Interest	0	438	438	0
Miscellaneous	2,000	2,000	8,091	6,091
Total Receipts	1,265,126	1,458,335	1,647,554	189,219
Disbursements				
Current:				
Health	1,252,445	1,474,786	1,444,193	30,593
Net Change in Fund Balance	12,681	(16,451)	203,361	219,812
Fund Balance Beginning of Year	1,097,381	1,097,381	1,097,381	0
Prior Year Encumbrances Appropriated	5,134	5,134	5,134	0
Fund Balance End of Year	$1,115,196	$1,086,064	$1,305,876	$219,812

See accompanying notes to the basic financial statements

Morgan County, Ohio

Statement of Fund Net Position - Cash Basis

Internal Service Funds

December 31, 2018

Assets	
Equity in Pooled Cash and Cash Equivalents	$99,631
Net Position	
Unrestricted	$99,631

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, 2018

Operating Receipts	
Charges for Services	$94,379
Operating Disbursements	
Contractual Services	92,393
Change in Net Position	1,986
Net Position Beginning of Year	97,645
Net Position End of Year	$99,631

See accompanying notes to the basic financial statements

Morgan County, Ohio
Statement of Assets and Liabilities - Cash Basis
Agency Funds
December 31, 2018

Assets	
Equity in Pooled Cash and Cash Equivalents	$1,595,034
Liabilities	
Due to Other Governments	$1,595,034

See accompanying notes to the financial statements

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NOTE 1 - REPORTING ENTITY

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

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

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

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the program's governing board and (1) the County is able to significantly influence the programs of services performed or provided by the organization; or (2) the County is legally entitled to or can access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent upon the County in that the County approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the primary government. In the past, the County has reported the Mary Hammond Adult Activity Center, Inc. and the Morgan County Regional Airport Authority as component units. However, with the implantation of Governmental Accounting Standard Board (GASB) Statement No. 61, “The Financial Reporting Entity: Omnibus”, the County determined it is not misleading to exclude both component units as they do not have a measurable influence on the County’s financial statements.

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

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

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

The County is associated with certain organizations which are defined as jointly governed organizations, joint ventures, and insurance purchasing pools. These organizations are presented in Notes 17 through 19 to the Basic Financial Statements. The organizations are:

Buckeye Hills Regional Council
SouthEastern Ohio Joint Solid Waste Management District
Morgan County Family and Children First Council
Washington-Morgan Community Action Corporation
Buckeye Hills Resource Conservation and Development Council (RC&D)
Mental Health and Recovery Services Board of Muskingum County
Mid-East Ohio Regional Council (MEORC)
Ohio Valley Employment Resource (OVER)
Corrections Commission of Southeastern Ohio
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 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.

C. Basis of Accounting

The County's financial statements are prepared using the cash basis of accounting. (See Note 4) 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 2018, the County had investments in non-negotiable certificates of deposit, which are reported at cost.

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

Cash and cash equivalents that are held separately for the County by fiscal agents and not held with the County Treasurer are recorded as "Cash and Cash Equivalents with Fiscal Agents" which represents money held by a jointly governed organization (See Note 5).

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 2018 amounted to $133,049, which includes $116,018 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/Other Postemployment Benefits (OPEB)

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

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. <u>Restricted Assets</u>

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

M. Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. 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 - CHANGE IN ACCOUNTING PRINCIPLE

For 2018, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of these statements did not result in any changes to net position reported as of December 31, 2018, as a net pension liability is not reported in financial statements following any other comprehensive basis of accounting. See Note 11 to the basic financial statements.

NOTE 4 - 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 5 - DEPOSITS AND INVESTMENTS

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

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

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

2. Bonds, notes, debentures, or any other obligations 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 two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of this state or the political subdivisions of this state, provided the bonds or other obligations of political subdivisions mature within ten years from the date of settlement;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts, in eligible institutions pursuant to ORC sections 135.32;

6. 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 or consisting exclusively of obligations described in (1) or (2) above; commercial paper as described in ORC section 135.143 (6); and repurchase agreements secured by such obligations, provided these 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 either securities or cash, equal value for equal value, within certain limitations;

9. Up to forty percent of the County's average portfolio, if training requirements have been met 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 classification 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, which mature within 270 days after purchase, and the investment in commercial paper notes of a single issuer shall not exceed the aggregate five percent of interim monies available for investment at the time of purchase.

   b. Bankers acceptances of banks that are insured by the federal deposit insurance corporation and that mature not later than 180 days after purchase.

10. Up to fifteen percent of the County's average portfolio in notes issued by U.S. corporations or by depository institutions doing business under authority granted by the U.S. or any state provided the notes are rated in the three highest categories by at least two nationally recognized standard rating services at the time of purchase and the notes mature not later than three years after purchase;

11. A current unpaid or delinquent tax line of credit, provided certain conditions are met related to a County land reutilization corporation organized under ORC Chapter 1724; and,

12. Up to two percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government, subject to certain limitations. All interest and principal shall be denominated and payable in United States funds.

Reverse 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. Except as noted above, an investment must mature within five years from the date of settlement, 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.

At December 31, 2018, the County's Board of Developmental Disabilities Fund had a cash balance of $117,828 with MEORC, a jointly governed organization (See Note 17). The money is held by MEORC in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 40. Any risk associated with the cash and cash equivalents and investments for MEORC as a whole may be obtained from their audit report. To obtain financial information, write to the Mid-East Ohio Regional Council, Cathy Henthorn, who serves as Director of Financial Operations, 1 Avalon Road, Mt. Vernon, Ohio 43050.

At year end, the County had $9,101 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

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, $3,544,400 of the County's total bank balance $9,182,972 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name. Two of the County's financial institutions participate in the Ohio Pooled Collateral System (OPCS).

The County has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

> Eligible securities pledged to the County and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
>
> Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

The County's financial institution is in the process of joining OPCS; however, at December 31, 2018, the financial institution still maintained its own 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 105 percent of the deposits being secured.

NOTE 6 - BUDGETARY BASIS OF ACCOUNTING

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

1. Outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than restricted, committed, or assigned fund balance (cash basis).

2. Unreported interest and cash held in agency funds on behalf of County funds, are reported on the statement of modified receipts, disbursements, and changes in fund balances (cash basis), but not on the budgetary basis.

3. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (cash basis).

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	$63,603	$54,565	($3,640)	$216,646
Beginning of Year:				
Unreported Cash	245	0	0	0
Unreported Interest	7,051	0	1,105	0
Agency Fund Distribution	703,334	0	0	90,692
End of Year:				
Unreported Cash	(12,284)	0	(394)	0
Unreported Interest	(8,932)	0	(791)	0
Agency Fund Distribution	(1,399,709)	0	0	(97,896)
Advances In	(932,448)	0	0	0
Advances Out	1,144,626	0	0	0
Encumbrances	(6,315)	(35,494)	(45,910)	(6,081)
Budget Basis	($440,829)	$19,071	($49,630)	$203,361

NOTE 7 - PROPERTY TAXES AND TAX ABATEMENTS

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2018 for real and public utility property taxes represents collections of 2017 taxes.

2018 real property taxes were levied after October 1, 2018, on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes which became a lien December 31, 2017, were levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2018, was $13.45 per $1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

Real Property	$251,456,010
Public Utility Tangible Personal Property	64,787,790
Total Assessed Value	$316,243,800

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.

B. Tax Abatements

Pursuant to Ohio Revised Code Chapter 5709, the County has established Enterprise Zone property tax abatements to encourage employment retention with Malta Industrial Park, and to encourage job creation with Miba Sinter, Mahle Engine Components, and Finley Fire Equipment. These abatements were obtained through applications by the property owners. The amounts of the abatements are deducted from the recipients' tax bill. The amount of the collection year 2018 taxes abated were:

Enterprise Zone Agreement	2018 Taxes Abated
Malta Industrial Park	$10,616
Miba Sinter	25,552
Mahle Engine Components	14,921
Finley Fire Equipment	8,134

NOTE 8 - PERMISSIVE SALES AND USE TAX

For the purposes of providing additional receipts, the County has levied a sales tax at the rate of one and one-half percent upon certain retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of tangible personal property in the County, including motor vehicles not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the 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 9 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; employee injuries; and natural disasters. During 2018, the County contracted with the Buckeye Joint-County Self-Insurance Council, an insurance purchasing pool, (see Note 19), 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 2018, Morgan County paid $144,004 to the Council for insurance coverage. Coverage provided to the County by the program is as follows:

	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	23,180,550	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	2,374,044	1,000
Electronic Equpment/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 2018, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 19). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The worker's compensation experience of the participating Counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to Counties that can meet the Plan's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

The County may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any participant leaving the Plan allows the representative of the Plan to access loss experience for three years following the last year of participation.

The County pays all elected official bonds by State statute.

NOTE 10 - DEFINED BENEFIT PENSION PLAN

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

Pensions and OPEB 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 net pension liability and the net OPEB liability represent the County's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB 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/OPEB are financed; however, the County does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the pension disclosures. See Note 11 for the OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - County employees, other than full-time police and firefighters, 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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. 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 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 in the tradition and combined plans 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 and combined plans 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 Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** 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
Traditional Plan 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	**Traditional Plan 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	**Traditional Plan 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
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35
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
Traditional Plan 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	**Traditional Plan 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	**Traditional Plan 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 traditional plan 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 compounded. Members retiring under the combined plan receive a cost–of–living adjustment of the defined benefit portion of their pension benefit. 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.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	State and Local	Law Enforcement
2018 Statutory Maximum Contribution Rates		
Employer	14.0 %	18.1 %
Employee *	10.0 %	***
2018 Actual Contribution Rates		
Employer:		
Pension ****	14.0 %	18.1 %
Post-employment Health Care Benefits ****	0.0	0.0
Total Employer	14.0 %	18.1 %
Employee	10.0 %	13.0 %

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** 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.

**** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

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

For 2018, the County's contractually required contribution was $810,157 for the traditional plan, $6,684 for the combined plan and $8,243 for the member-directed plan.

Pension Liability

The net pension liability for OPERS was measured as of December 31, 2017, 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 of the County's defined benefit pension plans:

	OPERS Traditional Plan	OPERS Combined Plan	Total
Proportion of the Net Pension Liability/Asset:			
Current Measurement Date	0.04234100%	0.01031200%	
Prior Measurement Date	0.04102400%	0.01095800%	
Change in Proportionate Share	0.00131700%	-0.00064600%	
Proportionate Share of the:			
Net Pension Liability	$6,642,482	$0	$6,642,482
Net Pension Asset	0	14,038	14,038

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, 2017, 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 valuation, reflecting experience study results, prepared as of December 31, 2017, are presented below.

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017.

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 for 2017 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 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. 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 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	$11,795,356	$6,642,482	$2,346,538
OPERS Combined Plan	(7,631)	(14,038)	(18,458)

NOTE 11 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

For 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. This GASB pronouncement had no effect on beginning net position as reported January 1, 2018, as the net OPEB liability is not reported in the accompanying financial statements. See Note 10 for a description of the net OPEB liability.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary 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. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

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

The County's contractually required contribution was $3,298 for 2018.

Net OPEB Liability

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The County's proportion of the net OPEB liability was based on the County's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.040270%
Prior Measurement Date	0.032950%
Change in Proportionate Share	0.007320%
Proportionate Share of the Net OPEB Liability	$4,373,025

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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care 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.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan, and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 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	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the County's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the County's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
County's proportionate share of the net OPEB liability	$5,809,753	$4,373,025	$3,210,727

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation.

On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
County's proportionate share of the net OPEB liability	$4,184,053	$4,373,025	$4,568,229

NOTE 12 - 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 2018 totaled $2,480. Both leases are being paid from the General Fund.

Future minimum lease payments through 2020 are as follows:

	Governmental Activities	
Year	Principal	Interest
2019	$2,591	$87
2020	533	4
Total	$3,124	$91

NOTE 13 - LONG-TERM OBLIGATIONS

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

	Issue Amount	Outstanding 12/31/17	Additions	Reductions	Outstanding 12/31/18	Due within One Year
Governmental Activities:						
2015 Refunding General Obligation Bonds Serial/Term Bonds - 2.00% to 4.25%	$1,650,000	$1,420,000	$0	$75,000	$1,345,000	$80,000
2001 Tax Increment Financing Loan - 4.98%	93,266	43,524	0	3,109	40,415	3,109
2012 Resurfacing OPWC Loan - 0%	338,226	126,835	0	42,278	84,557	42,278
2013 Resurfacing OPWC Loan - 0%	64,026	36,015	0	8,003	28,012	8,003
2017 OWDA Loan - 0.00%	108,886	0	108,886	108,886	0	0
Peoples Bank Loan - 2.85%	99,824	75,930	0	24,592	51,338	25,304
Peoples Bank Loan - 2.85%	104,600	104,600	0	25,044	79,556	25,768
First National Bank Loan - 2.35%	30,160	0	30,160	0	30,160	15,080
First National Bank Loan - 2.70%	96,075	96,075	0	31,176	64,899	32,017
Capital Leases		5,604	0	2,480	3,124	2,591
Total Governmental Activities		$1,908,583	$139,046	$320,568	$1,727,061	$234,150

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:

Year	Amount
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:

Year	Amount
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:

Year	Amount
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:

Year	Amount
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:

Year	Amount
2030	$110,000
2031	115,000

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.

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 Term Principal	Interest	Total
2019	$80,000	$45,738	$125,738
2020	80,000	44,138	124,138
2121	80,000	42,538	122,538
2122	85,000	40,538	125,538
2123	85,000	38,412	123,412
2024-2028	480,000	142,338	622,338
2029-2032	455,000	38,638	493,638
Total	$1,345,000	$392,340	$1,737,340

The County obtained a tax increment financing loan in 2001 for $93,266. Proceeds from this loan will be used to pay for water line chlorination systems and a bulk station to provide potable water for industry. Tax Increment Financing service payments are being used to repay this debt.

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

Year Ended December 31,	Principal	Interest	Total
2019	$3,109	$2,013	$5,122
2020	3,109	1,858	4,967
2121	3,109	1,703	4,812
2122	3,109	1,548	4,657
2123	3,109	1,393	4,502
2024-2028	15,544	4,645	20,189
2029-2032	9,326	929	10,255
Total	$40,415	$14,089	$54,504

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.

Principal requirements to retire the OPWC loans at December 31, 2018, are as follows:

Year Ended December 31,	2012 Loan Principal	2013 Loan Principal
2019	$42,278	$8,003
2020	42,279	8,003
2121	0	8,003
2022	0	4,003
Total	$84,557	$28,012

The County obtained a Home Sewer Treatment System Loan in 2018, from the Ohio Water Development Authority. Proceeds from this loan were used to update inadequate wastewater systems in Morgan County. In 2018, the OWDA forgave the County's outstanding balance of $108,886.

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
2019	$25,304	$1,483	$26,787
2020	26,034	753	26,787
Total	$51,338	$2,236	$53,574

In 2017, Morgan County obtained a loan in the amount of $104,600 at an interest rate of 2.85% from Peoples Bank for the purchase of a Freightliner 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
2019	$25,768	$2,298	$28,066
2020	26,512	1,554	28,066
2021	27,276	780	28,056
Total	$79,556	$4,632	$84,188

In 2018, Morgan County obtained a loan in the amount of $30,160 at an interest rate of 2.35% from First National Bank for the purchase of a 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
2019	$15,080	$614	$15,694
2020	15,080	614	15,694
Total	$30,160	$1,228	$31,388

In 2017, Morgan County obtained a loan in the amount of $96,075 at an interest rate of 2.70% from First National Bank for the purchase of a front end loader. 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
2019	$32,017	$1,752	$33,769
2020	32,882	888	33,770
Total	$64,899	$2,640	$67,539

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 $6,243,657 and the unvoted debt margin was $4,057,410 at December 31, 2018.

NOTE 14 - NOTES PAYABLE

During 2018, 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. The County also received a loan for a John Deere tractor boom in 2018 in the amount of $21,657 with an interest rate of 2.00 percent. A loan in the amount of $499,421 at an interest rate of 1.89% from Citizens National Bank was obtained for the County's portion of a roundabout. The loan will be repaid from the Motor Vehicle and Gas Tax Fund and will be paid back in one payment in 2019. Changes in short-term obligations, for the year ended December 31, 2018, were as follows:

	Principal Outstanding 12/31/17	Additions	Reductions	Principal Outstanding 12/31/18
Governmental Activities:				
John Deere Tractor Boom First National Bank - 2.00%	$0	$21,657	$0	$21,657
Citizens National Bank Loan - 1.89%	0	499,421	0	499,421
Peoples Bank Line of Credit - 4.75%	100,000	100,000	100,000	100,000
Total Notes Payable	$100,000	$621,078	$100,000	$621,078

NOTE 15 - INTERFUND TRANSFERS AND BALANCES

A. Transfers

During 2018, the General Fund transferred $42,174 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. The General Fund also transferred $5,000 to the Emergency Management Fund to finance the programs until the grant monies are received.

B. Balances

At December 31, 2018, the Other Non-major Governmental Funds owed the General Fund $1,204,719 due to cash deficits and grant monies not being received prior to disbursements needing made.

NOTE 16 - 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	$6,315
Job and Family Services	35,494
Motor Vehicle and Gasoline Tax	45,910
Board of Developmental Disabilities	6,081
Nonmajor Governmental Funds	51,463
Total	$145,263

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Buckeye Hills Regional Council

The Buckeye Hills Regional Council serves as the Area Agency on Aging for Washington, Athens, Hocking, Meigs, Monroe, Morgan , Noble, and Perry Counties. The Council was created to foster a cooperative effort in regional planning, programming, and implementing plans and programs. The Council is governed by a fifteen member board of directors. The board has 15 members composed of four non-elected representatives, Mayors of the two largest cities in the Council, and eight county representatives appointed by County Commissioners. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. The Council administers County Community Development Block Grant and Issue II monies. During 2018, the County contributed $1,605 to the Council. The continued existence of the Council is not dependent on the County's continued participation and no equity interest exists. Financial information can be obtained by contacting Buckeye Hills Regional Council 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.

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 2018. 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 2018. 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. Washington-Morgan Community Action Corporation

The Community Action Program Corporation of Washington-Morgan Counties 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 Childrens' Supplemental Nutrition Program; the Home Weatherization Assistance and Energy Program; the Workforce Innovation and Opportunity 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 council is composed of the Mayor of the City of Marietta, the Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives, and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the Corporation, by contract with the City of Marietta and Washington and Morgan Counties, provides administrative services to these governments in specific programs. The continued existence of the Corporation is not dependent on the County's continued participation and no equity interest exists.

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

RC&D is a 501 (c) (3) non-profit entity, serving a nine county region in southeastern Ohio including Athens, Belmont, Hocking, Meigs, Monroe, Morgan, Noble, Perry, and Washington Counties. The Council was created to identify and solve problems in rural communities including human, economic, natural resources and environmental issues. The RC&D is sponsored by the Boards of County Commissioners and the Soil and Water Conservation Districts in the nine counties, along with the Muskingum Watershed Conservancy District and the Rush Creek Conservancy District.

The governing body of RC&D is the Executive Council, made up of 29 members that include three representatives from each county and one representative from each conservancy district. The Executive Council exercises total control over the operations of RC&D including budgetary, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Executive Council. The continued existence of the District is not dependent on the County's continued participation and no equity interest exists.

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 2018, the County contributed $130,955 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 (MEORC)

The Mid-East Ohio Regional Council (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 2018, the County contributed $250,746 to MEORC. The County reports cash with fiscal agent in the amount of $117,828 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.

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 18 - JOINT VENTURES

Corrections Commission of Southeastern Ohio

The Corrections Commission of Southeastern Ohio (the "Commission") is a joint venture of which Athens, Hocking, Morgan, Perry and Vinton counties are members. The Commission is a body politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Commission was established to use the authority common to the members to develop, construct, operate, and administer a multi-county correctional center to augment county jail programs and facilities.

The Commission is directed by one commissioner from each participating county, along with the sheriff and the presiding judge of the court of common pleas of each participating county. Any of these may name other representatives to fulfill this duty. Each county is obligated to provide financial support to this entity through per diem charges and assessments that are based on the number of beds contractually assigned to each county in proportion to the total number of beds of all participating counties. Each member county is financially responsible for a portion of the capital and operating budget. During 2018, the financial responsibility was as follows: Athens County represents 28 percent, Hocking County represents 24 percent, Morgan County represents 9 percent, Perry County represents 26 percent, and Vinton County represents 13 percent.

Complete financial statements can be obtained from the Corrections Commission of Southeastern Ohio, 16677 Riverside Drive, Nelsonville, Ohio 45764. Under the cash basis of accounting, the County does not report assets for equity interests in joint ventures.

NOTE 19 - 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 ensuring 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 20 - FEDERAL FOOD STAMP PROGRAM

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

NOTE 21 - 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
Nonspendable:						
Unclaimed Monies	$19,118	$0	$0	$0	$46,455	$65,573
Restricted for:						
Job and Family Services	0	200,707	0	0	0	200,707
Motor Vehicle and Gas Tax	0	0	1,059,517	0	0	1,059,517
Board of Developmental Disabilities	0	0	0	1,409,853	0	1,409,853
Emergency Services	0	0	0	0	463,201	463,201
Real Estate Assessments	0	0	0	0	210,246	210,246
Economic Development	0	0	0	0	752,723	752,723
Senior Citizen Services	0	0	0	0	166,469	166,469
Child Support Enforcement	0	0	0	0	210,125	210,125
Children Services	0	0	0	0	311,417	311,417
County Court Special Projects	0	0	0	0	309,019	309,019
Court	0	0	0	0	496,008	496,008
Corrections	0	0	0	0	362,330	362,330
Dog and Kennel	0	0	0	0	53,131	53,131
Public Works	0	0	0	0	73,981	73,981
Public Safety	0	0	0	0	22,504	22,504
Marriage License	0	0	0	0	590	590
Board of Elections	0	0	0	0	10	10
Total Restricted	0	200,707	1,059,517	1,409,853	3,431,754	6,101,831
Committed to:						
Capital Improvements	0	0	0	0	1,239	1,239
Assigned to:						
2019 Appropriations	723,011	0	0	0	0	723,011
Purchases on Order	6,315	0	0	0	0	6,315
Total Assigned	729,326	0	0	0	0	729,326
Unassigned:	478,390	0	0	0	0	478,390
Total Fund Balances	$1,226,834	$200,707	$1,059,517	$1,409,853	$3,479,448	$7,376,359

NOTE 22 - 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, 2018.

NOTE 23 - 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.

NOTE 24 – SUBSEQUENT EVENTS

The Auditor of State began a special investigation on April 12, 2018 and the investigation was completed on March 14, 2019.

On March 14, 2019, former Morgan County Treasurer Dawn H. Hosom appeared in Morgan County Common Pleas Court, McConnelsville, OH, before visiting Judge Nau, and entered a plea of guilty to a one-count indictment charging her with Theft in Office (F-4). Judge Nau accepted the plea and a waiver of pre-sentence investigation, and entered a finding of guilty. Judge Nau imposed a sentence of five (5) years of community control and ordered full restitution in the amount of $3,815.09, to be satisfied from the defendant's Ohio Public Employees Retirement System (OPERS) account. Judge Nau ordered that all court costs be paid within 60 days. No fine was imposed. Judge Nau also cautioned the defendant that if she fails to abide by the terms and conditions of community control, he will impose a sentence of 17 months incarceration.

MORGAN COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

FEDERAL GRANTOR ***Pass-Through Grantor*** **Program/Cluster Title**	**Federal CFDA Number**	**Pass-Through Entity Identifying Number**	**Passed Through to Subrecipients**	**Total Federal Expenditures**
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Job and Family Services				
SNAP Cluster:				
State Administrative Matching Grant for the Supplemental Assistance Program	10.561	G-1819-11-5783	$0	$125,628
Total SNAP Cluster			0	125,628
Passed Through Ohio Department of Natural Resources				
Forest Service Schools and Roads Cluster:				
Schools and Roads - Grants to States	10.665	N/A	0	5,745
Total Forest Service Schools and Roads Cluster			0	5,745
Total U.S. Department of Agriculture			0	131,373
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through Ohio Development Services Agency				
Community Development Block Grant - State's Program	14.228	B-D-16-1CA-1	0	9,307
		B-F-16-1CA-1	0	391,680
		B-F-17-1CA-1	0	13,500
		B-C-17-1CA-1	0	39,908
		B-X-17-1CA-1	0	8,969
Total Community Development Block Grant - State's Program			0	463,364
Home Investment Partnerships Program	14.239	B-C-17-1CA-2	0	87,770
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	B-P-16-1CA-2	0	8,361
Total U.S. Department of Housing and Urban Development			0	559,495
U.S. DEPARTMENT OF INTERIOR				
Passed Through Ohio Department of Natural Resources				
National Forest Acquired Lands	15.438	N/A	0	10,546
Total U.S. Department of Interior			0	10,546
U.S. DEPARTMENT OF CRIMINAL JUSTICE				
Passed Through Ohio Department of Public Safety				
Crime Victim Assistance	16.575	2018-VOCA-109857685	0	33,288
Violence Against Women Formula Grants	16.588	2017-WF-VA2-8423	0	26,459
Total U.S. Department of Criminal Justice			0	59,747
U.S. DEPARTMENT OF LABOR				
Passed Through Ohio Department of Workforce Investment Act Area 7				
WIOA Cluster:				
WIOA Adult Programs	17.258	G-1819-11-5783	0	37,674
WIOA Youth Activities	17.259	G-1819-11-5783	0	82,604
WIOA Dislocated Workers	17.278	G-1819-11-5783	0	96,855
Total WIOA Cluster			0	217,133
WIA National Emergency Grants	17.277	G-1819-11-5783	0	15,500
Total U.S. Department of Labor			0	232,633
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through Ohio Department of Transportation				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	PID #103460	0	9,301
		PID #108546	0	49,990
		PID #106387	0	37,120
Total Highway Planning and Construction Cluster			0	96,411
Formula Grants for Rural Areas	20.509	113-RPTF-18-0100	0	196,175
Federal Transit Cluster:				
Bus and Bus Facilities Formula Program	20.526	113-BABF-17-0300	0	110,763
Total Federal Transit Cluster			0	110,763
National Infrastructure Investments	20.933	113-TTGR-160100	0	69,782
Total U.S. Department of Transportation			0	473,131

MORGAN COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

FEDERAL GRANTOR ***Pass-Through Grantor*** **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				
Passed Through Ohio Department of Developmental Disabilities				
Special Education - Grants for Infants and Families	84.181	H181A170024		36,912
		H181A160024		2,843
Total Special Education - Grants for Infants and Families			0	39,755
Social Services Block Grant	93.667	N/A	0	6,991
Medicaid Cluster:				
Medical Assistance Program	93.778	N/A	0	155,233
Total Medicaid Cluster			0	155,233
Passed Through Ohio Department of Job and Family Services				
Promoting Safe and Stable Families	93.556	G-1819-11-5783	$0	$11,656
TANF Cluster:				
Temporary Assistance for Needy Families	93.558	G-1819-11-5783	64,375	790,638
Total TANF Cluster			64,375	790,638
Child Support Enforcement	93.563	G-1819-11-5783	0	235,031
CCDF Cluster:				
Child Care and Development Block Grant	93.575	G-1819-11-5783	0	16,936
Total CCDF Cluster			0	16,936
Child Welfare Services State Grant	93.645	G-1819-11-5783	0	49,182
Foster Care - Title IV-E	93.658	G-1819-11-5783	0	130,174
Adoption Assistance	93.659	G-1819-11-5783	0	8,045
Social Services Block Grant	93.667	G-1819-11-5783	0	379,051
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-1819-11-5783	0	400
Children's Health Insurance Program	93.767	G-1819-11-5783	0	152,268
Medical Assistance Program Cluster:				
Medical Assistance Program	93.778	G-1819-11-5783	0	652,290
Total Medical Assistance Program Cluster:			0	652,290
Passed Through Ohio Department of Aging and the Area Agency on Aging				
Aging Cluster:				
Special Programs for the Aging, Title IIIB, Part B	93.044	N/A	0	35,766
Total Aging Cluster			0	35,766
Passed Through Ohio Secretary of State				
Voting Access for Individuals with Disabilities - Grants to States	93.617	N/A	0	6,000
Total U.S. Department of Health and Human Services			64,375	2,669,416
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through Ohio Emergency Management Agency				
Hazard Mitigation Grant	97.039	FEMA-DR-4002-14R-OH	0	6,723
Emergency Management Performance Grants	97.042	EMC-2017-EP-00006-S01	0	10,210
		EMC-2018-EP-00008-S01	0	7,967
Total Emergency Management Performance Grants			0	18,177
Total U.S. Department of Homeland Security			0	24,900
Total Expenditures of Federal Awards			**$64,375**	**$4,161,241**

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, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule), includes the federal award activity of Morgan County (the County) under programs of the federal government for the year ended December 31, 2018. 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 Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – 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 E – 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, 2018 is $566,375.15.

NOTE F – 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 G – MEDICAID ADMINISTRATIVE PAYMENTS

During the calendar year, the County Board of Development Disabilities received a settlement payment for the 2014 Cost Report from the Ohio Department of Developmental Disabilities for the Medicaid program (CFDA #93.778) in the amount of $3,940.08. The Cost Report settlement payment was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This revenue is not listed on the County's Schedule of Expenditures of Federal Awards since the underlying expenses occurred in the prior reporting periods.

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OHIO AUDITOR OF STATE
KEITH FABER

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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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 30, 2019, wherein we noted the County uses a special purpose framework other than generally accepted accounting principles. Also, we noted the Auditor of State conducted a special investigation.

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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

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 a 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. We consider Finding 2018-002 described in the accompanying Schedule of Findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Findings 2018-003 and 2018-004 described in the accompanying Schedule of Findings to be significant deficiencies.

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 2018-001 and 2018-002.

County's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not subject the County's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

December 30, 2019

OHIO AUDITOR OF STATE
KEITH FABER

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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 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 the County's major federal programs for the year ended December 31, 2018. 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, Morgan County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2018.

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.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

December 30, 2019

MORGAN COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2018

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)?**	Yes
(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 § 200.516(a)?**	No
(d)(1)(vii)	**Major Program:** • Temporary Assistance for Needy Families – CFDA #93.558 • Medical Assistance Program – CFDA #93.778 • Formula Grants for Rural Areas – CFDA #20.509	
(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 § 200.520?**	No

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

FINDING NUMBER 2018-001

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.

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

FINDING NUMBER 2018-001 (Continued)

Noncompliance (Continued)

Ohio Admin. Code § 117-2-03(B) which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the County to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The County prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the County may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the County's ability to evaluate and monitor the overall financial condition of the County. To help provide the users with more meaningful financial statements, the County should prepare its annual financial statements according to generally accepted accounting principles.

Officials' Response: See Corrective Action Plan

FINDING NUMBER 2018-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(I) requires that money paid into any fund shall be used only for the purposes for which such fund is established. Therefore, a negative fund cash balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance.

Per review of the Statement of Cash Position at December 31, 2018, we observed the following funds had negative fund balances:

Fund	Fund Balance
Morgan County Public Transportation	($47,662)
Carlos Riecker Perm	(14,709)
Ambulance	(1,125,565)
Victim Witness Assistance Program	(18,535)

The Ambulance Fund had a negative fund balance at September 30, 2018, in the amount of $1,165,043.

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

FINDING NUMBER 2018-002 (Continued)

Noncompliance and Material Weakness (Continued)

Per review of the Statement of Cash Position at June 30, 2018, we observed the following funds had negative fund balances:

Fund	Fund Balance
Morgan County Public Transportation	($84,373)
Ambulance	(983,825)
Bio Terrorism/Emergency	(16,203)

Negative fund balances could result in the use of restricted receipts for unallowable purposes. A procedure and control, such as the County or Commissioner's periodic review of reports that show cash fund balances, and budget versus actual receipts and disbursements, should be implemented to identify those funds that may potentially develop a negative balance. Advances or transfers should be made for these funds or appropriations modified to prevent a negative cash balance. The County should refer to Ohio Compliance Supplement (OCS) Chapter 1 and/or Auditor of State Bulletin 97-003 for information regarding the accounting treatment and approval process for advances.

Officials' Response: See Corrective Action Plan

FINDING NUMBER 2018-003

Significant Deficiency – Treasurer's Office

Management is responsible for designing and implementing internal control policies and procedures to reasonably ensure specific financial objectives will be achieved. A sound internal control structure requires documented procedures to provide management with reasonable assurance that recorded transactions occurred and are not fictitious. In addition, a well-designed system of internal control will include monitoring of financial reports and information by management in order to compensate for any lack of segregation of duties. This should include the approval of all payments and adjustments posted to the real estate tax system and review of real estate reports by management for the posting of unauthorized adjustments and proper posting of real estate payments.

Our testing of the County Treasurer's real estate system noted the following deficiencies:

- Upon our review of the Treasurer's office daily collections, we noted that, when paid real estate/trailer tax stubs were scanned into the parcel holder's account history, the daily batch number was not manually entered consistently to identify which daily collections were associated with the each payment. This process weakened the internal controls over the completeness and accuracy of daily payments being posted to a parcel holder's account.

- The County Treasurer's office maintained three collection drawers for the payment of real estate/trailer taxes. The County Treasurer maintained one of the collection drawers. There was no segregation of duties between the three cash collection points. Staff people counted out their own collection drawer without any independent reviews.

FINDING NUMBER 2018-003 (Continued)

Significant Deficiency – Treasurer's Office (Continued)

- All taxpayer complaints were handled solely by the Treasurer, including complaints that centered on collections on her cash drawer. There was no documentation log maintained that recorded information of the compliant, parcel number or resolution of such complaint. The parcel holder's account history would reflect changes but no notations to support the changes.
- The Treasurer's office maintains an escrow account within the Treasurer's office. The escrow account allows county taxpayers to prepay amounts toward their annual tax bill. These monies when collected are maintained in an Agency Fund as Fund 310 Real Estate Tax Escrow Fund. These pre-payments and subsequent payment to parcel holder's account are not consistently documented. At various times throughout the year, the Treasurer will notify the County Auditor to transfer money from the Agency Fund 310 Real Estate Tax Escrow Fund to the Agency Fund 304 Undivided General Tax Fund. We were provided no documentation as to support for the amount transferred from the Agency Fund 310 Real Estate Tax Escrow Fund to the Agency Fund 304 Undivided General Tax Fund. The Treasurer's office provide little to no support for the receipts and disbursements for the tax escrow system maintained in the Treasurer's office. Customer pre-payments into the Escrow account had not been updated since 2017.

As a result of these deficiencies, alternative audit procedures were performed to ensure completeness over property tax collections posted to the Undivided Tax Funds within the Agency Fund for 2018. In addition, the Treasurer's office maintained limited internal controls over escrow payment account history by parcel holder.

Failure to maintain sufficient appropriate audit evidence to ensure the completeness of receipts could result in errors or irregularities to occur and remain undetected. Furthermore, the failure to have adequate internal controls could result in errors in posting receipts and deposits being made.

Officials' Response: See Corrective Action Plan

FINDING NUMBER 2018-004

Significant Deficiency – Treasurer's Office

The Treasurer's Office has not adopted a written procedure policy for the collection, depositing and posting of the daily property tax payments. In addition, the Treasurer has not documented any policies for the Treasurer's office.

As a result of not having written procedures, there is no consistency in how various operations are being performed during the collection, depositing and posting process. Our review of the internal control procedures indicated a lack of segregation of duties among other internal control weaknesses. The narrative of the collection process provided during the audit was not always followed.

The Treasurer's office should create a policy manual to document office policies for the Treasurer's office. If the Treasurer's office intention is to follow the policy manual used for all county employees, then this should be maintained in a written document. Any differences from the county policy should be documented in the Treasurer's policy manual. Also, the Treasurer should create written procedures to be followed at collection drawer for the collection, end-of-day close out, the completion of reconciling the drawer each day, the creation of the deposit slip, the creation of the daily Form 6. The amount of change fund for each drawer should be documented.

FINDING NUMBER 2018-004 (Continued)

Significant Deficiency – Treasurer's Office (Continued)

The procedures to scan the paid parcel stubs into the computer should be documented, along with the input of a batch number for parcel scanned in, the generation of a report for all paid parcel stubs scanned.

A reconciliation should be prepared to ensure the completeness and accuracy of the daily scanned stubs by using the Form 7 report and maintaining this report until the next schedule audit. There should be documentation of the amount of cash maintained in reserve in the safe.

Officials' Response: See Corrective Action Plan

3. FINDINGS FOR FEDERAL AWARDS

None.

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MORGAN COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR PART 200.511(b)
DECEMBER 31, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Ohio Rev. Code § 117.38 – The County did not file its 2017 financial statements in accordance with Generally Accepted Accounting Principles.	Not Corrected	County feels GAAP reporting is not cost-effective.
2017-002	Ohio Rev. Code § 5705.10(I) – The County had four funds with negative fund balances at December 31, 2016.	Not Corrected	Reissued as Finding 2018-002.
2017-003	Ohio Rev. Code § 149.351(A) – The Treasurer's office did not maintain the paid real estate/trailer tax paid tax stubs in daily batches as collected and reconciled to the three drawers on a daily basis. The Daily Form 7 was not retained. The daily batch number was not consistently manually entered as support which day of collections the payment was associated with. There was no segregation of duties between the three cash collection points. All taxpayer complaints were handled solely by the Treasurer, including complaints that centered on collections on her cash drawer. There were fifteen checks, in the total amount of $556.35, written to cash. Documentation was not provided for the escrow account maintained by the Treasurer's office for prepaid taxes.	Partially Corrected	Some of the issues were corrected but the segregation of duties issue and escrow account issues remain an issue throughout 2018. Reissued as Finding 2018-003.
2017-004	Ohio Rev. Code § 117.28 – A finding for recovery for public monies collected that have not been accounted for was issued against Dawn Hosom and her bonding company in the amount of $3,815.	Corrected	
2017-005	The Treasurer's office has not adopted a written procedure policy for the collection, depositing and posting of the daily property tax payments.	Not Corrected	Reissued as Finding 2018-004.
2017-006	Ohio Rev. Code §§ 135.18, 135.181 and 135.181(L) – The County's banks did not join OPCS or provide specific pledged collateral for the County, but continued to maintain pooled collateral as provided under a prior Ohio Rev. Code section.	Partially Corrected	The County's banks became compliant in 2019.

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Gary D. Woodward
MORGAN COUNTY AUDITOR
155 E. Main St. • Room 217
McConnelsville, Ohio 43756
740-962-4475

Deputy Auditors: Katy Chapin Jenny Cordray Alisha Webb Amanda Wells

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	Morgan County has filed it's cash financial reports in a timely fashion. We realize that we are in noncompliance with GAAP reporting and hope that the State of Ohio will understand that we are a small county and it is cost-prohibitive for us to institute GAAP processing.	December 31, 2019	Gary D. Woodward, County Auditor
2018-002	The Commissioner's office has no formal plan to correct the deficit balances other than be cautious and prudent with future spending.	December 31, 2019	Adam Shriver, County Commissioner
2018-003	The Treasurer's office has implemented a new Real Estate software package in 2019. In addition, as the newly elected Treasurer, I intend to review all procedures and policies and implement new procedures and policies where necessary.	December 31, 2019	Randy Williams, County Treasurer
2018-004	The Treasurer's office has implemented a new Real Estate software package in 2019. In addition, as the newly elected Treasurer, I intend to review all procedures and policies and implement new procedures and policies where necessary.	December 31, 2019	Randy Williams, County Treasurer

OHIO AUDITOR OF STATE
KEITH FABER

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
JANUARY 9, 2020

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